Agency Purpose

The Board of Accountancy was established in 1909 and is mandated by M.S. 326.165-326.229. The board's is responsible for ensuring that persons engaged in public accounting meet and maintain the qualifications and standards required to competently practice public accounting in the state of Minnesota. The board fulfills its mission through the following:

- administering the Uniform Certified Public Accountant examination;
- issuing and renewing licenses to certified public accountants;
- renewing licenses to licensed public accountants; and
- regulates the profession.

At A Glance

Biennial Budget for FY 2002-03 $1.404 million
Recovers all its costs through fees

Business Functions:

- Licenses over 23,000 Certified Public Accountants;
- Reviews and processes over 3000 applications to sit for the Uniformed Certified Public Accountant examination biennially; and
- Issues fines and penalties based on board authorized disciplinary action.

The board has a staff of five full-time employees.

Core Functions

The board regulates the practice of public accounting by enforcing its rules and applicable laws on ethics and by monitoring continuing, professional education requirements, quality review and investigating complaints. The board also follows M.S. 214 that generally governs boards and commissions charged with regulating certain occupations in Minnesota.

Operations

The board is comprised of five certified public accountants, two licensed public accountants, and two public members. Dennis Poppenhagen is the executive secretary of the board. Four full-time equivalent employees assist the executive secretary with licensing, investigation, exam preparation, and other duties.

The Department of Commerce provides administrative support to the board. Its duties include processing payroll and personnel transactions, allotting, encumbering, and disbursing funds, and maintaining the accounting records. The Department of Commerce records the financial activity in the state's accounting system, MAPS, while payroll activity is recorded in the state's human resources system, SEMA4.

The Department of Finance provides standard financial reports for the board. The executive secretary is responsible for reviewing the financial reports and working with the Department of Finance to resolve any discrepancies. According to M.S. 214.06 and M.S. 326.22, the board is required to collect sufficient fees to recover both its direct and indirect costs. The Department of Finance works with the board to ensure that fees charged recover board costs.

Budget

The board's biennial budget for FY 2002-03 is $1.404 million. This funding is through a direct appropriation for the state's General Fund. The board recovers all of its costs through the collection of fees for licensing, disciplinary action, and examinations.

Contact

Minnesota Board of Accountancy
85 E. 7th Place
St. Paul, Minnesota 55101

Dennis Poppenhagen, Executive Secretary
Phone: (651) 296-7937
Fax: (651) 282-2644

Visit our web site at: www.boa@state.mn.us for information on licensing, examinations, CPE requirements, rules and statutes, forms, and newsletters.

State of Minnesota
Department of Finance

400 Centennial Building
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TTY: 1-800-627-3529

February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Economic Development omnibus bill. These agencies collectively administer $130 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $17.5 million (17.8%) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to preserve Minnesota's rich history, support the state's art community, regulate professional licensees, and provide advice to the Governor and legislature on issues effecting the state's minority populations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

We have evaluated the role of government in a number of these agencies and are recommending the elimination of state funding. The reduction level for most of the other non-cabinet agencies in the economic development area ranges from 15-20%. Most agencies have focused on reducing their administrative areas of the budget in order to preserve the core functions of the agency.

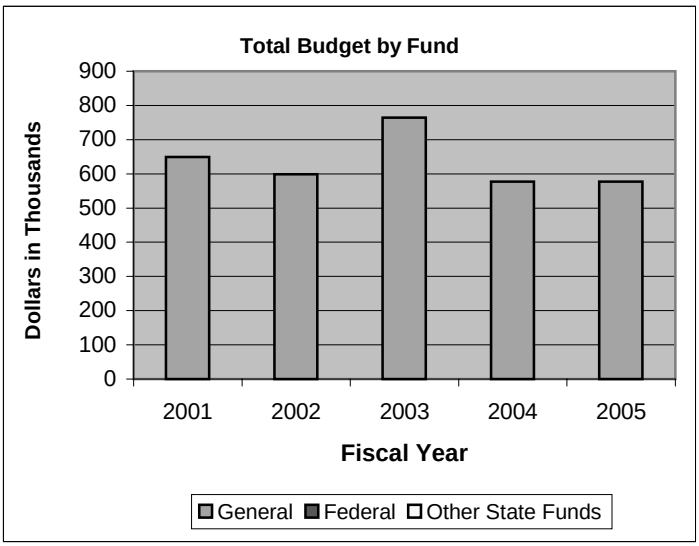
The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

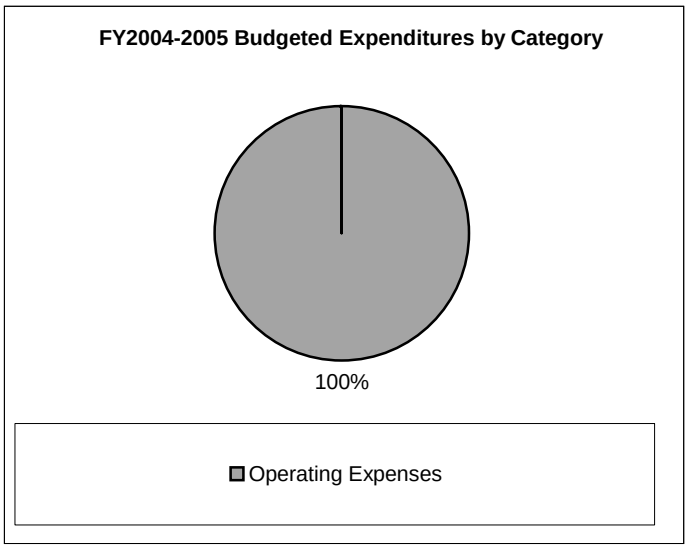
I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	1,442	0	1,442
Adjusted Base Funding	1,442	0	1,442
Change Items			
Budget Reduction	-288	0	-288
Governor's Recommendations	1,154	0	1,154
Biennial Change, 2002-03 to 2004-05	-209	0	-209
Percent Change	-15%	n.m.	-15%





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	649	599	764	577	577	1,154
Total	**649**	**599**	**764**	**577**	**577**	**1,154**
Expenditures by Category						
Operating Expenses	649	599	764	577	577	1,154
Total	**649**	**599**	**764**	**577**	**577**	**1,154**
Expenditures by Program						
Accountancy	649	599	764	577	577	1,154
Total	**649**	**599**	**764**	**577**	**577**	**1,154**
Revenue by Type and Fund						
Non Dedicated						
General	0	715	665	665	665	1,330
Cambridge Deposit Fund	701	0	0	0	0	0
Subtotal Non Dedicated	701	715	665	665	665	1,330
Total Revenue	**701**	**715**	**665**	**665**	**665**	**1,330**
Full-Time Equivalents (FTE)	**4.8**	**4.7**	**5.3**	**5.3**	**5.3**	

Preliminary Proposal

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($144)	($144)	($144)	($144)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($144)	($144)	($144)	($144)

Recommendation

The Governor recommends a reduction of $144,000 in FY 2004 and $144,000 in FY 2005 to the budget of the Board of Accountancy.

Background

The recommended reduction will be taken from the following portions of the board's operating budget.

- Staff
- Travel and subsistence
- Printing and repairs
- Employee development

The staff reduction may result in some slower turn-around times for the services delivered to the licensees and the public. No reduction in actual services will result.

Relationship to Base Budget

The recommended reduction represents 20% of the base budget.

Alternatives Considered

None.

Statutory Change: Not Applicable.

Agency Purpose

In 1976, the legislature established the Office of Administrative Hearings (OAH) as an independent executive branch agency responsible for conducting administrative contested case hearings whenever state or local law gave citizens the right to challenge state or local government action that adversely affected them. OAH was also given the responsibility of ensuring that state agency rulemaking and rulemaking proceedings conform to requirements of the law. In 1981, the legislature gave OAH the added responsibility of conducting hearings to resolve claims for workers' compensation benefits. And in 1998, the legislature added to that responsibility by transferring the functions of the Department of Labor and Industry's Judicial Services Unit to OAH. That gave OAH responsibility for providing certain alternative dispute resolution services to parties involved with workers' compensation benefit claims.

At A Glance

Annual Business Processes:

- Service to more than 80 state agencies and 20 local government units
- 584 administrative rulemaking and contested case proceedings per year
- 7,211 workers' compensation settlement matters disposed of per year
- 4,344 workers' compensation hearing matters disposed of per year

Core Functions

The agency's two operating divisions provide a variety of dispute resolution services to parties involved with administrative hearings and workers' compensation benefit claims, namely:

- providing persons adversely affected by state or local government actions with full and fair opportunities to be heard and to challenge those actions;
- ensuring that agency rules and rulemaking proceedings conform to the law and allowing the widest possible public participation in the formulation of agency rules;
- providing injured workers, their employers, and workers' compensation insurers with prompt and impartial resolutions of claims for workers' compensation benefits; and
- encouraging and assisting disputing parties to resolve their differences through settlement, arbitration, and mediation.

Operations

The administrative law judges (ALJ) assigned to the agency's Administrative Law Division serve and meet the administrative hearing needs of most state agencies and a number of local governments. Upon request, they also provide arbitration and mediation services to those customers. Administrative law judges also review all proposed agency rules and amendments for legality, necessity, and reasonableness and conduct public rule hearings when required. The compensation judges assigned to the agency's Workers' Compensation Division are responsible for conducting most pre-trial and all trial level functions associated with the disposition of claim petitions for workers' compensation benefits. Those functions include disposing of motions, conducting settlement and pre-trial conferences, conducting trials, and issuing awards and final decisions.

Key Measures

	Statutory Requirement	2002
⇒ Average time for ALJs to issue final decisions/recommendations after the record closes.	90 days	17 days
⇒ Average time for compensation judges to issue final decisions after the record closes.	60 days	34.6 days
⇒ Average time for compensation judges to issue orders on requests for discontinuance of benefits, medical and rehab requests.	5 days	3.4 days
⇒ Percent of attorneys and parties who rated OAH judges as "excellent" or "good" in each of 21 categories. (See OAH website for more information on this survey.)	NA	75%*

* 1999 information – 2002 data will be available in January 2003.

Budget

OAH maintains a staff of 94 full-time equivalent positions, and its FY 2002-03 biennial budget totals $17.3 million. The Administrative Law Division has a $2.3 million biennial budget, which is funded by a Special Revenue Revolving Fund. Deposits into that fund are collected from state agencies and local governments through hourly charges for administrative law judges and staff attorneys. The Workers' Compensation Division has a $15.0 million biennial budget funded by an appropriation by the legislature from the state's Workers' Compensation Special Compensation Fund.

Contact

Administrative Hearing Office
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Minneapolis, Minnesota 55401-2138

World Wide Web Home Page:
http://www.oah.state.mn.us

Kenneth A. Nickolai
Chief Administrative Law Judge
Phone: (612) 341-7642
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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators:

I respectfully submit for your consideration the Governor's FY 2004-05 budget proposals for the non-cabinet agencies in the state government omnibus bill. Under the Governor's recommended budget, these agencies would collectively spend $12.882 million in General Fund dollars for the FY 2004-05 biennium. The funding provided for these agencies will be used for the protection of public assets and resources, assurance of due process related to governmental rulemaking, the regulation of the gambling and racing industries, administration of campaign finance and disclosure laws, and support to small non-profit organizations that assist Minnesota veterans.

The FY 2004-05 funding recommended for these agencies represents a $6.695 million (34.2%) decrease from the FY 2002-03 biennium. The recommendations will also result in a net decrease in revenue to the General Fund of $954,000 for the biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing and reorganizing some functions. Therefore, for some of the agencies in this bill, the Governor recommends that funding and/or operations be consolidated with other related operations in the state in order to ensure cooperation and shared services to reduce costs.

In addition, the Governor recommends mitigating the impact of the state's deficit by spreading the cuts broadly among agencies, and by ensuring that the industries and parties that benefit from these services assist in paying for them. Therefore, for some of the agencies in this bill, the Governor recommends that dependence upon General Fund dollars be supplanted or offset with fees and user charges, and that where appropriate, some fees billed to governmental agencies be reduced.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium as well as the Governor's recommendations for state funding of pension systems and revenues from the Minnesota Lottery.

My staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

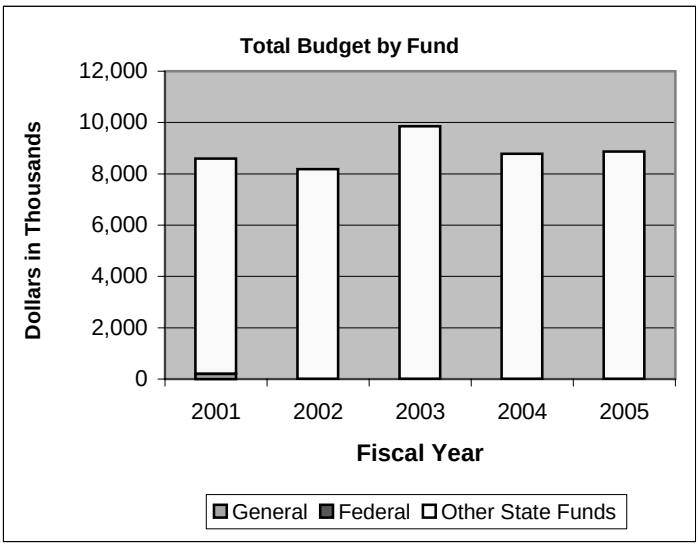
Dan McElroy
Commissioner

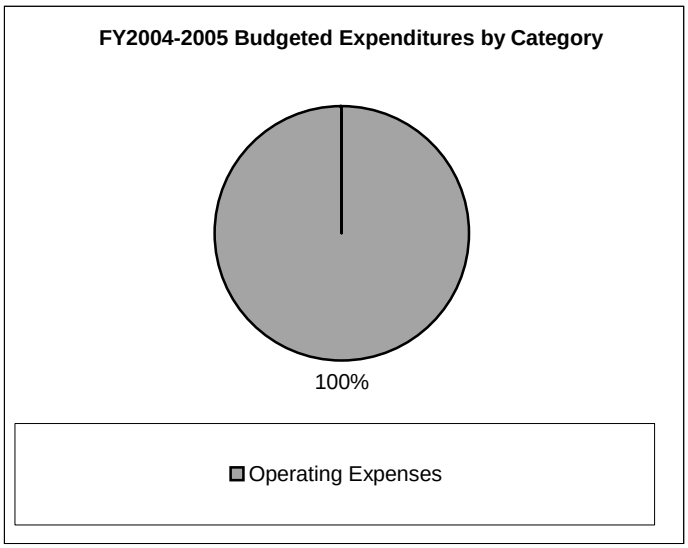
	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	0	19,098	19,098
Legislatively Mandated Base	0	41	41
Transfers Between Agencies	0	100	100
Adjusted Base Funding	0	19,239	19,239
Change Items			
Budget & Rate Reductions	0	-1,588	-1,588
Governor's Recommendations	0	17,651	17,651
Biennial Change, 2002-03 to 2004-05	0	-385	-385
Percent Change	n.m	-2%	-2%

Brief Explanation Of Budget Decisions:

As provided in Laws 2001, First Special Session, Chapter 8, Article 5, Sec. 22, base adjustments for the Workers' Compensation Special Revenue Fund are provided in FY 2004 and FY 2005 under "Legislatively Mandated Base" to appropriately reflect judicial salary increases.

The Workers' Compensation Fund base also reflects the transfer of $100,000 for the biennium from the Department of Labor and Industry (DOLI) for postage expenses. In FY 1998, the Judicial Services unit of DOLI was transferred to the Office of Administrative Hearings (OAH). Subsequently, the OAH St. Paul office was closed and all employees were moved to the OAH Minneapolis location. DOLI has continued to reimburse OAH for their postage expenses related to the former St. Paul operation. This transfer makes these funds a permanent part of the OAH base appropriation.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	194	0	0	0	0	0
Workers Compensation	7,063	7,086	8,309	7,186	7,249	14,435
Statutory Appropriations						
Administrative Hearings	1,336	1,096	1,535	1,593	1,611	3,204
Workers Comp Transcript	3	4	6	6	6	12
Total	**8,596**	**8,186**	**9,850**	**8,785**	**8,866**	**17,651**
Expenditures by Category						
Operating Expenses	8,596	8,180	9,850	8,785	8,866	17,651
Payments To Individuals	0	6	0	0	0	0
Total	**8,596**	**8,186**	**9,850**	**8,785**	**8,866**	**17,651**
Expenditures by Program						
Administrative Hearings	8,596	8,186	9,850	8,785	8,866	17,651
Total	**8,596**	**8,186**	**9,850**	**8,785**	**8,866**	**17,651**
Revenue by Type and Fund						
Dedicated						
Administrative Hearings	875	1,369	1,369	1,369	1,369	2,738
Workers Comp Transcript	8	8	6	6	6	12
Subtotal Dedicated	883	1,377	1,375	1,375	1,375	2,750
Total Revenue	**883**	**1,377**	**1,375**	**1,375**	**1,375**	**2,750**
Full-Time Equivalents (FTE)	**92.5**	**87.0**	**87.9**	**70.5**	**69.5**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	($794)	($794)	($794)	($794)
Revenues	0	0	0	0
Net Fiscal Impact	($794)	($794)	($794)	($794)

Recommendation

The Governor recommends an appropriation of $14.435 million in FY 2004-05 from the Workers' Compensation Special Revenue Fund. This is a 10% reduction. Also, the Governor recommends instituting fee rates for the Administrative Law Division that are 10% below the current rates. The Governor intends that the agency should focus its funding on maintaining its highest priority services. As a tool, the Office of Administrative Hearings (OAH) should collaborate with other state agencies on ways to achieve these reductions through consolidation, co-location, or sharing of support services. The Governor intends to provide as much flexibility as possible to the agency for the implementation of these reductions.

Background

OAH's Workers' Compensation Division adjudicates claim petitions for worker's compensation benefits and related matters that are filed by injured workers. The division's activities are funded entirely by a biennial appropriation from the Workers' Compensation Special Fund. In order to make a 10% reduction of the Workers' Compensation Division budget, as well as absorb anticipated rent and compensation increases for judges, OAH would propose to eliminate all funding for employee development and out-of-state travel, eight support staff positions, and six compensation judge positions. It would also propose to close the Detroit Lakes Workers' Compensation Division office (which would require legislation).

The office's Administrative Law Division conducts hearings on state and local government agency rulemaking and regulatory action by the agencies under those rules against individuals and businesses. The division's activities are funded entirely by fees collected from the state agencies and local governments through hourly charges for administrative law judges and staff attorneys. The revenue and expenses for the division are funded through a special revenue revolving fund and dedicated to the agency by statute.

If rates for administrative hearings are reduced, the agency may have to reduce its costs per claim in order to handle claims more efficiently. These reductions might include eliminating funding for employee development and out-of-state travel, five support staff positions, three unfilled administrative law judge (ALJ) positions, one full-time temporary ALJ position, and reductions in the use of part-time, contract ALJs.

Relationship to Base Budget

The Workers' Compensation Division's special compensation fund base budget for FY 2004-05 is $16.023 million. This change item would reduce that biennial appropriation by $1.588 for those upcoming two years, a 10% reduction.

Net impact to the office's base budget for the Administrative Law Division is not known, because hearing activities may increase and related revenues could exceed the level of corresponding expenditure reductions.

Key Measures

Under current law, OAH must adjudicate all compensation claims filed with the office by injured workers. Those claims have increased by 20% during the last two fiscal years. Assuming a further increase in benefit claims due to the current state of the economy, the result of the proposed budget would be delays in adjudication of those claims. It is estimated that resolution of disputed claims would be delayed from the current 14 months after filing to about 24 to 27 months.

Alternatives Considered

The primary alternative to current practice would be legislation to alter Minnesota's workers' compensation system whereby the state court system would adjudicate all workers' compensation claims. Judicial resolution of these claims would involve a significantly greater cost to the state, and adding over 10,000 new matters into a court system would probably create greater delays than claimants would experience at OAH.

Similarly, because administrative hearings are legally and constitutionally required, legislation to have them conducted in the state court system would significantly increase costs to the state and could raise separation of powers issues.

And finally, because a number of current statutes require equal treatment of ALJ and workers compensation judges with those in the state judicial system, another alternative that might be considered would be to require ALJ and workers compensation judges to retire at the age of 70 as is required of other judges in the state judiciary. A mandatory retirement age might assist in reducing costs to the office.

Statutory Change:
Rider language will be required to eliminate the Workers' Compensation Division's Detroit Lakes Office.

Agency Purpose

"Service First" to Minnesota and its citizens is the goal of the Department of Administration (Admin) and is expressed in Admin's mission to improve the quality and productivity of Minnesota government. Admin strives to accomplish this through providing high-quality facilities, services, and infrastructure that will assist each agency in achieving its organizational and strategic goals.

Admin strategic goals include:

⇒ *Customer Focus* – Admin consistently delivers goods and services that support state agencies in meeting and/or exceeding citizen expectations and takes a leadership role in facilities and operations management.

⇒ *Employer of Choice* – Admin motivates and enables employees to develop and utilize their skills in support of Admin's overall objectives in a positive work environment.

⇒ *Technology for the Future* – Provide citizens with more convenient, easy, fast, and cost-effective access to government information and services.

At A Glance

- Manages over 525 construction projects with a total value of $260 million.
- Recycles over 2,000 tons of materials yearly.
- Manages 1,000 state leases and 4 million usable square feet of leased space.
- Administers the state building codes.
- Provides energy management services that result in annual savings of over $125,000.
- Provides information technology services to Minnesota's public sector around the clock.
- Processes 31 million pieces of mail and 5 million warrants and checks annually.
- Provides oversight of $1 billion in annual purchasing and consolidates procurement activities, saving $49 million a year.
- Coordinates strategic investments in information and communications technology.
- Home to North Star, the state of Minnesota's Internet portal.

Core Functions

Admin is organized under five distinct bureaus.

⇒ **Operations Management Bureau (OMB)** is the state's buyer, mail service, printer, bookstore, office supply store, insurance carrier, vehicle leasing agency, and surplus property auctioneer.

⇒ **Office of Technology (OT)** is state government's technology window to today and tomorrow. OT provides statewide leadership and direction for the development, integration, and implementation of electronic government services and other technology initiatives and seeks to assure that state policy enhances the capabilities of Minnesota's citizens, businesses, schools, and communities. OT also coordinates and maintains *North Star*, the state's Internet portal.

⇒ **InterTechnologies Group (InterTech)** is the state's electronic nerve center, providing information technology services to state agencies, higher education, counties, cities, and school districts. InterTech offers voice, data, and video telecommunications network services; business recovery; and computer network server support.

⇒ **Facilities Management Bureau (FMB)** is the state's architect, building inspector, leasing and land acquisition/disposition specialists, landlord, gardener, and state building custodian.

⇒ **Management Services Bureau (MSB)** includes the agency's legislative, communications, administrative, and inter-agency support and consulting functions as well as several specialized services that include fiscal agent and public affairs responsibilities.

Operations

Admin serves multiple customers, including state agencies and constitutional offices, political subdivisions, the legislature, government employees, and citizens of the state. Admin provides four types of services to its customers:

⇒ **Marketplace Services** include internal service fund activities. Customers have freedom of choice when selecting vendors for products or services and choose to do business with Admin when superior service and value is provided. These services include management consulting services, vehicle leasing, sale of office supplies, sale of surplus property, insurance services, printing, sale of state documents, micrographics, and records storage.

- ⇒ **Utility Services** are similar to cooperatives in that the aggregation of demand is one of the primary benefits the utility provides. These services include data processing, telecommunications, 911 emergency telephone services, maintenance and grounds services, parking services, and mail operations.
- ⇒ **Compliance Services** are those that work to achieve compliance with laws, rules, standards, norms, and other expectations. These include information policy analysis, internal financial, audit and some human resources services, professional and technical contracting, leasing and land acquisition/disposition, and building codes and standards.
- ⇒ **Leadership Services** are those that provide statewide leadership on various issues. Leadership expertise within Admin focuses on technology architecture, NorthStar web site, electronic government services, facilities siting and building construction, resource recycling/recovery services, energy management, state archaeologist, and assistance to disabled individuals throughout the state.

Budget

The Department of Administration is funded through various sources including general, special revenue, federal, agency, gift, and internal service/enterprise funds.

- ⇒ General funds are primarily used for operations with statewide significance, including functions such as procurement, energy management, resource recovery, building construction, information policy analysis, and pass through grants. The Minnesota Legislature appropriates these funds.
- ⇒ Special Revenue funds are fee based and include 911 emergency services funds collected through monthly statewide subscriber fees, and building codes permits and surcharges for plan reviews, inspections and licenses.
- ⇒ The Developmental Disabilities Council and the STAR Program secure federal funds through the U.S. Department of Health and Human Services, and the U.S. Department of Education. Gift funds are donations accepted for the Governor's Residence Council.
- ⇒ Agency funds are pass through funds from state agencies for postage and state employees for bus cards.
- ⇒ Internal Service/Enterprise funds are the largest source of funds for the agency. Internal Service funds come through fees charged to state agencies for internal support services including insurance, printing, consulting, computer services, telecommunications, and leasing of facilities under the custodial control of Admin. These activities prepare annual business plans and develop rate structures for product and service offerings. Enterprise funds come through fees charged to governmental entities, citizens and businesses bookstore, surplus property, and cooperative purchasing products and services.

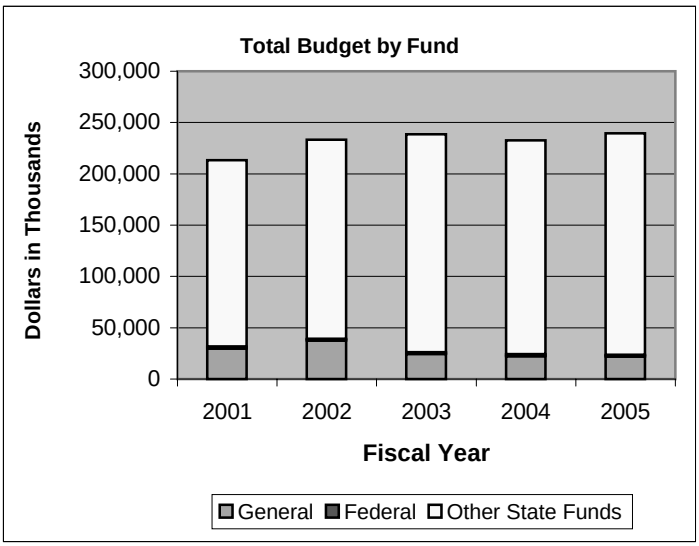
Many challenges are faced with hiring and maintaining a highly qualified staff to operate the many and varied divisions of the agency. Staffing numbers are constantly changing, and in FY 2002, the agency had 956 employees.

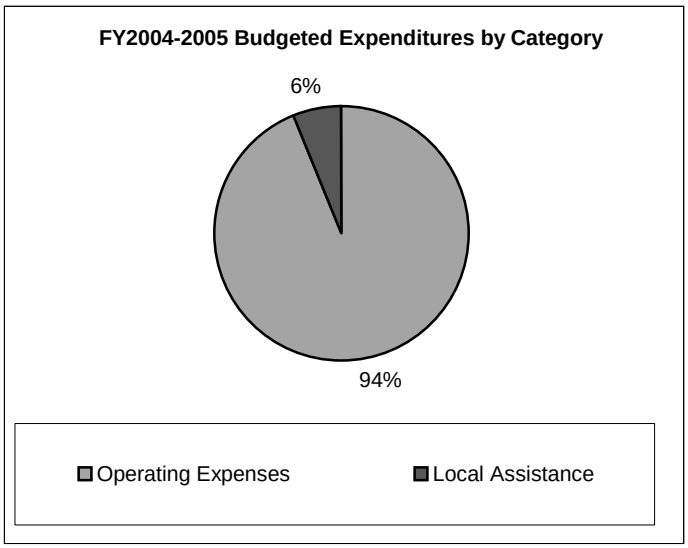
Contact

Department of Administration
www.admin.state.mn.us

Jim Schwartz, Communications Liaison
jim.schwartz@state.mn.us or (651) 284-3351
Larry Freund, Financial Management Director,
larry.freund@state.mn.us or (651) 296-5857

For information on how this agency measures whether it is meeting its statewide goals, please refer to www.departmentresults.state.mn.us.





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	29,621	37,491	24,215	22,221	21,721	43,942
Special Revenue	0	0	0	519	0	519
Statutory Appropriations						
General	44	0	0	0	0	0
State Government Special Revenue	22,343	23,076	30,192	29,281	32,881	62,162
Special Revenue	4,883	6,684	13,859	12,193	12,093	24,286
Federal	1,704	1,477	1,726	1,705	1,717	3,422
Risk Management	7,034	9,586	10,898	11,303	12,658	23,961
Miscellaneous Agency	10,435	9,917	11,100	11,100	11,103	22,203
Gift	155	131	38	77	64	141
Plant Management	24,791	26,155	25,920	25,551	25,800	51,351
Documents And Publications	2,306	1,873	1,949	1,980	2,061	4,041
Micrographics	1,295	1,336	1,284	1,359	1,380	2,739
Management Analysis	1,078	984	1,051	1,091	1,151	2,242
Central Motor Pool	13,060	14,021	12,862	13,104	13,292	26,396
State Printer	6,710	4,928	4,599	5,122	5,286	10,408
Central Stores	8,319	7,651	7,869	7,897	7,939	15,836
Materials Distribution	4,272	5,415	5,745	4,969	5,459	10,428
Intertechnologies	74,460	81,640	84,563	82,456	83,979	166,435
Central Mailing	760	765	701	738	766	1,504
Total	**213,270**	**233,130**	**238,571**	**232,666**	**239,350**	**472,016**

Expenditures by Category						
Operating Expenses	198,076	207,198	222,385	216,764	220,660	437,424
Capital Outlay & Real Property	1,756	584	638	634	638	1,272
Payments To Individuals	0	5	0	0	0	0
Local Assistance	11,078	21,551	12,548	13,083	15,652	28,735
Other Financial Transactions	2,360	3,792	3,000	2,185	2,400	4,585
Total	**213,270**	**233,130**	**238,571**	**232,666**	**239,350**	**472,016**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Program	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Operations Management Bureau	58,566	58,702	59,982	60,277	62,646	122,923
Office Of Technology	3,434	4,668	3,306	2,669	2,614	5,283
Intertechnologies Group	95,471	100,716	109,033	105,097	110,021	215,118
Facilities Management	37,728	40,454	47,470	46,146	45,971	92,117
Management Services	8,298	7,666	7,642	7,578	7,738	15,316
Fiscal Agent	9,773	20,924	11,138	10,899	10,360	21,259
Total	**213,270**	**233,130**	**238,571**	**232,666**	**239,350**	**472,016**
Revenue by Type and Fund						
Non Dedicated						
General	332	174	119	121	121	242
Subtotal Non Dedicated	332	174	119	121	121	242
Dedicated						
State Government Special Revenue	22,728	21,994	27,323	29,258	31,182	60,440
Special Revenue	4,938	5,494	4,402	4,331	4,531	8,862
Federal	1,472	1,467	1,669	1,705	1,717	3,422
Risk Management	8,532	9,037	11,049	12,064	13,369	25,433
Miscellaneous Agency	10,389	10,119	11,100	11,100	11,103	22,203
Gift	152	115	22	56	35	91
Plant Management	38,412	40,927	38,209	41,106	41,398	82,504
Documents And Publications	2,308	1,912	1,986	2,009	2,069	4,078
Micrographics	1,373	1,206	1,314	1,401	1,401	2,802
Management Analysis	1,086	1,061	1,050	1,091	1,150	2,241
Central Motor Pool	12,181	13,478	14,572	14,857	15,690	30,547
State Printer	5,846	4,472	4,981	5,130	5,284	10,414
Central Stores	8,498	7,706	7,902	7,902	7,902	15,804
Materials Distribution	4,732	5,655	5,685	5,420	5,542	10,962
Intertechnologies	76,367	73,243	83,219	80,581	82,528	163,109
Central Mailing	782	786	767	807	802	1,609
Subtotal Dedicated	199,796	198,672	215,250	218,818	225,703	444,521
Total Revenue	**200,128**	**198,846**	**215,369**	**218,939**	**225,824**	**444,763**
Full-Time Equivalents (FTE)	**912.5**	**901.5**	**927.4**	**872.4**	**866.9**	

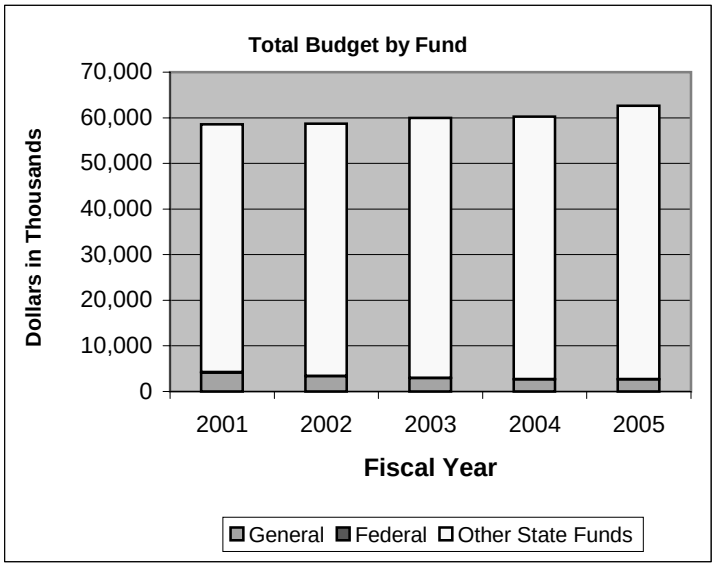
Program Description

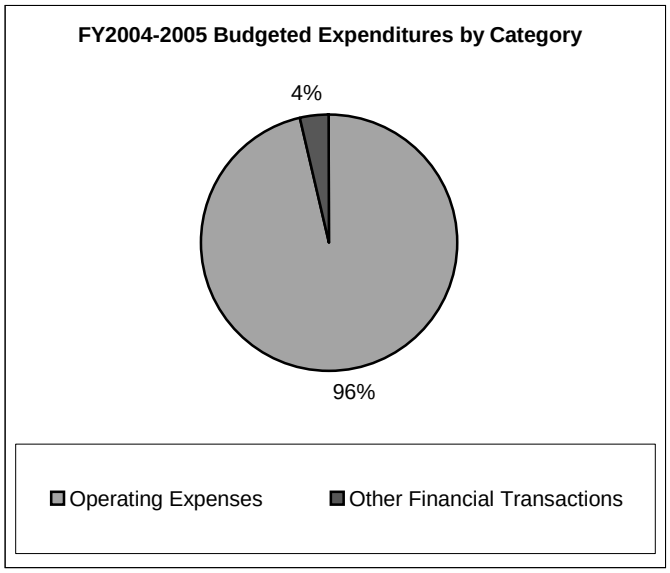
The purpose of the Operations Management Bureau (OMB) is to provide a broad range of operating support services to state government. These services are provided as cost-effective alternatives to decentralized administrative services. OMB strives to honor the agency mission by providing "services of such high quality and value that they are sought after by its customers."

Budget Activities Included:

⇒ Risk Management
⇒ Materials Management
⇒ MMD Central Stores
⇒ Travel Management
⇒ Communications Media

Further detail on each of these Budget Activities is included in subsequent pages of this budget document.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,121	3,343	2,938	2,669	2,669	5,338
Statutory Appropriations						
General	44	0	0	0	0	0
Special Revenue	291	186	137	136	136	272
Federal	55	0	0	0	0	0
Risk Management	7,034	9,586	10,898	11,303	12,658	23,961
Miscellaneous Agency	10,224	9,559	11,000	11,000	11,000	22,000
Gift	75	39	0	0	0	0
Documents And Publications	2,306	1,873	1,949	1,980	2,061	4,041
Micrographics	1,295	1,336	1,284	1,359	1,380	2,739
Central Motor Pool	13,060	14,021	12,862	13,104	13,292	26,396
State Printer	6,710	4,928	4,599	5,122	5,286	10,408
Central Stores	8,319	7,651	7,869	7,897	7,939	15,836
Materials Distribution	4,272	5,415	5,745	4,969	5,459	10,428
Central Mailing	760	765	701	738	766	1,504
Total	**58,566**	**58,702**	**59,982**	**60,277**	**62,646**	**122,923**
Expenditures by Category						
Operating Expenses	56,463	55,613	56,982	58,092	60,246	118,338
Other Financial Transactions	2,103	3,089	3,000	2,185	2,400	4,585
Total	**58,566**	**58,702**	**59,982**	**60,277**	**62,646**	**122,923**
Expenditures by Activity						
Risk Management	7,034	9,586	10,898	11,303	12,658	23,961
Materials Management	7,343	8,200	8,211	7,195	7,685	14,880
Mmd Central Stores	8,319	7,651	7,869	7,897	7,939	15,836
Travel Management	13,269	14,207	12,999	13,240	13,428	26,668
Communications Media	21,894	19,019	20,005	20,642	20,936	41,578
Mn Office Volunteer Serv	707	39	0	0	0	0
Total	**58,566**	**58,702**	**59,982**	**60,277**	**62,646**	**122,923**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	77	85	0	0	0	0
Subtotal Non Dedicated	77	85	0	0	0	0
Dedicated						
Special Revenue	246	129	136	136	136	272
Federal	26	0	0	0	0	0
Risk Management	8,532	9,037	11,049	12,064	13,369	25,433
Miscellaneous Agency	10,189	9,760	11,000	11,000	11,000	22,000
Gift	89	24	0	0	0	0
Documents And Publications	2,308	1,912	1,986	2,009	2,069	4,078
Micrographics	1,373	1,206	1,314	1,401	1,401	2,802
Central Motor Pool	12,181	13,478	14,572	14,857	15,690	30,547
State Printer	5,846	4,472	4,981	5,130	5,284	10,414
Central Stores	8,498	7,706	7,902	7,902	7,902	15,804
Materials Distribution	4,732	5,655	5,685	5,420	5,542	10,962
Central Mailing	782	786	767	807	802	1,609
Subtotal Dedicated	54,802	54,165	59,392	60,726	63,195	123,921
Total Revenue	**54,879**	**54,250**	**59,392**	**60,726**	**63,195**	**123,921**
Full-Time Equivalents (FTE)	**193.6**	**169.6**	**159.3**	**159.8**	**159.8**	

Activity Description

The Risk Management Division (RMD), operating under legislative authority of M.S. 16B.85, provides three major areas of service to state agencies, departments, boards, and commissions:

- manage the Risk Management Fund (RMF), which operates as the state's internal insurance company providing property and casualty insurance coverage;
- purchase commercial insurance to meet agencies' needs when the placement of the insurance may not be appropriate in the RMF; and
- provide risk and insurance management consulting services on a wide variety of issues.

Activity at a Glance

- Serves over 100 state agencies, departments, boards, and commissions.
- Property values insured total more that $7 billion.
- Insure 13,500 state vehicles.
- Handled 1,412 new claims in FY 2002.

Population Served

State of Minnesota agencies, departments, boards and commissions, and political subdivisions.

Services Provided

The RMD, through the RMF, offers five major lines of insurance. Those lines are auto liability, auto comprehensive and collision, general liability, property, boiler and machinery, and other miscellaneous lines that provide coverages that meet specific agency needs. Reinsurance is purchased to provide protection to the RMF against catastrophic or annual aggregation of property losses.

When unique types of coverage are needed, the RMD assists state agencies with purchasing appropriate insurance if self-insurance of the risk is not deemed appropriate for the RMF.

The RMD does not provide grants, regulate activity, or set or enforce standards.

The RMD has an Advisory Committee made up of representatives from state agencies, academia, and the private sector.

Historical Perspective

The legislature created the RMD in 1986 in response to the hard casualty insurance marketplace and the expectation that the state might not have been able to obtain auto liability insurance. The RMD started 1-01-87.

In 1988, the first commercial general liability insurance was underwritten by the RMF. In 1994, automobile comprehensive and collision insurance was offered. In 1996, the RMF started to offer a full line of property and casualty insurance coverages with the creation of Minnesota State Colleges and Universities (MnSCU) and their desire to have a comprehensive insurance program. Since that time, there has been a growing list of clients, which is now expanded (by legislation) to include political subdivisions.

The most critical issue facing the RMF is the uncertainty of the reinsurance market as a result of 9-11-01 terrorist attacks. The reinsurance market provides protection against catastrophic property losses and the aggregation of property claims in one year that could impair the financial integrity of the RMF. RMD was successful in obtaining coverage in FY 2003, but only after a cost increase of 286%. The rate increase to clients is 191%. The additional increase is being absorbed by the RMF. Continued uncertainty is expected because of a lack of terrorism insurance and the impacts of a weakening economy and major industry bankruptsies.

Key Measures

The goal of the RMF is to provide insurance at a lower cost than the traditional insurance market. One measure is to compare industry overhead to the RMF. Over the past five years, the performance has been as follows:

Fiscal Year	1998	1999	2000	2001	2002
Industry Average Operating Expense Ratio	29.95	30.5	30.6	28.6	29.0 (est.)
RMD Operating Expense Ratio	10.4	12.7	16.8	16.8	24.0 (est.)

The large increase in the RMD operating ratio is a one-time event, in great part because of the development of a new Risk Management Information System that will be operational in FY 2003. Another key factor is the increase in reinsurance costs that reduces the revenue base, which results in a higher expense ratio.

Activity Funding

RMD operates as an Internal Service Fund, charging fees based on insurance options requested by customers. RMD had 10 *full-time equivalents* on 7-01-02.

There are no *loans from the General Fund,* or *proposed investments in technology or equipment of $100,000 or more.*

Operating Losses/Increases in Retained Earnings:
The retained earnings decreased by $55,763 in FY 2002 due to increases in claims.

Dividends represent the return of premium for superior loss and expense experience. Premiums collected are invested by the State Board of Investment (SBI). The difference between premium and investment, less deductions for losses incurred and administrative expenses, equals the amount of funds that are eligible for dividend declaration. In the event of unsatisfactory experience, it is possible that no dividend will be declared.

In 2002, the calculated dividend was $1,451,374. Based upon the fact that the RMF was absorbing the increased reinsurance costs, higher deductibles, and aggregation of losses, it was the decision of the Risk Management Advisory Committee to withhold payment of the dividend in order to preserve the financial integrity of the RMF.

History of Rate Changes:

Fiscal Year	1998	1999	2000	2001	2002	2003
Rate Change (by line)						
Auto Liability	.50%	(6.25%)	(9.23%)	6.78%	.00%	(11.64%)
Auto Physical Damage	18.20%	59.00%	(4.95%)	17.65%	3.86%	.00%
General Liability	.00%	.00%	14.45%	.00%	.00%	(6.12%)
Property	.00%	.00%	.00%	.00%	.00%	191.31%
Other	.00%	.00%	.00%	.00%	.00%	.00%
Rate Change Average	2.68%	2.40%	2.77%	12.21%	1.46%	27.10%

Factors contributing to changes in premium rates:

- loss experience variation;
- increased claim potential due to additional volume;
- increased need to be proactive in risk management, loss control, and computer security; and
- violent fluctuations of the reinsurance marketplace. (In FY 2003, reinsurance costs increased 286%.)

Impact of Rate Changes:
Assuming the same volume and mix, the five largest customers will pay approximately 31.32% more in FY 2003. Early indications in FY 2003 are that customers will decrease the amount of deductible and increase the amount of insured value, which will lead to premium increases. The five largest customers in FY 2002 were MnSCU and the departments of Administration, Natural Resources, Transportation, and Corrections.

Contact

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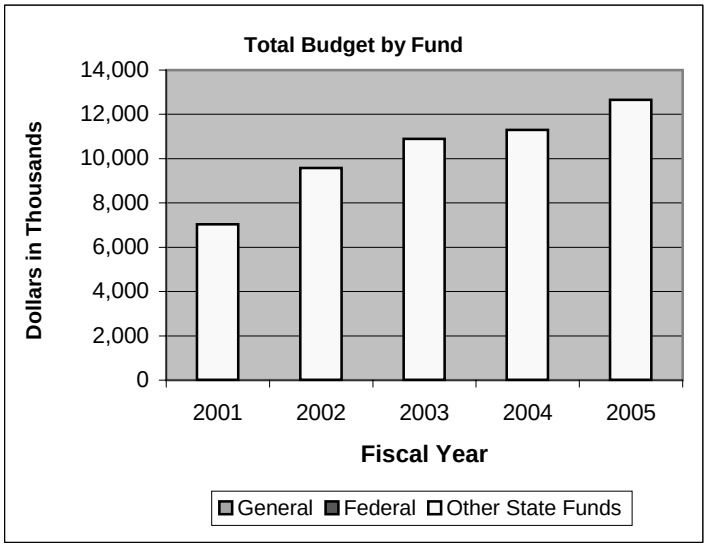
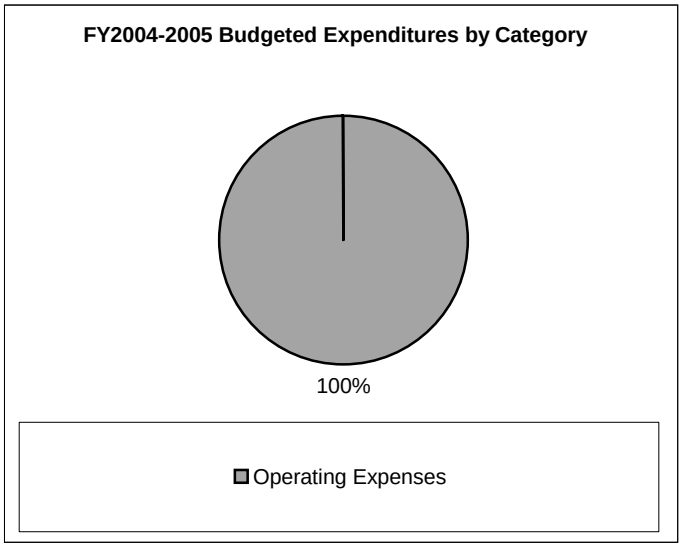
ADMINISTRATION DEPT
Program: OPERATIONS MANAGEMENT BUREAU
Activity: RISK MANAGEMENT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Risk Management	7,034	9,586	10,898	11,303	12,658	23,961
Total	**7,034**	**9,586**	**10,898**	**11,303**	**12,658**	**23,961**
Expenditures by Category						
Operating Expenses	7,034	9,586	10,898	11,303	12,658	23,961
Total	**7,034**	**9,586**	**10,898**	**11,303**	**12,658**	**23,961**
Revenue by Type and Fund						
Dedicated						
Risk Management	8,532	9,037	11,049	12,064	13,369	25,433
Subtotal Dedicated	8,532	9,037	11,049	12,064	13,369	25,433
Total Revenue	**8,532**	**9,037**	**11,049**	**12,064**	**13,369**	**25,433**
Full-Time Equivalents (FTE)	**7.9**	**8.0**	**9.6**	**10.0**	**10.0**	

Activity Description

The Materials Management Division (MMD) acquires goods and services and disposes of surplus property using methods that ensure the best value for the taxpayers' dollars and conform to the standards of public procurement. The division facilitates and oversees more than $1.2 billion annually in state government purchases each year. The statutory framework for the division's activities is M.S. Chapter 16C – State Procurement.

Activity at a Glance

- Oversees $1.2 billion annually in state government purchasing.
- Negotiates volume discounts for more than 450 government entities, including Minnesota's political subdivisions. Purchases from these contracts exceed $600 million annually.
- Reviews over 2,500 professional/technical contracts per year in an average of 2.76 days.

Population Served

MMD operates in close partnership with state agencies to achieve a productive balance of centralized and delegated purchasing. Statewide and multi-state contracts negotiated by MMD currently serve more than 450 government entities, including 40 other states and Minnesota's political subdivisions. MMD also works with Minnesota and out-of-state businesses to ensure fair competition and resolve vendor performance issues.

MMD's Surplus Services operation serves a population including state agencies, political subdivisions, various nonprofit organizations, and – with respect to its auction and "garage sale" programs – the general public.

Services Provided

The division provides a mix of direct services and compliance activities:

- purchasing and contracting for goods, services, and utilities;
- recruiting and managing vendors;
- promoting environmentally sensitive purchasing;
- managing procurement functions through Minnesota Accounting and Procurement System (MAPS);
- reviewing and overseeing professional/technical contracts;
- monitoring compliance with state procurement law and policy;
- managing federal and state surplus property; and
- operating a cooperative purchasing program for Minnesota's political subdivisions and a pharmaceutical purchasing program on behalf of 41 states.

Historical Perspective

Minnesota's procurement laws attempt to balance numerous interests, including those of state agencies, vendors, small businesses, minority- or female-owned or economically disadvantaged businesses, environmental advocates, correctional industries, the visually impaired, and others. The legislature re-wrote Minnesota's procurement laws in 1998, reducing the number of mandates and moving from a "low-bid" to "best value" philosophy of procurement. MMD concurrently shifted to a less centralized approach where unlimited authority can be delegated to purchasing staff within agencies if they have demonstrated their competence and adherence to state standards. These changes have allowed MMD to reduce its role with respect to one-time, low-dollar-value purchases and to concentrate on the more complex procurements, including contracts that aggregate public purchasing dollars to achieve volume discounts.

Recent developments include heightened attention to professional/technical contracts and MMD's role in contract oversight. Both the Office of the Legislative Auditor and MMD (working with Administration's Management Analysis Division) have undertaken assessments of this issue.

Key Measures

Efficiency in procurement processing: MMD tracks the number of working days from an agency requisitioning a commodity or service to issuing a purchase order. During FY 2002, agencies indicated that they needed the order issued in an average of 44.72 days. MMD issued these orders in an average 13.15 days.

Efficiency in reviewing and approving contracts: MMD attempts to review 80% of all professional/technical contracts within five days of receipt. Through May of FY 2002, 78.35% met that standard. However, approximately 30% were approved on the day of receipt and the average processing time was 2.76 working days.

Availability of decentralized options to state agencies: MMD's goal is to make training available to 95% of all agency staff seeking delegated purchasing authority. The success rate was 96% in FY 2000 and rose to 100% in FY 2002.

Effectiveness in reuse of government property: Recycling surplus property meets both environmental and fiscal objectives. MMD's Surplus Services measures success by meeting its sales goals. The goal for FY 2002 was to meet or beat the record sales level of $1,123,762 from the previous year. The goal was attained with net sales of approximately $1,188,000.

Activity Funding

MMD's General Fund appropriation covers costs associated with delivery of centralized procurement services as well as oversight of delegated purchasing and professional/technical contracts. Surplus services and the division's cooperative purchasing programs are self-sustaining enterprise funds.

Contact

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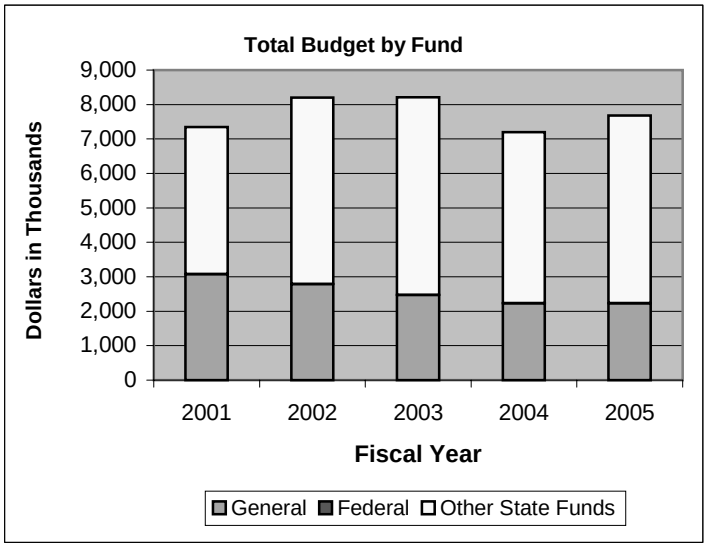
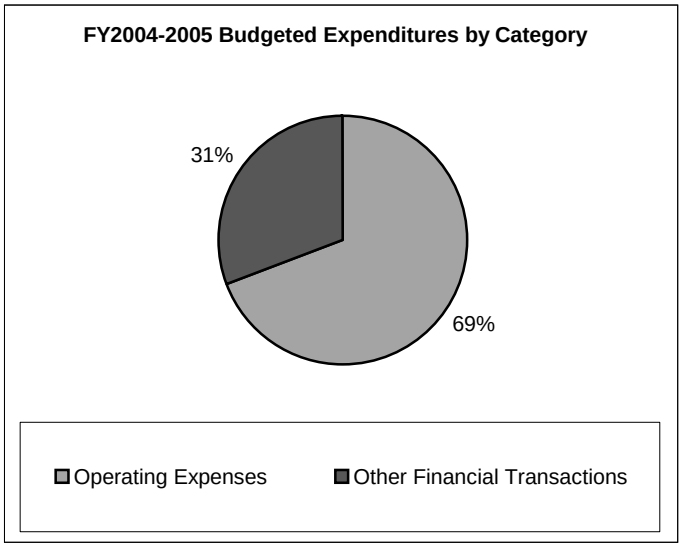
ADMINISTRATION DEPT
Program: OPERATIONS MANAGEMENT BUREAU
Activity: MATERIALS MANAGEMENT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,071	2,785	2,466	2,226	2,226	4,452
Statutory Appropriations						
Materials Distribution	4,272	5,415	5,745	4,969	5,459	10,428
Total	**7,343**	**8,200**	**8,211**	**7,195**	**7,685**	**14,880**
Expenditures by Category						
Operating Expenses	5,312	5,111	5,211	5,010	5,285	10,295
Other Financial Transactions	2,031	3,089	3,000	2,185	2,400	4,585
Total	**7,343**	**8,200**	**8,211**	**7,195**	**7,685**	**14,880**
Revenue by Type and Fund						
Non Dedicated						
General	12	26	0	0	0	0
Subtotal Non Dedicated	12	26	0	0	0	0
Dedicated						
Materials Distribution	4,732	5,655	5,685	5,420	5,542	10,962
Subtotal Dedicated	4,732	5,655	5,685	5,420	5,542	10,962
Total Revenue	**4,744**	**5,681**	**5,685**	**5,420**	**5,542**	**10,962**
Full-Time Equivalents (FTE)	**60.2**	**55.0**	**49.2**	**47.7**	**47.7**	

Activity Description

Materials Management Division (MMD) Central Stores is the state's distribution center for office supplies. Government entities benefit from one-stop shopping with pricing well below the competition plus free, prompt delivery.

Activity at a Glance

- Price comparison shows 39.8% savings to government on office products.
- Electronic orders via Central Stores web site now account for 42% of eligible purchases.
- Stores subsidizes chlorine-free, 100% recycled content paper and offers more than 3,000 other products with recycled content.

Population Served

Central Stores provides products to the three branches of state government plus other governmental entities. Its largest customers are executive branch state agencies, accounting for 84.51% of sales. Central Stores also serves Minnesota cities, counties, and school districts. Its customers are not required to purchase through Stores.

Services Provided

The following services are provided:

- sales and distribution of 948 stock items;
- catalog offering approximately 22,000 additional non-stock items at below-wholesale pricing;
- convenient "shopping cart" ordering through the Internet added to traditional fax and mail orders;
- free statewide delivery and central billing;
- product shows for customers; and
- guaranteed replacement for defective products or lost shipments.

Historical Perspective

Central Stores has been in business since 1939. It has not increased its markup rates since FY 1999.

Key Measures

Savings to state and local government: Central Stores conducts an annual price comparison with a major private sector competitor. The goal is to compare at least 45% of Central Stores' sales and demonstrate savings of 30% or more. In FY 2001, a market-basket comparison of 61% of the prior year's sales showed a cost savings to government of 31.4%. In FY 2002, the savings were calculated at 39.8% and compared 60% of the prior year's sales. Additionally, Stores has no add-on charges for shipping or minimum orders.

Efficiency in order processing: Stores implemented an Internet shopping cart service in May 2000. Staff members at both Stores and the agencies ordering office products benefit from the efficiencies of electronic procurement (less redundancy in forms and data entry, instant receipt of incoming orders, etc.). The goal of receiving 40% of Stores' eligible orders via the Internet in FY 2002 was exceeded by 2%.

Leadership in environmental stewardship: Central Stores attempts to grow the share of its sales for products containing recycled content. In FY 2002, 37.20% of stock and non-stock sales was for recycled content products. In FY 2001, that amount was 36.55%.

Activity Funding

Central Stores is an Internal Service Fund that receives no legislative appropriation and competes in the marketplace for its business. Operating costs are recovered and prices are determined by adding a markup to the cost of inventory purchased. In FY 2001, Stores sold $8.5 million in products to government entities. In FY 2002, that number was $7.7 million.

Stores operated with a staff of 12.65 *full-time equivalents* as of 7-01-02.

Central Stores does not have a *General Fund loan* or any *proposed investments in technology or equipment of $100,000 or more.*

Operating Losses/Increases in Retained Earnings:
Central Stores has experienced no operating losses. Central Stores' retained earnings increased by $30,324 in FY 2002 and are expected to increase by approximately $46,300 in FY 2003. Growth in retained earnings can be attributed to strong sales, low operating costs and -- primarily -- a five-year-contract offering substantial discounts on miscellaneous office products that will expire in May 2003.

History of Rate Changes:

Fiscal Year	1998	1999	2000	2001	2002	2003
Change	0%	7.27%	3.39%	0%	0%	0%

Impact of Rate Changes:
Stores' rates have remained quite stable. Assuming the same volume and mix of goods/services as used in FY 2002, Central Stores' customers will pay approximately the same in FY 2003. The five largest customers in FY 2002 were the Department of Transportation – Central Office; Department of Health; Department of Children, Families and Learning; Department of Transportation – Roseville Office; and the Department of Commerce.

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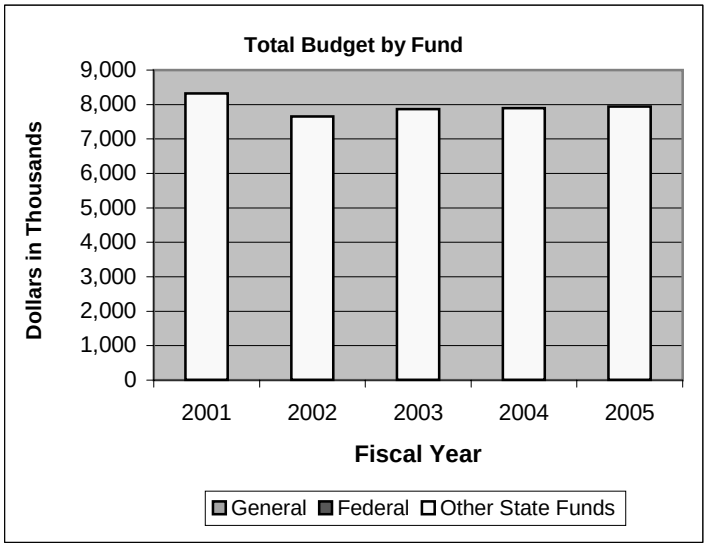
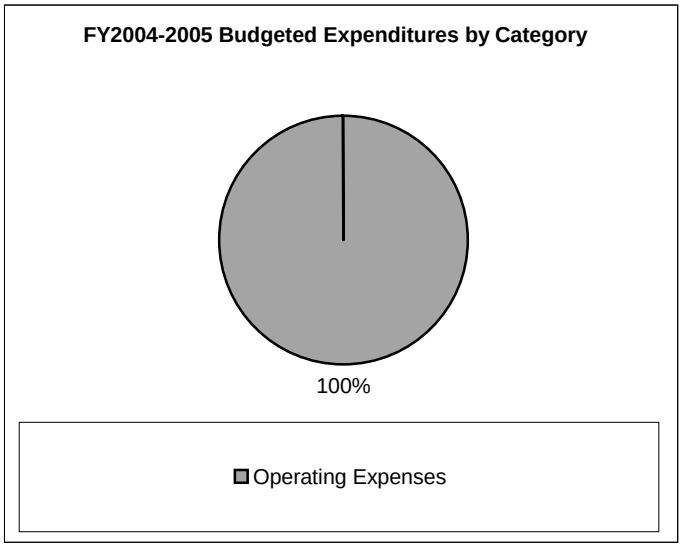
http://www.mmd.admin.state.mn.us/mn04000.htm.

ADMINISTRATION DEPT
Program: OPERATIONS MANAGEMENT BUREAU
Activity: MMD CENTRAL STORES

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Central Stores	8,319	7,651	7,869	7,897	7,939	15,836
Total	**8,319**	**7,651**	**7,869**	**7,897**	**7,939**	**15,836**
Expenditures by Category						
Operating Expenses	8,319	7,651	7,869	7,897	7,939	15,836
Total	**8,319**	**7,651**	**7,869**	**7,897**	**7,939**	**15,836**
Revenue by Type and Fund						
Non Dedicated						
General	8	10	0	0	0	0
Subtotal Non Dedicated	8	10	0	0	0	0
Dedicated						
Central Stores	8,498	7,706	7,902	7,902	7,902	15,804
Subtotal Dedicated	8,498	7,706	7,902	7,902	7,902	15,804
Total Revenue	**8,506**	**7,716**	**7,902**	**7,902**	**7,902**	**15,804**
Full-Time Equivalents (FTE)	**12.6**	**12.4**	**12.7**	**12.7**	**12.7**	

Activity Description

The Travel Management Division (TMD) supplies vehicles to state programs for use in the conduct of official state business. TMD also supplies vehicles to political subdivisions. TMD supplies support services for these vehicles including maintenance, fuel, and insurance.

Activity at a Glance

- Provides long-term rental vehicles and vehicle support services to state program and political subdivisions.
- Operates a daily rental program serving state programs in the St. Paul area.

Population Served

TMD provides vehicles to all branches of state government and political sub-divisions including cities, counties, and school districts.

Services Provided

TMD operates a long-term rental program providing a wide variety of passenger vehicles and light trucks. These vehicles are packaged with vehicle services to provide a complete, easy to use transportation solution. Long-term rentals account for approximately 96% of the TMD fleet.

TMD operates a short-term rental program that provides basic passenger vehicles on a daily rental basis. Short-term rentals account for approximately 4% of the TMD fleet.

Historical Perspective

TMD was established in 1961 to help state agencies effectively meet transportation needs. It has grown and evolved over the years to more effectively address the growing and changing needs of state government. TMD has expanded the types of vehicles provided, moving into a greater variety of light trucks. Vehicle life cycles are now tailored to better meet varying customer work requirements.

Key Measures

TMD has an ongoing customer satisfaction survey effort in place. Over 1,100 TMD customers have responded to this survey covering timeliness, quality, courtesy, and ease of process. Ninety-five percent of respondents have indicated they are satisfied or very satisfied with TMD customer service.

Activity Funding

Travel Management operates as an Internal Service Fund. No money is appropriated to TMD from the state's General Fund. The current state budget crisis has caused TMD to refocus on core functions, dropping or reducing non-core functions. On-site vehicle shop services have been reduced to include only basic vehicle maintenance. All complex repairs are now farmed out to private vendors. TMD energy is focused on the core function, long- and short-term vehicle rental programs.

As of 7-1-02, TMD had a total of 20 *full-time equivalents* (FTEs). Four FTE positions have been eliminated in the process of reducing non-core functions.

General Fund Loans:
General Fund loans are used to refinance master lease loans so that the repayment schedules work within the division's cash flow constraints. The division purchases new vehicles on a regular replacement schedule throughout the year. Cash flow issues arise due to the need to pay for the purchase of fleet vehicles when received, but receiving reimbursement for use of the vehicle over an extended period of time. TMD's General Fund loan balance as of 6-30-02 is $4,933,332 with payments scheduled through February 2003.

TMD does not have any *proposed investments in technology or equipment of $100,000 or more.*

Operating Losses/Increases in Retained Earnings:
FY 2002 retained earnings decreased by approximately $598,000 due to the increase in depreciation expense.

History of Rate Changes:

Fiscal Year	1998	1999	2000	2001	2002	2003
Change	13.0%	(3.4%)	(1.5%)	4.9%	6.0%	7.1%

The TMD short-term rental program has a history of very low rates. In an effort to have this program become more self-supporting, rates were dramatically raised beginning in July. The average rate increase for FY 2003 was 48%.

TMD is implementing a new rate structure for all new long-term rental vehicles. Vehicle rates will be calculated on an individual vehicle basis, taking into account acquisition cost, fuel economy, and life cycle. This rate structure offers TMD customers more flexibility in managing vehicle expenses. It more closely resembles private long-term rental programs. Rates are designed to charge fairly for many different vehicle types, sizes, and uses. Along with improving customer service, this change will enable TMD to keep better pace with costs in the automotive industry.

Existing long-term rental vehicle rates were raised 6% beginning in July.

More information concerning TMD short-term and long-term rates can be found on the TMD web site, and in the FY 2003 TMD Business Plan.

Impact of Rate Changes:
Assuming the same volume and mix of services as used in FY 2002, TMD's customers will pay approximately 7.1% more in FY 2003. TMD's five largest customers are the departments of Human Services, Corrections, Agriculture, Health, and Minnesota State Colleges and Universities (MnSCU). These entities account for over half of TMD business.

Contact
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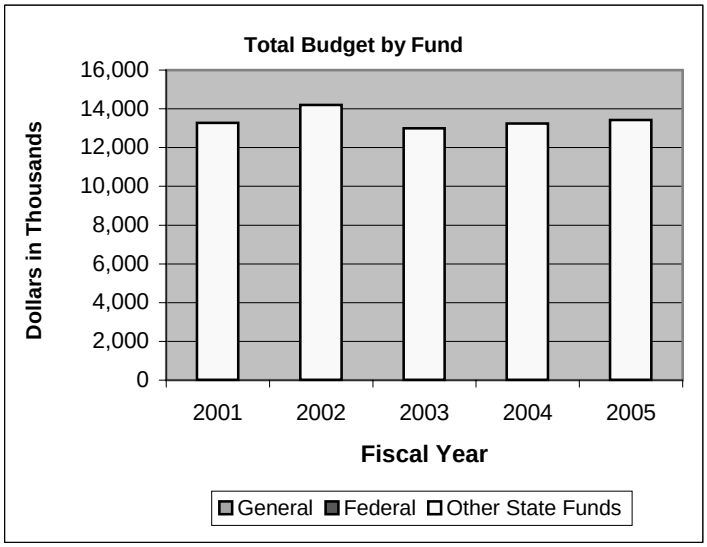
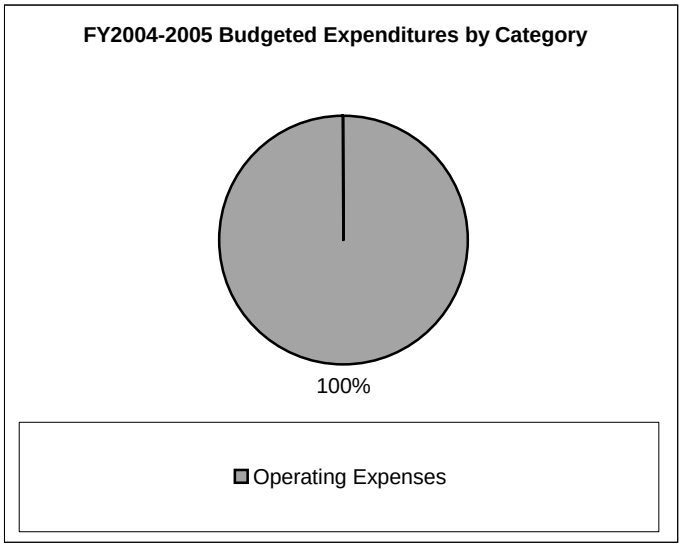
http://www.tmd.state.mn.us/

ADMINISTRATION DEPT
Program: OPERATIONS MANAGEMENT BUREAU
Activity: TRAVEL MANAGEMENT

Fiscal Report





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Statutory Appropriations						
Special Revenue	209	186	137	136	136	272
Central Motor Pool	13,060	14,021	12,862	13,104	13,292	26,396
Total	**13,269**	**14,207**	**12,999**	**13,240**	**13,428**	**26,668**
Expenditures by Category						
Operating Expenses	13,197	14,207	12,999	13,240	13,428	26,668
Other Financial Transactions	72	0	0	0	0	0
Total	**13,269**	**14,207**	**12,999**	**13,240**	**13,428**	**26,668**
Revenue by Type and Fund						
Dedicated						
Special Revenue	150	125	136	136	136	272
Central Motor Pool	12,181	13,478	14,572	14,857	15,690	30,547
Subtotal Dedicated	12,331	13,603	14,708	14,993	15,826	30,819
Total Revenue	**12,331**	**13,603**	**14,708**	**14,993**	**15,826**	**30,819**
Full-Time Equivalents (FTE)	**22.6**	**19.6**	**17.4**	**18.4**	**18.4**	

Activity Description

The Communications Media Division provides a variety of publishing and distribution services to state and local units of government through four major businesses: PrintComm, Minnesota's Bookstore, MailComm, and DocuComm. Division work is outlined in several sections of Minnesota Statutes: Chapter 14 (***State Register***); 16B.47 (DocuComm) 16B.49 (MailComm); 16B.50 (PrintComm) and 16B.51 & 52 (Minnesota's Bookstore).

Activity at a Glance

- Minnesota's Bookstore will serve more than 70,000 customers during FY 2003.
- MailComm will generate nearly $1 million in postage savings during FY 2003 though its automation services.
- PrintComm will continue to demonstrate its commitment to the environment through participation in the *Great Printers* project – 90% of printing will be on paper with a 30% minimum of post- consumer waste during FY 2003.

Population Served

- State government
- Local units of government
- General public (Minnesota's Bookstore)

Services Provided

PrintComm (predominant customers are state agencies) provides a variety of graphic services to Minnesota government.

Minnesota's Bookstore (predominant customers are the general public) provides services to the general public and state agencies through

1. The Minnesota's Bookstore – a centralized publishing house for state agency-produced products located in the Ford Building near the State Capitol;
2. The State of Minnesota Mailing List Service – a centralized production and distribution outlet for the sale of selected state public licensing data to a national customer base; and
3. The ***State Register*** and the ***Solicitation Announcements***.

MailComm provides a mailing service including metering and processing of all outgoing federal mail for agencies within the boundaries of St. Paul. This unit also provides inter-office services to all state agencies within St. Paul and has the responsibility for distributing the federal mail for the Capitol Complex. MailComm also provides addressing and inserting services (Internal Service Fund – predominant customers are state agencies) resulting in reduced postage costs to state agencies. During FY 2002, MailComm helped generate nearly $1 million in postage savings through in-house bar coding and ink-jet addressing.

DocuComm (predominant customers are state agencies) provides document management services to state agencies and local units of government. These services include conversion of paper records to microfilm or compact disk, secure warehouse storage, retrievals of files and electronic back-ups, conversion of microfilm or electronic data to compact disk, and production of computer output microfilm.

Historical Perspective

State agencies are generally not required to use state operations for printing, addressing, inserting, and records management. Because of this, the division places great emphasis on customer service, timeliness, turnaround, quality, and competitive pricing. There is one exception – state agencies within the boundaries of St. Paul are required to use MailComm's mail handling and processing services for outgoing mail. This centralized operation allows small and large agencies to collectively achieve postage savings through the use of MailComm's bar-coding and ink-jet addressing equipment and also helps to realize operational efficiencies such as staffing, equipment, and space.

Key Measures

The division's measurable objectives include:

⇒ Maintaining printing prices that are at least 5% below private-sector pricing averages. A pricing study completed during FY 2000 showed PrintComm was, on average, 35.9% below the market on smaller jobs and

27.75% below the market on larger jobs. A supplemental study completed during FY 2002 showed PrintComm quick-copying pricing to be lower than the average of eight private-sector vendors in 13 of 19 categories.

⇒ Producing at least 90% of printing work on paper with a 30% minimum of post-consumer waste. For FY 2002, the actual figure was 95%.

⇒ Processing 95% of First Class mail within 24 hours. For FY 2002, the actual figure was 95.3%.

Activity Funding

Virtually all funding for the Communications Media Division comes from the products and services it sells to its customers and operates through internal service and enterprise funds -- the only General Fund appropriation in FY 2003 is to operate the mail delivery portion of MailComm. Total *full-time equivalents (FTEs)* in the division are 69 as of 7-01-02.

The Communications Media Division does not have a *General Fund loan* or any *proposed investment in technology or equipment of $100,000 or more.*

PrintComm is projected to generate annual revenue of approximately $4.9 million during FY 2003 from state agencies and local units of government. The number of *FTEs* within PrintComm is 35.5.

Operating Losses/Increases in Retained Earnings: FY 2002 retained earnings decreased by $751,000 because of an operating loss sustained during the fiscal year due to sales that did not meet projections. This loss was due to declining revenues associated with the state employee strike and budget shortfall and general economic conditions of the printing industry in Minnesota. PrintComm is projected to improve its retained earnings position by $42,000 during FY 2003.

History of Rate Changes:

Fiscal Year	1998	1999	2000	2001	2002	2003
Change	0.00%	1.60%	0.30%	0.20%	1.60%	1.00%

Impact of Rate Changes:
Assuming the same volume and mix of goods/services as used in FY 2002, PrintComm's five largest customers (Human Services; Administration; Children, Families & Learning; Revenue; and the Attorney General) will pay virtually no more in FY 2003.

Minnesota's Bookstore is projected to generate annual revenue of approximately $230,000 for the ***State Register*** during FY 2003. The revenue is generated from state agencies publishing material as well as subscribers. Minnesota's Bookstore and the Mailing List Service are projected to generate approximately $2 million in revenue annually. Most of this revenue is from the general public. The number of *FTEs* within Minnesota's Bookstore is 12.5.

Operating Losses/Increases in Retained Earnings: FY 2002 retained earnings decreased by $31,000 due to a ***State Register*** operating loss sustained during the fiscal year. Minnesota's Bookstore is projected to improve its retained earnings position by $67,000 during FY 2003.

History of Rate Changes (State Register):

Fiscal Year	1998	1999	2000	2001	2002	2003
Change	6.00%	22.51%	0.00%	0.00%	4.92%	5.97%

Impact of Rate Changes:
Assuming the same volume and mix of goods/services as used in FY 2002, the **State Register's** largest customers (Labor & Industry, Pollution Control Agency, Health, Human Services, and Administration) will pay virtually no more in FY 2003 since the overall increase in revenue from the rate changes is only $12,000.

MailComm is projected to generate annual revenue of approximately $760,000 during FY 2003 from state agencies and local units of government. The number of *FTEs* within MailComm is 15.

Operating Losses/Increases in Retained Earnings: FY 2002 retained earnings increased by $62,000 due to increased revenues along with reductions in expenses during the fiscal year. MailComm is projected to reduce its retained earnings position by $2,000 during FY 2003.

History of Rate Changes:

Fiscal Year	1998	1999	2000	2001	2002	2003
Change	4.00%	2.40%	2.30%	0.90%	7.70%	5.90%

Impact of Rate Changes:
The increase in the FY 2003 rate is mostly due to the increase in the postage surcharge, which is a large percentage increase with a small dollar impact. Assuming the same volume and mix of goods/services as used in FY 2002, MailComm's five largest customers (Public Safety, Human Services, Revenue, Public Employee Retirement Association, and Minnesota State Retirement Association) will pay virtually no more in FY 2003. These largest customers also receive larger volume discounts, which help offset the increase in rates.

DocuComm is projected to generate annual revenue of approximately $1.3 million during FY 2003 from state agencies and local units of government. The number of FTEs within DocuComm is six.

Operating Losses/Increases in Retained Earnings: FY 2002 retained earnings decreased by $113,000 due to an operating loss sustained during the fiscal year. This loss was due to declining revenues associated with the state employee strike and budget shortfall. DocuComm is projected to improve its retained earnings position by $21,000 during FY 2003.

History of Rate Changes:

Fiscal Year	1998	1999	2000	2001	2002	2003
Change	3.01%	2.10	(0.012%)	3.00%	(5.29%)	(4.13%)

Impact of Rate Changes:
Assuming the same volume and mix of goods/services as used in FY 2002, DocuComm's five largest customers (Administration, Human Services, Attorney General, Revenue, and Secretary of State) will pay approximately the same or slightly lower in FY 2003.

Contact

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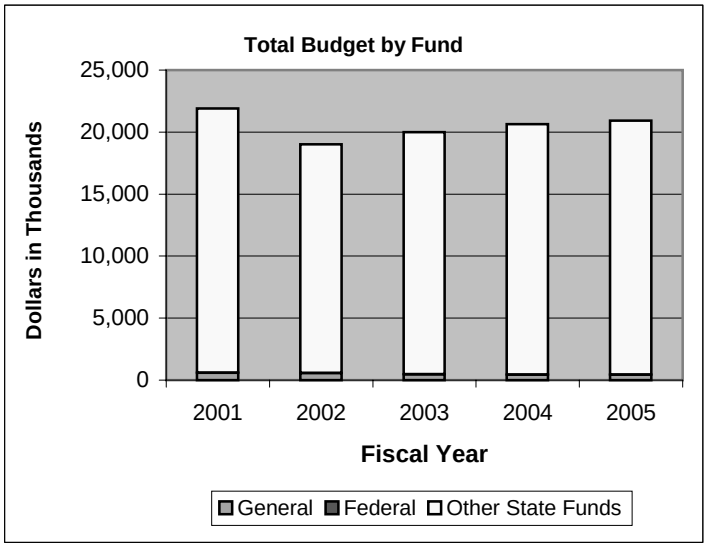
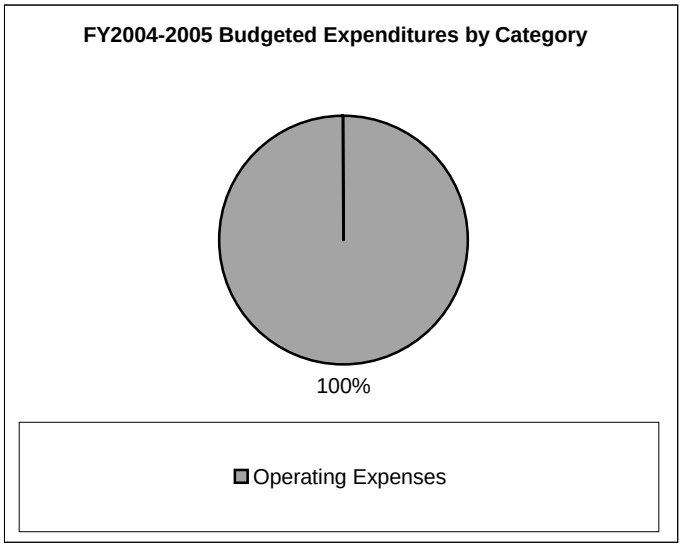
ADMINISTRATION DEPT
Program: OPERATIONS MANAGEMENT BUREAU
Activity: COMMUNICATIONS MEDIA

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	555	558	472	443	443	886
Statutory Appropriations						
General	44	0	0	0	0	0
Miscellaneous Agency	10,224	9,559	11,000	11,000	11,000	22,000
Documents And Publications	2,306	1,873	1,949	1,980	2,061	4,041
Micrographics	1,295	1,336	1,284	1,359	1,380	2,739
State Printer	6,710	4,928	4,599	5,122	5,286	10,408
Central Mailing	760	765	701	738	766	1,504
Total	**21,894**	**19,019**	**20,005**	**20,642**	**20,936**	**41,578**
Expenditures by Category						
Operating Expenses	21,894	19,019	20,005	20,642	20,936	41,578
Total	**21,894**	**19,019**	**20,005**	**20,642**	**20,936**	**41,578**
Revenue by Type and Fund						
Non Dedicated						
General	57	49	0	0	0	0
Subtotal Non Dedicated	57	49	0	0	0	0
Dedicated						
Miscellaneous Agency	10,189	9,760	11,000	11,000	11,000	22,000
Documents And Publications	2,308	1,912	1,986	2,009	2,069	4,078
Micrographics	1,373	1,206	1,314	1,401	1,401	2,802
State Printer	5,846	4,472	4,981	5,130	5,284	10,414
Central Mailing	782	786	767	807	802	1,609
Subtotal Dedicated	20,498	18,136	20,048	20,347	20,556	40,903
Total Revenue	**20,555**	**18,185**	**20,048**	**20,347**	**20,556**	**40,903**
Full-Time Equivalents (FTE)	**84.9**	**74.6**	**70.4**	**71.0**	**71.0**	

Program Description

M. S. 16E requires the Office of Technology (OT) to provide leadership and direction for state information and communications technology policy. The office's mission is to ensure that the state's use of information technology improves Minnesota's businesses, schools, communities, and the lives of the state's citizens.

Population Served

OT serves those who interact and do business with the state – citizens, businesses, educators, government entities, vendors, and employees – and the agencies that serve them.

Services Provided

The Office of Technology provides an array of core complimentary services designed to lead state government in a unified direction. Major services include:

Program at a Glance

- Manages North Star state web portal and electronic services.
- Reviews and sets priorities for $192 million in submitted information technology (IT) project proposals in 2002-2003 biennial state budget process.
- Provided project management methodology training to 10 state agencies and provided consulting services for 30 projects.
- Serves as the steward for the statewide "Enterprise Architecture" – the technology blueprint for the state.
- Created public/private partnerships to help set priorities, screen vendors, identify new technologies, and aggregate technology purchases for state agencies and educational institutions. The Minnesota Software licensing aggregate purchase project saved the state $209,000 over standard contract pricing.

A Common Statewide Architecture

OT leads an inter-agency effort to create an enterprise technical architecture for state government:

⇒ Minnesota Enterprise Architecture: This architecture provides the blueprint for state technology infrastructure, outlining the principles, practices, and standards for developing and delivering consistent information systems across state agencies. This is an iterative process that has been reported in corporate settings to save as much as 15% in overall information technology (IT) costs.

⇒ Research from a January 2002 study showed that "…focus group participants do not know (or care) which level of government provides a service or information, they simply want to be able to easily access it." North Star is that access point to over 250 state entities and is accessed by over one million visitors per month. Electronic government, through its services, improves and strengthens relationships between citizens and their government. With the release of the new North Star portal, Minnesotans will realize a significant change in communications from their state government. When compared with the costs for developing web portals in other states including Michigan and California, OT effectively saved Minnesota upwards of $26 million on the transformation effort of North Star.

Planning Practices and Procedures

OT provides IT planning and project management tools to all agencies to help the state set priorities and to increase the accountability of individual projects.

⇒ Strategic Information Resource Management Planning (SIRMP): OT manages this benchmark planning tool for state agencies. OT's SIRMP review, is an integral component in the development of the state's budget for IT-related projects.

⇒ Request For Proposal (RFP) approval: OT reviews all agency IT RFP's over $100,000.

⇒ The Enterprise Project Management Office (PMO): Industry-standard project management procedures are required for all funded state IT projects. OT provides project management planning tools, templates, oversight, and consulting services to agency projects, and offers a training academy.

⇒ Master Roster and Master Contract programs: The Master Roster is a list of vendors pre-approved to provide project-related services. The Master Contract program provides agencies with a wide variety of external skill sets to augment their internal resources. OT recently increased the number of participating vendors available to provide services to state agencies by 75% in one year.

Collaborative Leadership

OT provides leadership in developing collaborative, public/private partnerships that foster statewide solutions to common and strategic technology issues.

⇒ The Technology Enterprise Board: The board advises the legislature, the governor, and others regarding statewide IT and telecommunications architecture and strategic plans.

⇒ Education and Community Initiatives: OT leads policy discussions and forums on emerging technologies; provides public information on technology issues for K-12 and higher education; and facilitates aggregated buying programs. In the first three months of operation beginning June 2002, K-12 volume purchase projects saved Minnesota schools $735,000 over standard state contract pricing.

Historical Perspective

OT has moved from its historically more policy-based unit to one that combines enterprise-wide strategies, standards, and training with a system of checks and balances. The result is a more service and results oriented agency that provides leadership and direction for government agencies, increases accountability for stakeholders, and enables wise IT investment on an enterprise level. By emphasizing a collaborative process, OT ensures that the state's vision and strategies serve all units of government while encouraging participation and buy-in.

Key Measures

As a result of OT's work, state agencies maximize their services and minimize resources by aligning to the defined standards, products, and procedures; the state benefits from an environment of interoperability, collaboration, and leveraging of complimentary services; and the state's citizens and business partners find government services closer, more accountable, and more convenient than ever before. Key performances measures include:

- an average of 1,198 monthly hits on North Star in 2002, up from 808 in 2000;
- provided 116 online secure financial transactions electronically in 2002 and provided 3,608 non-financial online services;
- in 2002, Minnesota was ranked 77.8 (the number one state was rated 88.9) and ranked eight in the Digital State Survey, compared to a rating of 84.78 in 2001 and a ranking of 22;
- Brown University gave Minnesota an overall E-Government ranking of 37 in 2002, compared to 32 in 2001; and
- Governing Magazine Performance Project 2001 gave Minnesota a grade of B.

Program Funding

This activity is funded primarily through General Fund appropriations. State government Special Revenue Funds also fund this activity.

Contact

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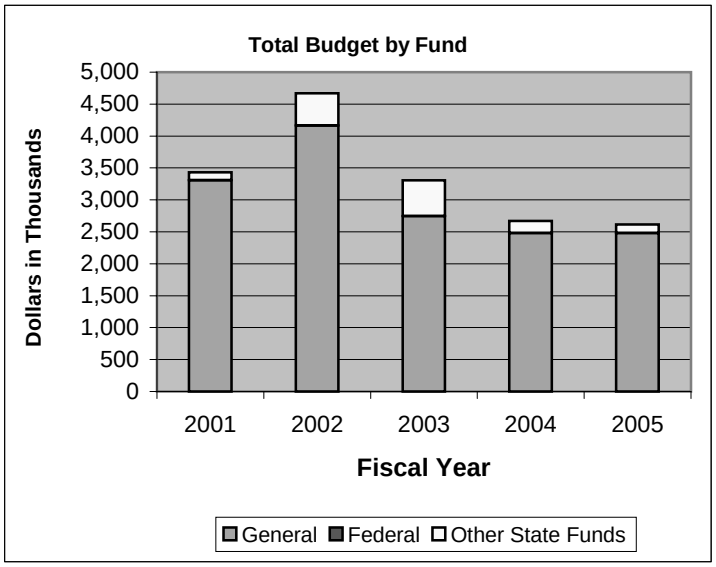
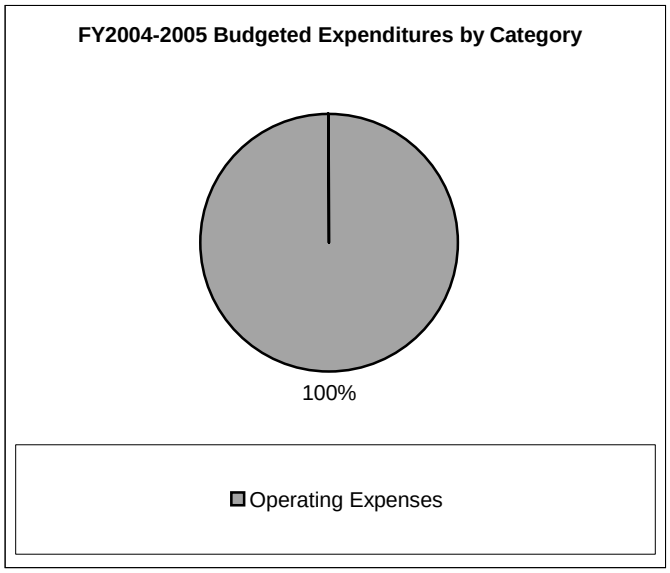
http://www.ot.state.mn.us
http://www.ot.state.mn.us/sirmp (OT's Strategic Information Resource Management Plan [SIRMP])





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,307	4,165	2,745	2,479	2,479	4,958
Statutory Appropriations						
Special Revenue	127	317	561	190	135	325
Miscellaneous Agency	0	186	0	0	0	0
Total	**3,434**	**4,668**	**3,306**	**2,669**	**2,614**	**5,283**
Expenditures by Category						
Operating Expenses	3,434	4,548	3,306	2,652	2,614	5,266
Local Assistance	0	120	0	17	0	17
Total	**3,434**	**4,668**	**3,306**	**2,669**	**2,614**	**5,283**
Expenditures by Activity						
Office Of Technology	3,434	4,668	3,306	2,669	2,614	5,283
Total	**3,434**	**4,668**	**3,306**	**2,669**	**2,614**	**5,283**
Revenue by Type and Fund						
Non Dedicated						
General	0	2	0	0	0	0
Subtotal Non Dedicated	0	2	0	0	0	0
Dedicated						
Special Revenue	125	148	127	171	135	306
Miscellaneous Agency	0	186	0	0	0	0
Subtotal Dedicated	125	334	127	171	135	306
Total Revenue	**125**	**336**	**127**	**171**	**135**	**306**
Full-Time Equivalents (FTE)	**18.2**	**24.7**	**23.3**	**20.1**	**20.1**	

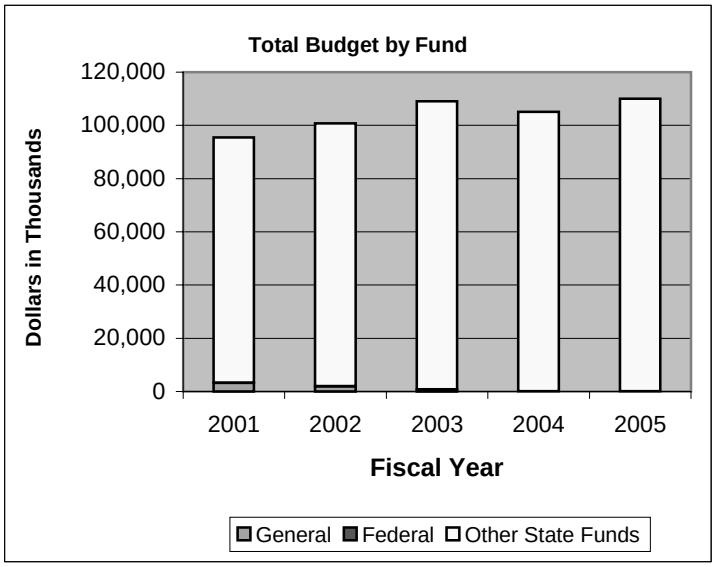
Program Description

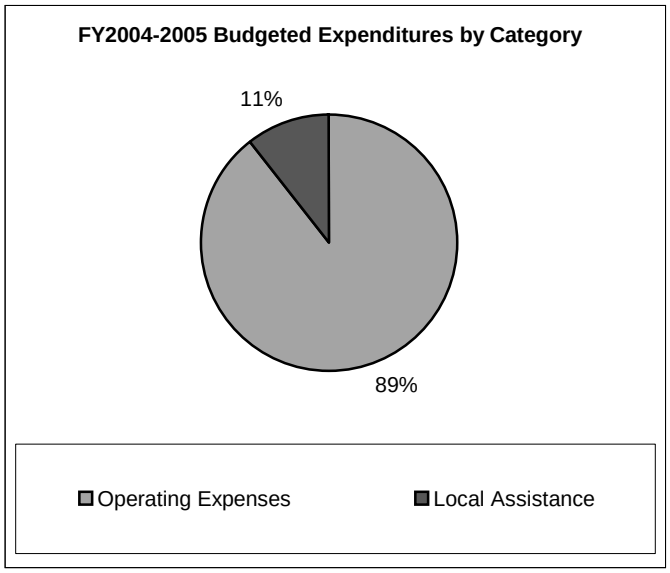
The purpose of the InterTechnologies Group (ITG) is to provide data processing and telecommunications services to other state agencies and public sector entities. The mission is to serve Minnesota's public sector by delivering value-added information technology services through a shared infrastructure.

Budget Activities Included:

⇒ Computer Services
⇒ Telecom Services
⇒ InterTech – Other Services
⇒ 911 Emergency Services

Further detail on each of these Budget Activities is included in subsequent pages of this budget document.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	3,287	1,874	724	0	0	0
Statutory Appropriations						
State Government Special Revenue	17,724	17,202	23,746	22,641	26,042	48,683
Intertechnologies	74,460	81,640	84,563	82,456	83,979	166,435
Total	**95,471**	**100,716**	**109,033**	**105,097**	**110,021**	**215,118**
Expenditures by Category						
Operating Expenses	87,428	91,725	99,987	95,230	97,049	192,279
Local Assistance	7,859	8,289	9,046	9,867	12,972	22,839
Other Financial Transactions	184	702	0	0	0	0
Total	**95,471**	**100,716**	**109,033**	**105,097**	**110,021**	**215,118**
Expenditures by Activity						
Computer Services	34,553	38,381	43,519	41,233	42,197	83,430
Telecom Services	39,907	43,259	41,044	41,223	41,782	83,005
Itg Other Services	3,287	1,874	724	0	0	0
911 Emergency Services	17,724	17,202	23,746	22,641	26,042	48,683
Total	**95,471**	**100,716**	**109,033**	**105,097**	**110,021**	**215,118**
Revenue by Type and Fund						
Non Dedicated						
General	2	0	0	0	0	0
Subtotal Non Dedicated	2	0	0	0	0	0
Dedicated						
State Government Special Revenue	15,791	16,573	21,622	23,257	25,181	48,438
Intertechnologies	76,367	73,243	83,219	80,581	82,528	163,109
Subtotal Dedicated	92,158	89,816	104,841	103,838	107,709	211,547
Total Revenue	**92,160**	**89,816**	**104,841**	**103,838**	**107,709**	**211,547**
Full-Time Equivalents (FTE)	**298.7**	**309.2**	**321.4**	**291.1**	**291.1**	

Activity Description

Computer Services are provided by InterTech and used by public sector entities for central and distributed data processing. This activity is described in M.S. 16B.466; *"integrate and operate the state's centralized computer facilities to serve the needs of state government."*

Population Served

Computer Services serves public sector state agencies central and distributed data processing needs including: computing, disk and tape storage, printing, data security, electronic mail, data entry, and computer-output-to-microfilm.

Activity at a Glance

InterTech Computer Services provides for state agency data storage and central processing:

- 1,352,000 online transactions processed per day;
- 73,584,000 web pages served per year;
- 12,000,000 feet of printed output per month;
- identified and prevented 22,200 hacker attempts in FY 2002; and
- identified and eradicated 137,273 viruses in 2001 and 2002.

Following is a list of InterTech's Computer Services largest customers and their applications:

Department of Human Services: PRISM (the Child Support System) and MAXIS (the eligibility determination system for AFDC (Aid for Dependent Children), food stamps, Medicaid, and other social service programs) in all 87 Minnesota counties.

Departments of Finance and Employee Relations: Statewide procurement/accounting system (MAPS) and human resources/payroll system (SEMA4).

Department of Revenue: Income tax returns and refund checks, state sales tax, and property tax records and processing.

Department of Public Safety: Criminal Justice Information System (CJIS), which is used by state, city, county, and municipal police departments and sheriffs, correctional institutions, Department of Natural Resources, and others, with ties to the FBI and other national law enforcement systems.

Department of Transportation: Computer-assisted design (CAD) applications, and the department's PROFS (electronic mail) system.

Services Provided

In supporting customers' central and distributed data processing needs, InterTech provides a variety of services:

Z-Server Services: The primary products offered in this line of service include central processing unit (CPU) batch and customer information and control system (CICS) online transactions that are run on large Z servers (System/390 systems), disk and tape storage, and input/output services. Also included are applications operating interface support, production control and scheduling, security, disaster recovery, database design and administration, and technical support of system software and equipment.

Server Management Services: The primary products offered in this service line include NT storage, Administrator, and Domino Administrator Services. Also included are services such as Web Hoteling, Minnesota eCampus Course Hosting, Domino Server Hosting, WorkSpace Minnesota, WebSphere, and Server Co-Location.

Data Entry Service: This service provides the keying of data into machine-readable form to support requirements for central or distributed computer processing.

IT Risk Mitigation Services: This service is offered to reduce security and other information technology (IT) related risks. The primary products offered in this service include Common Web Authentication Framework, Encryption Activity, Business Impact Analysis, and IT Disaster Recovery Planning.

Key Measures

InterTech actively pursues strategies to be a competitive provider of computing, telecommunication, and related services with the understanding that state agencies may pursue other service providers. To determine InterTech's competitive position, InterTech contracted with a nationally recognized outside performance measurement company, Gartner Measurement Group, to measure its performance compared to other technology providers and to measure customer satisfaction with its services.

Gartner conducted assessments of InterTech's Computing Services for FY 1998, FY 1999, and FY 2000-01. In these analyses, InterTech ranked among the top most efficient companies in Gartner's total database. InterTech's Computing Services has provided a year-to-date mainframe availability of 99.7%. In addition, services delivered against business system requirements shows that for the S/390 technology InterTech has done an outstanding job of matching services to customer application requirements scoring a perfect 1.0 for effectiveness.

Activity Funding

Computer Services' finances are managed through the InterTech Internal Service Fund. Annual rates are established for services, and customer agencies are charged fees for services delivered. Expenses for personnel, hardware, software, etc., are paid for with Internal Service Fund payments. At the end of each fiscal year, the accounting objective of the fund is to break even.

InterTech Computer Services had 184.94 *full-time equivalents* as of 7-1-02.

General Fund Loans: Computer Services does not have a loan from the General Fund. InterTech does not anticipate a need for a General Fund loan during the next biennium.

Proposed Investments in Technology or Equipment of $100,000 or more: InterTech purchases capital equipment to support customer applications. Master lease funding is utilized for the capitalized asset purchases. Computer Services equipment such as mainframe, disk, and tape equipment is depreciated over three years; all other equipment is depreciated over four years. The depreciated portion of the total cost is incorporated into usage rates.

During FY 2004-05 processing will continue to grow from existing applications' transaction increases. PRISM and MAXIS continue to grow faster than expected. SEMA4 has begun an upgrade approved by the 1999 legislature that is projected to add 12% increased CPU workload. Growth in storage requirements will come from across the entire customer base. InterTech will continue a "just-in-time" strategy to provide storage when needed but not maintain an excess. Print volumes continue to decline as online viewing becomes more prevalent; thus, no significant upgrades to printers are anticipated.

Anticipated equipment purchases greater than $100,000 needed to meet these customer application capacity needs include:

- additional processing capacity of 200 millions of instructions per second (MIPS) in both FY 2004 and FY 2005 at a cost of $500,000 each year;
- $100,000 in FY 2004 for the connection device, Enterprise System Connection (ESCON); and
- $1,000,000 in FY 2004 for uninterrupted power service (UPS) battery replacement systems.

Operating Losses/Increases in Retained Earnings: During FY 1994, Computer Services and Telecom Services Internal Service Funds were merged into one fund. Retained earnings are managed at the InterTech level and are managed according to federal requirements. These requirements state that the retained earnings balance cannot exceed two months of operating expenses. The federal government does not recognize depreciation as an operating expense in its calculation. In FY 2002, depreciation expense for Computer Services was $3.6 million.

InterTech's budget goal is to break even by the end of each fiscal year. However, if customer usage is higher/lower than forecasts, increases/decreases in retained earnings occur. Over the years, Computer Services' products have exceeded budget forecasts, causing increases in retained earnings. The earnings above guidelines have been refunded to InterTech's customers.

Computer Services Retained Earnings decreased by $2.0 million from FY 2001 to FY 2002. The primary reason for this decrease was a payment to the federal government.

History of Rates:

Fiscal Year	1998	1999	2000	2001	2002	2003
Change	0%	(8%)	(9%)	(8%)	(13%)	(4%)

Historically, major Computer Services rates, except for print, have continued to decrease. This is primarily due to increases in customer usage and decreases in equipment costs.

Impact of Rate Changes:
While most Computer Services' rates continue to decrease, total cost to customers increases as customer usage increases. Customers whose usage remains stable receive the overall benefit of lower rates. The five largest customers are departments of Human Services, Finance, Economic Security, Public Safety, and Revenue.

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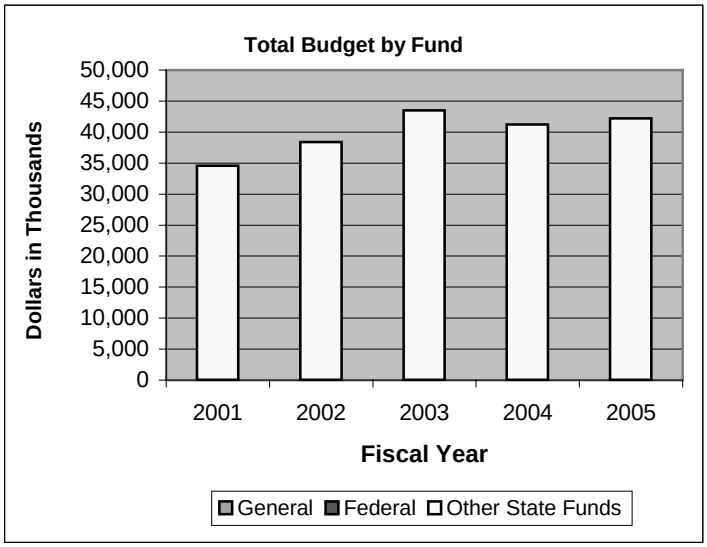

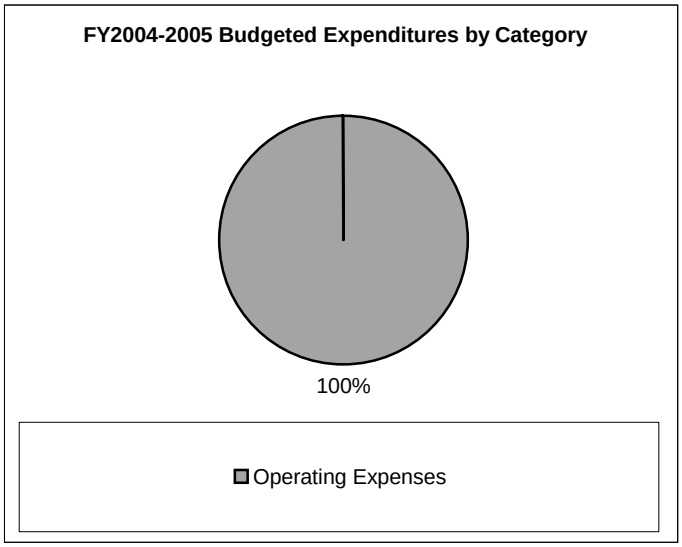

Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Statutory Appropriations						
Intertechnologies	34,553	38,381	43,519	41,233	42,197	83,430
Total	**34,553**	**38,381**	**43,519**	**41,233**	**42,197**	**83,430**
Expenditures by Category						
Operating Expenses	34,369	37,679	43,519	41,233	42,197	83,430
Other Financial Transactions	184	702	0	0	0	0
Total	**34,553**	**38,381**	**43,519**	**41,233**	**42,197**	**83,430**
Revenue by Type and Fund						
Dedicated						
Intertechnologies	41,596	35,769	38,693	36,018	37,006	73,024
Subtotal Dedicated	41,596	35,769	38,693	36,018	37,006	73,024
Total Revenue	**41,596**	**35,769**	**38,693**	**36,018**	**37,006**	**73,024**
Full-Time Equivalents (FTE)	**202.4**	**207.7**	**218.6**	**195.8**	**195.8**	

Activity Description

InterTech's Telecommunications Services connect public entities throughout Minnesota by transporting voice, data, and video transmissions over a shared network infrastructure. This activity is described in M.S. 16B.46: *" … shall supervise and control all state telecommunication facilities and services-"* and M.S. 16B.465 *"… has the responsibility for planning, development, and operations of the state information infrastructure in order to provide cost-effective telecommunication transmission services."*

Activity at a Glance

- InterTech provides voice, data, and video telecommunications services for public entities, utilizing owned and operated hubs connected by circuits leased from private sector vendors.
- InterTech serves over 100 state agencies and boards, over 125 counties and municipalities, all of the MnSCU and U of M campuses, and hundreds of schools and libraries.
- The integrated statewide data network employs more than 850 routers.

Population Served

InterTech's largest Telecommunication Services users are: Minnesota State Colleges and Universities (MnSCU), the University of Minnesota (U of M), the departments of Human Services, Public Safety, Transportation, Economic Security, Corrections, and Natural Resources, and hundreds of Minnesota school districts and public libraries.

Services Provided

The objective of the InterTechnologies Group (ITG) is to provide its customers telecommunication services that are secure and reliable at competitive rates. InterTech aggregates the needs of the public sector and negotiates favorable contracts with telephone providers and carriers to obtain volume discounts that lower costs to all users. Telecommunications Services aggregates and integrates usage to ensure efficient utilization of available capacities.

Voice: The voice product line includes local service, long distance, and enhanced voice services. The primary products for local service include Centrex, business lines, special circuits, and foreign language interpretation services. Long distance includes switched, dedicated, toll-free and 900 services, calling cards, and audio conferencing. Enhanced voice offers voice mailboxes, call processing applications, central office-based automatic call distribution (CO-ACD), and integrated services digital network (ISDN) service.

Data Network Services: The data network services product line consists of a suite of hardware, bandwidth, and Internet services that provide customers with wide area network solutions tailored to their data connectivity and computer applications requirements. Data services are provisioned over a secure and reliable leased-line network known as MNet. Network services include a range of leased-line and dial-up access services using internet protocol (IP) and asynchronous transfer mode (ATM) digital network connections to MNet; reliable and secure wide area bandwidth; 24x7x365 network monitoring and management; customer assistance for network design; and community router service access to state-run applications between state and local governments as well as shared access to the Internet.

Video Wide Area Network Services: The video network services product line offers a suite of video conference services and resources to enable interactive services on the same wide area network supporting data services. Services focus on integrating counties, agencies, schools, and higher education on a common, standards-based two-way interactive video network to enable cross-organizational real-time multimedia communications. The network supports over 10,000 video events annually that improve public service delivery in many ways. Interactive video conferencing boosts productivity, expands educational opportunities, speeds decision making, and reduces travel time and expenses. Service solutions include a common web-based conference scheduling service, multipoint video conference bridging, user training, interactive site information, and video conferencing support. In addition to two-way interactive video, web-based IP audio/video streaming services are also available to deliver live and recorded audio/video content available for viewing across the Internet.

Key Measures

InterTech actively pursues strategies to be a competitive provider of computing, telecommunication, and related services with the understanding that state agencies may pursue other service providers. To determine its competitive position, InterTech contracted with a nationally recognized outside performance measurement company, The Gartner Measurement Group, to measure InterTech's performance compared to other telecom service providers and to measure customer satisfaction with its services.

The Gartner Measurement Group reviewed three distinct areas of Telecommunications Services in FY 2001: Wide Area Data Network, Long Distance Network, and the statewide Centrex and Voice Mail Service. The cost-efficiency rating of the Wide Area Data Network is among the top 10% of organizations studied by Gartner. InterTech's actual cost to maintain the data network is 51% less than the peer group average of similar organizations would spend to support the same workload. The overall cost-per-minute for both outbound and inbound long distance calls is 20% less than that of the peer group average. The cost per Centrex phone station, including voice mail, is 45% less than the peer group average. The cost per software moves, adds, and changes to support Centrex phone stations is 28% less than the peer group average. InterTech plans an updated study for the fiscal year ending 6-30-02.

In FY 2002, the data network availability was 99.9%, and video sessions exceeded 97% on-time start.

Activity Funding

Telecommunications Services' finances are managed through the InterTech Internal Service Fund. Annually, InterTech establishes rates for services, and then InterTech charges customers for services delivered. Internal Service Fund payments cover the expenses for personnel, communications, hardware, etc. At the end of each fiscal year, the accounting objective of the Internal Service Fund is to break even.

InterTech Telecommunications Services had 111.48 *full-time equivalents* as of 7-01-02.

General Fund Loans: Telecommunication Services does not have a loan from the General Fund. InterTech does not anticipate a need for a General Fund loan during the next biennium.

InterTech purchases capital voice, data, and video network equipment to support customer applications and then depreciates the equipment over four years with the depreciation expense incorporated into the rates. Individual pieces of network equipment normally cost less than $100,000. However, in aggregate, InterTech anticipates spending $4.0 million during FY 2004-05 with depreciation (rate) impact of $250,000 in FY 2004 and $750,000 in FY 2005.

During FY 2004-05, InterTech does not plan any significant capital purchases for local, enhanced, and long distance voice services. However, the changing state of voice technologies is requiring InterTech to re-examine and reposition the portfolio of voice services offered by InterTech. This may result in new or eliminated services during FY 2004-05. ITG is aware of the current volatility in the telecom sector and closely monitors the changing situations on behalf of its customers. InterTech anticipates continued growth in the data and video network areas.

Proposed Investments in Technology and Equipment of $100,000 or more:

- $750,000 for upgrade of routers required to provide quality of service for H.323 video;
- $550,000 for 200 upgrades of 2500-Series routers to 2600-Series routers required to provide quality of service for H.323 video; 2500-Series routers do not provide this feature;
- $500,000 for optical fiber for backbone connections;
- $275,000 for 200 channel service units/digital service units (CSU/DSUs) that will be used at new network sites due to general network expansion and the upgrade of 56 kb to T1 sites;
- $250,000 for routers for new customers related to the new CSU/DSUs;
- $300,000 for bridging H.323 to H320, using 1 Accord MCU (multipoint control unit) to provide a bridging and multi-point conferencing service to both types of video customers;

- $150,000 for 8540 and 8510 switches for additional hubs and mini-hubs required by general network expansion;
- $100,000 for optical fiber repeaters for backbone connection; and
- $200,000 for core router additions related to 8540 switches and general network expansion.

Operating Losses/Increases in Retained Earnings: During FY 1994, Computer Services and Telecom Services revolving funds were merged into one fund. InterTech manages retained earnings according to federal requirements. These requirements state that the retained earnings balance cannot exceed two months of operating expenses. The federal government does not recognize depreciation as an operating expense in this calculation. In FY 2002, depreciation expense for Telecom Services was $1.9 million.

Telecom Services has not contributed to InterTech's overall retained earnings balance.

History of Rate Changes:

Fiscal Year	1998	1999	2000	2001	2002	2003
Change	1%	1%	(2%)	2%	0%	(5%)

The market within the telecommunications industry, particularly for local and long distance services, is becoming increasingly competitive and complex, which puts additional pressure on InterTech's rate structure. InterTech's local telephone service and voice mail rates have continued to remain highly competitive with industry standards for similar business enterprise services. Long distance rates have continued to decrease. Rates for the integrated statewide data network have been flat or decreased.

Factors that contribute to rate changes include FCC-mandated fees and new vendor contracts. Rates are also impacted by service network complexity, bandwidth, and number of locations.

Impact of Rate Changes:
Customers whose usage remains stable receive the overall benefit of lower rates in FY 2003 by paying less. The five largest customers are MnSCU, and the departments of Human Services, Public Safety, Transportation, and Economic Security.

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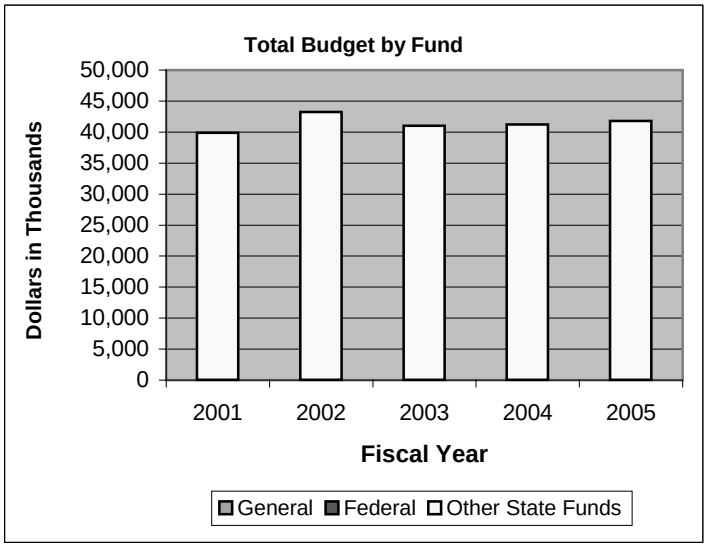

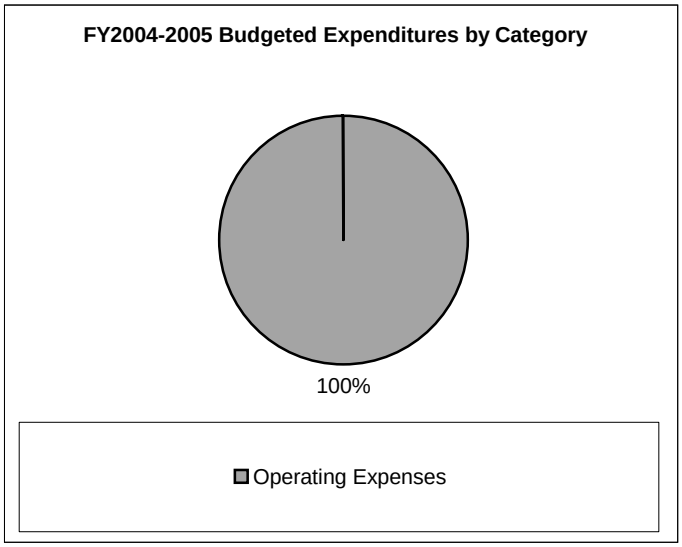

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Intertechnologies	39,907	43,259	41,044	41,223	41,782	83,005
Total	**39,907**	**43,259**	**41,044**	**41,223**	**41,782**	**83,005**
Expenditures by Category						
Operating Expenses	39,907	43,259	41,044	41,223	41,782	83,005
Total	**39,907**	**43,259**	**41,044**	**41,223**	**41,782**	**83,005**
Revenue by Type and Fund						
Dedicated						
Intertechnologies	34,771	37,474	44,526	44,563	45,522	90,085
Subtotal Dedicated	34,771	37,474	44,526	44,563	45,522	90,085
Total Revenue	**34,771**	**37,474**	**44,526**	**44,563**	**45,522**	**90,085**
Full-Time Equivalents (FTE)	**83.9**	**88.6**	**97.8**	**91.3**	**91.3**	

Activity Description
InterTech's Communication Center provides support and maintenance of the state of Minnesota's telephone directory database.

Population Served
General Fund services delivered by InterTech are used by public sector agencies, public and private K-12 and higher education institutions, local governments, libraries, and citizens.

Services Provided
The current funding is to support and maintain the telephone directory database of governmental organizations, locations, and telephone numbers through specialized database software and hardware. The current telephone directory database that is being maintained supports all the hierarchal relationship of an agency both in the metro and outstate Minnesota (blue pages) and outstate Minnesota state agency pages.

Electronic Government Services – Security Infrastructure - The implementation of Electronic Government Services (EGS) requires a common security infrastructure that will allow both government and citizen access to data currently stored on the state of Minnesota's shared mainframe computers and servers.

Electronic Government Services – Directory Services Technology - Directory Services defines the "what" in "what systems are available to different EGS users." Directory Services focuses on the data-specific aspects of EGS: the application of technology to identify individuals, ensure that they are authorized, verify their digital identity, direct them to the information required, and secure the information transferred during a transaction.

Key Measures
Maintain telephone directory hierarchal database for metro and outstate agencies.

Electronic Government Services accomplishments:

- Conducted security assessments that identified potential computer exposures and defined corrective actions to mitigate or eliminate exposures.
- Implemented multiple zones of firewall and intrusion detection systems technology on the S/390, LAN and WAN environments to increase the number of safeguards and level of security assurance.
- Implemented firewall and Intrusion Detection System technology for the Department of Trade & Economic Development and the Office of Technology (OT) hardware (North Star) housed at the data center to provide an additional layer of defense.

Electronic Government Services accomplishments:

- State of Readiness for the New Millennium: The project researched, reviewed and implemented virus prevention software for Directory Services during December 1999. This was part of the due diligence action for Y2K to safeguard the state e-mail environment. This proved to be a prudent and effective safeguard. This anti-virus software has identified, eradicated, and prevented 75,089 viruses from entering the state of Minnesota's e-mail environment during calendar year 2001.
- Common Authentication Framework for EGS Application Initiatives: This project included technical and business process discussions with potential technology providers in an effort to align the state's business and technical requirements with commercially available solutions. The project concluded with the selection, development and pilot deployment of common authentication services software as part of the state's EGS directory services infrastructure. Based upon the requirements defined, procurement and deployment of the solution began in the winter of 2001 for selected applications. InterTechnologies Group (ITG) is currently working with the Department of Human Services and OT to deliver this common authentication for their technology systems.
- EGS White Pages*:* ITG delivered a searchable database of all state employees, accessible through the North Star portal, and completed the "white pages" enhancement project. ITG built an ongoing process that allows technology to assist agencies with improving the accuracy of the data in SEMA4 and

eliminates manual updating previously required to create the printed phone directory. Staff collapsed the old manual updates of two sources into a single automated update of the SEMA4 system in April of 2001.

Activity Funding

The Communication Center is managed through the General Fund. A General Fund appropriation of $1,400,000 was received in FY 2000 and made available until 6-30-03 for the EGS – Security Infrastructure. A General Fund appropriation of $2,075,000 was received in FY 2000 and made available until 6-30-03 for the EGS – Directory Services Technology.

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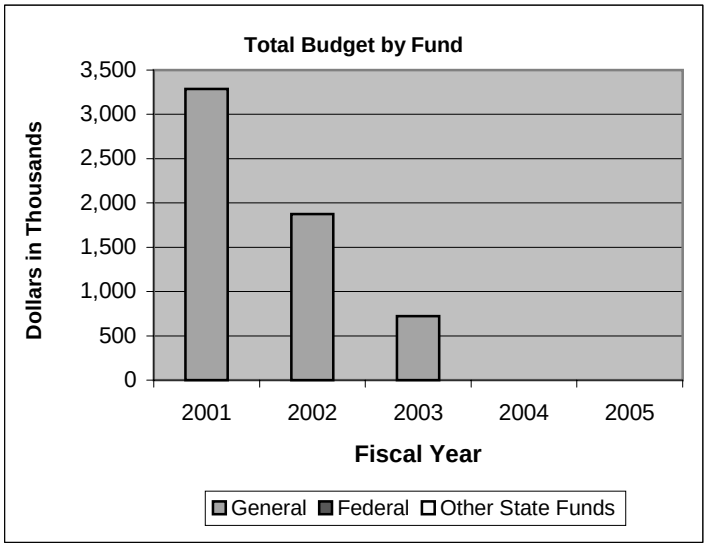
ADMINISTRATION DEPT
Program: INTERTECHNOLOGIES GROUP
Activity: ITG OTHER SERVICES

Fiscal Report



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,287	1,874	724	0	0	0
Total	**3,287**	**1,874**	**724**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	3,287	1,874	724	0	0	0
Total	**3,287**	**1,874**	**724**	**0**	**0**	**0**
Revenue by Type and Fund						
Non Dedicated						
General	2	0	0	0	0	0
Subtotal Non Dedicated	2	0	0	0	0	0
Total Revenue	**2**	**0**	**0**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**9.2**	**9.0**	**1.0**	**0.0**	**0.0**	

Activity Description

The Minnesota Statewide 9-1-1 Program within the Department of Administration (1) oversees 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) administers grant funds for 9-1-1 Public Safety Answering Points (PSAPs) in accordance with M.S. 403.113; and (5) distributes funds to the Metropolitan Radio Board in accordance with M.S. 473.901.

Activity 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;
- State Patrol answers about 30% of the wireless 9-1-1 calls in Minnesota; and
- 9-1-1 calls are answered at 119 PSAPs.

Population Served

The universal emergency 9-1-1 number is available throughout the state of Minnesota, even in the few border exchanges where callers draw dial tone from an adjoining state. Enhanced 9-1-1, with Automatic Location Identification (specific location of landline callers), covers over 90% 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) is available from five wireless carriers in the Minneapolis-Saint Paul Twin Cities seven-county metropolitan area and from six wireless carriers in 49 counties in Greater Minnesota. Phase I service is not yet available in the other 31 counties pending county cell site selection decisions and wireless carrier readiness. Phase I is necessary to support FCC Phase II service (callers location in latitude and longitude).

Services Provided

For budget purposes 9-1-1 costs can be viewed as several related activities required by M.S. 403.11, 403.113, and 473.901:

About 58% 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. The State Patrol answers about 30% of the wireless 9-1-1 calls in Minnesota.

About 40% of the costs are to fund grants to Public Safety Answering Points and the Metropolitan Radio 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 (currently 10 cents per month per access line).

⇒ Metropolitan Radio Board Grant Costs - A portion of the Metropolitan Radio Board budget is funded by the 9-1-1 Special Revenue fund (up to four cents of the fee per line).

About 2% of the costs fund salaries for four full-time equivalent positions and administrative expenses.

All Incumbent Local Exchange Carriers (ILECs) and nine existing wireless carriers are integrated into the 9-1-1 systems. The competitive local exchange carriers and new wireless carriers as market newcomers require connections to 9-1-1 networks as their networks expand and mature. Work continues to provide at least wireless Phase I Enhanced 9-1-1 (Currently in 56 counties) to all 87 counties and to move to Phase II in all 87 counties.

Key Measures

⇒ Phase I Enhanced Wireless 9-1-1 service is available from five out of the seven wireless carriers in the Twin Cities seven-county metropolitan area and from six out of the 20 wireless carriers among 49 of the 80 counties in Greater Minnesota.

⇒ Eighty-one PSAPs (plus 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. There were 77 PSAPs with ANI/ALI in December 2001.

⇒ Twenty PSAPs have tandem selective router Enhanced 9-1-1 with ANI/LLI, where 9-1-1 calls are sent to PSAPs by a selective router switch. There were 22 PSAPs with ANI/LLI in December 2001.

⇒ Of the 109 local PSAPs, eight (operated by seven counties and the University of Minnesota) have Direct Automatic Number Identification/Local Location Identification (ANI/LLI), where calls are connected directly to the PSAP with callback number, and the location of the caller is determined from a local database. There were 10 PSAPs with Direct ANI/LLI in December 2001.

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 33 cents per month on each customer access line, including cellular and other nonwire access services. The commissioner of Administration sets the amount of the subscriber fee (currently 33 cents) with the approval of the commissioner of Finance. M.S. 403.11 requires the commissioner to transfer an amount equal to two cents a month from the 9-1-1 fee assessed on wireless telecommunications services to the commissioner of Public Safety to offset State Patrol's wireless 9-1-1 costs. M.S. 473.901 requires the commissioner to send up to four cents of the 9-1-1 fee to the Metropolitan Radio Board. M.S. 403.113 authorizes the commissioner to dedicate part of the 9-1-1 fee amount to be sent as Enhanced 9-1-1 grants to agencies operating PSAPs.

Contact

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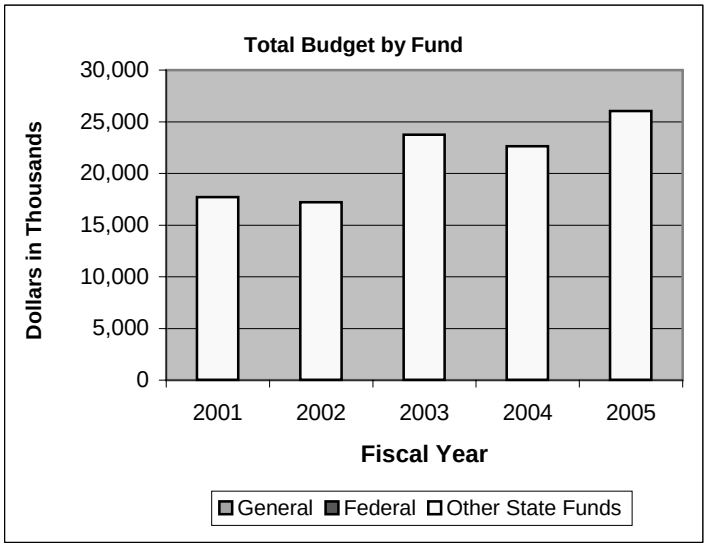
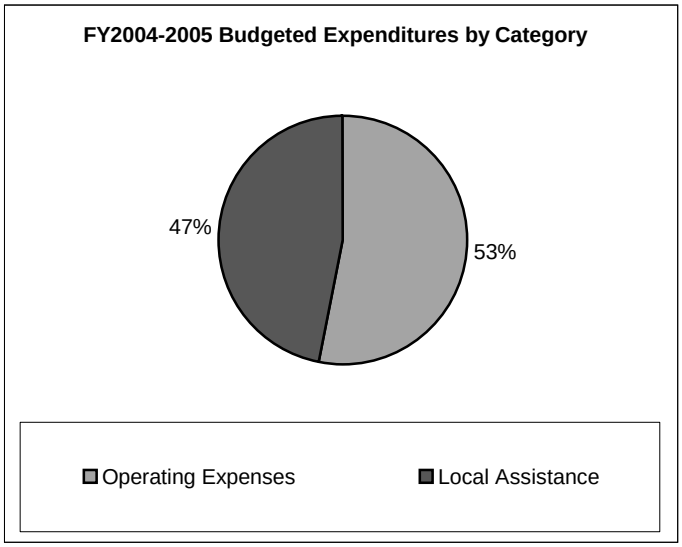
ADMINISTRATION DEPT
Program: INTERTECHNOLOGIES GROUP
Activity: 911 EMERGENCY SERVICES

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
State Government Special Revenue	17,724	17,202	23,746	22,641	26,042	48,683
Total	**17,724**	**17,202**	**23,746**	**22,641**	**26,042**	**48,683**
Expenditures by Category						
Operating Expenses	9,865	8,913	14,700	12,774	13,070	25,844
Local Assistance	7,859	8,289	9,046	9,867	12,972	22,839
Total	**17,724**	**17,202**	**23,746**	**22,641**	**26,042**	**48,683**
Revenue by Type and Fund						
Dedicated						
State Government Special Revenue	15,791	16,573	21,622	23,257	25,181	48,438
Subtotal Dedicated	15,791	16,573	21,622	23,257	25,181	48,438
Total Revenue	**15,791**	**16,573**	**21,622**	**23,257**	**25,181**	**48,438**
Full-Time Equivalents (FTE)	**3.2**	**3.9**	**4.0**	**4.0**	**4.0**	

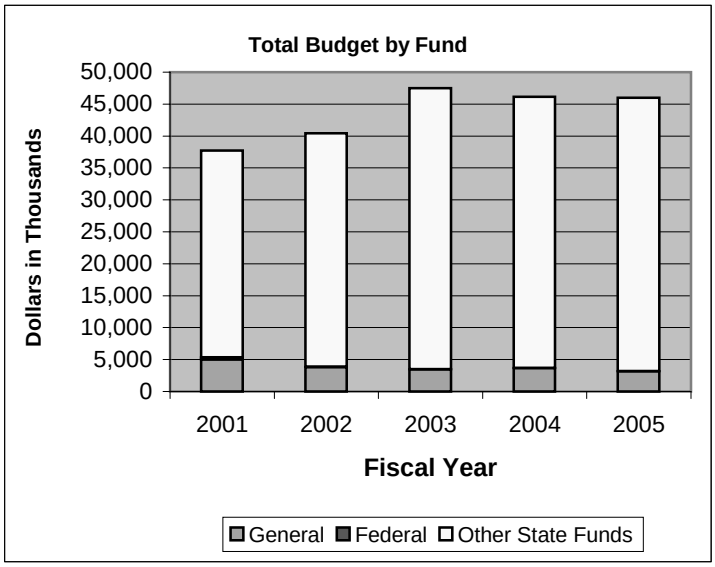
Program Description

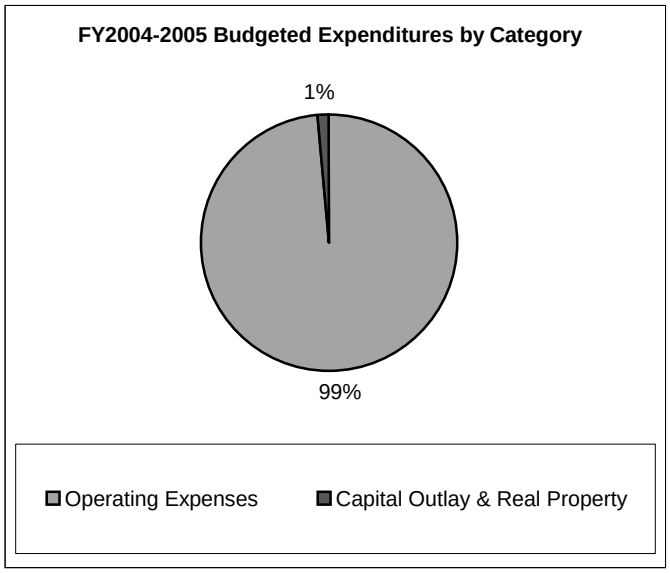
The purpose of the Facilities Management Bureau (FMB) is to manage some of the land and buildings owned or leased by the state. Through a participatory strategic planning process, agency long-term capital needs are identified and prioritized, with the overall goals of providing high quality, healthy, cost-effective, and serviceable facilities.

Budget Activities Included:

⇒ Real Estate Management
⇒ Plant Management
⇒ Building Codes & Standards
⇒ Building Construction

Further detail on each of these Budget Activities is included in subsequent pages of this budget document.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,990	3,803	3,453	3,653	3,153	6,806
Statutory Appropriations						
State Government Special Revenue	4,619	5,694	6,446	6,640	6,839	13,479
Special Revenue	2,775	4,514	11,536	10,181	10,047	20,228
Federal	306	50	7	0	0	0
Miscellaneous Agency	211	172	100	100	103	203
Gift	36	66	8	21	29	50
Plant Management	24,791	26,155	25,920	25,551	25,800	51,351
Total	**37,728**	**40,454**	**47,470**	**46,146**	**45,971**	**92,117**
Expenditures by Category						
Operating Expenses	35,899	39,865	46,832	45,512	45,333	90,845
Capital Outlay & Real Property	1,756	584	638	634	638	1,272
Payments To Individuals	0	5	0	0	0	0
Other Financial Transactions	73	0	0	0	0	0
Total	**37,728**	**40,454**	**47,470**	**46,146**	**45,971**	**92,117**
Expenditures by Activity						
Real Estate Management	423	406	431	887	387	1,274
Plant Management	29,189	32,072	37,453	36,197	36,315	72,512
Building Codes & Standards	4,619	5,694	6,446	6,640	6,839	13,479
Building Construction	3,497	2,282	3,140	2,422	2,430	4,852
Total	**37,728**	**40,454**	**47,470**	**46,146**	**45,971**	**92,117**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	250	86	118	120	120	240
Subtotal Non Dedicated	250	86	118	120	120	240
Dedicated						
State Government Special Revenue	6,436	5,419	5,700	6,000	6,000	12,000
Special Revenue	2,651	3,338	2,832	2,525	2,535	5,060
Federal	93	0	0	0	0	0
Miscellaneous Agency	200	173	100	100	103	203
Gift	33	76	3	3	2	5
Plant Management	38,412	40,927	38,209	41,106	41,398	82,504
Subtotal Dedicated	47,825	49,933	46,844	49,734	50,038	99,772
Total Revenue	**48,075**	**50,019**	**46,962**	**49,854**	**50,158**	**100,012**
Full-Time Equivalents (FTE)	**318.1**	**320.6**	**349.0**	**330.7**	**326.2**	

Activity Description

This activity exists to provide real estate services to state agencies statewide that result in obtaining quality, efficient, and cost-effective property that meets the state's needs; and selling state surplus property in a manner that maximizes a return to the state of Minnesota. Real Estate services are provided in accordance with M.S. 16B.24, M.S. 16B.25, M.S. 16B.26, M.S. 16B.31, M.S. 16A.28 and M.S. 94.

Activity at a Glance

The Real Estate Management Division:

- maintains a total of 961 leases of nonstate-owned and state-owned real property;
- currently leases four million useable square feet on nonstate-state owned space and other real property at an annual cost of $62.9 million;
- leases 1.5 million useable square feet of state-owned space under the custodial control of the Department of Administration to state agencies; and
- executes approximately 73% of all leases for nonstate-owned space and 27% of all leases for state-owned space to state agencies through the Department of Administration.

Population Served

The activity provides direct real estate services to approximately 160 state agencies, divisions, boards, councils, and work units. Indirectly, the public using state programs is served in the spaces provided to agencies conducting their operations and providing the services. Properties and spaces are provided for offices, workforce centers, residential facilities, emergency services, training, environmental services, laboratory testing, probation offices, driver vehicle services, health programs, licensing centers, and public records.

Services Provided

The activity:

- identifies state-owned and nonstate-owned real property that efficiently and functionally meets agency space needs;
- negotiates and drafts leases of state-owned and nonstate-owned real property to house state agencies in quality spaces at the most economical rent;
- provides space programming and monitoring of leasehold improvement construction in compliance with terms and conditions of leases;
- manages leases to assure compliance with terms and conditions including resolving day-to-day issues that may arise;
- provides relocation assistance including budgeting, capital budget requests, managing budgets, processing relocation requests, and coordination;
- generates revenue by leasing state-owned property temporarily not needed for state use, such as antenna space on communications towers;
- oversees building project financial analysis;
- assists agencies in site selections and oversees the due diligence process (appraisals, surveys, inspections, environmental assessments, and geo-technical reports);
- negotiates acquisition of required property;
- develops strategic plans for the disposition of state surplus real property that maximizes return to the state including obtaining appraisals, coordinating re-use studies, and working with stakeholders (i.e., agencies relinquishing property, local units of government, Minnesota Historical Society, and neighborhood associations) on relevant issues;
- develops and issues easements and permits, and transfers custodial control of property between agencies; and
- maintains databases of leases, floor plans, space management inventories, and state-owned land inventories for internal and external use.

Historical Perspective

In general, life cycle cost analyses on owning and leasing real estate have shown that it is more economical to own than lease facilities. Case-by-case life cycle cost analyses of owning and leasing facilities have been

historically used and will continue to be used to determine the most economic manner of providing space for state agencies.

Consolidation and co-location of agencies has been and continues to be a priority. The result of these efforts has been to conserve resources by sharing space, equipment, and staff. Consolidation and co-location also offer the public the ability to obtain products and services and to conduct more than one transaction at a visible, accessible, easily identifiable location. Consolidation and co-location also facilitate transportation pools that lead to conserving resources, better accessibility, reducing pollution, and controlling parking development costs.

There has been an increase in nonstate-owned space leased from 2.1 million square feet in 1988 to four million square feet in 2002.

Key Measures

1. Measure: Attain at least 4% savings on negotiated transactions through reduced rental cost.

Performance	**FY 2001**	**FY 2002**
Percentage	10.5%	9%
Dollar Savings	$391,461	$1,240,256

2. Measure: Maintain an 85% or better customer satisfaction rating

Performance	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Percentage	86%	88%	86%	94%	98%	96%

The primary issue raised in customer surveys is the time it takes to complete transactions. Real estate negotiations and transactions have become more complex due to issues involving accessibility, code compliance, indoor air quality, hazardous materials, and risk management. Agencies expect services to include project management to ensure that spaces are delivered in accordance with lease terms and conditions.

Activity Funding

This activity is funded through a General Fund appropriation.

Contact

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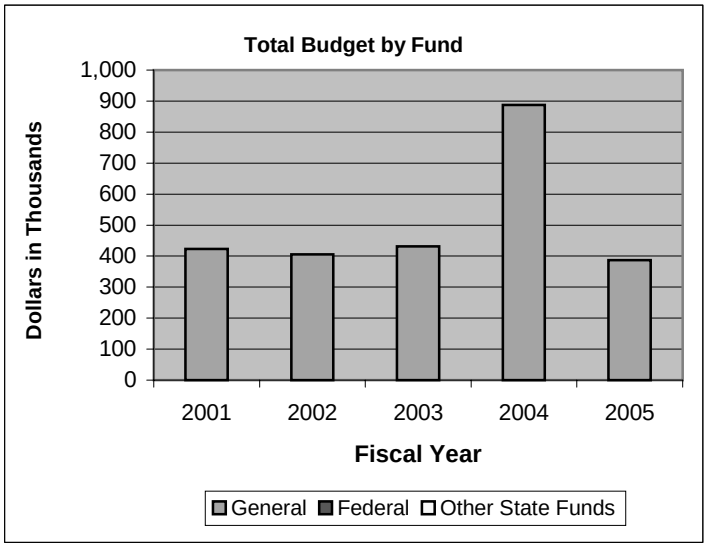
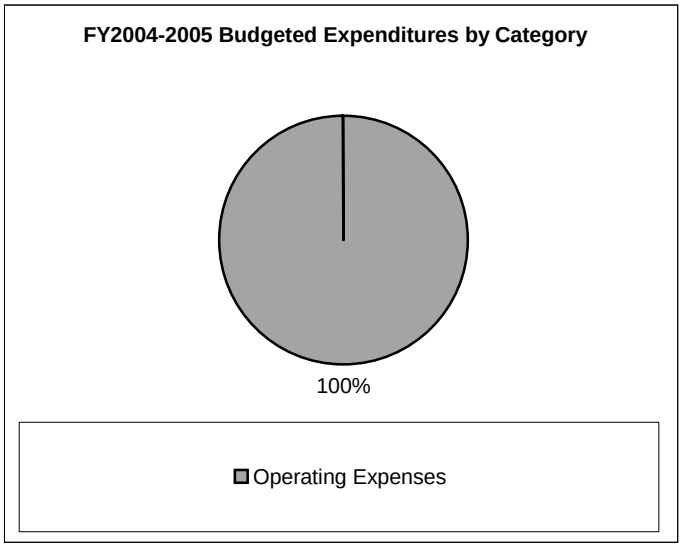
ADMINISTRATION DEPT
Program: FACILITIES MANAGEMENT
Activity: REAL ESTATE MANAGEMENT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	423	406	431	887	387	1,274
Total	**423**	**406**	**431**	**887**	**387**	**1,274**
Expenditures by Category						
Operating Expenses	423	406	431	887	387	1,274
Total	**423**	**406**	**431**	**887**	**387**	**1,274**
Revenue by Type and Fund						
Non Dedicated						
General	1	0	0	0	0	0
Subtotal Non Dedicated	1	0	0	0	0	0
Total Revenue	**1**	**0**	**0**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**3.1**	**2.8**	**2.9**	**2.5**	**2.5**	

Activity Description

Plant Management (PMD) delivers consistent, quality services to ensure cost-effective, clean, safe, and environmentally sound buildings, grounds, and operations in accordance with M.S. 16B.24, 16B.32, 16C.14, 16B.58 and 115A.15.

Population Served

The majority of PMD's customers are state agencies and the legislature. Non-state agency customers include visitors and event participants, as well as:

- organizations leasing space or needing parking; and
- federal, regional, and local units of government needing resource recovery.

Activity at a Glance

Plant Management maintains:

- 3.7 million gross square feet;
- 22 buildings;
- 21 monuments/memorials;
- 38 parking facilities;
- 2,159 tons of material recycled in FY 2002; and
- 40 million gross square feet served by Energy Management.

Services Provided

Services provided by PMD include:

- housekeeping, engineering, building management, refuse removal, grounds maintenance, snow removal, trade and repair services, and environmental and fire/life/safety systems;
- maintenance of ceremonial grounds, monuments, and memorials as a showplace for all Capitol Complex tenants, visitors, and Minnesota citizens;
- operating the State Recycling Center to prepare recyclables for market and administering the State Government Resource Recovery Program providing waste reduction and recycling assistance and education;
- conducting energy efficiency improvements and retrofit projects in state-owned buildings;
- implementing public buildings benchmarking project pursuant to M.S. 16B.325, Minnesota Session Laws 2001, article 1, chapter 212, section 3 and amended by Minnesota Session Laws 2002, chapter 398, section 8;
- moving, equipment rental, and delivery services; and
- maintaining and managing parking facilities and contracts and providing alternative transportation services.

Historical Perspective

PMD has developed a prioritized Asset Preservation Program for facilities under Administration's custodial control. The overall goal of this program is that all facilities are operated, repaired, and maintained in a cost-effective manner to ensure the integrity of the facilities and provide a safe and comfortable environment for building tenants. Failure to continue to address deferred maintenance will cause serious structural damage, deterioration, and reduction in the life expectancy of the buildings.

Through a change in legislation in 1997, a segregated Facility Repair/Replacement account was established to enable Capitol Asset Preservation and Replacement Account/Americans with Disabilities Act (CAPRA/ADA) bond interest and building depreciation collected through the rental rates to fund major projects. For FY 1998-2001, $1.6 million was transferred. In addition, 1999 legislation that went into effect on 7-1-01, required all building depreciation collected through the rental rates for bonded projects to be transferred to this Facility Repair/Replacement account. Receipts are estimated at $13 million each biennium. With the exception of CAPRA/ADA, bond interest costs incorporated in lease rates would continue to be transferred to the General Fund. Beginning in FY 2002, the Facility Repair/Replacement account assists PMD in planning and budgeting for future cyclical repairs and replacements that extend the useful life of the facilities and reduce the reliance on the capital budget process. The policy objective of the law is that preventive maintenance and planned, coordinated repair and replacements are significantly less expensive than emergency repairs or full replacement of facilities.

Key Measures

Service delivery accomplishments include the following:

- leases preserved facilities and supported a quality environment for building tenants through building tours, facility condition audits, and computer-assisted facilities management program;
- Resource Recovery Program continued to exceed the 60% recycling goal in the Capitol Complex in FY 2001 and FY 2002 as required by M.S. 115A.15, even though there was a 4% reduction in discards recycled in the Capitol Complex between FY 2001 and FY 2002; the reduction occurred because agencies shipped fewer recyclables due to waste reduction activities, the potential government shutdown, the state strike, and the fourth quarter announcement that the State Recycling Center's services were being reduced due to General Fund budget reductions;
- Energy Management saved state agencies $717,729 in FY 2001 and $168,573 in FY 2002 through negotiated natural gas pricing and savings by burning fuel oil versus natural gas;
- Energy Management implemented a contract between the utility and the correctional facility at Rush City to provide distributed generation and load curtailment which saved Corrections $201,635 in FY 2002; and
- Energy Management completed state agency energy retrofit projects in FY 2001 of 451,501 square feet resulting in annual savings of $80,588 and in FY 2002 of 310,671 square feet resulting in annual savings of $60,947 before loan payments.

Activity Funding

PMD's Internal Service Fund (ISF) is made up of three activities: Leases, Repair and Other Jobs, and Materials Transfer. The predominant customers are state agencies located in custodial control buildings that pay for space through lease rental rates. The goal of the ISF is to set rates as close to break-even as possible, while maintaining a two-month working capital. Expenditures include salaries/benefits, utilities, operating expenses, bond interest, and building depreciation.

The *full-time equivalents* as of 7-1-02 were 237.97 for Leases, 12.35 for Materials Transfer, and 2.66 for Repair and Other Jobs.

PMD does not have a loan from the General Fund nor proposed investment in technology or equipment of $100,000 or more.

Operating Losses/ Increases in Retained Earnings:
Retained earnings for the Lease activity increased in FY 2001 and FY 2002 because of the inability to fill positions due to wage disparities and the state hiring freeze. In addition, there are fluctuations in the lease rate-setting process as rates are established during the biennial budget process (i.e., one to two years in advance).

Retained earnings for the Repair and Other Jobs activity decreased in FY 2001 and are projected to decrease in FY 2002 based on planned losses due to positive retained earnings.

Retained earnings for the Materials Transfer activity increased in FY 2001 due to the delayed purchase of a new truck. Retained earnings for Materials Transfer are projected to decrease in FY 2002 due to reduced services by its largest customers as a result of the state budget shortfall; in addition, resulting staff reductions has lead to less flexibility to meet customer needs.

History of Rate Changes:

Fiscal Year	1998	1999	2000	2001	2002	2003
Leases	5.20%	1.60%	9.34%	0.66%	4.54%	2.96%
Repair and Other Jobs	1.83%	7.83%	10.10%	0.00%	1.90%	2.26%
Materials Transfer	22.32%	3.27%	0.49%	0.27%	0.31%	4.70%

Factors contributing to the change in Lease activity rates include increased bond interest and building depreciation due to major construction, and repair and replacement projects.

Factors contributing to the change in Repair and Other Jobs rates include small size of activity and continued return of positive retained earnings.

Factors contributing to the change in Materials Transfer rates include small size of activity and reduction in requested customer services.

Impact of Rate Changes:
Assuming the same volume and mix of goods/services as used in FY 2002, the five largest Lease customers will pay approximately 2% more. The five largest customers are the Minnesota Historical Society, the Minnesota Supreme Court, and the departments of Revenue, Transportation, and Administration,

Assuming the same volume and mix of goods/services as used in FY 2002, the five largest Repair and Other Jobs customers will pay approximately 2% more in FY 2003. The five largest customers are the departments of Administration, Health, and Military Affairs, the Revisor of Statutes, and the legislature.

Assuming the same volume and mix of goods/services as used in FY 2002, the five largest Materials Transfer customers will pay approximately 3% more in FY 2003. The five largest customers are the departments of Administration, Human Services, Commerce, and Children, Families and Learning, and the Secretary of State.

In addition to the ISF, this activity is funded by a General Fund appropriation and revenue from several fees. Planned changes in the financing of parking facilities related to the Capitol Complex may have a significant impact on parking rates.

Contact

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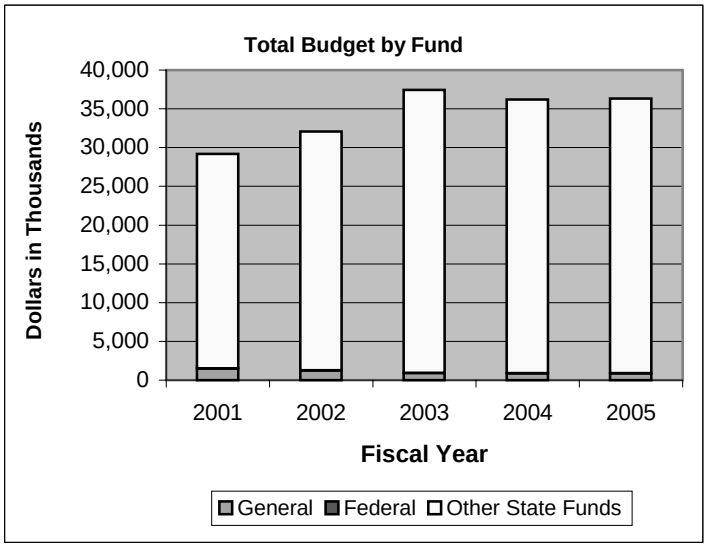
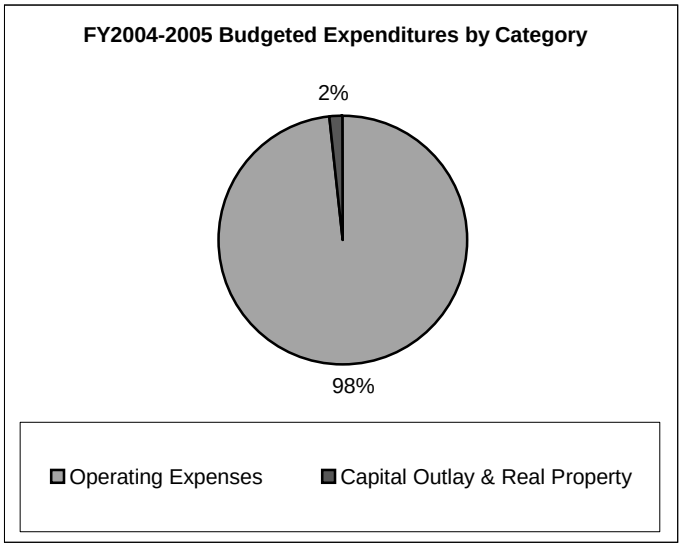
http://www.admin.state.mn.us/divisions.html

ADMINISTRATION DEPT
Program: FACILITIES MANAGEMENT
Activity: PLANT MANAGEMENT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,494	1,254	920	865	865	1,730
Statutory Appropriations						
Special Revenue	2,693	4,491	10,513	9,681	9,547	19,228
Miscellaneous Agency	211	172	100	100	103	203
Plant Management	24,791	26,155	25,920	25,551	25,800	51,351
Total	**29,189**	**32,072**	**37,453**	**36,197**	**36,315**	**72,512**
Expenditures by Category						
Operating Expenses	27,643	31,577	36,823	35,563	35,677	71,240
Capital Outlay & Real Property	1,546	490	630	634	638	1,272
Payments To Individuals	0	5	0	0	0	0
Total	**29,189**	**32,072**	**37,453**	**36,197**	**36,315**	**72,512**
Revenue by Type and Fund						
Non Dedicated						
General	249	86	118	120	120	240
Subtotal Non Dedicated	249	86	118	120	120	240
Dedicated						
Special Revenue	2,651	2,369	2,324	2,025	2,035	4,060
Miscellaneous Agency	200	173	100	100	103	203
Plant Management	38,412	40,927	38,209	41,106	41,398	82,504
Subtotal Dedicated	41,263	43,469	40,633	43,231	43,536	86,767
Total Revenue	**41,512**	**43,555**	**40,751**	**43,351**	**43,656**	**87,007**
Full-Time Equivalents (FTE)	**243.8**	**247.6**	**264.7**	**254.4**	**250.2**	

Activity Description

The division adopts the State Building Code, which sets minimum construction standards for building, mechanical, elevator, energy, accessibility, and manufactured structures to ensure the health, safety, and security of building occupants in accordance with M.S. 16B.59-.76 and M.S 327B.01-12. The division administers the entire code in state-owned, state-funded, and state-licensed buildings, and school district projects over $100,000, and administers manufactured structures statewide and elevators across the state except in Minneapolis and St. Paul. It also provides administrative assistance to all communities administering the State Building Code, including assistance during natural disasters such as the floods in Roseau or tornadoes in St. Peter and Granite Falls.

Activity at a Glance

- Investigative Section received 270 written complaints requiring formal investigations.
- Plan Review Section reviewed 299 plans for state-owned and state-licensed buildings with construction value of $430,524,298.
- Education/Certification Section provided 80 seminars for municipal building officials, architects, engineers, and builders.
- Elevator Safety Section received 949 requests for permits and conducted 1,268 elevator inspections across the state.
- Manufactured Structures Section received 101 written complaints requiring formal investigation.

Population Served

The division provides interpretations on the adopted codes, gives information regarding building materials, and consults with municipal officials, design professionals, building contractors, and the general public on all types of projects throughout the state. Approximately 465 jurisdictions administer the State Building Code.

The State Building Code is administered in cities, townships, and counties where adopted throughout the state.

Services Provided

Education and Certification Section - This section assists division clientele in interpreting and applying the State Building Code. It also provides certification, training, and educational seminars for building officials, the design profession, and the construction industry.

Information, Rules, and Administrative Services Section - This section distributes information about administration of the State Building Code, updates the State Building Code through the Administrative Procedure Act, and amends specific sections to address legislation and geographic needs. This past year the division has maintained nine advisory committees made up of members of the construction industry to assist in updating the State Building Code with the latest model codes and assisted in providing state and local input into the national model code change process. The Administrative Services unit works with the Department of Commerce, Enforcement Division, for code-related issues, provides reviews of municipal building code departments throughout the state for compliance with the State Building Code, and investigates building code complaints.

Plan Review and Regional Services Section - This section reviews construction documents and does site inspections to ensure conformance with requirements of the State Building Code for buildings paid for by the state, public school district buildings, and buildings that are licensed by other state agencies, such as health care facilities and correctional facilities. Regional officials represent the division, assist municipalities, do inspections, and monitor contract inspectors from six locations geographically located throughout the state.

Manufactured Structures Section - This section regulates manufactured housing (mobile homes) and prefabricated buildings. It answers consumer inquiries and complaints regarding manufactured homes and prefabricated structures and provides training and educational seminars for building officials, manufacturers, dealers, and installers. It licenses manufactured home manufacturers and dealers and performs plant and dealer lot inspections.

Elevator Safety Section - This section reviews, permits, and inspects all new or altered elevators, escalators, and related transportation devices. It provides for inspection and investigation of reported accidents involving elevators and related transportation devices.

Disaster Assistance - The division provides assistance to local jurisdictions in times of natural disasters. After consultation with the local officials, division staff respond to the communities by providing services they need to manage health and safety inspections during the disaster and administrative services needed to help in the recovering process. Services may include technical assistance, coordination of volunteers to conduct safety inspection and damage assessment, and onsite assistance with administrative procedures.

Historical Perspective

The laws of 1971 established the Minnesota State Building Code. The purpose was to provide uniform minimum standards for life safety and welfare of the public for buildings constructed in the state.

Effective 7-1-72, the Minnesota State Building Code superseded all municipal building codes. Before then, municipalities could apply any construction standards they chose to adopt. The net effect was 200-plus municipal construction standards in effect in the state. Designers, contractors, and material suppliers were confronted with different requirements when they worked in different municipalities.

The Minnesota State Building Code was initially, and continues to be, based on national model codes. State amendments to the national model codes have been incorporated to reflect legislative issues and geography.

Key Measures

Education Seminars

The division provides training and educational seminars to municipal officials, design professionals, state agencies, and contractors. The seminar programs have increased from 32 to 80 in the past year. Consistency and uniformity of construction and inspections are believed to be improved with expanded educational seminars, thus requiring fewer corrections in the field.

Seminar satisfaction ratings have remained consistently above the target performance goal of 85% with actual averages of 91% for the last two years.

Plan Review

The division is required by statute to review submitted construction plans within 30 days. The Building Codes & Standards Division's (BCSD) goal is to have them reviewed within 21 days. With plan reviewers' expertise needed to assist in code adoption and education, the 21-day goal was met 70% of the time with the remaining 30% done within 30 days.

Administrative Services

One of the responsibilities of the Administrative Services section is to provide consumer complaint assistance relating to municipal enforcement or contractor noncompliance.

Over the past year the division's target/goal for responding to formal complaints requiring an investigation of improper enforcement of the code at the local level or construction-related complaints referred to the division by the Department of Commerce, Contractor Licensing Section is to respond to all formal complaints within one week and set up on-site meetings if needed within two weeks. Of 43 files received by the section this past quarter, 98% were responded to within one week, and 98% site visits were scheduled.

Activity Funding

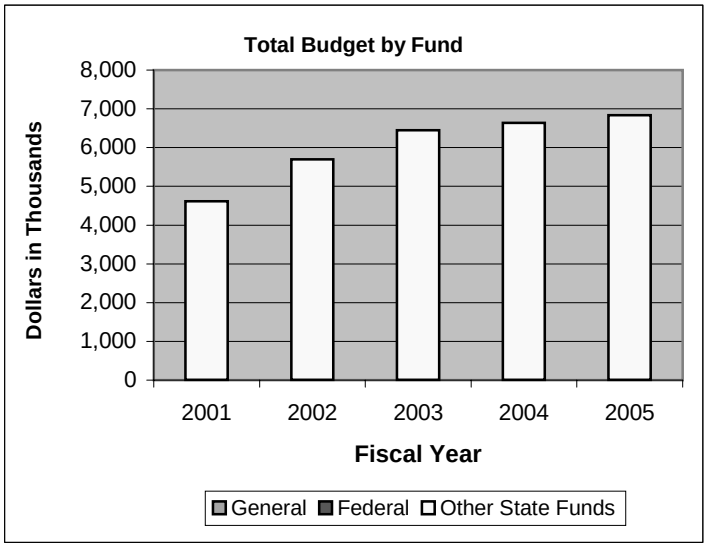
The Building Codes & Standards Division (BCSD) is funded by two main sources: a state surcharge fee, which is charged on every building permit issued by municipalities administering the State Building Code, and by construction permit and plan review fees for building, mechanical, accessibility, elevator, and manufactured structures.

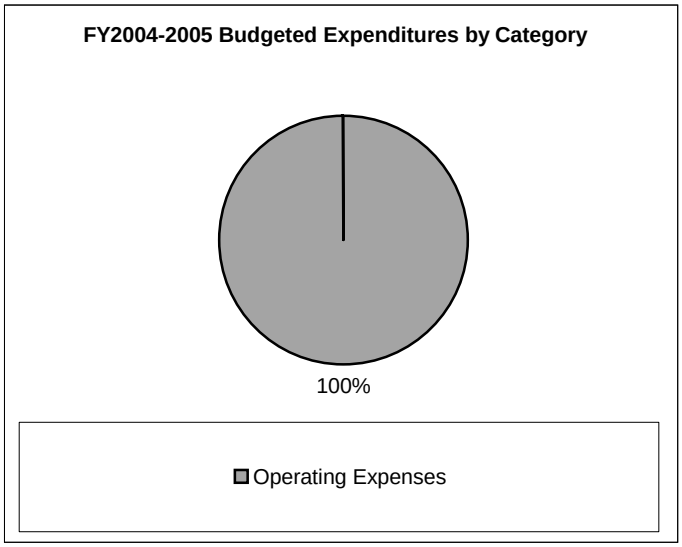
These fees are fee-for service (user fees) paid by contractors, manufacturers, building owners, design professionals, and homeowners who benefit from the division's services that provide the following: adoption of a State Building Code providing uniform minimum construction standard for building projects across the state;

training and assistance to the construction industry and municipal officials for uniform and consistent application of these standards; and review of construction plans and site inspection of state-owned or state-licensed projects and mechanical, accessibility, elevator, and manufactured structures.

Contact

Tom Joachim, State Building Official, (651) 296-7037, tom.joachim@state.mn.us
www.state.mn.us/ebranch/admin/buildingcodes





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
State Government Special Revenue	4,619	5,694	6,446	6,640	6,839	13,479
Total	**4,619**	**5,694**	**6,446**	**6,640**	**6,839**	**13,479**
Expenditures by Category						
Operating Expenses	4,619	5,694	6,446	6,640	6,839	13,479
Total	**4,619**	**5,694**	**6,446**	**6,640**	**6,839**	**13,479**
Revenue by Type and Fund						
Dedicated						
State Government Special Revenue	6,436	5,419	5,700	6,000	6,000	12,000
Subtotal Dedicated	6,436	5,419	5,700	6,000	6,000	12,000
Total Revenue	**6,436**	**5,419**	**5,700**	**6,000**	**6,000**	**12,000**
Full-Time Equivalents (FTE)	**43.1**	**47.9**	**58.1**	**55.1**	**55.1**	

Activity Description

The Division of State Building Construction (DSBC) delivers professional architectural, engineering, and construction resources designed to improve the physical facilities of Minnesota government in accordance with: M.S. 115A.15, 16A.632, 16B.05, 16B.24, 16B.27, 16B.30, 16B.305, 16B.31, 16B.32, 16B.33, 16B.335, 16B.35, and 16C.14.

Population Served

DSBC customers are state agencies having custodial control over facilities, and the occupants and visitors to those facilities.

Activity at a Glance

DSBC provides planning, design and construction services:

- for over 20 state agencies;
- for almost 4,000 state buildings;
- for over 450 active remodeling/repair projects, and several major new buildings, all of which require the processing of over 300 pay requests and 100 contracts monthly; and
- for 200 hazardous materials surveys and over 200 abatement projects annually.

Services Provided

Services provided by DSBC include:

- building design and construction project management, including contract administration, predesign, designer selection and oversight, and construction administration for new, remodeling, and asset preservation building projects;
- managing Capitol Asset Preservation and Replacement Account;
- managing hazardous materials surveys and abatement projects;
- assisting state agencies with Capital Budget Review preparation and provide Administration's review comments;
- managing predesign process;
- providing statewide facilities management (Facility Condition Audit);
- providing staff support for State Designer Selection Board;
- providing staff support for Governor's Residential Council; and
- developing Building Design Guidelines with consultant checklist.

Historical Perspective

DSBC provides a centralized resource where state agencies can obtain comprehensive and consistent architectural, engineering, facility management, and hazardous building materials management services to support agency facility needs. The process of building design and construction has become increasingly more complex from both a systems and technology standpoint as well as from the users' performance expectations. Increased technology and regulatory needs, including safety codes, building codes, health regulations, indoor air quality, sustainability, and environmental regulations also come into play. DSBC continues to work toward integration of all these items so that project scope, cost, and schedule requirements are met in a consistent and high quality manner. Toward this end, they have developed a consultant procedure manual, standardize forms, project initiation procedures, design criteria, and related information, all of which is posted on the DSBC web site (see address below).

Key Measures

FY02 service delivery accomplishments include:

- completion of a predesign supporting the co-location of Health and Agriculture; project delivery for $140 million for new facility is on schedule;
- completion of a predesign for Human Services; project delivery for $100 million for new facility is on schedule;
- construction on schedule for new $60 million Bureau of Criminal Apprehension (BCA) building in St. Paul; completion in fall 2003;
- minimizing construction change orders (supplemental agreements) to 5% maximum over bid was met (on work scope within our control);
- minimizing design time on projects (to allow earlier start date for construction notice to proceed) was met on over 50% of our projects;

- minimizing time to secure consultant services by implementing five year design roster, creating master request for proposals, modifying flowchart, and currently in process of revising methods for contract preparation ; and
- developing Design Guidelines to ensure quality and consistent standards for state facilities.

Activity Funding

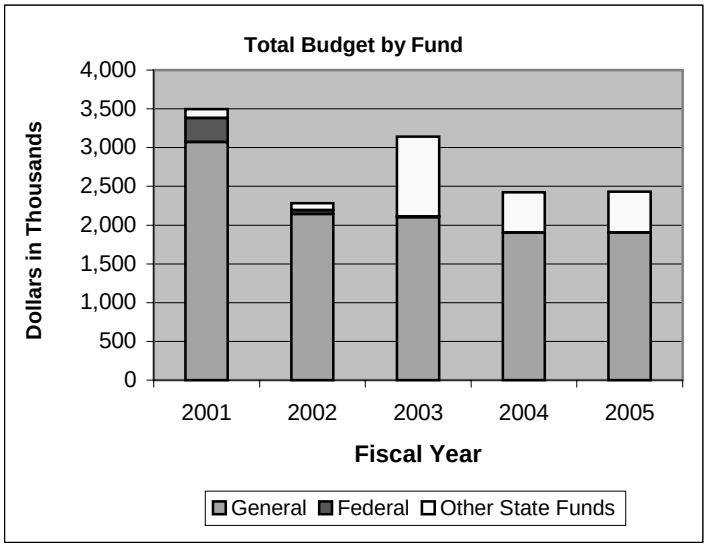
The Division of State Building Construction receives operating funds from a General Fund appropriation. Funding for projects that DSBC manages is from general obligation bonds, General Funds, federal funds, matching grants, and gift funds.

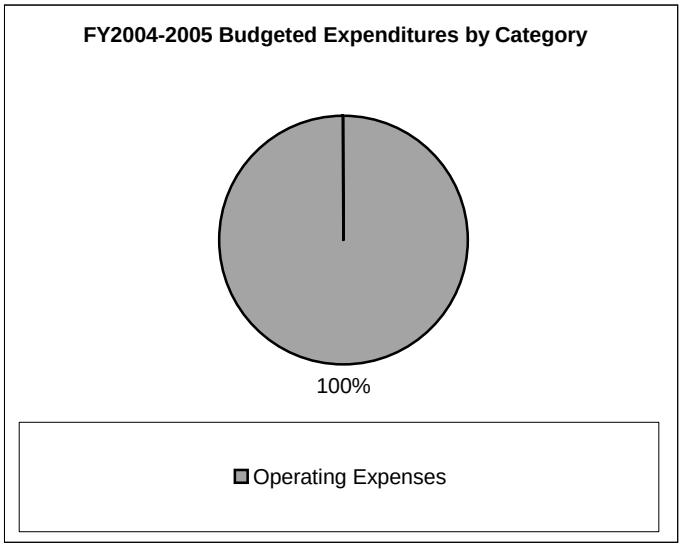
Contact

Heidi Myers, Director, (651) 296-4645, Heidi.myers@state.mn.us
http://www.dsbc.admin.state.mn.us.

ADMINISTRATION DEPT
Program: FACILITIES MANAGEMENT
Activity: BUILDING CONSTRUCTION

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,073	2,143	2,102	1,901	1,901	3,802
Statutory Appropriations						
Special Revenue	82	23	1,023	500	500	1,000
Federal	306	50	7	0	0	0
Gift	36	66	8	21	29	50
Total	**3,497**	**2,282**	**3,140**	**2,422**	**2,430**	**4,852**
Expenditures by Category						
Operating Expenses	3,214	2,188	3,132	2,422	2,430	4,852
Capital Outlay & Real Property	210	94	8	0	0	0
Other Financial Transactions	73	0	0	0	0	0
Total	**3,497**	**2,282**	**3,140**	**2,422**	**2,430**	**4,852**
Revenue by Type and Fund						
Dedicated						
Special Revenue	0	969	508	500	500	1,000
Federal	93	0	0	0	0	0
Gift	33	76	3	3	2	5
Subtotal Dedicated	126	1,045	511	503	502	1,005
Total Revenue	**126**	**1,045**	**511**	**503**	**502**	**1,005**
Full-Time Equivalents (FTE)	**28.1**	**22.3**	**23.3**	**18.7**	**18.4**	

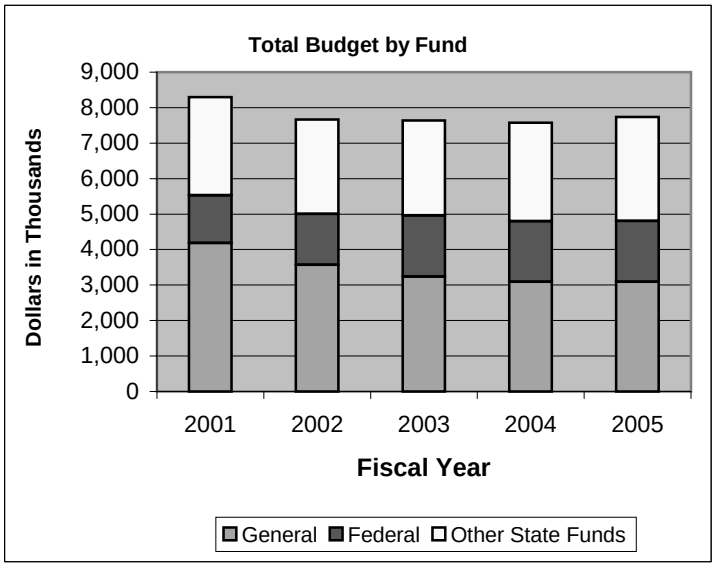
Program Description

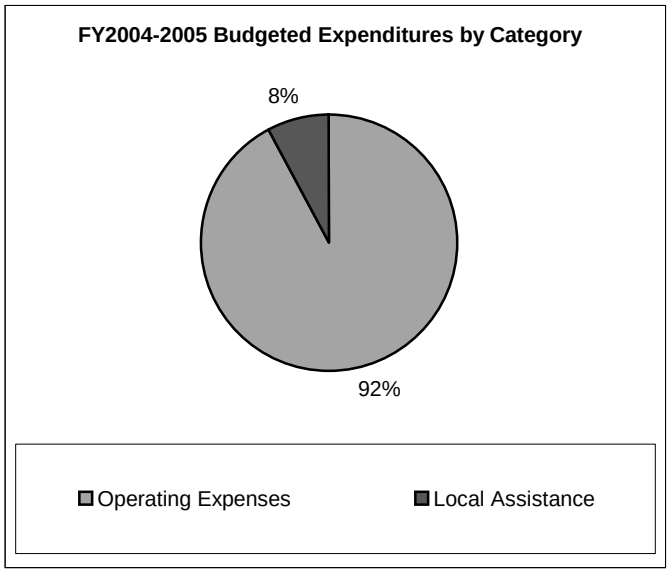
The purpose of the Management Services Bureau is to provide internal leadership to the agency in legislative, communications, administrative, and interagency support functions, as well as several specialized services including fiscal support to small agencies and public affairs responsibilities. In addition, statewide leadership is provided in many areas in conjunction with the diverse operating divisions of the agency.

Budget Activities Included:

- ⇒ Administrative Management
- ⇒ Financial Management & Reporting
- ⇒ Human Resources
- ⇒ Management Analysis
- ⇒ Information Policy Analysis
- ⇒ Office of the State Archaeologist
- ⇒ Developmental Disabilities Council
- ⇒ System of Technology to Achieve Results (STAR)

Further detail on each of these Budget Activities is included in subsequent pages of this budget document





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,187	3,575	3,239	3,092	3,092	6,184
Statutory Appropriations						
Special Revenue	1,690	1,667	1,625	1,686	1,775	3,461
Federal	1,343	1,427	1,719	1,705	1,717	3,422
Gift	0	13	8	4	3	7
Management Analysis	1,078	984	1,051	1,091	1,151	2,242
Total	**8,298**	**7,666**	**7,642**	**7,578**	**7,738**	**15,316**
Expenditures by Category						
Operating Expenses	7,575	7,257	6,994	6,978	7,138	14,116
Local Assistance	723	408	648	600	600	1,200
Other Financial Transactions	0	1	0	0	0	0
Total	**8,298**	**7,666**	**7,642**	**7,578**	**7,738**	**15,316**
Expenditures by Activity						
Admin Management	652	635	624	460	460	920
Financial Mgmt & Reporting	2,457	2,510	2,528	2,778	2,867	5,645
Human Resources	493	473	485	475	475	950
Management Analysis	1,710	1,630	1,548	1,458	1,518	2,976
Info Policy Analysis	796	511	458	425	425	850
State Archeologist	272	206	204	200	199	399
Developmental Disabilities Co	1,115	1,148	1,276	1,320	1,320	2,640
Star Program	803	553	519	462	474	936
Total	**8,298**	**7,666**	**7,642**	**7,578**	**7,738**	**15,316**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	3	1	1	1	1	2
Subtotal Non Dedicated	3	1	1	1	1	2
Dedicated						
Special Revenue	1,916	1,879	1,307	1,499	1,725	3,224
Federal	1,353	1,467	1,669	1,705	1,717	3,422
Gift	0	3	3	3	3	6
Management Analysis	1,086	1,061	1,050	1,091	1,150	2,241
Subtotal Dedicated	4,355	4,410	4,029	4,298	4,595	8,893
Total Revenue	**4,358**	**4,411**	**4,030**	**4,299**	**4,596**	**8,895**
Full-Time Equivalents (FTE)	**83.9**	**77.4**	**74.4**	**70.7**	**69.7**	

Activity Description

This activity provides both agency and statewide executive leadership and management support. The mission of the Department of Administration is to improve the quality and productivity of Minnesota government. The agency's vision is to be a leader in providing high-quality products and services to customers and to be an employer of choice for its employees.

Activity at a Glance

Admin Management is responsible for

- creating, communicating, and maintaining the agency strategic plan; and
- measuring quarterly performance results as reported by all internal divisions.

Population Served

Services and support are provided to all state agencies, councils, boards and offices, and the public.

Services Provided

The office has overall management responsibility of the agency. The commissioner of administration is the state chief information officer, and as such, provides technology leadership to the state. In addition, the Public Affairs unit coordinates the legislative and communications functions of the agency.

Key Measures

The Department of Administration has made customer satisfaction a major department-wide goal. There are 32 divisions within the agency that are working to devise meaningful measures of customer satisfaction to be used in improving the quality of services. Criteria have been developed to evaluate the extent to which all of these areas are tracking and measuring customer satisfaction.

Currently, nearly half of these areas are tracking customer satisfaction. By October 2002, 70% will be measuring customer satisfaction, and by March 2003, all areas are expected to have customer satisfaction measures in place. A customer satisfaction goal of 80% or higher is the minimum standard for divisions.

Employee satisfaction is also tracked. The current objective is to bring all performance reviews up to date by June 2003. This responds to employee concerns regarding regular contact with, and feedback from, supervisors.

Activity Funding

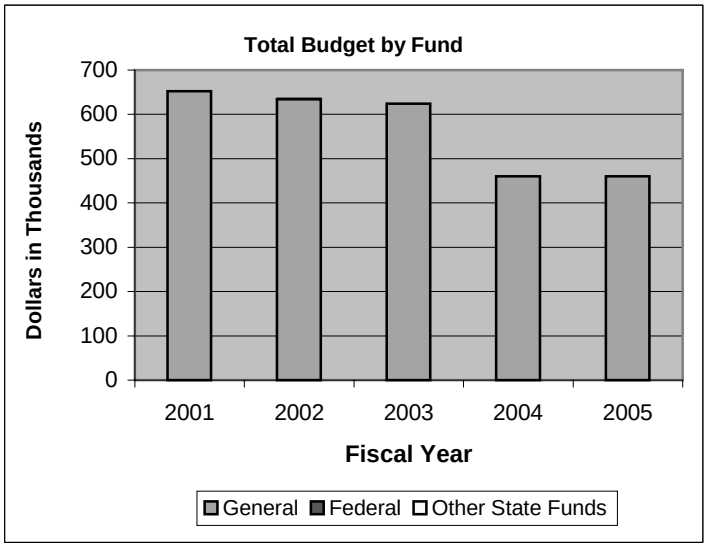
This activity is funded through a General Fund appropriation.

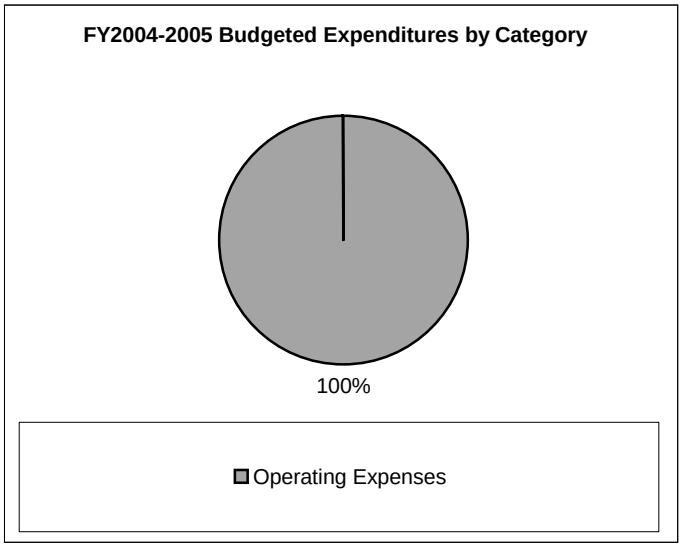
Contact

Larry Freund, Financial Management Director, (651) 296-5857, Larry.Freund@state.mn.us
http://www.admin.state.mn.us/

ADMINISTRATION DEPT
Program: MANAGEMENT SERVICES
Activity: ADMIN MANAGEMENT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	652	634	624	460	460	920
Statutory Appropriations						
Special Revenue	0	1	0	0	0	0
Total	**652**	**635**	**624**	**460**	**460**	**920**
Expenditures by Category						
Operating Expenses	652	634	624	460	460	920
Other Financial Transactions	0	1	0	0	0	0
Total	**652**	**635**	**624**	**460**	**460**	**920**
Full-Time Equivalents (FTE)	**5.4**	**5.5**	**5.3**	**3.3**	**3.3**	

Activity Description

The mission of the Financial Management and Reporting Division (FMR) is to provide and promote financial management to the Department of Administration (Admin) and associated boards and councils.

Population Served

Financial services, information, and transactions are provided to all divisions within the agency, six boards and councils, the Department of Finance, the Legislative Auditors, the legislature, and vendors.

Activity at a Glance

- FMR administers overall FY 2002-03 biennial agency budget in excess of $460 million.
- FMR aids nearly 40 bureaus, divisions, agencies, boards, and offices in all types of financial matters.
- All FY 2001 financial statements received clean independent auditors' opinions.
- Ninety monthly, quarterly, and annual financial statements for business units produced per year.

Services Provided

Services provided include all aspects of budgeting, accounting, internal auditing, transaction processing, financial reporting and analysis, and performance management consultation and reporting. FMR staff act as liaisons and financial consultants for Admin's operating divisions and the other customers. This activity strives to provide timely financial services and support while conforming to Generally Accepted Accounting Principles (GAAP). This facilitates the effective management of available resources as governed by laws, policies, and procedures of the accounting profession, and state and federal governments.

Key Measures

Agency Prompt Payment: M.S. 16A.124 requires state agencies to pay valid obligations to vendors within the vendor's early payment discount period, or in the absence of a stated period, within 30 days following receipt of the invoice for the completed delivery of the product or service.

Fiscal Year	2000	2001	2002	2003 (est.)
Prompt Payment goal: 97%	97.53%	98.08%	97.16%	98.00%
Number of payment transactions:	48,528	44,633	41,848	40,500

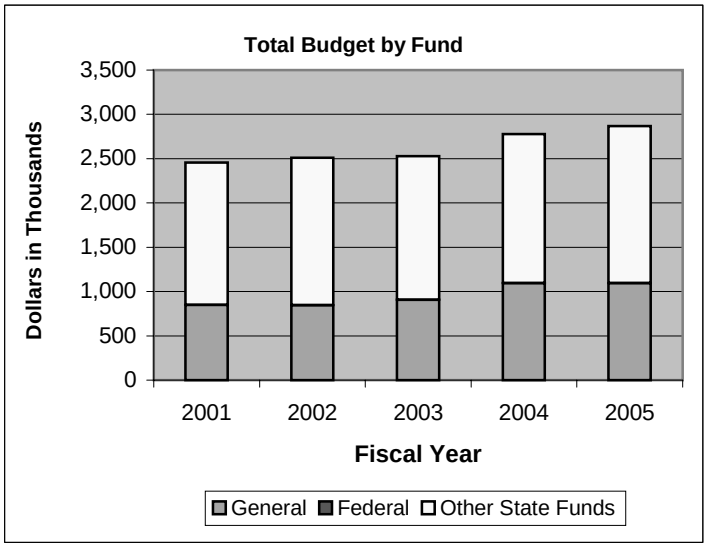
Activity Funding

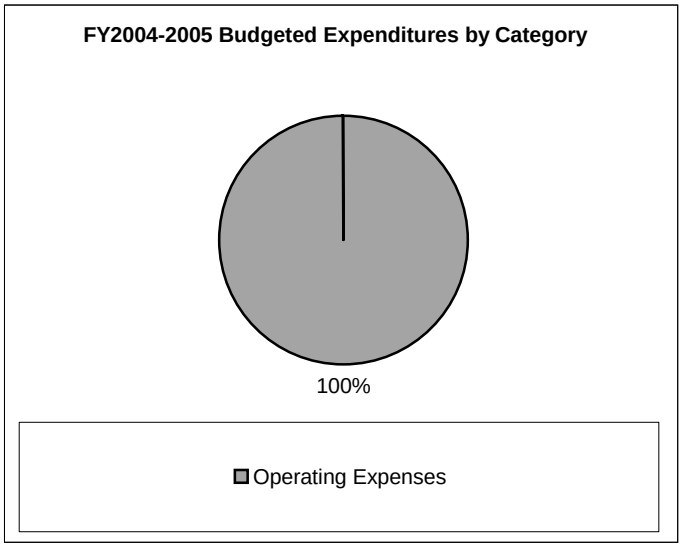
This activity is funded through a General Fund appropriation.

This activity also manages the agency internal allocation account. This account was established in FY 1998 to better manage certain costs that are distributed throughout all, or part of the agency. Allocations include agency-wide expenses such as a training coordinator and an internal auditor, and bureau or function-specific expenses such as an assistant commissioner and LAN support. Costs are allocated to activities based on budget, staffing, or user statistics.

Contact

Larry Freund, Financial Management Director, (651) 296-5857, Larry.Freund@state.mn.us
http://www.admin.state.mn.us/





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	848	844	905	1,095	1,095	2,190
Statutory Appropriations						
Special Revenue	1,609	1,666	1,623	1,683	1,772	3,455
Total	**2,457**	**2,510**	**2,528**	**2,778**	**2,867**	**5,645**
Expenditures by Category						
Operating Expenses	2,457	2,510	2,528	2,778	2,867	5,645
Total	**2,457**	**2,510**	**2,528**	**2,778**	**2,867**	**5,645**
Revenue by Type and Fund						
Non Dedicated						
General	2	0	0	0	0	0
Subtotal Non Dedicated	2	0	0	0	0	0
Dedicated						
Special Revenue	1,821	1,878	1,306	1,496	1,722	3,218
Subtotal Dedicated	1,821	1,878	1,306	1,496	1,722	3,218
Total Revenue	**1,823**	**1,878**	**1,306**	**1,496**	**1,722**	**3,218**
Full-Time Equivalents (FTE)	**31.7**	**29.7**	**29.2**	**30.2**	**30.2**	

Activity Description

The Human Resources Division provides human resources services to the employees, prospective employees, and management of the Department of Administration (Admin) by actively recruiting, hiring, developing, and retaining a productive, diverse, and highly competent workforce. The division's work is subject to compliance with federal and state law as well as internal policies and procedures.

Activity at a Glance

- 200 employee hires/transfers per fiscal year.
- 40 labor grievances per fiscal year resolved prior to arbitration.
- 60% of employees provided onsite or offsite training per fiscal year.

Population Served

The Human Resources Division serves 850 employees of Admin as well as 16 additional employees of the Council on Asian/Pacific Minnesotans, the Council on Black Minnesotans, the Chicano/Latino Affairs Council, and the Ombudsman for Families.

Services Provided

The Human Resources Division provides the following services:

- recruitment and staffing;
- fringe benefits enrollment and administration;
- labor contract administration/employee relations;
- employee training and development;
- performance management and wage/compensation administration;
- Worker's Compensation, Occupational Safety and Health Administration (OSHA) compliance, and general safety/wellness program administration;
- Affirmative Action/ADA (Americans with Disabilities Act) and Family Medical Leave Act (FMLA) oversight and administration; and
- consultation on human resources management issues.

Key Measures

Human Resources strives to continue the current 100% customer satisfaction rate related to the variety of services provided above. Each service provider within the division solicits feedback on services rendered through an automated internal customer survey. Each service provider is charged with maintaining satisfactory statistics both as an individual contributor and as a member of the Human Resources team.

An additional performance management measure includes ensuring that all Admin employees' performance appraisals are current and that each agency employee has an annual review. Managers and supervisors in non-compliance with this measure will not receive their own performance increase. Target date for full compliance is 6-30-03.

A third performance measure includes continuing to hire, train, and promote any and all employees with respect to the Affirmative Action goals of the department's plan. Over the past two years, the department's hiring statistics reflect 100% compliance with affirmative action goals. The Human Resource division intends to continue this measurement into the biennium with the intention of retaining 100% compliance.

Activity Funding

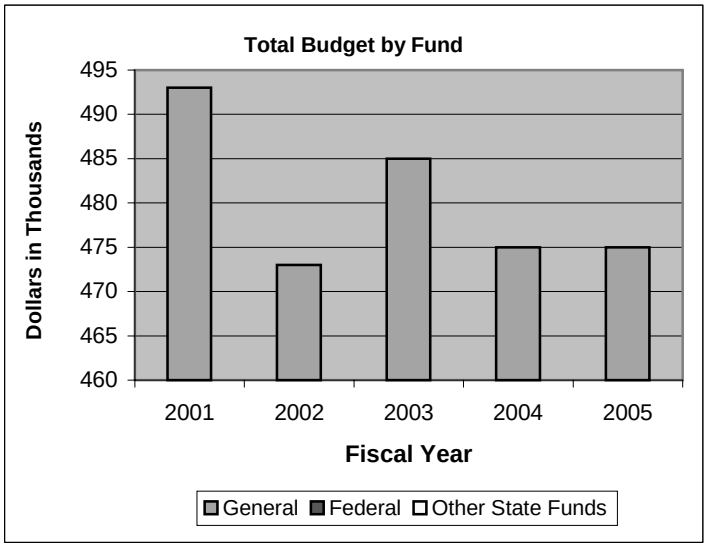
This activity is funded through a General Fund appropriation.

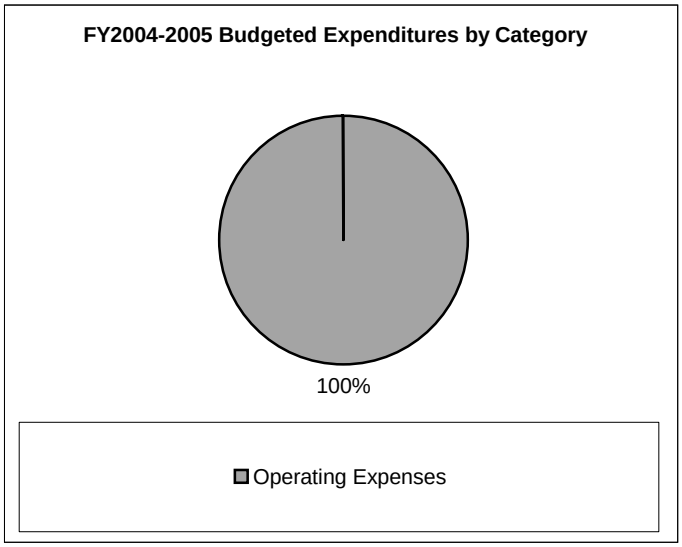
Contact

Deborah Tomczyk, Director, (651) 296-2885, Deborah.Tomczyk@state.mn.us
www.admin.state.mn.us.

ADMINISTRATION DEPT
Program: MANAGEMENT SERVICES
Activity: HUMAN RESOURCES

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	493	473	485	475	475	950
Total	**493**	**473**	**485**	**475**	**475**	**950**
Expenditures by Category						
Operating Expenses	493	473	485	475	475	950
Total	**493**	**473**	**485**	**475**	**475**	**950**
Revenue by Type and Fund						
Non Dedicated						
General	1	1	1	1	1	2
Subtotal Non Dedicated	1	1	1	1	1	2
Full-Time Equivalents (FTE)	**6.7**	**7.5**	**6.9**	**7.0**	**6.0**	

Activity Description

The Management Analysis Division (MAD) is the state of Minnesota's management consulting organization. MAD offers a wide range of consulting services to state and local governments and higher education in accordance with M.S.16B.36. MAD consultants have worked on hundreds of projects with all agencies, many boards, units of local government, and higher education.

Activity at a Glance

The Management Analysis Division:

- provides consulting to state agencies, the legislature, local governments, the University of Minnesota, Minnesota State Colleges and Universities (MnSCU), and public K-12 institutions;
- averages 120 engagements per year; and
- provides consulting services at up to 50% less than comparable external providers.

Population Served

MAD provides management consultation to state agencies, the governor, the legislature, higher education, and local and federal governments. The division's services are available to all public sector organizations on a fee-for-service basis. The direct recipients are public sector managers and executives; however, the ultimate beneficiaries are the state agencies and other public entities, and the end users whose services are impacted by the improvements.

Services Provided

MAD's consulting services include organizational improvement, analysis, performance measurement, service quality improvement, customer relations, facilitation, organization, evaluation, and development, strategic planning, process flow or process mapping, process redesign, legislative studies, grant writing, surveys, transition services, contingency planning, and other executive branch coordination activities.

Clients see improvements such as increased productivity, clearer direction, better working relationships, additional grant income, better data for decision making, or increased cooperation with stakeholders and partners.

Historical Perspective

MAD began consulting activities in 1985. Since that time, the requests for services have become increasingly complex and reflect the funding, societal, and policy pressures on public entities. Budget pressures and public expectations have increased the necessity for accountability, streamlining, and cooperation.

MAD's consulting business began with seven engagements in 1985. It has expanded to 137 engagements in FY 2002. Over the five fiscal years from FY 1998 through FY 2002, the number of projects per year averaged 134. The division worked on four legislative projects in FY 2002. The average for the past five fiscal years is three. MAD reported 1,360 hours on legislative engagements in FY 2002, equivalent to 13% of all hours reported on internal service fund projects in the year.

Key Measures

MAD's key measure is customer satisfaction. As consultants and analysts, MAD staff provide analysis, facilitation, consultation, and technical assistance to address client needs. The degree to which those needs are satisfied is a key measure. Some work is quantifiable. For example, grant writing efforts in the past two years have yielded the state an estimated $3.3 million. Other efforts – such as getting diverse and competing stakeholders to come to consensus – are not as easily quantified but are immeasurably important to the clients. MAD's goal is to achieve at least 80% satisfaction; actual result this fiscal year will be 95% or higher.

Activity Funding

Funding is two-thirds from Internal Service Fund revenues from consulting and analytical projects, and one-third from a General Fund appropriation. The General Fund covers activities such as: regulatory mandates (Cost Benefit Analysis on transportation projects and testimony on topics as requested by the legislature); cross-agency management improvement projects (staffing or participating on task forces on performance management; providing managerial training; addressing emerging needs such as downsizing with one-on-one coaching for

managers and training co-facilitated with the Employee Assistance Program); and work on behalf of the state as a whole (conducting contingency planning for state operations; establishing a gubernatorial transition office).

Internal service fund information:
MAD has 16 *full-time* equivalents as of 7-1-02.

There are no loans from the General Fund, or proposed investments in technology or equipment of $100,000 or more.

Operating Losses/Increases in Retained Earnings:
Retained earnings estimated increase from FY 2001 to FY 2002 returns the division to the recommended minimum retained earnings level equal to two months operating funds. This return was possible due to fiscal management that allows the internal service fund to react to anticipated gaps in service demand due to budget shortfalls experienced by client agencies.

History of Rate Changes:

Fiscal Year	1998	1999	2000	2001	2002	2003
Hourly Rate	$80	$85	$85	$95	$98	$98
Change	2.6%	6.25%	0%	11.8%	3.2%	0%

Impact of Rate Changes:
Rates did not increase for FY 2003; the rate of $98 has been stable since July 2001. Services remain available at the previous rate so there is no impact on client agencies. The five largest customers in FY 2002 were the departments of Administration, Economic Security, Human Services, Public Safety, and Children, Families and Learning.

Contact

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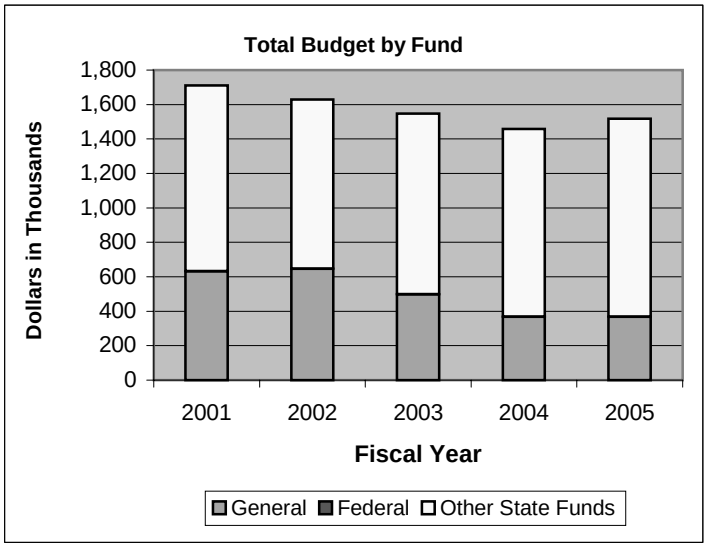
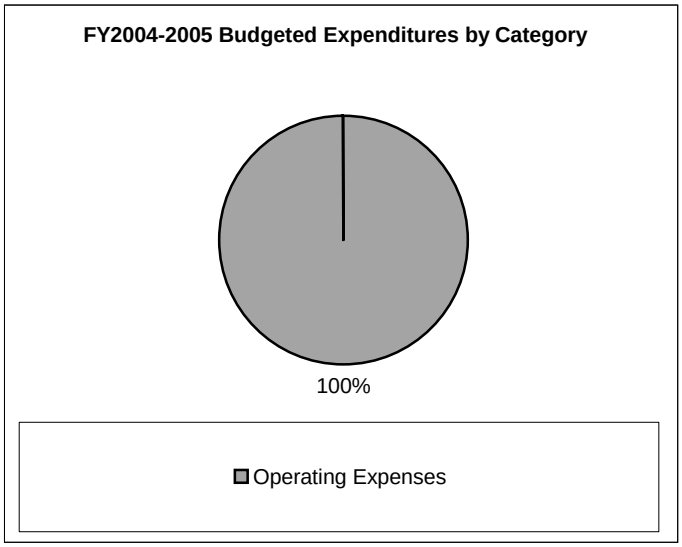
http://www.admin.state.mn.us/mad

ADMINISTRATION DEPT
Program: MANAGEMENT SERVICES
Activity: MANAGEMENT ANALYSIS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	632	646	497	367	367	734
Statutory Appropriations						
Management Analysis	1,078	984	1,051	1,091	1,151	2,242
Total	**1,710**	**1,630**	**1,548**	**1,458**	**1,518**	**2,976**
Expenditures by Category						
Operating Expenses	1,710	1,630	1,548	1,458	1,518	2,976
Total	**1,710**	**1,630**	**1,548**	**1,458**	**1,518**	**2,976**
Revenue by Type and Fund						
Dedicated						
Management Analysis	1,086	1,061	1,050	1,091	1,150	2,241
Subtotal Dedicated	1,086	1,061	1,050	1,091	1,150	2,241
Total Revenue	**1,086**	**1,061**	**1,050**	**1,091**	**1,150**	**2,241**
Full-Time Equivalents (FTE)	**20.9**	**18.5**	**16.4**	**14.9**	**14.9**	

Activity Description

The Information Policy Analysis Division (IPAD) is where government entities, private sector organizations, the legislature, and citizens come for answers to data practices questions; consultation on data practices issues; help with public policy development; assistance in understanding and complying with complex legislation regulating information; dispute resolution services as it relates to data practices appeals; and assistance in exercising rights regarding access to information, protecting privacy, and challenging inaccurate or incomplete information.

Both the Minnesota Legislature and the federal government have either enacted statutes or promulgated extensive rules that deal with a variety of information related issues. These statutes and rules include, among others, the Minnesota Government Data Practices Act, the federal Family Educational Rights and Privacy Act and related rules, M.S. 144.335 (the health records statute), the federal Health Insurance Portability and Accountability Act of 1996 and related privacy rules, the federal Freedom of Information and Privacy Acts, and the Minnesota Records Management Act. Historically, the executive branch and the legislature informally agreed that it made sense that expertise concerning those and other related laws should be available at no charge to both government entities and citizens. As a General Fund activity, IPAD offers that expertise to government entities and citizens through a variety of functions and services.

Activity at a Glance

On average, over the last five years, IPAD has annually:

- issued 66 advisory opinions;
- answered 3,609 phone* inquiries from government entities;
- dealt with phone* questions or requests for assistance from 2,532 citizens; and
- provided 1,448 phone* consultations to private and public attorneys.

In 2002, IPAD's web site had 9,279 visits.

*IPAD also receives inquiries by paper mail, e-mail, and personal contact.

Population Served

IPAD serves personnel of state and local government entities, private citizens, private sector organizations, public and private attorneys, and the legislature.

Services Provided

IPAD provides the following major types of services to the population served: answering questions about rights and requirements of various information laws; consulting on difficult information policy issues; providing staff services to the commissioner of Administration in performing statutory duties that include issuing advisory opinions, acting on appeals to challenges to government data, acting on applications for temporary classification of data and requests to make new uses of data, and establishing and operating a statewide records management program; preparing and distributing training, model compliance, and informational materials; developing, updating, and operating a publicly accessible web site that contains all advisory opinions and all informational materials prepared by the division; offering training to state and local government entities; offering information sessions to citizens; providing training materials to enable government entities to do their own training; assisting citizens with answers to their inquires and advice on how to exercise their rights; and working with the legislature, citizens, private sector groups, and state and local government agencies on the development of new information policy laws and changes to existing laws.

Historical Perspective

The Minnesota Government Data Practices Act began in 1974. Since that time, M.S. Chapter 13 has grown and has seen many revisions and additions as the data practices debate continues. Issues of information policy, such as data privacy, fair information practices, and the unauthorized destruction of the records of accounting and other organizations, continue to receive widespread discussion. Statewide responsibility for establishing and maintaining the infrastructure that assists government entities and the public in dealing with these issues has been assigned to the commissioner of administration and in turn to IPAD.

Key Measures

Timeliness of responses from IPAD to clientele is critical to effectively serving the clientele. In line with that objective IPAD has used the following performance measure for several years.

Eighty-five percent of all phone and e-mail inquiries and requests for assistance will be responded to no later than the end of the next business day.

Historically, IPAD has met this goal in every year since 1998.

Beginning in the fall of 2003, IPAD will apply this response goal to all inquiries, including those received by paper mail and e-mail.

Activity Funding

This activity is funded through a General Fund appropriation.

Contact

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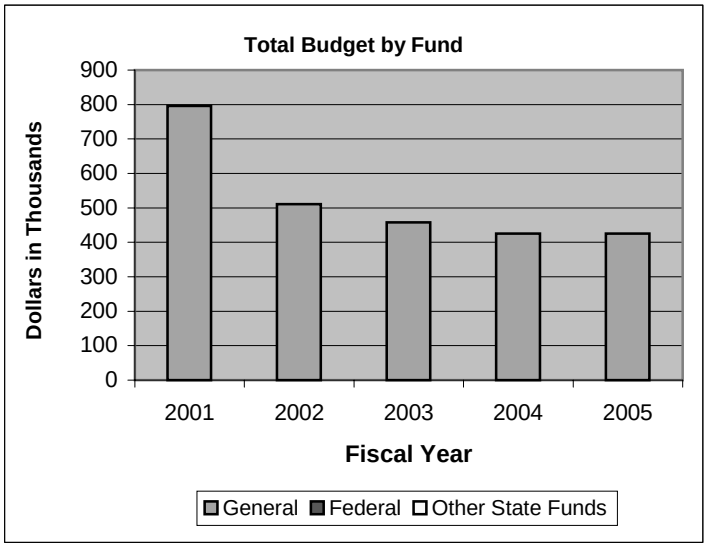
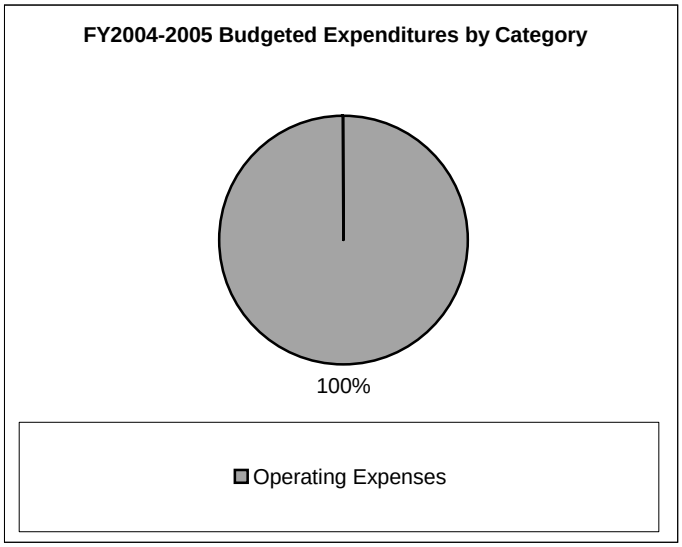
www.ipad.state.mn.us

ADMINISTRATION DEPT
Program: MANAGEMENT SERVICES
Activity: INFO POLICY ANALYSIS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	796	511	458	425	425	850
Total	**796**	**511**	**458**	**425**	**425**	**850**
Expenditures by Category						
Operating Expenses	796	511	458	425	425	850
Total	**796**	**511**	**458**	**425**	**425**	**850**
Full-Time Equivalents (FTE)	**8.1**	**6.1**	**5.8**	**4.8**	**4.8**	

Activity Description

The Office of the State Archaeologist (OSA) manages the state's archaeological resources, including sites and data, on behalf of the citizens of Minnesota, under provisions of M.S. 138.31-138.42 (the *Field Archaeology Act*) and M.S. 307.08 (section of the *Private Cemeteries Act*). In addition to extensive federal legislation addressing cultural heritage resource management, other state statutes, including M.S. 86A (the *Outdoor Recreation Act*) and M.S. 116B (the *Minnesota Environmental Rights Act*), also speak to issues of archaeological resource management.

Activity at a Glance

Key activity statistics related to OSA program activities (most recent year's data) include:

- 282 reviewed/licensed archaeological projects
- 281 evaluated/accepted site data forms
- 59 burial site investigation cases

OSA review processes under these statutes are critical to controlling public and private development costs, which derive in part from federal, state, and local mandates. The laws require the identification, evaluation, and protection of archaeological (including burial) and other heritage resources.

Held annually each spring, Minnesota Archaeology Week is a key component of the OSA's public participation and education programming. The OSA assumes the lead role in organizing, coordinating, and promoting this statewide series of events that celebrate Minnesota's archaeological and historic heritage. In 2002, 5,279 individuals attended Minnesota Archaeology Week.

Population Served

OSA clients include, but are not limited to: local, state, and federal agencies; representatives of Minnesota's tribal communities; builders and development associations; cultural resource management firms; county historical societies; private homeowners; professional and avocational archaeologists; local heritage preservation commissions; educators and school districts; and other public and private agencies and individuals.

Services Provided

Major service categories include: *data management; consultation; licensing and project review*; *compliance and enforcement; research;* and *information dissemination.* Both integrated and interdependent, these program services function as a whole. As an example, the scheduling, cost, and progress of both public and private development projects depend on accurate and timely consultative services, which in turn require comprehensive data management and research capabilities.

Historical Perspective

OSA and the *Field Archaeology Act* were created by the legislature in 1963. In May of 1996, Executive Order (reorganization order no. 175), established OSA as a division within the Department of Administration.

Recent studies by the Management Analysis Division and the Office of the Legislative Auditor explored alternative funding options for the OSA. The Office of the Legislative Auditor's April 2001 OSA program evaluation report concluded that *"... the Office of the State Archaeologist should continue to receive its funding primarily from a General Fund appropriation, (and) the Legislature should direct the office to determine the feasibility of charging fees to supplement its budget."* In the March 2002 assessment of the feasibility of supplementing OSA's budget with fee-for-service funds, the Management Analysis Division of the Department of Administration concluded that *"... a fee-for-service model does not appear to be in the best interest of the Office of the State Archaeologist or the state."*

Key Measures

Turnaround time for project review and issuance of Field Archaeology licenses: target is "within 10 days" of receipt of application and related support materials (note: OSA response time is not sole variable in determining turnaround time). The goal is consistently met. Actual turnaround time for FY 2002 was 100%.

Turnaround time for review/correction of site data forms and issuance of Smithsonian Site Designation Numbers (SSDN): target is "within seven days" of receipt of correctly completed site forms. Actual average turnaround time for FY 2002 was 100%.

Perhaps the most comprehensive measure of OSA's performance is described in the Office of the Legislative Auditor's recent OSA program evaluation report, which thoroughly documents the base of support for OSA program activities.

Activity Funding

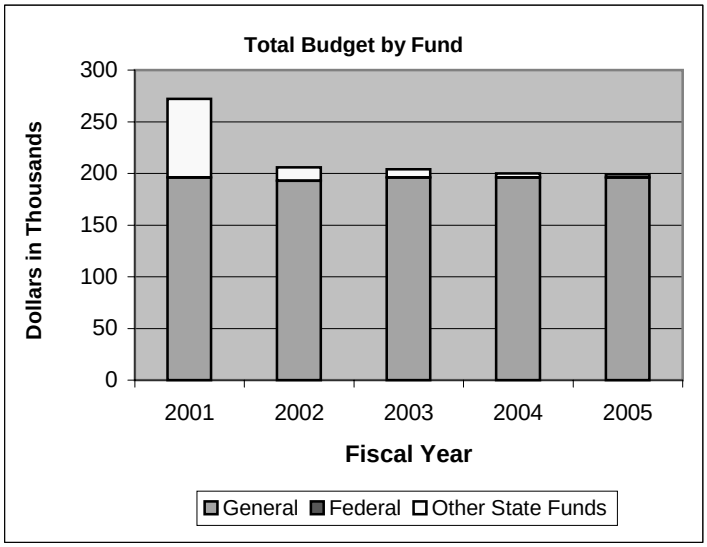
The program operates through a General Fund appropriation.

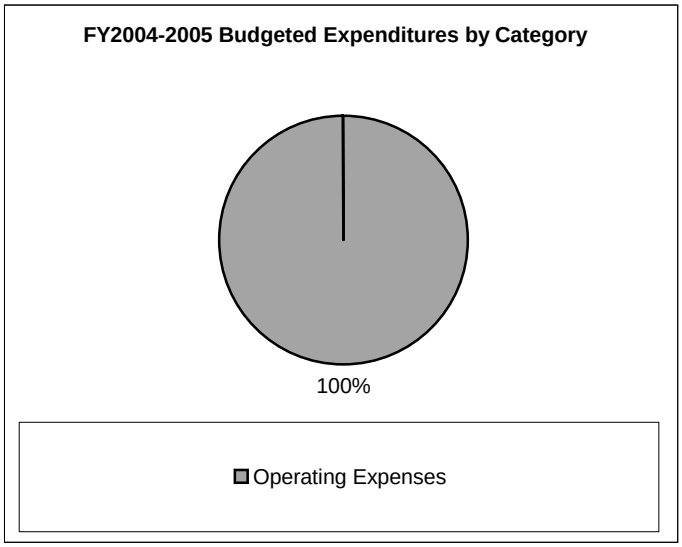
Contact

Office of the State Archaeologist, Fort Snelling History Center, St. Paul, Minnesota 55111
Mark Dudzik, State Archaeologist, (612) 725-2411, Mark.Dudzik@state.mn.us
www.admin.state.mn.us/osa/

ADMINISTRATION DEPT
Program: MANAGEMENT SERVICES
Activity: STATE ARCHEOLOGIST

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	196	193	196	196	196	392
Statutory Appropriations						
Special Revenue	76	0	0	0	0	0
Gift	0	13	8	4	3	7
Total	**272**	**206**	**204**	**200**	**199**	**399**
Expenditures by Category						
Operating Expenses	272	206	204	200	199	399
Total	**272**	**206**	**204**	**200**	**199**	**399**
Revenue by Type and Fund						
Dedicated						
Special Revenue	91	0	0	0	0	0
Gift	0	3	3	3	3	6
Subtotal Dedicated	91	3	3	3	3	6
Total Revenue	**91**	**3**	**3**	**3**	**3**	**6**
Full-Time Equivalents (FTE)	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	

Activity Description

The Governor's Council on Developmental Disabilities (GCDD), authorized under the Developmental Disabilities Assistance and Bill of Rights Act (DD Act)(P.L. 106-402) works to assure that people with developmental disabilities, and their families, receive the necessary support/services to increase their independence, productivity, self-determination, integration, and inclusion in the community (IPSII).

Population Served

The GCDD's primary customer group is comprised of people with developmental disabilities, who make up about 1.13% of the state's population or about 55,370 individuals, and their families. The other two customer groups are service providers and employers.

Activity at a Glance

- More than 9,000 Minnesota's Partners in Policymaking® program graduates nationally/ internationally since 1987; includes more than 550 graduates of Minnesota's program.
- In the past funding year:
  - ⇒ -A total of 82 Partners graduates participated in four advanced leadership training workshops.
  - ⇒ -A total of 1,050 participants in five leadership training conferences.
- A total of 21,954 publications disseminated (nine months); evaluation scores average 9.3 out of 10.0.

Services Provided

The GCDD is not a direct service provider. GCDD's business is information, education, and training for knowledge building, skills development, and attitude changes that lead to the IPSII results through three broad strategies – Partners in Policymaking®, Communications and Training, and Customer Focus and Quality Improvement.

At least 70% of the federal funds that GCDD receives each year are awarded primarily as grants to nonprofit organizations to carry out the following related sub strategies:

Partners in Policymaking®

⇒ Basic Partners Program: Competency/value based leadership training program for adults with disabilities and parents of young children with developmental disabilities; teaches how to develop positive partnerships with elected officials for systems change.

⇒ Partners Graduate Workshops: Advanced leadership training on topics such as negotiation and communication skills.

⇒ Longitudinal studies: Surveys conducted to track long-term results of Minnesota Partners graduates.

⇒ Cultural outreach programs: Outreach, basic leadership skills training, intro to concepts of the Partners program in the African American, American Indian, and Hispanic communities; expansion to Asian American community in 2003.

⇒ Partners for Employers: E-learning course on employment with tracks for people with disabilities and family members.

⇒ Self-Advocacy: Direct funding of a Minnesota self-advocacy organization to establish new self-advocacy groups and provide leadership training for self-advocates.

Communications and Training

⇒ Publications: Education/resource materials on best practices available to general public.

⇒ Electronic Government Services: Conversion of products and services to a web-based format; updating of GCDD web site; conversion of the Partners program to e-learning.

⇒ Training Conferences: Co-sponsorship funds awarded to agencies/organizations to support leadership training conferences.

Customer Focus and Quality Improvement

⇒ Customer Research: Determine customer needs, expectations, requirements on issues such as abuse/neglect, employer hiring practices, oral health care.

⇒ Application of Baldrige Framework: Increase knowledge, understanding, application of Baldrige to GCDD's business.

The GCDD does not regulate activities nor set or enforce standards.

Historical Perspective

In the 1970s, the GCDD provided demonstration grants that funded diagnostic clinics, early intervention, self-advocacy, group homes, day programs, and regional planning councils.

In the 1980s, the GCDD provided demonstration grants for respite care, case management, employment, regional planning councils, and deinstitutionalization studies.

In the 1990s, the GCDD provided grants for youth leadership, Partners in Policymaking®, cultural outreach, and publications.

Key Measures

The GCDD tracks and reports the results of three performance measures, compared with a targeted goal, on its Quarterly Operations Report to the Department of Administration:

- ⇒ 30/60/90 day action plans: The targeted goal is 95% on time or early completion of work activities. FY 2002 actual was 100%.
- ⇒ Cycle time of publication orders: The targeted goal is 90% of all publication orders filled within three days of the request. The industry standard for fulfillment is three days. FY 2002 actual was 93%.
- ⇒ Quality of publications: The targeted goal is 8.5 (scale of 1 to 10; 10 = highest). FY 2002 actual was 9.3.

Performance measures for the next fiscal year are established by the GCDD, identified in Requests for Proposals, and contained in GCDD's supplier contracts. Performance goals are tracked for each fiscal year for each supplier, and over time, through dashboards, IPSII measures, customer satisfaction, cycle time for reporting, progress meetings that correspond with quarterly reporting deadlines, mid-year performance reviews, and supplier final reports.

Activity Funding

The GCDD's annual allocation is part of a Congressional appropriation for the U.S. Department of Health and Human Services. The FFY 2002 allocation totaled $1,025,295. The anticipated allocation for FFY 2003 is $1,020,449. This federal allocation requires a 25% non-federal match, which is acquired through a General Fund appropriation and in-kind contributions. The GCDD has received additional federal funds for family support.

The GCDD's planning and budgeting processes are directly connected for grant activities (70% of budget) and administrative spending (30% of budget). Budget allocations for grant activities begin with the three broad strategies and related sub strategies in our Five-Year State Plan. These are translated into an annual plan, specific grant activities, a preallocations memo, allocation recommendations, and GCDD approval. This process is repeated on an annual basis.

Contact

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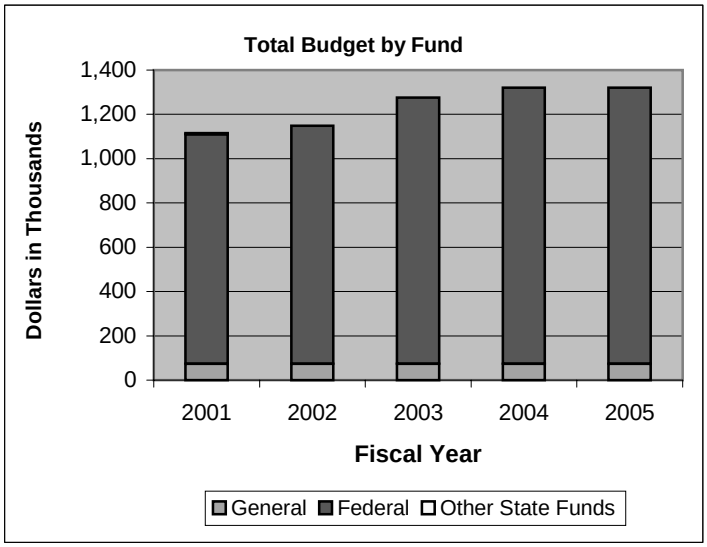
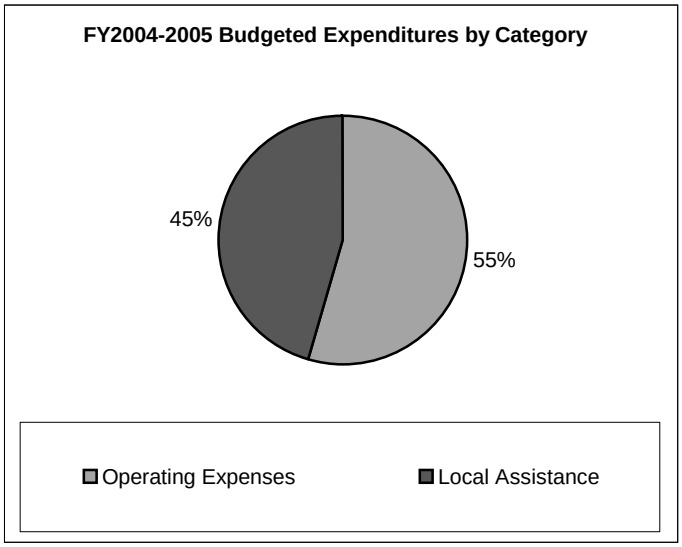
www.mnddc.org or www.mncdd.org.

ADMINISTRATION DEPT
Program: MANAGEMENT SERVICES
Activity: DEVELOPMENTAL DISABILITIES CO

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	74	74	74	74	74	148
Statutory Appropriations						
Special Revenue	5	0	0	0	0	0
Federal	1,036	1,074	1,202	1,246	1,246	2,492
Total	**1,115**	**1,148**	**1,276**	**1,320**	**1,320**	**2,640**
Expenditures by Category						
Operating Expenses	652	891	676	720	720	1,440
Local Assistance	463	257	600	600	600	1,200
Total	**1,115**	**1,148**	**1,276**	**1,320**	**1,320**	**2,640**
Revenue by Type and Fund						
Dedicated						
Federal	1,036	1,074	1,202	1,246	1,246	2,492
Subtotal Dedicated	1,036	1,074	1,202	1,246	1,246	2,492
Total Revenue	**1,036**	**1,074**	**1,202**	**1,246**	**1,246**	**2,492**
Full-Time Equivalents (FTE)	**3.5**	**3.8**	**3.0**	**3.0**	**3.0**	

Activity Description

The System of Technology to Achieve Results (STAR) program was established in 1989 as Minnesota's Federal Tech Act Project to plan and coordinate assistive technology (AT) information and services for the citizens of Minnesota with disabilities. The STAR Program serves as an advocate for federal and state assistive technology policy and legislation, builds assistive technology capacity in state government, and helps assure statewide assistive technology services for individuals with disabilities throughout the state.

Activity at a Glance

- Build Assistive Technology (AT) capacity throughout the state of Minnesota.
- An advocate for federal and state AT policy and legislation.
- Help assure access to statewide AT services.

An assistive technology device is any piece of equipment that is used to increase, maintain, or improve the functional abilities of a person with a disability.

Population Served

Minnesota has a disability rate of about 15%, or approximately 745,844 residents. Currently, over half of seniors 65 years old and older have a disability. These individuals need some assistance in performing daily activities or participating in community life. STAR conducts activities relating to the availability and benefits of assistive technology devices and services for these populations.

Services Provided

The STAR Program works at the state and national levels on legislation and policy for assistive technology. It informs and advocates for AT through training, information, and referral. STAR works closely with Minnesotans with disabilities and providers to develop a statewide network of resources related to technology assistance.

STAR works diligently to build collaborative relationships in the AT community. STAR, along with its nonprofit arm, is working with rural partners to assure statewide coverage of services. In addition, STAR works with state agencies and others in serving as a central clearinghouse for AT information, assessment, and application.

Historical Perspective

The STAR Program was established in 1989, and was identified as Minnesota's Tech Act Project. Working with the Governor's Advisory Council on Technology for People with Disabilities, the STAR Program worked closely with consumers to develop a statewide network of resources related to technology assistance.

STAR's accomplishments over the past 13 years include:

- distribution of over 100,000 copies of the *Directory of Funding Resources for Assistive Technology* (now in its fifth edition);
- completed over 1,000 training sessions, presentations, and displays on AT throughout the state;
- developed and distributed over 3,000 copies of *Guidelines for Assistive Technology in Post-secondary Settings;*
- served as a national model for states developing their own Tech Act sites;
- continued distribution of a quarterly newsletter (circulation of 8,000) to inform individuals and organizations of assistive technology news, opportunities and events;
- served as the state government's source for training and information regarding web site accessibility, as required by federal law (to date STAR has trained over 300 state webmasters);
- developed and implemented two statewide conferences on using assistive technology to assist individuals with disabilities move from dependency to self-sufficiency through employment;
- funded protection and advocacy services for individuals with disabilities who try to acquire assistive technology;
- developed and supported a statewide program of AT Networks (ATN) encompassing all of rural Minnesota working to increase out-state capacity to deliver assistive technology services;

- initiated outreach work and financial support to seven councils and organizations reaching over 12,000 individuals representing the communities of color in Minnesota;
- provided information on assistive technology and referral to sources requesting help averaging over 5,000 calls each year from throughout the STAR network;
- launched the Minnesota Assistive Technology Loan Network (MATLN), a program for short-term loan of AT devices; and
- provided funding for start-up programs, demonstration sites, laboratories, and projects working to serve the AT needs of Minnesotan's with disabilities.

Key Measures

⇒ Advocate for federal and state AT policy and legislation:
- conduct a consumer-based analysis of barriers to AT;

⇒ Assure statewide AT services and access to funding sources:
- distribute, on average, 1,000 STAR Funding Directories per month
- distribute a quarterly newsletter, *Constellations*, circulation 8,000
- maintain an informational and interactive web site that identifies solutions to AT needs; and

⇒ Build AT capacity in state government:
- conduct four training sessions for state webmasters on 508 accessibility requirements.

Activity Funding

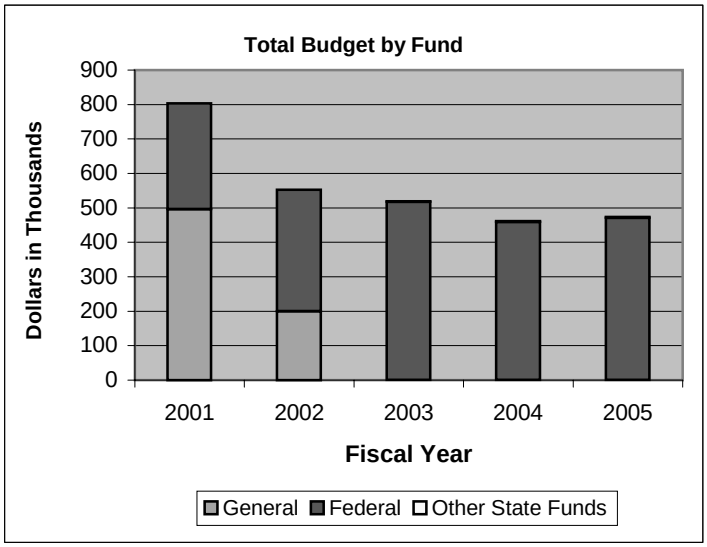
Funding for the STAR Program is obtained from the Department of Education, National Institute on Disability and Rehabilitation Research, under the Assistive Technology Act of 1998 – P.L. 105-394. Federal funding is $379,533 per fiscal year. STAR does not receive a General Fund appropriation.

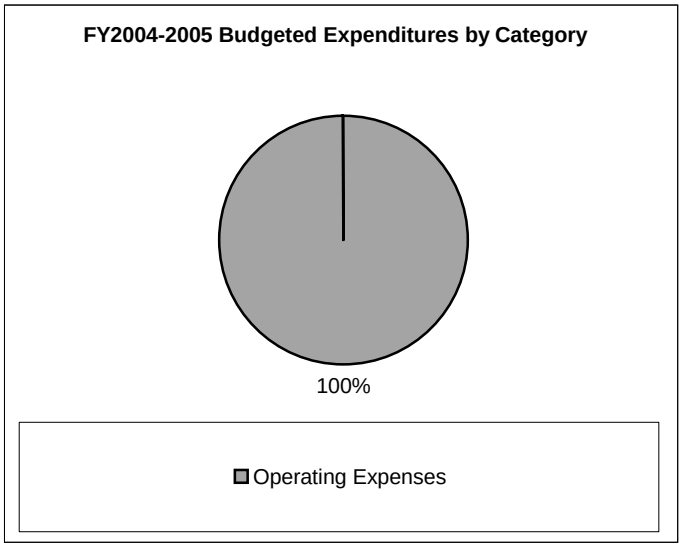
Contact

Mary Brogdon, Director, (651) 296-2771, TTY (Metro) (651) 296-9478, (Non-metro) 800 657-3895,
star.program@state.mn.us
www.admin.state.mn.us/assistivetechnology/

ADMINISTRATION DEPT
Program: MANAGEMENT SERVICES
Activity: STAR PROGRAM

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	496	200	0	0	0	0
Statutory Appropriations						
Special Revenue	0	0	2	3	3	6
Federal	307	353	517	459	471	930
Total	**803**	**553**	**519**	**462**	**474**	**936**
Expenditures by Category						
Operating Expenses	543	402	471	462	474	936
Local Assistance	260	151	48	0	0	0
Total	**803**	**553**	**519**	**462**	**474**	**936**
Revenue by Type and Fund						
Dedicated						
Special Revenue	4	1	1	3	3	6
Federal	317	393	467	459	471	930
Subtotal Dedicated	321	394	468	462	474	936
Total Revenue	**321**	**394**	**468**	**462**	**474**	**936**
Full-Time Equivalents (FTE)	**5.6**	**4.3**	**5.8**	**5.5**	**5.5**	

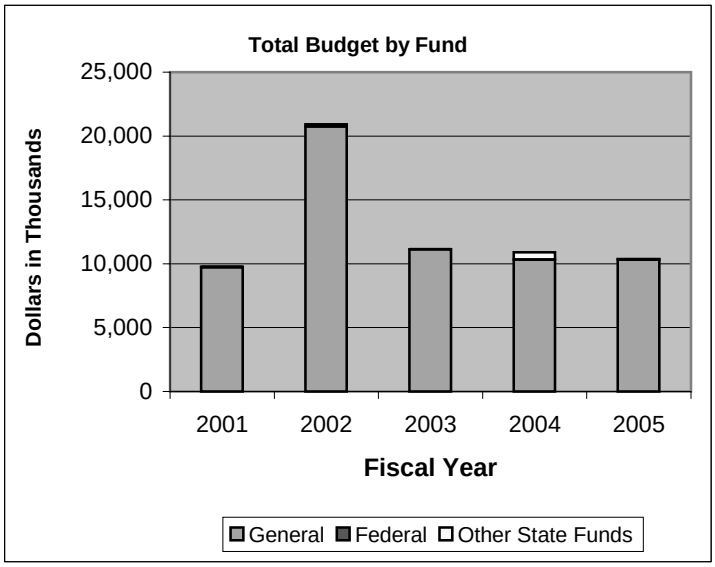
Program Description

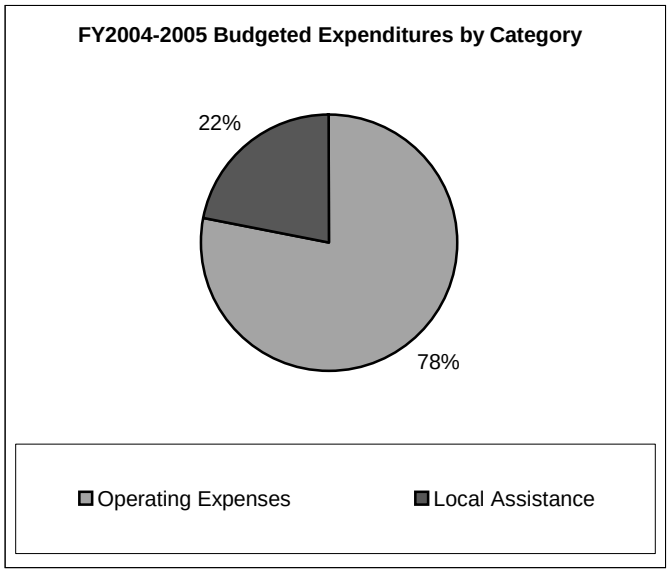
The purpose of the Fiscal Agent Program is to meet the administrative needs of the grant and other monies Administration (Admin) receives on behalf of multiple stakeholders. These funds are typically appropriated by the legislature for special projects. Admin distributes these funds to recipients, based on laws, statutes, policies, and procedures.

Budget Activities Included:

- Misc. Grants/Studies/Other
- Public Broadcasting
- In-Lieu of Rent

Further detail on each of these Budget Activities is included in subsequent pages of this budget document.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	9,729	20,731	11,116	10,328	10,328	20,656
Special Revenue	0	0	0	519	0	519
Statutory Appropriations						
State Government Special Revenue	0	180	0	0	0	0
Gift	44	13	22	52	32	84
Total	**9,773**	**20,924**	**11,138**	**10,899**	**10,360**	**21,259**
Expenditures by Category						
Operating Expenses	7,277	8,190	8,284	8,300	8,280	16,580
Local Assistance	2,496	12,734	2,854	2,599	2,080	4,679
Total	**9,773**	**20,924**	**11,138**	**10,899**	**10,360**	**21,259**
Expenditures by Activity						
Misc Grants/Studies/Other	310	1,160	1,081	571	32	603
Public Broadcasting	2,735	12,180	2,213	2,440	2,440	4,880
In Lieu Of Rent	6,728	7,584	7,844	7,888	7,888	15,776
Total	**9,773**	**20,924**	**11,138**	**10,899**	**10,360**	**21,259**
Revenue by Type and Fund						
Dedicated						
State Government Special Revenue	501	2	1	1	1	2
Gift	30	12	16	50	30	80
Subtotal Dedicated	531	14	17	51	31	82
Total Revenue	**531**	**14**	**17**	**51**	**31**	**82**

Activity Description
This activity has been established to administer certain grants and other monies the agency receives through legislative appropriations.

Population Served
Various grant recipients are served based on specific legislative intent.

Activity at a Glance

- The Minnesota State Band has 65 volunteer members, who conduct about 10 performances annually.
- Two current LCMR Project grants.
- Eleven Construction Grants to Political Sub-Divisions currently in process.

Services Provided
Each of the activities within this activity are established and operated under specific state legislation. Emphasis is placed on fulfilling the intent of the specific legislation, which varies considerably with each activity. Processes are established and maintained to process financial transactions, track information, and report in various formats the information required and desired by various audiences. Contracts and agreements are an integral function of this activity. Administration (Admin) receives no operating funds for the administration of these grants and studies.

Minnesota State Band
The Minnesota State Band is a volunteer band performing events free and open to the public. The band has received state funding in the form of grants or appropriations since it's founding in 1898. Since 1979, this grant has been contained in the budget of Admin. The current annual $2,000 General Fund grant has accounted for approximately 41% of the band's operating budget over the past three years. These funds are used for travel, postage, music, and other operational costs of the band.

LCMR Project Grants
Based on M.S. 4.071, "Oil overcharge money" received by the state as a result of litigation or settlements of alleged violations of federal petroleum pricing regulations, is used for projects recommended by the Legislative Commission on Minnesota Resources (LCMR), and appropriated by the legislature. Admin has been administering grants through this program since 1988. Current projects include: Improving Air Quality by Using Biodiesel Generators/University of Minnesota ($90,000), and Accelerated Technology Transfer for Starch-Based Plastics/University of Minnesota ($90,000).

Construction Grants to Political Sub-Divisions
The legislature appropriates state funding to Admin for grants to local governments for a variety of capital projects. Funding may be approved through the state bonding bill or other state appropriation bills, in the form of bond proceeds or General Fund appropriations. Capital projects are subject to requirements of the Minnesota Constitution, state statutes, language contained in the appropriation bill, and state accounting policies. Recent construction grants include: Children's Museum Rooftop Perspectives/City of St. Paul ($500,000); Mash-Ka-Wisen Treatment Center/Minnesota Indian Primary Residential Treatment Center ($300,000); Gillette Children's Hospital/Ramsey County ($7,000,000); and Bayport Storm Sewer/City of Bayport ($2,680,000).

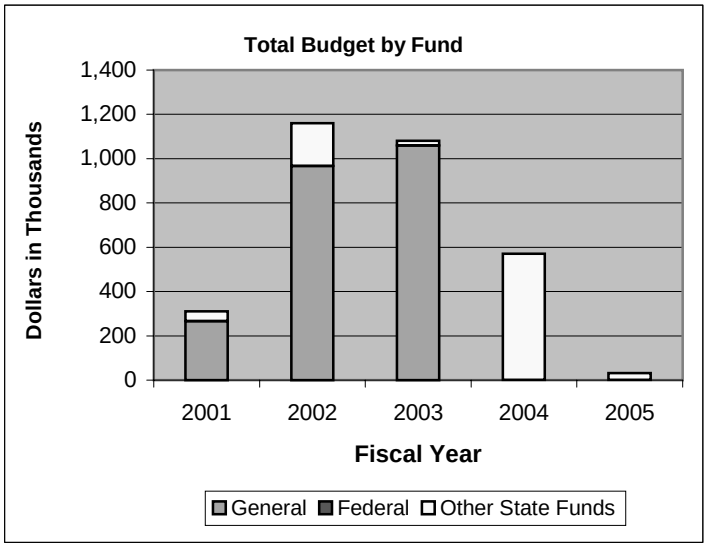
Governors Residence Council Gift Fund
Based on M.S. 16B.27, the council develops an overall restoration plan for the governor's residence and surrounding grounds and approves alterations in the existing structure. The council may solicit and accept donated money to maintain and improve the quality of furnishings for the public areas of the building. The Governor's Residence Council was established in 1980. Over the past two years, $40,000 has been donated to the council, and expenditures have included piano restoration, furniture, interior furnishings, and artwork.

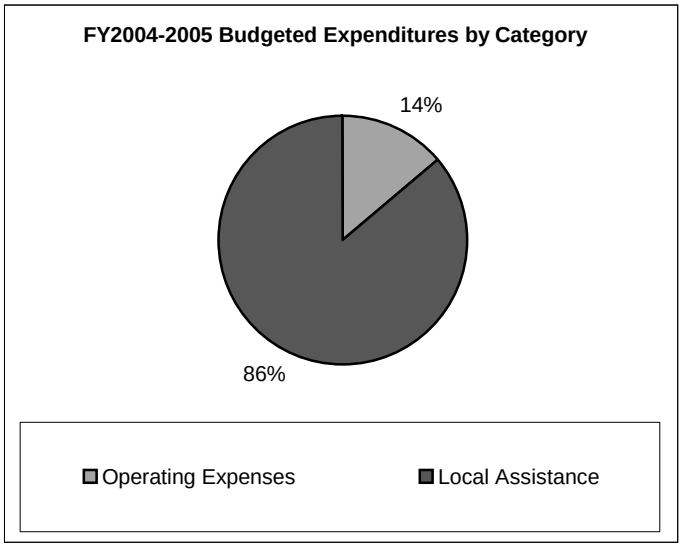
Activity Funding
This activity is funded through a mix of state, gift, oil overcharge, and bonded funds.

Contact
Larry Freund, Financial Management Director, (651) 296-5857, Larry.Freund@state.mn.us

ADMINISTRATION DEPT
Program: FISCAL AGENT
Activity: MISC GRANTS/STUDIES/OTHER

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	266	967	1,059	0	0	0
Special Revenue	0	0	0	519	0	519
Statutory Appropriations						
State Government Special Revenue	0	180	0	0	0	0
Gift	44	13	22	52	32	84
Total	**310**	**1,160**	**1,081**	**571**	**32**	**603**
Expenditures by Category						
Operating Expenses	48	209	22	52	32	84
Local Assistance	262	951	1,059	519	0	519
Total	**310**	**1,160**	**1,081**	**571**	**32**	**603**
Revenue by Type and Fund						
Dedicated						
State Government Special Revenue	501	2	1	1	1	2
Gift	30	12	16	50	30	80
Subtotal Dedicated	531	14	17	51	31	82
Total Revenue	**531**	**14**	**17**	**51**	**31**	**82**

Activity Description

Public broadcasting is the grant administration program carried out for the legislature under specific appropriation language and M.S.129D.11-16. The program oversees this grant authority, disbursing funds in accordance with legislative appropriations and direction, and ensures compliance with all statutory requirements and criteria.

Population Served

Television viewers and radio listeners throughout Minnesota are served by this activity.

Services Provided

Activity at a Glance

- 1,032,000 people per week view programming of the Minnesota Public Television Association.
- 396,300 people listen one or more times per week to AMPERS radio stations.
- 706,000 people listen weekly to the radio programming broadcast by MPR stations.
- 600,000 cabled households in the seven-county metro area.
- Twin Cities legislative programming viewership between 3,000–4,000 daily, with peaks as high as 15,000.

Public Television

State funds are used by six recipient stations to sustain their ability to serve as a major community resource providing educational, cultural, economic development, public affairs, and children's programming to the public, governmental agencies, nonprofit organizations, business corporations, and educational facilities. State grants are made in a direct and matching basis, consistent with the criteria established in M.S. 129D.11-16. Public Television signals cover approximately 98% of the state. State grants provide between three, and 21% of the individual stations operating budget.

The legislature appropriated $7,800,000 in FY 2002 from the General Fund for grants to noncommercial television stations to assist with conversion to a digital broadcast signal as mandated by the federal government.

Public Radio

State funds are used to support 12 public radio (AMPERS) stations that serve Minnesota residents through radio programming that is noncommercial, cultural, informational, ethnic, and educational in nature. It is programming designed to appeal to audiences not generally served by commercial broadcasters. Operational and equipment grants are made pursuant to criteria listed in M.S. 192D.11-16. The AMPERS stations cover approximately 95% of the population, and 80% of the geography of the state. State grants provide between two and 60% of the individual stations' total annual budget.

State funds are appropriated for an equipment grant to Minnesota Public Radio (MPR), a network of 31 stations providing local, regional, national, and international news and information programming, and classical music programming to listeners throughout the state and region. These state funds represent approximately 12% of MPR's FY 2002-03 capital budget.

Twin Cities Regional Cable Channel

State funds are used to provide grant-in-aid to Twin Cities Regional Cable Channel, Inc., a nonprofit organization operating the Metro Cable Network. These state funds provide for approximately 5% of the Metro Cable Network operating budget. The network appears on Channel 6 on all metropolitan area cable systems presenting a wide range of programs about issues and activities of regional interest and significance as mandated by state statutes and designated by the Minnesota Cable Communications Board in 1985.

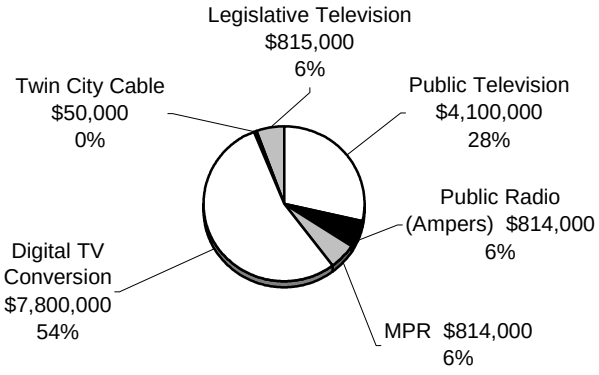
Legislative Television

An additional appropriation is included in Public Broadcasting for Legislative Television. Funding is in the form of a grant for public information television transmissions of legislative activities. Senate Media Services and House Television programming raises public awareness of state issues, legislative activities, and state capitol events. Programming consists of live and taped coverage of senate and house floor sessions, select committee hearings, issue-oriented press conferences, public affairs programming, short documentaries, and civic-education programs. For the 2002 – 2003 legislative sessions, up to 3,298 hours of programming will be broadcast through two separate agreements. The legislature oversees this grant.

Activity Funding

This activity is funded through a General Fund appropriation.

Funding by Grant
FY 2002-03 (Total: $14.4 million)
Data as of 7/31/02

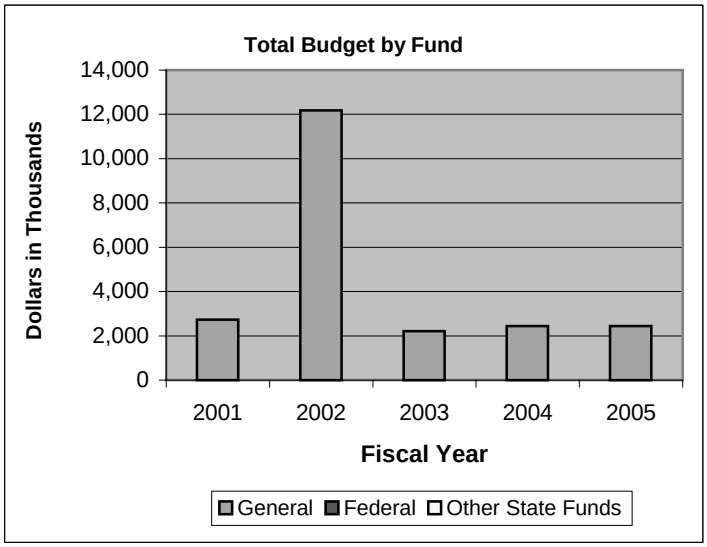


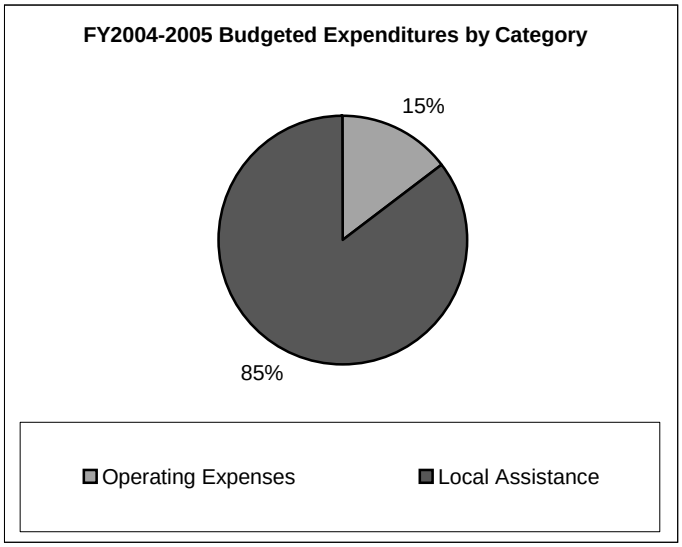
Contact

Larry Freund, Financial Management Director, (651) 296-5857, Larry.Freund@state.mn.us
http://www.admin.state.mn.us/

ADMINISTRATION DEPT
Program: FISCAL AGENT
Activity: PUBLIC BROADCASTING

Fiscal Report





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	2,735	12,180	2,213	2,440	2,440	4,880
Total	**2,735**	**12,180**	**2,213**	**2,440**	**2,440**	**4,880**
Expenditures by Category						
Operating Expenses	501	397	418	360	360	720
Local Assistance	2,234	11,783	1,795	2,080	2,080	4,160
Total	**2,735**	**12,180**	**2,213**	**2,440**	**2,440**	**4,880**

Activity Description

This activity serves as a pass-through account for legislative General Fund appropriations for areas that do not enter into a lease agreement with Plant Management:

- Ceremonial Space – includes space in the Capitol Building such as the Rotunda, the Governor's Residence, the ceremonial grounds, and monuments/memorials in the Capitol area;
- Services for the Blind – space occupied by blind vending operators in the buildings (seven sites) under Plant Management Division's custodial control (M.S. 248.07, subd. 7); and
- Rent Waived – space occupied in the Capitol, State Office Building, and Veterans Services Building by the House of Representatives, Senate, Revisor of Statutes, Legislative Reference Library, and congressionally chartered veterans' organizations (M.S. 197.55 to 197.58).

Activity at a Glance

- 350,728 square feet of space maintained.
- 18 monuments and memorials maintained.

Population Served

Services and support are provided to the legislature and constituents, Services for the Blind vending operators, congressionally chartered veterans' organizations, and visitors.

Services Provided

Services provided include janitorial, maintenance, repair, trades, engineering, grounds, and utilities for the buildings and grounds mentioned above. The following is the breakdown of space (350,728 total square feet) serviced under this activity:

- Ceremonial Space – 34,060 square feet
- Services for the Blind – 9,297 square feet
- Rent Waived – 307,371 square feet

Activity Funding

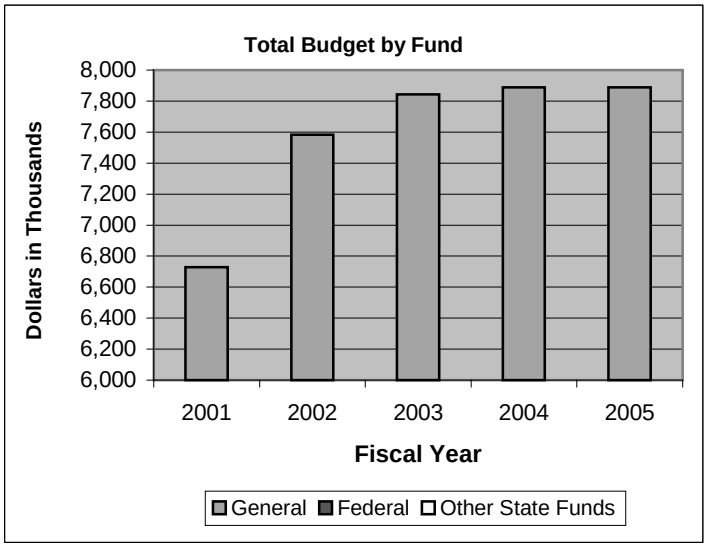
This activity is funded through a General fund appropriation.

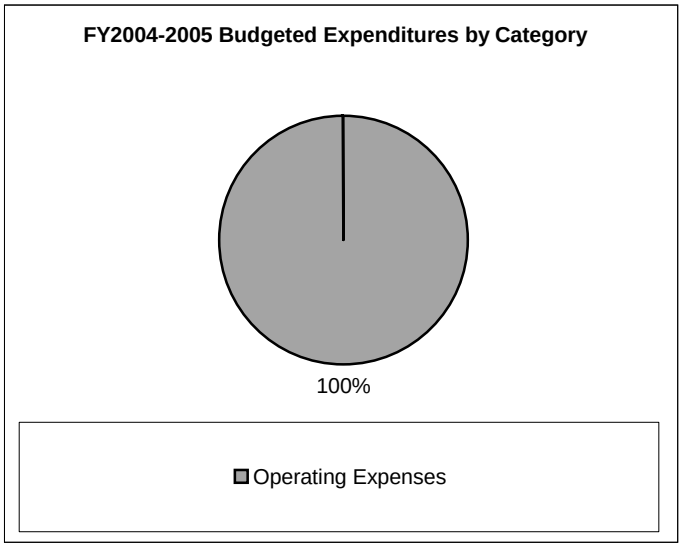
Contact

Lenora Madigan, Director, (651) 296-9898, Lenora.madigan@state.mn.us
http://www.admin.state.mn.us/divisions.html

ADMINISTRATION DEPT
Program: FISCAL AGENT
Activity: IN LIEU OF RENT

Fiscal Report





Dollars in Thousands						
	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	6,728	7,584	7,844	7,888	7,888	15,776
Total	**6,728**	**7,584**	**7,844**	**7,888**	**7,888**	**15,776**

Expenditures by Category						
Operating Expenses	6,728	7,584	7,844	7,888	7,888	15,776
Total	**6,728**	**7,584**	**7,844**	**7,888**	**7,888**	**15,776**

Dollars in Thousands	OPERATIONS DATA				
Budget Activity Summary	**ACTUAL FY 2001**	**ACTUAL FY 2002**	**PROJECTED FY 2003**	**PROJECTED FY 2004**	**PROJECTED FY 2005**
OPERATING REVENUES:					
NET SALES	7,745.0	8,462.6	10,512.3	11,563.5	12,720.0
LESS: COST OF SALES					
GROSS PROFIT ON SALES	7,745.0	8,462.6	10,512.3	11,563.5	12,720.0
OTHER REVENUE					
NET REVENUES	**7,745.0**	**8,462.6**	**10,512.3**	**11,563.5**	**12,720.0**
LESS: OPERATING EXPENSES:					
CLAIMS	4,017.4	4,388.1	6,340.9	6,250.0	6,562.5
SALARIES	554.6	597.2	731.9	768.5	806.9
SUPPLIES & EXPENSES	2,017.5	2,739.6	3,741.8	4,200.0	4,300.0
INDIRECT COSTS	53.4	80.0	82.0	85.0	90.0
AMORTIZATION & DEPRECIATION	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	**6,642.9**	**7,804.9**	**10,896.6**	**11,303.5**	**11,759.4**
OPERATING INCOME (LOSS)	**1,102.1**	**657.7**	**(384.3)**	**260.0**	**960.6**
NON-OPERATING REVENUES (EXPENSES)	(380.4)	(713.5)	536.5	500.0	(250.0)
NET INCOME (LOSS)	721.7	(55.8)	152.2	760.0	710.6
BEGINNING RETAINED EARNINGS	5,002.6	5,726.3	5,670.5	5,822.7	6,582.7
PRIOR PERIOD ADJUSTMENT	2.0	0.0	0.0	0.0	0.0
ENDING RETAINED EARNINGS	5,726.3	5,670.5	5,822.7	6,582.7	7,293.3
RATE INCREASE/(DECREASE):	12.21%	1.46%	27.10%	3.00%	3.00%
FTE	7.9	8.0	9.6	10.0	10.0

Expenditure Reconciliation to BBS		
Operating Expenses	11303.5	11759.4
Less amortization & depreciation (non-cash)	0.0	0.0
Plus dividend expense paid in same FY as declared	0.0	899.0
Total cash payments	11303.5	12658.4
BBS Amounts - Financing by Fund		
Risk Management	11,303.0	12,658.0
Receipt Reconciliation to BBS		
Net Revenues	11,563.5	12,720.0
Interest Income from Non-operating revenue/expenses	500.0	649.0
Total cash receipts	12,063.5	13,369.0
BBS Amounts - Revenue Collected		
Risk Management	12,064.0	13,369.0

	FINANCIAL DATA		
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003
ASSETS:			
CURRENT ASSETS:			
CASH	12,330.1	16,105.4	14,105.0
OTHER CURRENT ASSETS	2,994.0	12,856.8	5,257.2
TOTAL CURRENT ASSETS	**15,324.1**	**28,962.2**	**19,362.2**
NON-CURRENT ASSETS:	0.0	0.0	0.0
TOTAL ASSETS	**15,324.1**	**28,962.2**	**19,362.2**
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
MASTER LEASE - CURRENT	0.0	0.0	0.0
OTHER CURRENT LIABILITIES	9,572.9	23,258.9	13,504.1
TOTAL CURRENT LIABILITIES	**9,572.9**	**23,258.9**	**13,504.1**
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
OTHER NON-CURRENT LIABILITIES	24.9	32.8	35.4
TOTAL NON-CURRENT LIABILITIES	**24.9**	**32.8**	**35.4**
TOTAL LIABILITIES	**9,597.8**	**23,291.7**	**13,539.5**
FUND EQUITY:			
CONTRIBUTED CAPITAL-GENERAL FUND	0.0	0.0	0.0
RETAINED EARNINGS	5,726.3	5,670.5	5,822.7
TOTAL FUND EQUITY	**5,726.3**	**5,670.5**	**5,822.7**
TOTAL LIABILITIES & FUND EQUITY	**15,324.1**	**28,962.2**	**19,362.2**

ADMINISTRATION DEPT
Program: OPERATIONS MANAGEMENT BUREAU
Activity: Cooperative Purchasing

Internal Service Fund
Financial Statement

Dollars in Thousands

	OPERATIONS DATA				
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003	PROJECTED FY 2004	PROJECTED FY 2005
OPERATING REVENUES:					
NET SALES	4,316.3	3,181.6	3,757.0	4,244.9	4,342.1
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0
GROSS PROFIT ON SALES	4,316.3	3,181.6	3,757.0	4,244.9	4,342.1
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0
NET REVENUES	**4,316.3**	**3,181.6**	**3,757.0**	**4,244.9**	**4,342.1**
LESS: OPERATING EXPENSES:					
SALARIES	701.4	852.4	1,022.0	1,085.0	1,275.0
SUPPLIES & EXPENSES	488.7	481.6	566.4	550.0	575.0
INDIRECT COSTS	32.3	41.2	29.7	32.0	33.0
AMORTIZATION & DEPRECIATION	2.1	4.2	1.0	3.0	3.0
TOTAL OPERATING EXPENSES	**1,224.4**	**1,379.3**	**1,619.1**	**1,670.0**	**1,886.0**
OPERATING INCOME (LOSS)	3,091.9	1,802.3	2,137.9	2,574.9	2,456.1
NON-OPERATING REVENUES (EXPENSES)	(3,069.2)	(3,108.1)	(2,185.0)	(2,400.0)	(2,500.0)
NET INCOME (LOSS)	22.7	(1,305.8)	(47.1)	174.9	(43.9)
BEGINNING RETAINED EARNINGS	1,861.5	1,917.4	611.1	564.0	738.8
PRIOR PERIOD ADJUSTMENT	33.3	(0.6)	0.0	0.0	0.0
ENDING RETAINED EARNINGS	1,917.4	611.1	564.0	738.8	694.9
RATE INCREASE/(DECREASE):	0.00%	0.00%	0.00%	0.00%	0.00%
FTE	10.7	11.6	14.1	14.1	14.1

Expenditure Reconciliation to BBS		
Operating Expenses	1,670.0	1,886.0
Less amortization & depreciation (non cash)	(3.0)	(3.0)
Plus cash payment of previous year's rebate in Non-operating revenues/expense	2,185.0	2,400.0
Total cash payments	3,852.0	4,283.0
BBS Amounts - Financing by Fund		
Materials Distribution (Portion of amount of fiscal page is for Surplus)	3,852	4,283
Receipt Reconciliation to BBS		
Net Sales	4,244.9	4,342.1
Total cash receipts	4,244.9	4,342.1
BBS Amounts - Revenue Collected		
Materials Distribution (Portion of amount on fiscal page is for Surplus)	4,245	4,342

Internal Service Fund
Financial Statement

	FINANCIAL DATA		
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2001
ASSETS:			
CURRENT ASSETS:			
CASH	3,256.7	3,310.1	3,283.2
OTHER CURRENT ASSETS	1,973.9	729.0	765.5
TOTAL CURRENT ASSETS	**5,230.5**	**4,039.2**	**4,048.7**
NON-CURRENT ASSETS:	12.5	7.8	7.0
TOTAL ASSETS	**5,243.0**	**4,047.0**	**4,055.7**
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
MASTER LEASE- CURRENT	0.0	0.0	0.0
OTHER CURRENT LIABILITIES	3,303.2	3,391.9	3,445.7
TOTAL CURRENT LIABILITIES	**3,303.2**	**3,391.9**	**3,445.7**
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
OTHER NON-CURRENT LIABILITIES	22.4	44.0	46.0
TOTAL NON-CURRENT LIABILITIES	**22.4**	**44.0**	**46.0**
TOTAL LIABILITIES	**3,325.6**	**3,435.9**	**3,491.7**
FUND EQUITY:			
CONTRIBUTED CAPITAL-GENERAL FUND	0.0	0.0	0.0
RETAINED EARNINGS	1,917.4	611.1	564.0
TOTAL FUND EQUITY	**1,917.4**	**611.1**	**564.0**
TOTAL LIABILITIES & FUND EQUITY	**5,243.0**	**4,047.0**	**4,055.7**

Dollars in Thousands	OPERATIONS DATA				
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003	PROJECTED FY 2004	PROJECTED FY 2005
OPERATING REVENUES:					
NET SALES	1,123.8	1,188.5	1,154.7	1,175.0	1,200.0
LESS: COST OF SALES	370.1	303.6	306.0	350.0	365.0
GROSS PROFIT ON SALES	753.7	884.9	848.7	825.0	835.0
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0
NET REVENUES	**753.7**	**884.9**	**848.7**	**825.0**	**835.0**
LESS: OPERATING EXPENSES:					
SALARIES	434.7	380.6	379.0	404.0	423.1
SUPPLIES & EXPENSES	276.4	275.8	333.0	343.0	367.1
INDIRECT COSTS	23.7	19.2	19.5	20.1	20.7
AMORTIZATION & DEPRECIATION	20.1	20.1	19.7	15.9	17.9
TOTAL OPERATING EXPENSES	**754.8**	**695.7**	**751.2**	**783.0**	**828.8**
OPERATING INCOME (LOSS)	**(1.1)**	**189.2**	**97.5**	**42.0**	**6.2**
NON-OPERATING REVENUES (EXPENSES)	0.4	(1.2)	0.0	0.0	0.0
NET INCOME (LOSS)	(0.7)	188.0	97.5	42.0	6.2
BEGINNING RETAINED EARNINGS	260.4	259.7	396.5	494.0	536.0
PRIOR PERIOD ADJUSTMENT	0.0	(51.2)	0.0	0.0	0.0
ENDING RETAINED EARNINGS	259.7	396.5	494.0	536.0	542.2
RATE INCREASE/(DECREASE):	6.37%	0.00%	0.00%	3.00%	3.00%
FTE	7.5	7.2	6.3	6.66	6.66

Expenditure Reconciliation to BBS		
Operating Expenses	783.0	828.8
Less amortization & depreciation (non cash)	(15.9)	(17.9)
Plus Interest expenses from Non-operating revenue/expenses	0.0	0.0
Plus purchase of items for resale (cost of goods sold)	350.0	365.0
Total cash payments	1,117.1	1,175.9
BBS Amounts - Financing by Fund		
Materials Distribution (Portion of amount on fiscal page is for Coop)	1,117	1,176

Receipt Reconciliation to BBS		
Net Sales	1,175.0	1,200.0
BBS Amounts - Revenue Collected		
Materials Distribution (Portion of amount on fiscal page is for Coop)	1,175	1,200

NOTE:Rates are charged on warehousing of other agencies materials which represent only 8% of total Sales.

	FINANCIAL DATA		
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003
ASSETS:			
CURRENT ASSETS:			
CASH	446.1	494.9	610.1
OTHER CURRENT ASSETS	95.9	150.7	150.0
TOTAL CURRENT ASSETS	**542.0**	**645.6**	**760.1**
NON-CURRENT ASSETS:	125.1	107.0	95.1
TOTAL ASSETS	**667.1**	**752.6**	**855.2**
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
MASTER LEASE- CURRENT	0.0	0.0	0.0
OTHER CURRENT LIABILITIES	96.8	47.8	49.0
TOTAL CURRENT LIABILITIES	**96.8**	**47.8**	**49.0**
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
OTHER NON-CURRENT LIABILITIES	36.4	34.1	38.0
TOTAL NON-CURRENT LIABILITIES	**36.4**	**34.1**	**38.0**
TOTAL LIABILITIES	**133.2**	**81.9**	**87.0**
FUND EQUITY:			
CONTRIBUTED CAPITAL-GENERAL FUND	274.2	274.2	274.2
RETAINED EARNINGS	259.7	396.5	494.0
TOTAL FUND EQUITY	**533.9**	**670.7**	**768.2**
TOTAL LIABILITIES & FUND EQUITY	**667.1**	**752.6**	**855.2**

Dollars in Thousands	OPERATIONS DATA				
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003	PROJECTED FY 2004	PROJECTED FY 2005
OPERATING REVENUES:					
NET SALES	8,458.7	7,677.6	7,902.1	7,902.1	7,902.1
LESS: COST OF SALES	6,739.9	6,132.2	6,282.6	6,282.6	6,282.6
GROSS PROFIT ON SALES	1,718.8	1,545.4	1,619.5	1,619.5	1,619.5
OTHER REVENUE	0.0	0.0	0.0		
NET REVENUES	**1,718.8**	**1,545.4**	**1,619.5**	**1,619.5**	**1,619.5**
LESS: OPERATING EXPENSES:					
SALARIES	629.6	672.2	692.8	740.0	782.2
SUPPLIES & EXPENSES	703.4	636.5	662.9	662.9	662.9
INDIRECT COSTS	223.0	205.7	210.9	210.9	210.9
AMORTIZATION & DEPRECIATION	5.3	0.7	6.6	6.6	6.6
TOTAL OPERATING EXPENSES	**1,561.3**	**1,515.1**	**1,573.2**	**1,620.4**	**1,662.6**
OPERATING INCOME (LOSS)	157.5	30.3	46.3	(0.9)	(43.1)
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0	0.0
NET INCOME (LOSS)	157.5	30.3	46.3	(0.9)	(43.1)
BEGINNING RETAINED EARNINGS	702.1	859.6	889.9	936.2	935.3
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0
ENDING RETAINED EARNINGS	859.6	889.9	936.2	935.3	892.2
RATE INCREASE/(DECREASE):	0.00%	0.00	0.00%	0.00%	0.00%
FTE	12.6	12.4	12.7	12.65	12.65

Expenditure Reconciliation to BBS		
Operating Expenses	1,620.4	1,662.6
Less amortization & depreciation (non cash)	(6.6)	(6.6)
Plus Interest expenses from Non-operating revenue/expenses	0.0	0.0
Plus purchase of items for resale (cost of goods sold)	6,282.6	6,282.6
Total cash payments	7,896.4	7,938.6
BBS Amounts - Financing by Fund		
MMD Central Stores	7,897	7,939
Receipt Reconciliation to BBS		
Net Sales	7,902.1	7,902.1
BBS Amounts - Revenue Collected		
MMD Central Stores	7,902	7,902

Internal Service Fund
Financial Statement

FINANCIAL DATA	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003
ASSETS:			
CURRENT ASSETS:			
CASH	440.2	754.6	792.2
OTHER CURRENT ASSETS	1,569.3	1,277.7	1,316.0
TOTAL CURRENT ASSETS	2,009.5	2,032.3	2,108.2
NON-CURRENT ASSETS:	0.3	6.6	6.6
TOTAL ASSETS	2,009.8	2,038.9	2,114.8
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
MASTER LEASE- CURRENT	0.0	0.0	0.0
OTHER CURRENT LIABILITIES	406.7	396.1	423.8
TOTAL CURRENT LIABILITIES	406.7	396.1	423.8
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
OTHER NON-CURRENT LIABILITIES	52.6	61.9	63.8
TOTAL NON-CURRENT LIABILITIES	52.6	61.9	63.8
TOTAL LIABILITIES	459.3	458.0	487.6
FUND EQUITY:			
CONTRIBUTED CAPITAL-GENERAL FUND	691.0	691.0	691.0
RETAINED EARNINGS	859.5	889.9	936.2
TOTAL FUND EQUITY	1,550.5	1,580.9	1,627.2
TOTAL LIABILITIES & FUND EQUITY	2,009.8	2,038.9	2,114.8

ADMINISTRATION DEPT
Program: OPERATIONS MANAGEMENT BUREAU
Activity: Travel Management

Internal Service Fund
Financial Statement

Dollars in Thousands	OPERATIONS DATA				
Budget Activity Summary	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003	PROJECTED FY 2004	PROJECTED FY 2005
OPERATING REVENUES:					
NET SALES	10,396.4	11,759.6	12,268.0	13,050.5	13,883.4
LESS: COST OF SALES					
GROSS PROFIT ON SALES	10,396.4	11,759.6	12,268.0	13,050.5	13,883.4
OTHER REVENUE					
NET REVENUES	**10,396.4**	**11,759.6**	**12,268.0**	**13,050.5**	**13,883.4**
LESS: OPERATING EXPENSES:					
SALARIES	1,084.2	998.5	906.0	1,020.0	1,075.0
SUPPLIES & EXPENSES	4,570.0	4,454.8	4,735.1	4,900.9	5,072.4
INDIRECT COSTS	373.8	308.2	315.9	326.9	338.4
AMORTIZATION & DEPRECIATION	5,000.7	5,980.0	5,857.8	6,062.8	6,275.0
TOTAL OPERATING EXPENSES	**11,028.7**	**11,741.5**	**11,814.8**	**12,310.6**	**12,760.8**
OPERATING INCOME (LOSS)	**(632.3)**	**18.1**	**453.2**	**739.9**	**1,122.6**
NON-OPERATING REVENUES (EXPENSES)	(124.2)	(333.3)	(308.5)	(282.7)	(193.2)
NET INCOME (LOSS)	(756.5)	(315.2)	144.7	457.2	929.4
BEGINNING RETAINED EARNINGS	879.6	225.2	(90.0)	54.7	511.9
PRIOR PERIOD ADJUSTMENT	102.1	0.0	0.0	0.0	0.0
ENDING RETAINED EARNINGS	225.2	(90.0)	54.7	511.9	1,441.3
RATE INCREASE/(DECREASE):	4.90%	6.00%	7.10%	6.00%	6.00%
FTE	22.1	19.2	17.1	18.1	18.1

Expenditure Reconciliation to BBS		
Operating Expenses	12,310.6	12,760.8
Less amortization & depreciation (non cash)	(6,062.8)	(6,275.0)
Plus interest expense from non-operating andpurchase of vehicles	6,857.0	6,807.0
Total cash payments	13,104.8	13,292.8
BBS Amounts - Financing by Fund		
Travel Management	13,104	13,292
Receipt Reconciliation to BBS		
Net Revenues	13,050.5	13,883.4
Interest Income from Non operating revenue/expenses	697.0	697.0
Sale of used vehicles, motor pool fuel -expenditure reduction	1,110.0	1,110.0
	14,857.5	15,690.4
BBS Amounts - Revenue Collected		
Travel Management	14,857.0	15,690.0

Note:Non-operating revenue/expenses also includes gains on sale of used vehicles (non-cash item).

	FINANCIAL DATA		
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003
ASSETS:			
CURRENT ASSETS:			
CASH	781.1	488.9	675.1
OTHER CURRENT ASSETS	1,147.2	1,221.3	1,225.0
TOTAL CURRENT ASSETS	**1,928.3**	**1,710.2**	**1,900.1**
NON-CURRENT ASSETS:	22,648.1	20,789.9	18,900.0
TOTAL ASSETS	**24,576.4**	**22,500.1**	**20,800.1**
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT	5,080.0	5,600.0	4,500.0
MASTER LEASE- CURRENT	7,417.3	8,691.3	8,300.0
OTHER CURRENT LIABILITIES	911.9	764.0	710.2
TOTAL CURRENT LIABILITIES	**13,409.2**	**15,055.3**	**13,510.2**
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
MASTER LEASE - NON-CURRENT	10,397.3	6,987.1	6,686.1
OTHER NON-CURRENT LIABILITIES	42.7	45.7	47.1
TOTAL NON-CURRENT LIABILITIES	**10,440.0**	**7,032.8**	**6,733.2**
TOTAL LIABILITIES	**23,849.2**	**22,088.1**	**20,243.4**
FUND EQUITY:			
CONTRIBUTED CAPITAL-GENERAL FUND	502.0	502.0	502.0
RETAINED EARNINGS	225.2	(90.0)	54.7
TOTAL FUND EQUITY	**727.2**	**412.0**	**556.7**
TOTAL LIABILITIES & FUND EQUITY	**24,576.4**	**22,500.1**	**20,800.1**

ADMINISTRATION DEPT
Program: OPERATIONS MANAGEMENT BUREAU
Activity: Communications Media – PrintComm

Internal Service Fund
Financial Statement

Dollars in Thousands	OPERATIONS DATA				
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003	PROJECTED FY 2004	PROJECTED FY 2005
OPERATING REVENUES:					
NET SALES	5,705.4	4,577.1	4,981.0	5,130.0	5,283.9
LESS: COST OF SALES	5,267.1	4,508.9	4,152.7	4,276.9	4,405.2
GROSS PROFIT ON SALES	438.3	68.2	828.3	853.1	878.7
OTHER REVENUE					
NET REVENUES	**438.3**	**68.2**	**828.3**	**853.1**	**878.7**
LESS: OPERATING EXPENSES:					
SALARIES	423.2	453.1	453.1	464.5	490.3
SUPPLIES & EXPENSES	190.9	161.7	166.8	171.8	177.0
INDIRECT COSTS	190.5	149.8	149.8	154.3	158.9
AMORTIZATION & DEPRECIATION	18.0	9.6	3.4	0.7	0.0
TOTAL OPERATING EXPENSES	**822.6**	**774.2**	**773.1**	**791.3**	**826.2**
OPERATING INCOME (LOSS)	(384.3)	(706.0)	55.2	61.8	52.5
NON-OPERATING REVENUES (EXPENSES)	20.4	(18.3)	(13.5)	(8.9)	(5.4)
NET INCOME (LOSS)	(363.9)	(724.3)	41.7	52.9	47.1
BEGINNING RETAINED EARNINGS	342.6	(21.3)	(745.6)	(703.9)	(651.0)
CAPITAL CONTRIBUTIONS	0.0	0.0	0.0	0.0	0.0
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0
ENDING RETAINED EARNINGS	(21.3)	(745.6)	(703.9)	(651.0)	(603.9)
RATE INCREASE/(DECREASE):	0.20%	1.60%	1.00%	3.00%	3.00%
FTE	42.4	39.3	36	37.2	37.2
Expenditure Reconciliation to BBS					
Operating Expenses				791.3	826.2
Less amortization & depreciation (non cash)				(0.7)	0.0
Plus items purchased for resale (cost of goods sold)				4,276.9	4,405.2
				55	55
Total cash payments				**5,122.5**	**5,286.4**
BBS Amounts - Financing by Fund					
State Printer				5,122	5,286
Receipt Reconciliation to BBS					
Net Sales				5,130.0	5,283.9
Total cash receipts				5,130.0	5,283.9
BBS Amounts - Revenue Collected					
State Printer				5,130	5,284

	FINANCIAL DATA		
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003
ASSETS:			
CURRENT ASSETS:			
CASH	405.5	0.0	125.2
OTHER CURRENT ASSETS	541.4	339.5	350.5
TOTAL CURRENT ASSETS	**946.9**	**339.5**	**475.7**
NON-CURRENT ASSETS:	1,723.2	1,308.5	978.7
TOTAL ASSETS	**2,670.1**	**1,648.0**	**1,454.4**
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
MASTER LEASE- CURRENT	0.0	0.0	0.0
OTHER CURRENT LIABILITIES	1,123.6	904.3	662.7
TOTAL CURRENT LIABILITIES	**1,123.6**	**904.3**	**662.7**
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
OTHER NON-CURRENT LIABILITIES	127.8	124.3	130.6
TOTAL NON-CURRENT LIABILITIES	**127.8**	**124.3**	**130.6**
TOTAL LIABILITIES	**1,251.4**	**1,028.6**	**793.3**
FUND EQUITY:			
CONTRIBUTED CAPITAL	1,440.0	1,365.0	1,365.0
RETAINED EARNINGS	(21.3)	(745.6)	(703.9)
TOTAL FUND EQUITY	**1,418.7**	**619.4**	**661.1**
TOTAL LIABILITIES & FUND EQUITY	**2,670.1**	**1,648.0**	**1,454.4**

ADMINISTRATION DEPT
Program: OPERATIONS MANAGEMENT BUREAU
Activity: Communications Media – MN Bookstore

Internal Service Fund
Financial Statement

Dollars in Thousands	OPERATIONS DATA				
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003	PROJECTED FY 2004	PROJECTED FY 2005
OPERATING REVENUES:					
NET SALES	2,045.3	1,859.6	1,950.6	2,009.0	2,069.0
LESS: COST OF SALES	677.6	608.9	539.4	555.5	572.0
GROSS PROFIT ON SALES	1,367.7	1,250.7	1,411.2	1,453.5	1,497.0
OTHER REVENUE	44.0	0.0	0.0	0.0	0.0
NET REVENUES	**1,411.7**	**1,250.7**	**1,411.2**	**1,453.5**	**1,497.0**
LESS: OPERATING EXPENSES:					
SALARIES	724.9	744.0	775.3	763.8	804.0
SUPPLIES & EXPENSES	491.9	464.5	505.2	520.4	536.0
INDIRECT COSTS	74.2	64.8	65.2	67.2	69.2
AMORTIZATION & DEPRECIATION	19.5	8.1	8.0	5.9	0.5
TOTAL OPERATING EXPENSES	**1,310.5**	**1,281.4**	**1,353.7**	**1,357.3**	**1,409.7**
OPERATING INCOME (LOSS)	**101.2**	**(30.7)**	**57.5**	**96.2**	**87.3**
NON-OPERATING REVENUES (EXPENSES) (Unusual)	0.0	0.0	0.0	0.0	0.0
NET INCOME (LOSS)	101.2	(30.7)	57.5	96.2	87.3
BEGINNING RETAINED EARNINGS	1,159.2	1,260.4	1,229.7	1,287.2	1,383.4
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0
ENDING RETAINED EARNINGS	1,260.4	1,229.7	1,287.2	1,383.4	1,470.7

FOOTNOTES TO STATEMENTS:
Statements inclide both the Bookstore and the State Register.
Rate change percentages are for the State Register only.

RATE INCREASE/(DECREASE):	0.00%	4.92%	5.97%	5.00%	5.00%
FTE	14.1	13.9	12.8	12.7	12.7

Expenditure Reconciliation to BBS		
Operating Expenses	1,357.3	1,409.7
Less amortization & depreciation (non cash)	(5.9)	(0.5)
Plus purchase of items for resale (cost of goods sold)	555.5	572.0
Plus purchase of additional inventory	73.0	80.0
Total cash payments	1,979.9	2,061.2
BBS Amounts - Financing by Fund		
Documents and Publications	1,980	2,061
Receipt Reconciliation to BBS		
Net Sales	2,009.0	2,069.0
BBS Amounts - Revenue Collected		
Documents and Publications	2,009	2,069

	FINANCIAL DATA		
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003
ASSETS:			
CURRENT ASSETS:			
CASH	737.9	970.2	1,263.7
OTHER CURRENT ASSETS	1,292.5	897.9	676.0
TOTAL CURRENT ASSETS	**2,030.4**	**1,868.1**	**1,939.7**
NON-CURRENT ASSETS:	21.9	13.8	5.8
TOTAL ASSETS	**2,052.3**	**1,881.9**	**1,945.5**
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
MASTER LEASE- CURRENT	0.0	0.0	0.0
OTHER CURRENT LIABILITIES	248.2	105.7	108.8
TOTAL CURRENT LIABILITIES	**248.2**	**105.7**	**108.8**
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
OTHER NON-CURRENT LIABILITIES	48.7	51.5	54.5
TOTAL NON-CURRENT LIABILITIES	**48.7**	**51.5**	**54.5**
TOTAL LIABILITIES	**296.9**	**157.2**	**163.3**
FUND EQUITY:			
CONTRIBUTED CAPITAL	495.0	495.0	495.0
RETAINED EARNINGS	1,260.4	1,229.7	1,287.2
TOTAL FUND EQUITY	**1,755.4**	**1,724.7**	**1,782.2**
TOTAL LIABILITIES & FUND EQUITY	**2,052.3**	**1,881.9**	**1,945.5**

Dollars in Thousands	OPERATIONS DATA				
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003	PROJECTED FY 2004	PROJECTED FY 2005
OPERATING REVENUES:					
NET SALES	766.5	783.2	762.2	802.2	802.2
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0
GROSS PROFIT ON SALES	766.5	783.2	762.2	802.2	802.2
OTHER REVENUE					
NET REVENUES	**766.5**	**783.2**	**762.2**	**802.2**	**802.2**
LESS: OPERATING EXPENSES:					
SALARIES	334.5	308.1	336.3	382.4	403.1
SUPPLIES & EXPENSES	310.7	320.6	340.2	325.2	335.0
INDIRECT COSTS	35.1	25.6	26.3	27.1	27.9
AMORTIZATION & DEPRECIATION	65.2	64.6	64.3	64.3	24.0
TOTAL OPERATING EXPENSES	**745.5**	**718.9**	**767.1**	**799.0**	**790.0**
OPERATING INCOME (LOSS)	21.0	64.3	(4.9)	3.2	12.2
NON-OPERATING REVENUES (EXPENSES)	(12.6)	(2.6)	2.6	1.6	0.0
NET INCOME (LOSS)	8.4	61.7	(2.3)	4.8	12.2
BEGINNING RETAINED EARNINGS	108.5	108.9	170.6	168.3	173.1
PRIOR PERIOD ADJUSTMENT	(8.0)	0.0	0.0	0.0	0.0
ENDING RETAINED EARNINGS	108.9	170.6	168.3	173.1	185.3
RATE INCREASE/(DECREASE):	0.90%	7.70%	5.90%	6.25%	6.25%
FTE	7	6	7.1	7.13	7.13

Expenditure Reconciliation to BBS		
Operating Expenses	799.0	790.0
Less amortization & depreciation (non cash)	(64.3)	(24.0)
Plus interest expenses from Non-operating revenue/expenses and equipment purchase	4.0	0.0
Total cash payments	738.7	766.0
BBS Amounts - Financing by Fund		
Central Mailing	738	766
Receipt Reconciliation to BBS		
Net Sales	802.2	802.2
Plus interest revenue from Non-operating revenue/expenses	5.0	0.0
Total cash receipts	807.2	802.2
BBS Amounts - Revenue Collected		
Central Mailing	807	802

	FINANCIAL DATA		
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003
ASSETS:			
CURRENT ASSETS:			
CASH	133.2	226.2	199.4
OTHER CURRENT ASSETS	72.1	66.6	70.0
TOTAL CURRENT ASSETS	**205.3**	**292.8**	**269.4**
NON-CURRENT ASSETS:	231.3	169.1	104.8
TOTAL ASSETS	**436.6**	**461.9**	**374.2**
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
MASTER LEASE- CURRENT	63.0	89.7	60.7
OTHER CURRENT LIABILITIES	85.3	57.2	60.0
TOTAL CURRENT LIABILITIES	**148.3**	**146.9**	**120.7**
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
MASTER LEASE - NON-CURRENT	92.5	60.7	0.0
OTHER NON-CURRENT LIABILITIES	19.7	16.5	18.0
TOTAL NON-CURRENT LIABILITIES	**112.2**	**77.2**	**18.0**
TOTAL LIABILITIES	**260.5**	**224.1**	**138.7**
FUND EQUITY:			
CONTRIBUTED CAPITAL	67.2	67.2	67.2
RETAINED EARNINGS	108.9	170.6	168.3
TOTAL FUND EQUITY	176.1	237.8	235.5
TOTAL LIABILITIES & FUND EQUITY	436.6	461.9	374.2

Dollars in Thousands	OPERATIONS DATA				
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003	PROJECTED FY 2004	PROJECTED FY 2005
OPERATING REVENUES:					
NET SALES	1,340.7	1,225.1	1,313.7	1,400.0	1,400.0
LESS: COST OF SALES	267.9	590.0	652.0	900.0	900.0
GROSS PROFIT ON SALES	1,072.8	635.1	661.7	500.0	500.0
OTHER REVENUE					
NET REVENUES	**1,072.8**	**635.1**	**661.7**	**500.0**	**500.0**
LESS: OPERATING EXPENSES:					
SALARIES	532.8	308.1	248.3	319.9	336.7
SUPPLIES & EXPENSES	405.1	314.2	327.3	86.2	88.8
INDIRECT COSTS	60.4	48.8	50.1	51.6	53.2
AMORTIZATION & DEPRECIATION	59.2	49.3	14.4	1.5	0.0
TOTAL OPERATING EXPENSES	**1,057.5**	**720.4**	**640.1**	**459.2**	**478.7**
OPERATING INCOME (LOSS)	15.3	(85.3)	21.6	40.8	21.3
NON-OPERATING REVENUES (EXPENSES)	2.9	(11.8)	(0.6)	0.0	0.0
NET INCOME (LOSS)	18.2	(97.1)	21.0	40.8	21.3
BEGINNING RETAINED EARNINGS	54.6	72.8	(25.9)	(4.9)	35.9
PRIOR PERIOD ADJUSTMENT	0.0	(1.6)	0.0		
ENDING RETAINED EARNINGS	72.8	(25.9)	(4.9)	35.9	57.2
RATE INCREASE/(DECREASE):	3.00%	-5.29%	-4.13%	3.00%	3.00%
FTE	12.2	6.5	6.5	6.41	6.41

Expenditure Reconciliation to BBS		
Operating Expenses	459.2	478.7
Less amortization & depreciation (non cash)	(1.5)	0.0
Plus Interest and other expenses from Non-operating revenue/expenses	0.0	0.0
Plus purchase of items for resale	900.0	900.0
Plus expenditure reimbursed as revenue	1.0	1.0
Total cash payments	1,358.7	1,379.7
BBS Amounts - Financing by Fund		
Micrographics	1,359	1,380
Receipt Reconciliation to BBS		
Net Sales	1,400.0	1,400.0
Plus reimbursement for expenditure reduction	1.0	1.0
	1,401.0	1,401.0
BBS Amounts - Revenue Collected		
Micrographics	1,401	1,401

	FINANCIAL DATA		
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003
ASSETS:			
CURRENT ASSETS:			
CASH	265.1	209.8	220.9
OTHER CURRENT ASSETS	138.2	125.1	128.0
TOTAL CURRENT ASSETS	**403.3**	**334.9**	**348.9**
NON-CURRENT ASSETS:	75.7	16.6	2.2
TOTAL ASSETS	**479.0**	**351.5**	**351.1**
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
MASTER LEASE- CURRENT	51.0	22.0	0.0
OTHER CURRENT LIABILITIES	72.0	99.8	100.0
TOTAL CURRENT LIABILITIES	**123.0**	**121.8**	**100.0**
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
MASTER LEASE - NON-CURRENT	22.0	0.0	0.0
OTHER NON-CURRENT LIABILITIES	16.2	10.6	11.0
TOTAL NON-CURRENT LIABILITIES	**38.2**	**10.6**	**11.0**
TOTAL LIABILITIES	**161.2**	**132.4**	**111.0**
FUND EQUITY:			
CONTRIBUTED CAPITAL	245.0	245.0	245.0
RETAINED EARNINGS	72.8	(25.9)	(4.9)
TOTAL FUND EQUITY	**317.8**	**219.1**	**240.1**
TOTAL LIABILITIES & FUND EQUITY	**479.0**	**351.5**	**351.1**

Dollars in Thousands	OPERATIONS DATA				
	ACTUAL FY 2001	ACTUAL FY 2002	PROJECTED FY 2003	PROJECTED FY 2004	PROJECTED FY 2005
OPERATING REVENUES:					
NET SALES	80,062.9	79,180.2	82,691.7	84,006.4	85,925.0
LESS: COST OF SALES					
GROSS PROFIT ON SALES	80,062.9	79,180.2	82,691.7	84,006.4	85,925.0
OTHER REVENUE	123.0	68.5	82.0	82.0	82.0
NET REVENUES	**80,185.9**	**79,248.7**	**82,773.7**	**84,088.4**	**86,007.0**
LESS: OPERATING EXPENSES:					
SALARIES	19,511.7	21,615.1	23,248.6	25,162.9	26,793.3
SUPPLIES & EXPENSES	47,975.0	50,601.5	53,254.0	52,374.8	52,374.7
INDIRECT COSTS	1,013.8	1,146.3	1,174.5	1,209.7	1,246.0
AMORTIZATION & DEPRECIATION	6,489.6	5,513.4	4,991.0	5,241.0	5,493.0
TOTAL OPERATING EXPENSES	**74,990.1**	**78,876.3**	**82,668.1**	**83,988.4**	**85,907.0**
OPERATING INCOME (LOSS)	5,195.8	372.4	105.6	100.0	100.0
NON-OPERATING REVENUES (EXPENSES)	(5,194.7)	(1723.3)	(105.6)	(100.0)	(100.0)
UNUSUAL ITEM (Fixed Asset Threshold)	(76.6)				
NET INCOME (LOSS)	(75.5)	(1,350.9)	(0.0)	(0.0)	0.0
BEGINNING RETAINED EARNINGS	9,883.6	10,103.1	8,168.0	8,168.0	8,168.0
PRIOR PERIOD ADJUSTMENT	295.0	(584.2)	0.0	0.0	0.0
ENDING RETAINED EARNINGS	10,103.1	8,168.0	8,168.0	8,168.0	8,168.0
RATE INCREASE/(DECREASE):	0.00%	(1.00%)	(1.00%)	(1.00%)	(1.00%)
FTE	286.3	296.3	322.4	322.6	322.6

Expenditure Reconciliation to BBS		
Operating Expenses	83988.4	85907.0
Less amortization & depreciation (non cash)	(5241.0)	(5493.0)
Plus interest expenses from Non-operating revenue/expenses	608.0	636.0
Plus equipment purchases and master lease payments	7116.0	6944.0
Total cash payments	86471.4	87994.0
BBS Amounts - Financing by Fund		
Computer Services	44628.0	45592.0
Telecomm Services	41843.0	42402.0
Total BBS payments	86471.0	87994.0
Receipt Reconciliation to BBS		
Net Revenues	84006.4	85925.0
Plus Interest revenue from Non-operating revenue/expenses	508.0	536.0
Other Revenue	82.0	82.0
Total cash receipts	84596.4	86543.0
BBS Amounts - Revenue Collected		
Computer Services	39413.0	40401.0
Telecomm Services	45183.0	46142.0
Total BBS receipts	84596.0	86543.0

	Financial Data		
	ACTUAL FY 2001	ACTUAL FY 2002	PROJECTED FY 2003
ASSETS:			
CURRENT ASSETS:			
CASH	12,231.3	4,662.3	9,417.1
OTHER CURRENT ASSETS	11,799.0	13,632.5	13,374.0
TOTAL CURRENT ASSETS	**24,030.3**	**18,294.8**	**22,791.1**
NON-CURRENT ASSETS:	10,398.0	9,480.6	10,566.4
TOTAL ASSETS	**34,428.3**	**27,775.4**	**33,357.5**
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
MASTER LEASE- CURRENT	5,434.9	4,329.1	3,681.0
OTHER CURRENT LIABILITIES	9,944.1	5,492.2	11,692.9
TOTAL CURRENT LIABILITIES	**15,379.0**	**9,821.3**	**15,373.9**
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
MASTER LEASE - NON-CURRENT	5,693.8	6,049.6	6,563.6
OTHER NON-CURRENT LIABILITIES	904.4	1,388.5	904.0
TOTAL NON-CURRENT LIABILITIES	**6,598.2**	**7,438.1**	**7,467.6**
TOTAL LIABILITIES	**21,977.2**	**17,259.4**	**22,841.5**
FUND EQUITY:			
CONTRIBUTED CAPITAL-GENERAL FUND	2,348.0	2,348.0	2,348.0
RETAINED EARNINGS	10,103.1	8,168.0	8,168.0
TOTAL FUND EQUITY	**12,451.1**	**10,516.0**	**10,516.0**
TOTAL LIABILITIES & FUND EQUITY	**34,428.3**	**27,775.4**	**33,357.5**

Dollars in Thousands

	OPERATIONS DATA				
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003	PROJECTED FY 2004	PROJECTED FY 2005
OPERATING REVENUES:					
NET SALES	37,596.3	40,190.2	37,762.8	43,710.6	43,992.0
LESS: COST OF SALES					
GROSS PROFIT ON SALES	37,596.3	40,190.2	37,762.8	43,710.6	43,992.0
OTHER REVENUE	345.9	466.2	447.2	491.1	502.9
NET REVENUES	**37,942.2**	**40,656.4**	**38,210.0**	**44,201.7**	**44,494.9**
LESS: OPERATING EXPENSES:					
SALARIES	10,165.7	10,949.8	12,458.8	13,528.4	13,898.1
SUPPLIES & EXPENSES	12,310.3	13,090.0	12,444.6	14,067.7	14,038.1
INDIRECT COSTS	897.3	692.1	728.0	773.6	773.6
AMORTIZATION & DEPRECIATION	497.8	370.0	288.2	277.6	186.9
TOTAL OPERATING EXPENSES	**23,871.1**	**25,101.8**	**25,919.6**	**28,647.3**	**28,896.7**
OPERATING INCOME (LOSS)	14,071.1	15,554.5	12,290.4	15,554.4	15,598.2
NON-OPERATING REVENUES (EXPENSES)	(13,573.2)	(14,440.8)	(13,972.2)	(15,272.2)	(15,234.1)
NET INCOME (LOSS)	497.9	1,113.7	(1,681.8)	282.2	364.1
BEGINNING RETAINED EARNINGS	5,604.1	6,136.8	7,331.7	5,649.9	5,932.2
PRIOR PERIOD ADJUSTMENT	34.7	81.2	0.0	0.0	0.0
ENDING RETAINED EARNINGS	6,136.8	7,331.7	5,649.9	5,932.2	6,296.3
RATE INCREASE/(DECREASE):					
Leases	0.66%	4.54%	2.96%	0.56%	0.44%
Materials Transfer	0.27%	0.31%	4.70%	8.00%	8.00%
ROJ	0.00%	0.00%	2.26%	5.00%	5.00%
FTE	215.8	221.6	239.1	262	262

Expenditure Reconciliation to BBS		
Operating Expenses	28,647.3	28,896.7
Less amortization & depreciation (non cash)	(277.6)	(186.9)
Plus fixed assets	277	187
Total cash payments	28,646.7	28,896.8
BBS Amounts - Financing by Fund		
Plant Management	28,647	28,896
Receipt Reconciliation to BBS		
Net Sales	43,710.6	43,992.0
Plus Other Revenue	491.1	502.9
Total cash receipts	44,201.7	44,494.9
BBS Amounts - Revenue Collected		
Plant Management	44,202	44,494

Note:The Non-operating revenues/ expenses relate to building depreciation and bond interested which are transferred out.

ADMINISTRATION DEPT
Program: FACILITIES MANAGEMENT BUREAU
Activity: Plant Management

Internal Service Fund
Financial Statement

	FINANCIAL DATA		
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003
ASSETS:			
CURRENT ASSETS:			
CASH	7,720.7	7,112.7	5,510.5
OTHER CURRENT ASSETS	931.3	2,738.5	2,738.5
TOTAL CURRENT ASSETS	**8,652.0**	**9,851.2**	**8,249.0**
NON-CURRENT ASSETS:	1,557.7	1,305.5	1,029.5
TOTAL ASSETS	**10,209.7**	**11,156.7**	**9,278.5**
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT			
MASTER LEASE- CURRENT	91.8	60.2	15.6
OTHER CURRENT LIABILITIES	2,514.4	2,405.4	2,329.3
TOTAL CURRENT LIABILITIES	**2,606.2**	**2,465.6**	**2,344.9**
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NONCURRENT			
MASTER LEASE - NON-CURRENT	75.8	15.6	0.0
OTHER NON-CURRENT LIABILITIES	726.6	679.5	619.4
TOTAL NON-CURRENT LIABILITIES	**802.4**	**695.1**	**619.4**
TOTAL LIABILITIES	**3,408.6**	**3,160.7**	**2,964.3**
FUND EQUITY:			
CONTRIBUTED CAPITAL	664.3	664.3	664.3
RETAINED EARNINGS	6,136.8	7,331.7	5,649.9
TOTAL FUND EQUITY	**6,801.1**	**7,996.0**	**6,314.2**
TOTAL LIABILITIES & FUND EQUITY	**10,209.7**	**11,156.7**	**9,278.5**

Dollars in Thousands

	OPERATIONS DATA				
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003	PROJECTED FY 2004	PROJECTED FY 2005
OPERATING REVENUES:					
NET SALES	1,131.8	1,081.2	1,050.0	1,091.2	1,150.5
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0
GROSS PROFIT ON SALES	1,131.8	1,081.2	1,050.0	1,091.2	1,150.5
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0
NET REVENUES	1,131.8	1,081.2	1,050.0	1,091.2	1,150.5
LESS: OPERATING EXPENSES:					
SALARIES	890.0	736.3	860.2	925.6	970.7
SUPPLIES & EXPENSES	151.3	152.1	127.5	119.6	132.4
INDIRECT COSTS	41.2	44.9	46.0	46.0	47.4
AMORTIZATION & DEPRECIATION	0.9	1.0	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	1,083.4	934.3	1,033.7	1,091.2	1,150.5
OPERATING INCOME (LOSS)	48.4	146.9	16.3	0.0	0.0
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0	0.0
NET INCOME (LOSS)	48.4	146.9	16.3	0.0	0.0
BEGINNING RETAINED EARNINGS	61.9	110.3	257.5	273.8	273.8
PRIOR PERIOD ADJUSTMENT	0.0	0.3	0.0	0.0	0.0
ENDING RETAINED EARNINGS	110.3	257.5	273.8	273.8	273.8
RATE INCREASE/(DECREASE):	12.00%	3.00%	0.00%	3.00%	3.00%
FTE	13.3	10.7	10.8	10.5	10.5

Expenditure Reconciliation to BBS

Operating Expenses	1,091.2	1,150.5
Less amortization & depreciation (non cash)	0.0	0.0
Total cash payments	1,091.2	1,150.5
BBS Amounts - Financing by Fund		
Management Analysis	1,091	1,151

Receipt Reconciliation to BBS

Net Revenues	1,091.2	1,150.5
Interest Income from Non operating revenue/expenses	0.0	0.0
Total cash receipts	1,091.2	1,150.5
BBS Amounts - Revenue Collected		
Management Analysis	1,091	1,150

	FINANCIAL DATA		
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003
ASSETS:			
CURRENT ASSETS:			
CASH	53.5	187.2	203.4
OTHER CURRENT ASSETS	176.7	151.4	151.4
TOTAL CURRENT ASSETS	**230.2**	**338.6**	**354.8**
NON-CURRENT ASSETS:	0.5		
TOTAL ASSETS	**230.7**	**338.6**	**354.8**
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
MASTER LEASE - CURRENT	0.0	0.0	0.0
OTHER CURRENT LIABILITIES	82.6	50.0	47.0
TOTAL CURRENT LIABILITIES	**82.6**	**50.0**	**47.0**
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
OTHER NON-CURRENT LIABILITIES	37.8	31.1	34.0
TOTAL NON-CURRENT LIABILITIES	**37.8**	**31.1**	**34.0**
TOTAL LIABILITIES	**120.4**	**81.1**	**81.0**
FUND EQUITY:			
CONTRIBUTED CAPITAL-GENERAL FUND	0.0	0.0	0.0
RETAINED EARNINGS	110.3	257.5	273.8
TOTAL FUND EQUITY	**110.3**	**257.5**	**273.8**
TOTAL LIABILITIES & FUND EQUITY	**230.7**	**338.6**	**354.8**

Department of Administration

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February 18, 2003

The 2003 Minnesota Legislature:

After a thorough review and analysis of the activities of this diverse agency, I am pleased to submit the Department of Administration's (Admin) FY 2004-05 budget. The recommended biennial budget for this agency is $472 million, with the general fund portion amounting to slightly more than 9% of this total. As our agency mission indicates, we will use this funding to continue to improve the quality and productivity of Minnesota government, while absorbing an overall $20 million budget reduction.

The Department of Administration is comprised of five bureaus, 23 operating divisions, and nearly 890 employees. Responsibilities range from statewide leadership in developing electronic government services, purchasing and procurement of state goods and services, and computer/telecommunications services, to maintaining and operating state buildings and infrastructure, vehicle fleet management services, and recycling and resource management. Our customers include state agencies, constitutional offices, political subdivisions, the legislature, government employees, and citizens of the state.

During the budgeting process, each division evaluated their service and product offerings in relation to customer and employee needs and the projected budget deficit. This evaluation fits into the Admin vision to be a leader in providing high-quality products and services to customers, and an employer of choice. The resulting budget focuses the agency on the principles of:

- leadership for state government
- promoting and fostering efficiencies, and
- service first.

A few of the key initiatives we will emphasize include:

E-Government Plan – An effort is underway to develop a statement of direction and action plan for Electronic Government Services in Minnesota. The expected rewards brought by exploring and acting on process improvement and automation opportunities within every phase of service delivery in the state enterprise are demonstrable cost reductions and notable service improvements for citizens, governments, and businesses. The paper presents research, which will provide the compelling actual experiences of those who have revolutionized organizations, optimizing both cost structures and service delivery through leverage, automation, and integration. Further, the document will propose immediate action that can be taken to see immediate results. The Electronic Government Services document will be available in the March/April timeframe.

State Contracting Changes – The Office of the Legislative Auditor (OLA) and the Management Analysis Division (MAD) both provided recent feedback on statewide professional-technical contracting practices. In response to those findings, the department is implementing an action plan to include:

⇒ A focus on accountability via identification of appropriate data points, collection of performance data, analysis and feedback regarding performance to agencies along with a defined appeals process when issues arise that are not easily resolved

⇒ An emphasis on education by developing a brochure for agency heads that outline contracting requirements and their obligations in the contracting process; continuing our implementation of a contract management academy that will enhance post-award contract management, and improving Admin's internal training and monitoring tools to assure consistency.

⇒ A review of statutory changes that will clarify and enhance the contracting process.

Competitive Sourcing/Shared Services – We are developing recommendations for a suggested approach for the state in considering competitive sourcing or shared services, with the objectives of saving taxpayer dollars, increasing operating efficiencies, allowing organization to focus on core functions, and identifying improved ways to do business.

The Admin budget is derived from various funding sources, including

⇒ The general fund (legislatively appropriated – 9.1%)
⇒ Special revenue funds (fee based – 18.4%)
⇒ Federal and gift funds (.7%)
⇒ Agency funds (pass-through – 4.7%), and
⇒ Internal service/enterprise funds (fee based – 67.1%).
⇒ Virtually all areas of the agency will be impacted by the budget decisions being made either by direct budget reductions, or by changes in business sales volume.

In the general fund:

⇒ Reductions were taken in all bureaus amounting to a 15% reduction of operating expenses in the amount of $1,963,000 for each year of the biennium. Each division evaluated their core functions and will manage the reductions through various service level reductions or eliminations, staffing reductions estimated at approximately 20.8 FTE, and operating expense reductions.
⇒ Public Broadcasting Grants are reduced by $757,000 (24%),
⇒ The Minnesota State Band grant is reduced by $2,000 (100%)
⇒ These reductions amount to an overall general fund budget decrease of $2,722,000 (11.3%) per year.

The Department of Administration provides several aggregated support services for state agencies. To assist agencies in their efforts to control costs the department is proposing significant expense reductions in the InterTechnologies Group and Plant Management internal service funds.

The InterTechnologies Group Internal Service Fund:

⇒ Expenses and revenues will be reduced by $4,015,000 per year. This represents a 15% reduction of the activities operating budget, or an overall budget reduction of 5%. Core activities were examined and the focus was to maintain these activities to greatest extent possible.
⇒ The plan includes a reduction of approximately 36 FTE technical positions and a corresponding reduction in technology support services for customers. InterTech's priorities will be to maintain timely emergency response times to resolve state system problems and network outages while continuing to provide assistance to agencies attempting to control information systems operating expenses.

The Plant Management Leases Division's Internal Service Fund:

⇒ Expenses and revenue will be reduced by $3,096,000 per year. This represents a 15% deduction of the activities operating budget, or an overall budget reduction of 7%. Core activities were examined and the focus was to maintain these activities as much as possible.
⇒ The proposed reduction results in a reduction of janitorial, maintenance, trades, and groundskeeping service levels for the 3.7 million square feet in 22 facilities managed by the activity. There is an estimated reduction of 28.3 FTE included in this proposal.

Overall, these budget reductions involve an elimination of 85 positions, approximately 10% of department staff. Some service levels will decline, but we believe we can maintain our core functions at this level of funding.

The budget recommendations focus on new ways to operate during these challenging times. We welcome the opportunity to review them in more detail in the future.

Sincerely,

Brian J. Lamb
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	44,632	443,236	487,868
Biennial Appropriations	2,188	0	2,188
Legislatively Mandated Base	2,642	-526	2,116
Transfers Between Agencies	-1,100	-684	-1,784
Adjusted Base Funding	48,362	442,026	490,388
Change Items			
Admin Budget Reduction Plan	-3,926	-249	-4,175
Admin Grant Budget Reductions	-1,518	0	-1,518
Intertechnologies Group - Budget Reduct	0	-8,030	-8,030
LCMR Recommendations	0	519	519
Plant Mgmt Leases - Budget Reduction	0	-6,192	-6,192
Relocation Funding	500	0	500
Transfer In CAAPB Functions	524	0	524
Governor's Recommendations	43,942	428,074	472,016
Biennial Change, 2002-03 to 2004-05	-17,764	18,079	315
Percent Change	-29%	4%	0%

Brief Explanation Of Budget Decisions:

⇒ Under current law, the base for Public Broadcasting is available in either year, and in FY 2002-03 it was spent in the first year. The $2.188 million "Biennial Appropriations" base adjustment was used to bring the FY 2004-05 funding level to the base appropriated level.

⇒ The Laws of 2001 provided $2.180 million to increase the base funding in FY 2004-05 of the Office of Technology and other agencies. A transfer of $1.080 million will be made from this appropriation to Administration's Office of Technology to increase base funding for technology analyst positions. A transfer of $600,000 will be made from this appropriation to the Department of Revenue for operational costs related to the income tax re-engineering project. In addition, $500,000 will be transferred for Small Agency Infrastructure (SAI) projects to the Capitol Area Architectural and Planning Board, the Architecture and Engineering Board, the Campaign Finance and Public Disclosure Board, the Mediation Services Bureau, the Minnesota Racing Commission, the Sentencing Guidelines Commission, the Department of Veterans Affairs, and the Lawful Gambling Control Board, as reflected in each agency's budget.

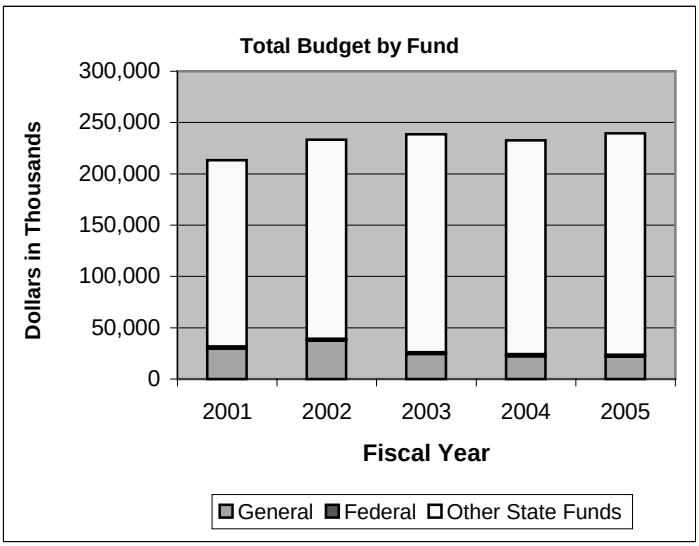
⇒ Legislatively mandated base funding levels for the biennium result in a net partial restoration of $462,000 to the agency's base. The Governor recommends eliminating this restoration through the change item reductions.

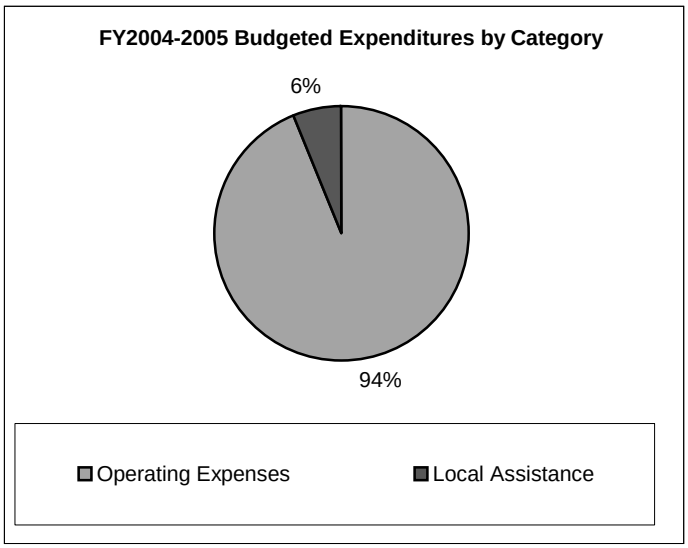
(Note: General Funds in the above table include appropriations for legislative in-lieu of rent and grants for Public Broadcasting.)

Revenue Summary:

- ⇒ Market conditions impact the agency's revenue collections. The construction market directly affects building code revenue, and the number of telephones in use dictates 9-1-1 revenues. Parking revenues are dependent upon the number of employees and the availability of parking spaces.
- ⇒ Federal funding is expected to increase slightly.
- ⇒ The Governor recommends a reduction in expenditures in Plant Management Leases and the InterTechnologies Group, which will result in a corresponding reduction in revenue.

	FY 2004-05 Revenues ($000s)		
	General Fund	**Other Funds**	**Total**
FY 2004-05 Current Law Revenues	242	458,992	459,234
Change Items			
Intertechnologies Group – Budget Reduction	0	(8,030)	(8,030)
Facilities Mgt Div – Plant Mgmt – Budget Reduction	0	(6,192)	(6,192)
Mgmt Services – Admin Budget Reduction Plan	0	(249)	(249)
FY 2004-05 Total Revenues	242	444,521	444,763
Biennial Change 2002-03 to 2004-05	(51)	30,599	30,548
Percent Change	(17%)	7%	7%





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	29,621	37,491	24,215	22,221	21,721	43,942
Special Revenue	0	0	0	519	0	519
Statutory Appropriations						
General	44	0	0	0	0	0
State Government Special Revenue	22,343	23,076	30,192	29,281	32,881	62,162
Special Revenue	4,883	6,684	13,859	12,193	12,093	24,286
Federal	1,704	1,477	1,726	1,705	1,717	3,422
Risk Management	7,034	9,586	10,898	11,303	12,658	23,961
Miscellaneous Agency	10,435	9,917	11,100	11,100	11,103	22,203
Gift	155	131	38	77	64	141
Plant Management	24,791	26,155	25,920	25,551	25,800	51,351
Documents And Publications	2,306	1,873	1,949	1,980	2,061	4,041
Micrographics	1,295	1,336	1,284	1,359	1,380	2,739
Management Analysis	1,078	984	1,051	1,091	1,151	2,242
Central Motor Pool	13,060	14,021	12,862	13,104	13,292	26,396
State Printer	6,710	4,928	4,599	5,122	5,286	10,408
Central Stores	8,319	7,651	7,869	7,897	7,939	15,836
Materials Distribution	4,272	5,415	5,745	4,969	5,459	10,428
Intertechnologies	74,460	81,640	84,563	82,456	83,979	166,435
Central Mailing	760	765	701	738	766	1,504
Total	**213,270**	**233,130**	**238,571**	**232,666**	**239,350**	**472,016**

Expenditures by Category						
Operating Expenses	198,076	207,198	222,385	216,764	220,660	437,424
Capital Outlay & Real Property	1,756	584	638	634	638	1,272
Payments To Individuals	0	5	0	0	0	0
Local Assistance	11,078	21,551	12,548	13,083	15,652	28,735
Other Financial Transactions	2,360	3,792	3,000	2,185	2,400	4,585
Total	**213,270**	**233,130**	**238,571**	**232,666**	**239,350**	**472,016**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Program	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Operations Management Bureau	58,566	58,702	59,982	60,277	62,646	122,923
Office Of Technology	3,434	4,668	3,306	2,669	2,614	5,283
Intertechnologies Group	95,471	100,716	109,033	105,097	110,021	215,118
Facilities Management	37,728	40,454	47,470	46,146	45,971	92,117
Management Services	8,298	7,666	7,642	7,578	7,738	15,316
Fiscal Agent	9,773	20,924	11,138	10,899	10,360	21,259
Total	**213,270**	**233,130**	**238,571**	**232,666**	**239,350**	**472,016**
Revenue by Type and Fund						
Non Dedicated						
General	332	174	119	121	121	242
Subtotal Non Dedicated	332	174	119	121	121	242
Dedicated						
State Government Special Revenue	22,728	21,994	27,323	29,258	31,182	60,440
Special Revenue	4,938	5,494	4,402	4,331	4,531	8,862
Federal	1,472	1,467	1,669	1,705	1,717	3,422
Risk Management	8,532	9,037	11,049	12,064	13,369	25,433
Miscellaneous Agency	10,389	10,119	11,100	11,100	11,103	22,203
Gift	152	115	22	56	35	91
Plant Management	38,412	40,927	38,209	41,106	41,398	82,504
Documents And Publications	2,308	1,912	1,986	2,009	2,069	4,078
Micrographics	1,373	1,206	1,314	1,401	1,401	2,802
Management Analysis	1,086	1,061	1,050	1,091	1,150	2,241
Central Motor Pool	12,181	13,478	14,572	14,857	15,690	30,547
State Printer	5,846	4,472	4,981	5,130	5,284	10,414
Central Stores	8,498	7,706	7,902	7,902	7,902	15,804
Materials Distribution	4,732	5,655	5,685	5,420	5,542	10,962
Intertechnologies	76,367	73,243	83,219	80,581	82,528	163,109
Central Mailing	782	786	767	807	802	1,609
Subtotal Dedicated	199,796	198,672	215,250	218,818	225,703	444,521
Total Revenue	**200,128**	**198,846**	**215,369**	**218,939**	**225,824**	**444,763**
Full-Time Equivalents (FTE)	**912.5**	**901.5**	**927.4**	**872.4**	**866.9**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($1,963)	($1,963)	($1,963)	($1,963)
Revenues	0	0	0	0
Other Fund				
Expenditures	(120)	(129)	(129)	(129)
Revenues	(120)	(129)	(129)	(129)
Net Fiscal Impact	($1,963)	($1,963)	($1,963)	($1,963)

Recommendation

The Governor recommends a General Fund budget of $11.131 million each year to fund the current operations of the Department of Administration (Admin) in the FY 2004-05 biennium. The budget incorporates a reduction of $1.963 million each year, which equates to a 15 percent reduction. Each division has evaluated their core functions and will manage the changes through various service level reductions or eliminations, staffing decreases estimated at approximately 20.8 full-time equivalents, and operating expense reductions. The resulting budget would focus on new ways to operate the department's core functions.

Background

Fifteen divisions within Admin's five bureaus receive General Fund appropriations, representing less than 10% of the overall agency budget. These divisions provide a wide range of services to state agencies, and for the internal management of Admin**.**

Operations Management Bureau

- Materials Management – acquires goods and services and disposes of state surplus property using methods that ensure the best value for the taxpayers' dollars and conform to the standards of public procurement. Activities include overseeing $1.2 billion in annual state government purchasing, and reviewing over 2,500 professional/technical contracts per year.
- MailComm – provides a mailing service including metering and processing of all outgoing federal mail for agencies within the boundaries of St. Paul. This unit also provides inter-office mail services to all state agencies within St. Paul and has the responsibility for distributing the federal mail for the Capital Complex. In FY 2002, MailComm generated nearly $1 million in postage savings through its automation services.

Office of Technology

- OT – provides leadership and direction for state information and communications technology. The mission is to ensure that the state's use of information technology improves Minnesota's businesses, schools, communities, and the lives of the state's citizens. Activities include managing the North Star web portal and electronic services, and serving as steward for the statewide "Enterprise Architecture" (technology blueprint for the state).

InterTechnologies Group

- Communications Center – provides support and maintenance of the state of Minnesota's telephone directory database.

Facilities Management Bureau

- Real Estate Management – provides real estate services to state agencies that result in obtaining quality, efficient, and cost-effective property that meets the state's needs. Activities include selling state surplus property, and maintaining a total of 961 leases of state-owned and non-state owned real property.
- Plant Management-Energy Management – conducts energy efficiency improvements and retrofit projects in 40 million gross square feet of state-owned buildings.
- Plant Management/Resource Recovery – operates the State Recycling Center to prepare recyclables for market and administers the State Government Resource recovery Program providing waste reduction and recycling assistance and education. In FY 2002, 2,159 tons of material was recycled.

- Division of State Building Construction – delivers professional architectural, engineering, and construction resources designed to improve the physical facilities of Minnesota government. Activities include providing planning, design and construction services to over 20 state agencies in almost 4,000 state buildings.

Management Services Bureau

- Admin, Financial and Human Resource Management – provides internal leadership to the agency in legislative, communications, administrative, financial, and human resources. Provides specialized financial and human resources support to several Boards and Councils. In addition, statewide leadership is provided in many areas in conjunction with the diverse divisions of the agency.
- Management Analysis – is the state of Minnesota's internal management consulting organization. General Fund activities include regulatory mandates (cost benefit analysis projects), cross-agency management improvement projects (staffing, performance management, managerial training), and work on behalf of the state (contingency planning, establishing a gubernatorial transition office). This activity receives about one-third of its funding through a general fund appropriation.
- Information Policy Analysis – provides government and private sector entities with answers to questions, and consultation on data practices issues. On an annual average, this activity issues 66 advisory opinions, answers 3,600 phone inquiries from government entities, and 2,532 phone contacts from citizens.
- The Office of the State Archaeologist – manages the state's archaeological resources, including sites and data, on behalf of the citizens of Minnesota. Activities include review/license archaeological projects, evaluate/accept site data forms, and investigate burial site cases.
- The Governor's Council on Developmental Disabilities – authorized under the Federal Developmental Disabilities Assistance and Bill of Right Act works to assure that people with developmental disabilities, and their families, receive the necessary support/services to increase their independence, productivity, self-determination, integration, and inclusion in the community. A small General Fund appropriation is used as part of the state match to secure over $1 million in federal funds.

Relationship to Base Budget

This proposal represents a 15% base level reduction to the Admin general fund operating budget.

Key Measures

"Service First" to Minnesota and its citizens is the goal of Admin. This is accomplished through providing high-quality facilities, services, and infrastructure that will assist each agency in achieving its organizational and strategic goals. Reductions would occur in all areas of the agency. Budget reductions would impact service levels to both internal and external customers. In general, functions would be eliminated, or the workload of remaining staff will increase, therefore impacting response times. A reduction in funding would negatively impact the ability to satisfy customer needs on an on-going basis.

Alternatives Considered

The agency has reviewed all functions and operations and the proposed reductions were identified to have the least impact on core activities.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($759)	($759)	($759)	($759)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($759)	($759)	($759)	($759)

Recommendation

The Governor recommends a General Fund appropriation of $2.44 million each year for Public Broadcasting grants. The Governor also recommends elimination of the $2,000 annual line item for the Minnesota State Band. He recommends that these entities seek efficiencies in their operations or secure additional private, non-state funding for continued operation.

Background

Public broadcasting is the grant administration program carried out for the legislature under specific appropriation language and M.S.129D.11-16. The program oversees this grant authority, disbursing funds in accordance with legislative appropriations and direction, and ensures compliance with all statutory requirements and criteria.

Public Television:
State funds are used by six recipient stations to sustain their ability to serve as a major community resource providing educational, cultural, economic development, public affairs, and children's programming to the public, governmental agencies, nonprofit organizations, business corporations, and educational facilities. State grants are made in a direct and matching basis, consistent with the criteria established in M.S. 129D.11-16. Public Television signals cover approximately 98% of the state.

Public Radio:
State funds are used to support 12 public radio (AMPERS) stations that serve Minnesota residents through radio programming that is noncommercial, cultural, informational, ethnic, and educational in nature. It is programming designed to appeal to audiences not generally served by commercial broadcasters. Operational and equipment grants are made pursuant to criteria listed in M.S. 192D.11-16. The AMPERS stations cover approximately 95% of the population, and 80% of the geography of the state. State grants provide between two, and 60% of the individual stations total annual budget.

State funds are appropriated for an equipment grant to Minnesota Public Radio (MPR), a network of 31 stations providing local, regional, national, and international news, information programming, and classical music programming to listeners throughout the state and region. These state funds represent approximately 12% of MPR's FY 2002-03 capital budget.

Twin Cities Regional Cable Channel:
State funds are used to provide grant-in-aid to Twin Cities Regional Cable Channel, Inc., a nonprofit organization operating the Metro Cable Network. These funds provide for approximately 5% of the Metro Cable Network operating budget. The network appears on Channel 6 on all metropolitan area cable systems presenting a wide range of programs about issues and activities of regional interest and significance as mandated by state statutes and designated by the Minnesota Cable Communications Board in 1985.

Legislative Television:
An additional appropriation is included in Public Broadcasting for Legislative Television. Funding is in the form of a grant for public information television transmissions of legislative activities. Senate Media Services and House Television programming raises public awareness of state issues, legislative activities, and state capitol events. Programming consists of live and taped coverage of senate and house floor sessions, select committee hearings, issue-oriented press conferences, public affairs programming, short documentaries, and civic-education

programs. For the 2002-2003 Legislative sessions, up to 3,298 hours of programming will be broadcast through two separate agreements. The legislature oversees this grant.

The Minnesota State Band:
The Minnesota State Band is a volunteer band performing events free and open to the public. The band has received state funding since its founding in 1898. The band has about 65 volunteer members and conducts about 10 public performances annually. These funds are used for travel, postage, music, equipment repair and replacement, and other operational costs of the band.

Relationship to Base Budget

This recommendation represents an overall 24% reduction in the grants to Public Broadcasting. The current FY 2004 annual base budget for these grants is $3.197 million. The annual reduction would be allocated as follows:

♦ Public Television	less 25%	($492,000)
♦ Public Radio-AMPERS	less 15%	($59,000)
♦ Public Radio-MPR	less 35%	($137,000)
♦ Twin City Cable	less 25%	($6,000)
♦ Legislative Television	less 15%	($63,000)

This proposal would eliminate state funding for the Minnesota State Band. In FY 2002-03 they were appropriated $2,000 in state funds each year.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	($4,015)	($4,015)	($4,015)	($4,015)
Revenues	($4,015)	($4,015)	($4,015)	($4,015)
Net Fiscal Impact	0	0	0	0

Recommendation
The Governor recommends a reduction to the InterTechnologies Group (InterTech) expenses of $4.015 million each year of FY 2004-05 biennium for the Intertechnologies internal Services Revolving Fund. The reductions would translate into decreases in some of the rates charged to state government customers. The Governor's goal is to relieve some of the fiscal pressures agencies will face with reduced operating budgets during the biennium.

Background
The purpose of InterTech is to provide data processing and telecommunications services to state agencies and public sector entities. The mission is to serve Minnesota's public sector by delivering value-added information technology services through a shared infrastructure. The budget activities affected by the reduction(s) illustrated will be in the service areas of: Computer Services, Telecommunication Services, and IT Risk Mitigation Services. Please see the InterTech Web Site at http://www.itg.state.mn.us/index.html for more information about these services.

Relationship to Base Budget
This recommendation represents a 15% reduction in controllable/variable costs for the InterTechnologies Group. Overall, these reductions would result in an approximate 5% reduction in expenditures given constant use patterns. We would look for new ways to accomplish objectives through process review and improvement. We would work with customers regarding their requirements in order to best respond to their service needs.

Key Measures
The recommended reduction would result in a loss of technical expertise (36 full-time equivalents total) and support technologies resulting in reduced services for customers. Specifically, InterTech's data processing and telecommunications services would be reduced and response times to resolve state system problems and network outages would be increased. There are 20 full-time equivalents (FTEs) related to these functions. The impact of the recommended reduction includes:

- division would need to identify alternate methods of covering 24/7 requirements and critical system needs;
- alternate production schedules for customers in areas such as print and mainframe processing (there may be delays in issuing warrants and unemployment checks if these jobs are scheduled during off-peak hours);
- some reduction in technical assistance and support for customers;
- reevaluation of scheduled maintenance and load testing requirements;
- extended replacement schedules for equipment and upgrades which may create a reliance on existing equipment and technology, and increased maintenance and repair costs;
- increase in response time to customers for inquiries or questions on service or billing; and
- longer response times for internal LAN problems.

In order to reduce expenses, InterTech identified several technology solutions that are not currently supported by customer revenue. The division would examine these over time to determine how best to support these in the future. These solutions are part of InterTech's response to the state IT community's requests to implement new services and products that support the state's overall technology direction. This portion of the recommendation includes a reduction of 16 FTEs.

Alternatives Considered
InterTech considered across the board cuts but this approach was abandoned, as it would not allow the bureau to continue its core business functions.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	519	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	519	0	0	0

Recommendation

The Governor has recommended the elimination of the dedicated funding for the Future Resources Fund. The Governor is not making specific recommendations on LCMR projects at this point, but intends to provide a statement of the administration's priorities for Environmental Trust Fund projects at a later time.

Background

The Legislative Commission on Minnesota Resources (LCRM) has recommended funding for a Community Energy Development Program to be appropriated to the Department of Administration for transfer to the Department of Commerce to assist communities in identifying cost-effective energy projects and developing locally-owned wind energy projects through local wind resource assessment and financial assistance. The proposal would be financed with $281,000 from the Future Resources Fund and $519,000 from Oil Overcharge monies.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	($3,096)	($3,096)	($3,096)	($3,096)
Revenues	($3,096)	($3,096)	($3,096)	($3,096)
Net Fiscal Impact	0	0	0	0

Recommendation
The Governor recommends a budget for Plant Management Division (PMD) of $25.551 million in FY 2004 and $25.8 million in FY 2005 from the Plant Management Internal Services Fund. These amounts correspond to a reduction in lease expenses and revenue of $3.096 million in each year of biennium, or a 7% reduction. The decrease would translate to a reduction in lease rates charged to state agencies located in PMD-managed buildings. The Governor's goal is to relieve some of the fiscal pressures agencies will face with reduced operating budgets during the biennium

Background
PMD is responsible for 3.7 million gross square feet in 22 facilities. This includes the 20 facilities under PMD's custodial control as well as the Minnesota History Center and the Retirement Systems Building. PMD provides housekeeping, engineering, refuse removal, trades, building management, grounds management, snow removal, and environmental, life, safety and security systems for buildings, grounds, monuments/memorials, cafeterias, and tunnels.

PMD would focus its work on the highest priority services, including those that relate to the health, safety and security of occupants and guests to PMD-managed buildings. PMD would reduce some services beginning in FY 2004 including:

- elimination of 24-plus full-time equivalents (FTEs) including janitorial, maintenance engineers, trades, groundskeepers, support, supervisors, and management personnel;
- reduction of lower priority building, janitorial, and grounds repairs and maintenance; and
- elimination of the cafeteria subsidy, which may result in the closure of some of the Capitol Complex cafeterias.

In addition, PMD anticipates that some agencies may reduce their lease space due to budget reductions, resulting in reduced lease revenues. Depending on where the vacant space is located and the amount of square footage that is vacant, some closures or partial closures might be considered.

Relationship to Base Budget
This proposal represents a 15% reduction in controllable/variable costs in Plant Management operations. These reductions will generate an overall 7% reduction in revenue and expenses.

Key Measures
The reduction in lease rates charged to tenants would vary by building according to each facility's specific age, financing, and maintenance requirements. Reduction of staff in the division would impact PMD's ability to respond to customer requests in a timely manner. Maintenance would be deferred and reduced, which carries the risk of impacting the internal and external conditions of the buildings and related equipment as well as visual public appeal.

Alternatives Considered
The department considered a reduction in depreciation expenses, which would reduce the Facility Repair and Replacement account. However, decreased available funds in this account would require that critical facility repairs be delayed or not completed, including the Veteran Services Building renovation, Capitol Building exhaust

work, Centennial Building air handler replacement, Judicial Center exterior caulking, State Office Building elevator upgrades (freight and Revisor), and replacement of humidification boilers.

The department also considered reducing building hours and changing building temperatures. Although these actions would result in decreased utility expenses and the state would capture short-term savings, there would also be a significant impact on occupant and visitor comfort as well as long-term implications related to reduced indoor air quality. And, changes in indoor air quality can significantly impact the physical condition of a building. Reducing the hours of building operations would require that lighting, heating, ventilating, and air conditioning systems are shut down. PMD concluded such changes in operations would create significant hardships for state agencies, state employees, and the legislature.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$500	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$500	0	0	0

Recommendation
The Governor recommends a $500,000 General Fund appropriation to the Department of Administration for state agency relocation expenses associated with reduced space needs, economizing the use of current state facilities, minimizing lease costs to meet reduced budgets, and structural reorganizations.

Background
As a result of downsizing agency budgets and the reorganization of a number of state programs, Admin anticipates that many departments and boards will be reducing and changing their space requirements and otherwise seeking to reduce their lease costs. However, in order to realize the related savings and economize the space needs of the state as a whole, many organizations will be required to move to different locations. The costs of these moves are not budgeted within agency base budgets and are generally requested centrally by the Department of Administration.

The cost of relocating usually includes the following items: furniture and equipment transportation and reinstallation; de-installation and reinstallation of telecommunications, technology and wiring; and furniture purchases and retrofits to new spaces. The cost may also include rent differential, which is the estimated difference between the cost an agency is currently paying and the rent it will be paying in a new location through the end of the biennium. It may also include the cost of lease revenue lost by Admin's Plant Management Division (PMD) during the period in which an agency has not yet moved into a PMD-managed space due to construction or retrofitting.

Relationship to Base Budget
Agency base appropriations do not include any costs for relocations. During the 2002 session, the legislature provided the Department of Administration with one-time funding of $1.5 million from the General Fund, to fund several specific relocation projects, including:

- $590,000 for moving tenants from the Veterans Services Building during asbestos abatement construction;
- $389,700 for moving the Bureau of Criminal Apprehension (BCA) to its new location on Maryland and Prosperity in St. Paul;
- $457,500 for merging locations of the Departments of Trade and Economic Development (DTED) and Economic Security; and
- $40,000 for moving the Star and Information Policy Analysis divisions to more economical spaces within Admin.

Alternatives Considered
If this recommendation is not funded, agencies would either (1) stay in and pay for unneeded and/or expensive space, thereby reducing program services to accommodate the lease costs, or (2) give up part of their current space, which would leave pockets of unleased footage. Because much of the costs to operate buildings would not decrease in proportion to the pockets of vacant space, the costs to remaining tenants would be increased.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$262	$262	$262	$262
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$262	$262	$262	$262

Recommendation
The Governor recommends transferring administration of the Capitol Area Architecture and Planning Board (CAAPB) to the Department of Administration with an appropriation of $262,000 each year. This is a reduction of $130,000 from the previous biennium.

Background
In an effort to seek efficiencies while maintaining core services, the Capitol Area Architecture and Planning Board would become a responsibility of the commissioner of Administration. The Department of Administration currently provides some support services to the board, and many of the board's authorities have functional relationships with the divisions of State Building Construction and Plant Management within Administration.

Relationship to Base Budget
The appropriation to be transferred to the Department of Administration would be 80% of the funding appropriated in FY 2002-03 (see change item under CAAPB).

Statutory Change: M.S. 15.50

Agency Purpose

The Agricultural Utilization Research Institute (AURI) was created by the legislature in M.S. 1160.09. AURI efforts are focused on developing and increasing value added processing opportunities on a statewide basis. This is accomplished by providing applied scientific assistance in the development of new products and expanded uses for Minnesota agricultural commodities. Assistance is usually provided at the very early stages of product or process development and focuses on feasibility issues. AURI services assist producers and processors to make better decisions about allocating scarce resources.

Mission: To identify new markets and expand existing markets for agricultural commodities, ingredients and products, and to develop new uses or value improvements for Minnesota agricultural commodities.

At A Glance

- In the 1990's combined ag and value added sales increased by 24%; AURI programs helped support and sustain continued growth and development of value added processing.
- AURI services were delivered to over 400 projects statewide in the past biennium.
- Presented over 40 producer/processor information sessions, examples include: biodiesel, wheat/barley ethanol, oilseeds, meat processing and food safety.

Core Challenges in Operating Environment:

- Low commodity prices and high transportation costs necessitate a strategy to support value added processing opportunities at the point of production.
- Increasing demand for feasibility and product development information for value added processing initiatives.
- Ever-changing markets, technologies and food safety issues that force rural Minnesota-based processors and agricultural enterprises to keep pace, or not survive.

Core Functions

The Agricultural Utilization Research Institute provides technical and applied scientific services to individuals and organizations that are developing value added businesses across Minnesota. Core functions include:

- providing technical and feasibility assistance, laboratory and pilot plant services in support of the development of the value-added processing capacity in Minnesota;
- acting as the applied research and development service for small and medium-sized commodity processors; and
- promoting, educating and informing agricultural stakeholders about the risks and rewards of participating in value added processing

Operations

AURI services assist a variety of clients including producers, producer groups (e.g. cooperatives), small & medium sized commodity processors, and entrepreneurs. AURI field office staff assists with project development activities, while laboratory and pilot plant staff support the technical elements of project development. Pilot plant and lab activities assist clients with feasibility, testing, analysis and product scale-up activities. AURI's operations and facilities are statewide in scope and include:

- Crookston: field office; pilot plant processing facility; product development lab; state administrative headquarters
- Marshall: field office; fats & oils lab; analytic and process labs; meats lab
- Morris: field office
- Waseca: field office; co-products utilization lab and pilot plant
- St. Paul: helps link markets and businesses with rural clients and serves as a liaison to other organizations

Program Areas

Client services include laboratory operations such as analytical, process, meats, fats and oils labs, as well as pilot plant operations. This also includes project development activities, as well as development grants for projects.

Industry initiatives focus on broad impact areas and include biodiesel research, ethanol co-products projects, agricultural energy & side stream research, and other feasibility projects that have the potential to impact a large number of producers.

Pesticide Reduction Options (PRO) Program supports research and demonstration grants in development of on-farm pesticide reduction strategies.

Hybrid poplar represents research and industry development activities for short rotation woody crops.
Administrative services provide human resources and administrative support for the organization.

Key Measures

In the past two years AURI has assisted with the development of value added projects which have resulted in more producers being able to evaluate and participate in processing projects; enhanced the investment potential in new or existing processing facilities; and has led to increased job opportunities in the state. **Key indicator examples include:**

- over 14,000 producers impacted through assistance with project feasibility assessment and information;
- early-stage project feasibility and assessment services resulting in a combined infrastructure investment potential of over **$**100 Million; and
- nearly 300 value added processing jobs from AURI project development and technical services activities, as reported directly from client estimates.

Budget

The budget for FY 2002-03 biennium is $8.59 million. Organizational staff includes 29.5 full-time equivalent staff. Of the total funding for the biennium, $7.2 million comes from the General Fund, which includes operating funds as well as the hybrid poplar funding. In addition, $200,000 in funding for the Pesticide Reduction Options program comes from an agricultural fund account. Loan repayments of $144,000*, commercialization repayments & interest of $542,000*, and collaboration & match of $330,000* account for the balance.
*Estimated for biennium.

Contact

AURI State Office
Owen Hall Annex, UM-Crookston
P.O. Box 599
Crookston, Minnesota 56716-0599
(800) 279-5010
(218) 281-7600
Edgar Olson, Executive Director

The AURI web site, at www.auri.org, provides information on programs, research & contacts in the organization.

State of Minnesota
Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 296-5900
Fax: (651) 296-8685
TTY: 1-800-627-3529

February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Environment, Natural Resources, and Agriculture omnibus bill. These agencies collectively administer $129 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $28 million (18%) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to protect our water quality, reduce soil erosion, protect the health of our domestic livestock, educate citizens on environmental issues, and help farmers find ways to compete in the world market.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Examples of reductions in this area include a 20% average reduction in agency administrative costs, and $13 million in reductions to grant programs.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

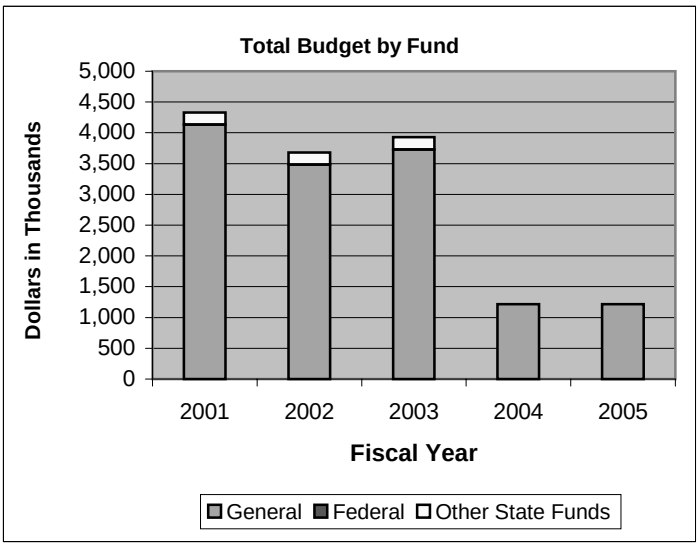
Sincerely,

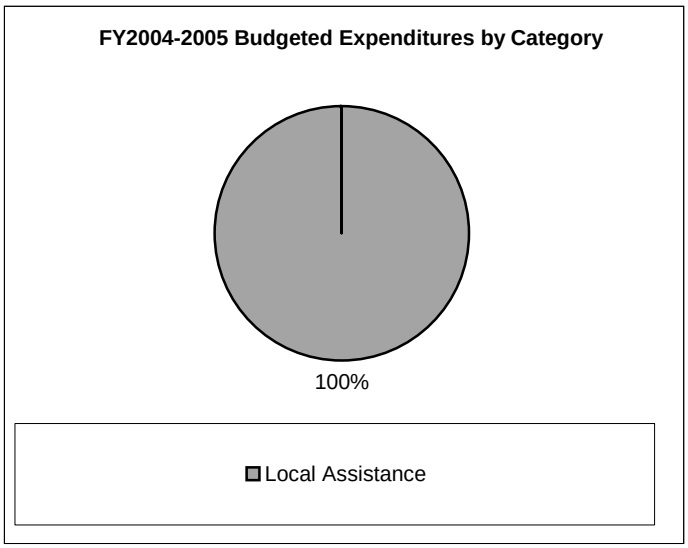
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	7,458	400	7,858
Legislatively Mandated Base	-24	0	-24
Adjusted Base Funding	7,434	400	7,834
Change Items			
Budget Reduction	-5,000	-400	-5,400
Governor's Recommendations	2,434	0	2,434
Biennial Change, 2002-03 to 2004-05	-4,775	-400	-5,175
Percent Change	-66%	-100%	-68%

Brief Description of Budget Changes:

The base is legislatively mandated to be $7,434,000 for the FY 2004-05 biennium.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	4,130	3,480	3,729	1,217	1,217	2,434
Agriculture Fund	200	200	200	0	0	0
Total	**4,330**	**3,680**	**3,929**	**1,217**	**1,217**	**2,434**
Expenditures by Category						
Local Assistance	4,330	3,680	3,929	1,217	1,217	2,434
Total	**4,330**	**3,680**	**3,929**	**1,217**	**1,217**	**2,434**
Expenditures by Program						
Ag Utilization Research Inst	4,330	3,680	3,929	1,217	1,217	2,434
Total	**4,330**	**3,680**	**3,929**	**1,217**	**1,217**	**2,434**

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($2,500)	($2,500)	($2,500)	($2,500)
Revenues	0	0	0	0
Other Fund				
Expenditures	(200)	(200)	(200)	(200)
Revenues	0	0	0	0
Net Fiscal Impact	($2,700)	($2,700)	($2,700)	($2,700)

Recommendation
The Governor recommends a reduction of $2,500,000 for FY 2004 and $2,500,00 for FY 2005 to the budget of the Agricultural Utilization Research Institute (AURI). The Governor further recommends that the administrative and operational functions of AURI be consolidated with the Department of Agriculture in order to continue critical services while reducing administrative costs.

Background
Five areas would primarily be affected by these reductions. These areas include reductions in organizational initiatives, project grant activities, hybrid poplar, salaries/benefits and administrative costs.

A transfer of $200,000 per year from the Department of Agriculture for pesticide use reduction programs would also be eliminated.

Relationship to Base Budget
The recommendation represents a 67% reduction to the base budget.

Alternatives Considered
None.

Statutory Change: MS 116O.09

Agency Purpose

The mission of the Minnesota Department of Agriculture (MDA) is to work toward a diverse agricultural industry that is profitable and environmentally sound; to protect public health and safety regarding food and agricultural products; and to ensure orderly commerce in agriculture and food products.

From the farm to your family, the MDA ensures that Minnesota agricultural products used in production or available for consumption meet or exceed regulatory standards. These standards are set by state and federal laws that ensure the quality of products and the safety of food. The MDA also helps sustain and enhance the economic and environmental conditions of the agricultural sector in a number of ways. Since Minnesota produces more food and agricultural products than its citizens can consume, it must focus on marketing strategies that encourage exports to other states and countries. The MDA plays a lead role in helping the state's farmers and agricultural businesses build trade relationships with potential customers in other states and countries.

At A Glance

Why is agriculture vital to 21st century Minnesota? In addition to providing us with the world's most abundant and wholesome food supply, agriculture remains a cornerstone industry.

- Agriculture and its related industries account for nearly 20% of all Minnesota jobs
- Two-thirds of all agricultural jobs are off-farm, in processing, distribution, supply, and service sectors
- Every ag production job helps create another 3 jobs in other sectors
- The dairy sector alone employs more Minnesotans than Northwest Airlines, 3M and Target Corporation combined
- Exports of farm products bring in more than $2 billion to the state each year
- Every dollar in agricultural and food export generates another $2.5 in economic activities in other economic sectors
- More than half of the state's total land area is farmland

Core Functions

The Protection Services Program provides regulatory oversight for agricultural products from the farm to retail stores. Many of these regulatory activities touch consumers' everyday lives. For example, the MDA protects consumers by inspecting food and dairy products, dairy farms, food processing facilities, grocery stores, and even food stands at the Minnesota State Fair. The MDA also regulates, inspects and analyzes animal feed, fertilizers and pesticides; it performs laboratory analysis on food products; and inspects grain and fresh produce moving into or out of Minnesota. The MDA helps protect the environment by monitoring surface and ground water for possible contaminants and by preventing the establishment of destructive tree and plant pests such as gypsy moth and Japanese beetle.

The Agricultural Marketing and Development Services Program helps sustain and enhance farmers' economic and environmental well-being through a number of services. The program develops and tests new farming practices that help minimize environmental impacts, educates farmers about these practices and encourages their implementation with education and technical assistance. It gives farmers updated information on plant pests during the growing season, helping them determine how and when to take action to protect their crops. The program also helps the state's agricultural community expand existing markets and develop new markets for Minnesota agricultural products. This includes developing international trade opportunities, offering educational programs on risk management, and encouraging value-added activities.

The Administration and Financial Assistance Program provides leadership and administrative support to the agency, gathers important statistical information for the farm sector, and offers financial assistance to producers. This program provides overall leadership and coordination of agency efforts. It coordinates communication with internal and external stakeholders including farmers, media, and other government bodies. It provides fiscal oversight to the department and provides important information on employment and benefits to employees. Producers use the statistical information gathered by our joint federal/state division of Ag Statistics to learn about important trends in their industry. The publications provide valuable information on crop conditions, production statistics, and forwards information on Minnesota agriculture to the U.S. Department of Agriculture (USDA). Producers and rural lenders benefit from the Rural Finance Authority loan programs. These loans help beginning farmers get started and they help producers upgrade existing production facilities.

Operations

The department's main office is at 90 West Plato Boulevard, in St. Paul. However, since most of the regulatory and promotion services we provide require face to face contact with our farmers, producers, and consumers, almost half of our staff is scattered throughout the state in the areas they serve. Our inspectors are responsible for on-site inspections of facilities. These inspections ensure that the agricultural products and processes meet applicable standards for quality and integrity. For example, the fertilizer we use on our lawns must meet quality standards just as the fertilizer used in production agriculture. The pesticides we use in our homes are regulated just as those used by farmers. Milk in inspected at many points, from the farm to the milk plant to our supermarkets. Sustainable agricultural practices, such as biological control of weeds and pests, benefit not only the farmers but the shoppers in the urban shopping malls.

In addition to ensuring the safety and integrity of products, the department helps farmers and agribusinesses market those products in an increasingly competitive global marketplace. The MDA encourages value-added activities and the development of new domestic markets for existing ag products, and it works with other state offices to stimulate international exports of Minnesota-grown agricultural products. This is done to help keep Minnesota's agricultural community competitive in the world marketplace.

Budget

During this biennium, Ethanol Producer Payments was moved to a separate program. This is an open appropriation.

Expenditures were from the following funds:

Public Facilities Authority monies are used for Ag Best Management Practices (Ag BMPS's) loans.
General Fund monies are direct appropriations for regulatory, promotion, development, and administrative functions. Fees for these functions are deposited to the General Fund.
Special Revenue & Ag Fund accounts for these funds are established in statutes, fees are dedicated into each account within the fund. Duties performed are dictated by statute.
Federal monies are federal dollars received by MDA through grants or federal contracts.
Environmental fund provides monies for responsibilities relating to agricultural chemicals, declared emergencies, orphan sites and the Agriculture Voluntary Investigation and Cleanup Program (AgVIC).
Rural Finance Administration fund is for specific loans administered by the Rural Finance Authority, part of the Ag Finance Division.
Miscellaneous Agency fund contains monies from lease purchase agreements (usually laboratory equipment).
Gift Fund contains gift funds from organizations given to the department for specific purposes.

For the biennium 2004-05, MDA is requesting authority to reorganize the following responsibilities into different programs.

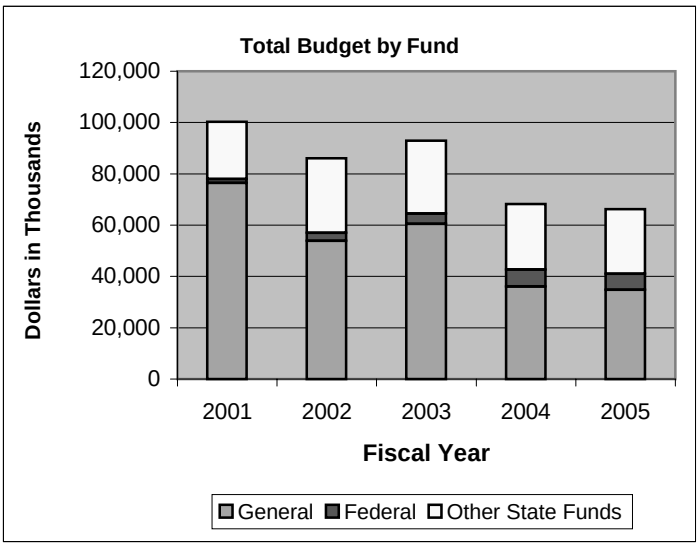
- ⇒ Dairy Profitability and Enhancement (Dairy Diagnostics) will move from Program 01--Dairy & Food Inspection Division into Program 06--Grants & Claims Section.
- ⇒ Meat Inspection will move from Program 01--Dairy & Food Inspection Division to Program 02--Ag Marketing Services Division.

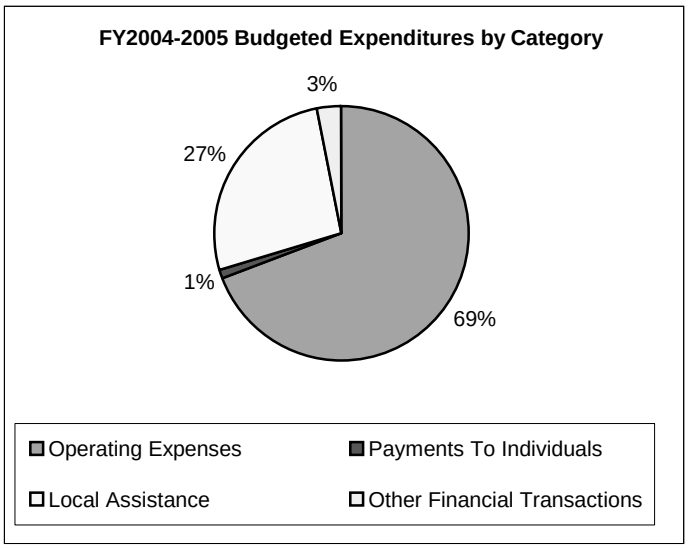
Contact

For additional policy information, please contact Amy Sobieski at (651) 296-2880, for more budget details, please contact Becky Leschner at (651) 215-5770.

MDA's website is www.mda.state.mn.us Our web site contains additional information on each of the divisions in the agency, licensing information, food recalls information, and more.

For information on how this agency measures whether it is meeting its statewide goals, please refer to www.departmentresults.state.mn.us





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Carry Forward						
General	0	0	0	66	0	66
Direct Appropriations						
Environment & Natural Resource	225	120	189	0	0	0
General	41,924	20,146	25,024	18,275	18,275	36,550
Minnesota Resources	61	48	138	0	0	0
Environmental	338	347	353	353	353	706
Open Appropriations						
General	34,559	33,681	35,456	17,663	16,484	34,147
Statutory Appropriations						
Public Facilities Authority	0	6,208	2,555	1,240	1,077	2,317
General	10	0	0	0	0	0
Special Revenue	3,635	2,954	3,447	3,237	3,254	6,491
Agriculture Fund	17,635	18,916	19,904	20,011	19,728	39,739
Federal	1,467	3,220	3,974	6,666	6,308	12,974
Environmental	345	256	1,313	500	500	1,000
Rural Finance Administration	0	0	411	250	300	550
Miscellaneous Agency	0	0	2	2	2	4
Gift	33	122	136	6	3	9
Total	**100,232**	**86,018**	**92,902**	**68,269**	**66,284**	**134,553**

Expenditures by Category						
Operating Expenses	61,933	41,479	50,118	46,678	46,414	93,092
Capital Outlay & Real Property	29	0	2	2	0	2
Payments To Individuals	479	657	690	689	673	1,362
Local Assistance	37,344	36,865	38,356	18,644	17,365	36,009
Other Financial Transactions	447	7,017	3,736	2,256	1,832	4,088
Total	**100,232**	**86,018**	**92,902**	**68,269**	**66,284**	**134,553**

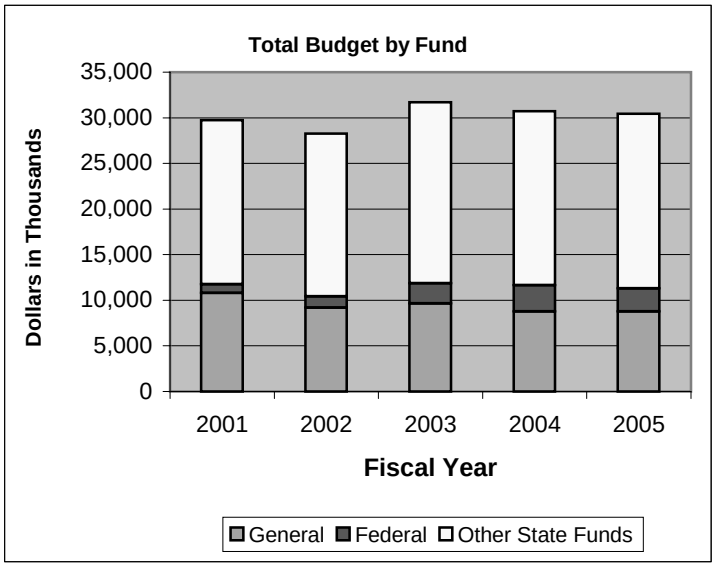
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Program	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Protection Services	29,733	28,255	31,718	30,734	30,427	61,161
Ag Marketing And Development	8,624	7,222	9,328	7,433	7,409	14,842
Admin & Financial Assist	27,316	16,860	16,400	12,439	11,964	24,403
Ethanol Producer Payments	34,559	33,681	35,456	17,663	16,484	34,147
Total	**100,232**	**86,018**	**92,902**	**68,269**	**66,284**	**134,553**
Revenue by Type and Fund						
Non Dedicated						
General	1,643	4,462	3,499	3,409	3,246	6,655
Minnesota Resources	1	0	0	0	0	0
Cambridge Deposit Fund	2,773	0	0	0	0	0
Subtotal Non Dedicated	4,417	4,462	3,499	3,409	3,246	6,655
Dedicated						
Public Facilities Authority	0	38	1,401	1,526	1,663	3,189
Special Revenue	3,526	3,167	3,017	3,130	3,159	6,289
Agriculture Fund	17,320	18,318	17,897	19,305	19,247	38,552
Federal	1,970	4,507	3,795	7,045	6,674	13,719
Environmental	118	0	0	0	0	0
Rural Finance Administration	9,389	13,831	10,838	12,522	14,557	27,079
Miscellaneous Agency	-2	0	2	2	2	4
Gift	158	39	41	3	3	6
Subtotal Dedicated	32,479	39,900	36,991	43,533	45,305	88,838
Total Revenue	**36,896**	**44,362**	**40,490**	**46,942**	**48,551**	**95,493**
Full-Time Equivalents (FTE)	**470.7**	**458.9**	**458.4**	**456.9**	**456.4**	

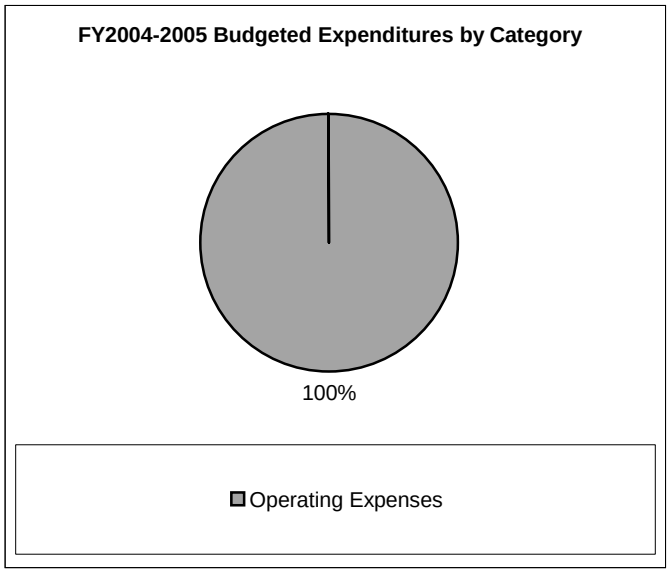
Program Description

The purpose of the Protection Services Program is to protect the state's citizens and environment by ensuring the quality, integrity, and safety of agricultural and horticultural products that are produced and used in Minnesota.

Budget Activities Included:

⇒ Agronomy and Plant Protection
⇒ Dairy and Food Inspection
⇒ Laboratory Services
⇒ Grain and Produce Inspection





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	10,781	9,189	9,635	8,785	8,785	17,570
Minnesota Resources	50	0	0	0	0	0
Environmental	338	347	353	353	353	706
Statutory Appropriations						
General	10	0	0	0	0	0
Special Revenue	859	34	158	6	6	12
Agriculture Fund	16,382	17,217	18,043	18,232	18,259	36,491
Federal	964	1,210	2,213	2,855	2,521	5,376
Environmental	345	256	1,313	500	500	1,000
Gift	4	2	3	3	3	6
Total	**29,733**	**28,255**	**31,718**	**30,734**	**30,427**	**61,161**
Expenditures by Category						
Operating Expenses	29,640	28,159	31,617	30,633	30,352	60,985
Local Assistance	17	14	26	26	0	26
Other Financial Transactions	76	82	75	75	75	150
Total	**29,733**	**28,255**	**31,718**	**30,734**	**30,427**	**61,161**
Expenditures by Activity						
Agronomy And Plant Protection	12,757	12,100	14,412	13,499	13,162	26,661
Dairy And Food Inspection	6,117	5,442	6,116	6,552	6,582	13,134
Laboratory Services	5,002	4,884	5,399	5,005	5,005	10,010
Grain & Produce Inspection	5,857	5,829	5,791	5,678	5,678	11,356
Total	**29,733**	**28,255**	**31,718**	**30,734**	**30,427**	**61,161**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	4	2,630	2,501	2,666	2,666	5,332
Cambridge Deposit Fund	2,626	0	0	0	0	0
Subtotal Non Dedicated	2,630	2,630	2,501	2,666	2,666	5,332
Dedicated						
Special Revenue	305	57	6	6	6	12
Agriculture Fund	16,235	17,085	16,608	18,035	18,006	36,041
Federal	1,484	1,899	2,300	2,715	2,366	5,081
Environmental	118	0	0	0	0	0
Gift	5	2	3	3	3	6
Subtotal Dedicated	18,147	19,043	18,917	20,759	20,381	41,140
Total Revenue	**20,777**	**21,673**	**21,418**	**23,425**	**23,047**	**46,472**
Full-Time Equivalents (FTE)	**319.7**	**308.3**	**301.7**	**306.6**	**306.6**	

Activity Description

Agronomy and Plant Protection (APPD) regulates pesticides, fertilizers, seed, commercial feed, noxious weeds, nursery stock, exotic pests, and agricultural export certification. This encourages fair competition, quality assurance for consumers, environmental and human health protection, and quality assurances for plant and grain exports.

Population Served

All citizens of the state, producers, and agricultural industries benefit from APPD activities. APPD activities directly affect agriculture, and the protection of land and water resources affects all within the state. Also, a significant amount of the regulated activities occur in urban areas. In addition, the division works directly with other states and countries to facilitate global trade through regulatory and export certification programs.

Activity at a Glance

- Collected 179,027 pounds of waste pesticides
- Issued 30,000 pesticide licenses or certificates
- Permitted 1,186 chemigation sites
- Registered 11,000 pesticide products
- Set 15,342 gypsy moth traps
- Collected approximately 900 pesticide, water quality samples
- Provided $2,624,785 in ag-chemical cleanup reimbursement
- Permitted 600 ag chemical storage sites
- Certified 38 manure testing laboratories
- Issued 3,196 export documents
- Responded to 304 agricultural incidents such as chemical spills

Services Provided

APPD has broadly diverse responsibilities in three broad categories:

- traditional farm input regulation;
- environmental regulation; and
- plant and plant pest regulation.

Regulatory strategies in all areas include education, training, monitoring, licensing, permitting, and promotion of voluntary practices along with inspection, investigation, and enforcement actions.

The traditional mission of the division has been to ensure that seed, fertilizer, commercial feed, and other farm inputs were properly labeled and met legal criteria. This provided fair competition for the industry and guaranteed product quality for farmers and consumers. This mission is still important, but there is an increasing emphasis on product use and sale in urban areas and all tasks have become increasingly complex. For example, urban lawn and garden fertilizer has come under increasing scrutiny; more regulatory attention has focused on the pet food product quality; and the threat of Bovine Spongiform Encephalopathy (BSE), or “mad cow” disease requires more complex inspections at feed manufacturing facilities.

The division conducts a variety of fixed facility inspections for pesticides, fertilizers, seed, feed, and plant pests. Products are registered; individuals, companies, nursery stock and export products are certified, licensed or permitted. Education and compliance workshops update and communicate legal requirements or voluntary practices to clientele. Water quality and invasive species are extensively monitored. When necessary the division also directly protects Minnesota natural resources through the control of pests such as gypsy moth. The division also administers remediation and response to agricultural chemical incidents utilizing state superfund or an industry-supported reimbursement program. Additionally, the division facilitates property transfers by the oversight of environment site assessments.

Historical Perspective

Since the mid 1980’s environmental concerns regarding pesticides and fertilizers have greatly increased. The revision of the Minnesota Pesticide Control Law in 1987 and the passage of the Comprehensive Groundwater Protection Act of 1989 resulted in significant and broad new responsibilities for the division. Programs such as waste pesticide collection, emergency response, superfund, ag chemical cleanup reimbursement, water quality monitoring, and increased applicator licensing and certification of applicators added not only a heavy workload but a changed focus to the services provided by the division. These programs also require highly technical and scientifically based regulatory action.

In 1996, plant protection regulatory responsibilities were transferred to the division. Nursery inspection, plant pest monitoring and management, and export certification require very different services and technical capabilities. With increased global trade, these programs must address new pests from other parts of the world, high demand for services to expedite the shipment of Minnesota plant products and the regulation of a rapidly expanding nursery industry. Staff entomologists, plant pathologists, and horticulturalists are increasingly challenged to protect Minnesota's industries and natural resources by monitoring for and combating plant pests such as gypsy moths and karnal bunt, as well as conducting field inspections and certifying the pest-free status of shipments of a wide variety of products for foreign markets.

Increasing demands on the division's programs coupled with flat or decreasing funding in special services accounts and general funds are resulting in difficult project prioritization and reduced services. Programs such as Agriculture Chemical Response and Reimbursement Account (ACRAA) reimbursement program, waste pesticide collections, and ground and surface water monitoring programs, and BSE inspections are nationally recognized for their effectiveness and innovation. In addition, biological pests are increasing in prevalence due to recent expansion of global and interstate trade and to biological factors beyond Minnesota's control.

Key Measures

Performance measures used to evaluate effectiveness are:

- The division will develop real-time electronic data sharing capability by making forms and databases available through the internet to interested parties and regulated clientele.

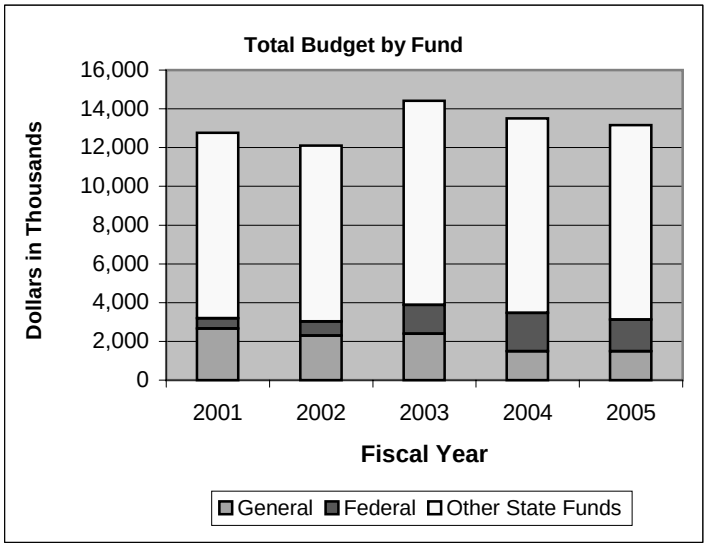
Contact

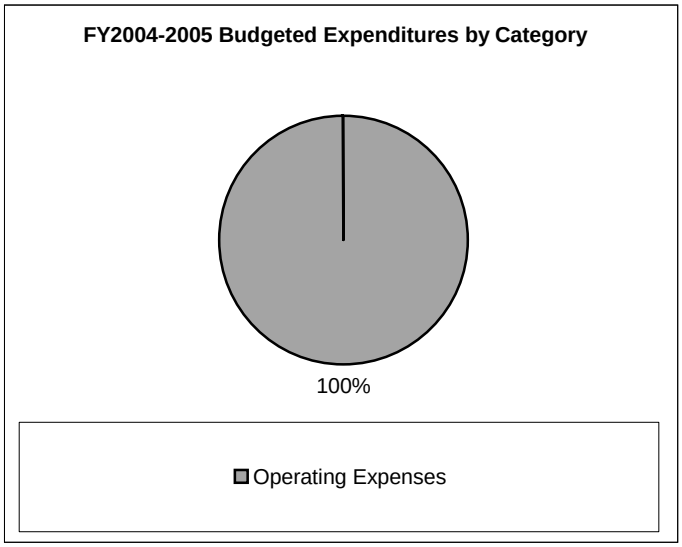
For additional information on this activity, please contact Greg Buzicky, Division Director, at (651) 296-5639 or Greg.Buzicky@state.mn.us

Information on programs and staff can be found at the MDA web site.

AGRICULTURE DEPT
Program: PROTECTION SERVICES
Activity: AGRONOMY AND PLANT PROTECTION

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,641	2,289	2,393	1,485	1,485	2,970
Environmental	338	347	353	353	353	706
Statutory Appropriations						
General	10	0	0	0	0	0
Special Revenue	728	32	152	0	0	0
Agriculture Fund	8,162	8,443	8,711	9,170	9,179	18,349
Federal	529	731	1,487	1,988	1,642	3,630
Environmental	345	256	1,313	500	500	1,000
Gift	4	2	3	3	3	6
Total	**12,757**	**12,100**	**14,412**	**13,499**	**13,162**	**26,661**
Expenditures by Category						
Operating Expenses	12,664	12,016	14,311	13,398	13,087	26,485
Local Assistance	17	14	26	26	0	26
Other Financial Transactions	76	70	75	75	75	150
Total	**12,757**	**12,100**	**14,412**	**13,499**	**13,162**	**26,661**
Revenue by Type and Fund						
Non Dedicated						
General	4	562	598	55	55	110
Cambridge Deposit Fund	578	0	0	0	0	0
Subtotal Non Dedicated	582	562	598	55	55	110
Dedicated						
Special Revenue	146	50	0	0	0	0
Agriculture Fund	9,544	9,844	9,154	10,344	10,374	20,718
Federal	449	803	1,469	1,974	1,613	3,587
Environmental	118	0	0	0	0	0
Gift	5	2	3	3	3	6
Subtotal Dedicated	10,262	10,699	10,626	12,321	11,990	24,311
Total Revenue	**10,844**	**11,261**	**11,224**	**12,376**	**12,045**	**24,421**

Dollars in Thousands	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Full-Time Equivalents (FTE)	**118.1**	**109.2**	**98.8**	**99.8**	**99.8**	

Activity Description

Dairy and Food Inspection works to ensure that the food and dairy products Minnesotans consume are safe and wholesome. This is accomplished through regulatory inspections and enforcement, surveillance sampling, special investigations, consumer protection, and educational outreach. The goal of these food safety programs is to prevent the sale or consumption of adulterated food and dairy products and to heighten awareness of proper biosecurity and food safety practices.

Activity at a Glance

- Inspected 6,788 dairy farms, 427 bulk milk trucks, 1,345 haulers, and 57 plants
- Inspected 1,697 food processing plants, 6,225 retail food stores, and 105 mobile concessions
- 3,718 dairy samples taken (average 4.5 tests per sample)
- 1,878 food samples taken (average 2.4 tests per sample)
- Issued 895 Certificates of Free Sale for export
- Leveraged resources with other inspection agencies: 15 partnerships, 2 contracts and 4 grants

Population Served

The entire population of Minnesota, as well as visitors and tourists and those outside Minnesota who consume dairy and food products produced, processed, prepared or sold in the state benefit from the service provided by these food protection programs. Minnesota businesses that export food and dairy products benefit from certificates of free sale issued by the Minnesota Department of Agriculture (MDA) as well.

Services Provided

Dairy inspectors routinely inspect and take samples from dairy farms, processing plants, and bulk milk trucks to make sure all milk and dairy products are produced and handled safely. Inspectors also test pasteurizer equipment for proper operation, certify bulk milk hauler-samples, review labels for accuracy, work with farmstead cheese processors, and provide information to dairy farmers and processors to help keep them current with the latest laws and regulations. Milk survey officers check that the dairy industry, milk laboratories, and the Dairy Program comply with the federal Pasteurized Milk Ordinance, allowing Minnesota dairy products to be shipped in interstate commerce.

Food inspectors conduct routine and follow-up inspections at food manufacturing/processing plants, canneries, warehouses, salvage operations, concession stands and retail food stores. They also conduct regulatory and surveillance food sampling to determine food safety trends and emerging pathogens and conduct inspections under contract with the U.S. Food and Drug Administration (FDA). Inspectors investigate complaints, conduct final inspections of new and remodeled facilities, and work with local health departments to ensure uniform inspection procedures across the state. In addition, they investigate food borne illness outbreaks to determine the cause, remedy the problem, and prevent similar problems in the future. They also work with the industry and the public on food recalls originating in Minnesota or elsewhere and work to verify that recalled products have been removed from sale. The inspectors respond to emergencies such as floods, fires, truck rollovers, and other emergencies where food is involved to determine if the food is safe and wholesome, and to prevent damaged and contaminated goods from reaching the public.

The Compliance Section supports the dairy and food inspection programs in law enforcement and compliance activities. Compliance officers conduct special projects and investigations, work with delegated local health agencies, review plans for newly constructed and remodeled facilities, and train inspectors, industry, and consumers on the latest food safety issues. Many of the projects and training efforts are developed in partnership with the Minnesota Department of Health (MDH), University of Minnesota (U of M), local health agencies and representatives of the food or dairy industry. The Compliance Section, with division management, also develops legislation and regulations to safeguard our food system.

Historical Perspective

The food and dairy programs are moving toward a risk-based inspection program, which allocates scarce resources to facilities that have a higher risk or potential of causing food borne illness. While ordinary operations still have oversight, more complex, high-risk operations processing or preparing foods often involved in food

borne outbreaks receive more frequent inspections and, in many cases, assistance in developing and following Hazard Analysis Critical Control Point (HACCP) plans to address problems before they occur.

Food and dairy inspection has become a more complicated and expensive business. A food and dairy industry that is becoming more mechanized and computerized with more complex, engineered foods requires well-equipped, highly trained overseers. A global food supply with challenging import and export standards, lower detection limits for contaminants, and new concerns about antibiotics, pesticide residues and emerging pathogens makes a close working relationship with a state-of-the-art laboratory essential. Efficient inspection programs demand the best computer and information technology. Electronic inspections, access to summary data from anywhere in the state, and prompt electronic analysis of data are vital components of an effective program in the electronic age.

Finally, the terrorist events of last September 11th have added an entire new consideration for increased security, planning, and emergency response in case of a terrorist attack on our food supply. Food and dairy businesses, especially medium-sized and small businesses that don't have the resources themselves, look to the department for guidance in preparing for and responding to such events.

Key Measures

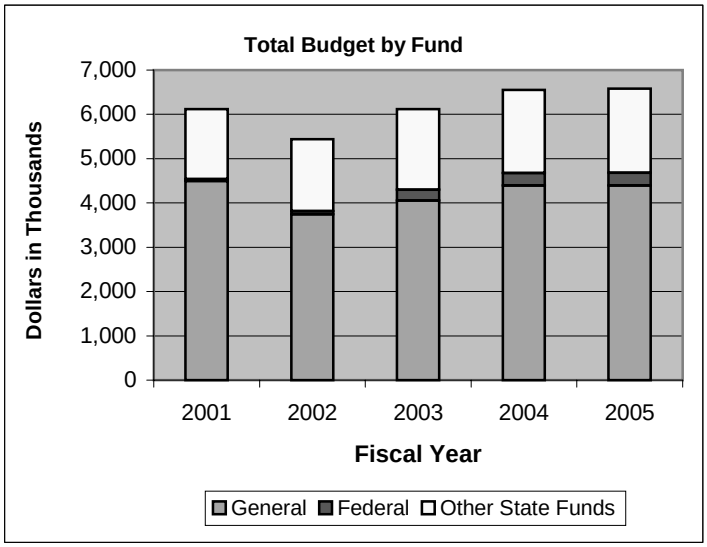
Performance measures used to evaluate effectiveness are:

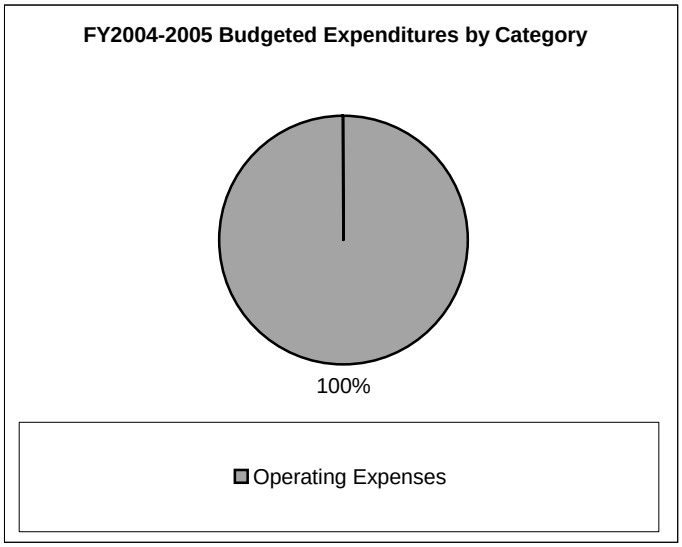
- ⇒ Total number of inspections completed versus total number of inspections required (according to risk categories). For example, high, medium, and low risk of causing foodborne illness.
- ⇒ Total number of dairy and food samples collected with average number of tests done on each sample.
- ⇒ Number of partnerships, agreements, and grants initiated or continued to leverage resources.

Contact

For additional information on this activity, please contact Shirley Bohm, Division Director, at (651) 296-1590 or Shirley.Bohm@state.mn.us

Additional information about dairy and food inspection activities are also available on the MDA's web site and the Dairy and Food Inspection Information/Complaint desk at (651) 296-1592.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,491	3,740	4,052	4,391	4,391	8,782
Minnesota Resources	50	0	0	0	0	0
Statutory Appropriations						
Special Revenue	122	2	6	6	6	12
Agriculture Fund	1,405	1,626	1,812	1,875	1,893	3,768
Federal	49	74	246	280	292	572
Total	**6,117**	**5,442**	**6,116**	**6,552**	**6,582**	**13,134**
Expenditures by Category						
Operating Expenses	6,117	5,430	6,116	6,552	6,582	13,134
Other Financial Transactions	0	12	0	0	0	0
Total	**6,117**	**5,442**	**6,116**	**6,552**	**6,582**	**13,134**
Revenue by Type and Fund						
Non Dedicated						
General	0	2,068	1,903	2,611	2,611	5,222
Cambridge Deposit Fund	2,048	0	0	0	0	0
Subtotal Non Dedicated	2,048	2,068	1,903	2,611	2,611	5,222
Dedicated						
Special Revenue	159	7	6	6	6	12
Agriculture Fund	1,401	1,811	1,820	2,057	1,998	4,055
Federal	590	690	244	279	291	570
Subtotal Dedicated	2,150	2,508	2,070	2,342	2,295	4,637
Total Revenue	**4,198**	**4,576**	**3,973**	**4,953**	**4,906**	**9,859**
Full-Time Equivalents (FTE)	**76.6**	**69.2**	**74.9**	**82.0**	**82.0**	

Activity Description

Laboratory Services Division (Lab) provides analytical support and data that is critical to the protection of Minnesota's food supply, agricultural industry, and environment. Analysis results must be legally defensible in case regulatory action is taken.

Population Served

The laboratory protects all Minnesota citizens and those who use Minnesota agriculture or agricultural products by working to ensure a safe, secure food supply and to protect the environment from misuse of agricultural chemicals. Through partnerships, we serve the entire nation as we work with other states and federal agencies to identify and address problems of national concern and work to ensure the wholesomeness of Minnesota's food exports.

Activity at a Glance

The Laboratory Services Division consists of a number of analytical units providing diverse analytical services to help ensure food safety/security while protecting the agriculture industry and our environment. These units include:

- Microbiology Analysis
- Food/Dairy Chemical Analysis
- Agronomy Analysis
- Environmental Analysis
- Seed and Plant Analysis
- Laboratory Operations
- Quality Assurance

Services Provided

Laboratory Services performs chemical, microbiological, and physical analyses of food, dairy products, beverages, water, fertilizer, lime, feed, seed, plant material, pesticides, pesticide residues, and grain. These tests support inspection and enforcement activities of the Minnesota Department of Agriculture's (MDA) regulatory divisions. We also determine products' quality and conformance to state and federal laws and regulations, to provide legally defensible evidence in legal proceedings against violators.

Our mission includes routine analyses to ensure that products meet legally mandated quality standards, such as analyzing a fertilizer to see if it is contaminated by heavy metals (i.e. arsenic or lead). It also provides for forensic analysis to identify unknown agents in a suspect product. Beyond that, our lab's special analytical testing gives the department rapid and accurate data needed to respond promptly and effectively to environmental and food-borne crises, such as E. coli contaminated ground beef and pesticide residues in produce. The Lab develops and maintains new analytical capabilities as new problems or questions arise within the feed, food, and agrochemical industry. We also consult on analytical issues with inspectors, managers, private analytical laboratories, and regulated industries.

In addition to our services to MDA's regulatory programs, the Lab provides analyses for the U.S. Department of Agriculture (USDA), the Food and Drug Administration (FDA), the Environmental Protection Agency (EPA), and other federal and state agencies. It also administers a laboratory certification program for private and commercial testing laboratories as required by law.

Historical Perspective

Laboratory Services has served Minnesotans since 1887. The lab's first duty was to oversee our state's dairy industry. Over the years our services have grown to include seed quality analysis and ever more complicated analytical services such as microbiological, chemical and plant analysis of seed, feed, food, and dairy products. The 1989 groundwater protection legislation created a special need to expand the lab's analytical capabilities and technology to include testing for a vast array of pesticides and other agricultural chemicals. In 1995, the MDA integrated the Minnesota Department of Natural Resources (DNR) analytical services into MDA's operations. This allowed the DNR to close two laboratories while still providing their programs the quality data required for decision-making. In 1999, the closure of the FDA Minneapolis lab led to the first ever location of federal FDA staff in a state facility bringing additional expertise and partnerships to the laboratory. The newly funded lab facilities co-located with the Minnesota Health Department's (MDH) laboratory will help expand this unique partnership, and give Minnesota the capacity to better address emerging food security concerns and threats of terrorism.

The laboratory will face growing pressures and challenges to address the significant changes occurring in analytical technology, laboratory information systems, ISO accreditation requirements, and laboratory safety and security concerns.

Key Measures

Performance measures used to evaluate effectiveness are:

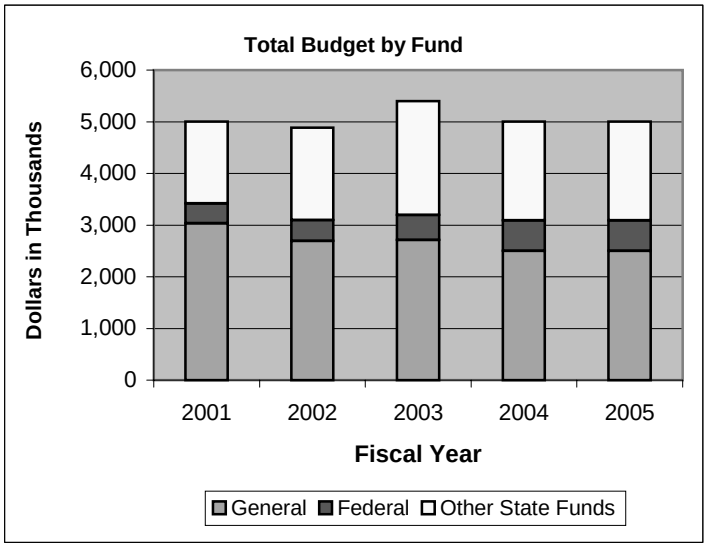
- provide end users ready access to laboratory data through the new Laboratory Information Management system, so that analysts, decision makers, and interested individuals get the information they need.
- Percent of required real time Analytical Quality Control available to analysts in the laboratory.
- Minimize effort and resources when identifing analytical methods and trends in food safety and security through participation in the new ECam and E-LexNet data and method indexes.
- Percent of defined priority food safety and security agents reported to the new federal ElexNet system.

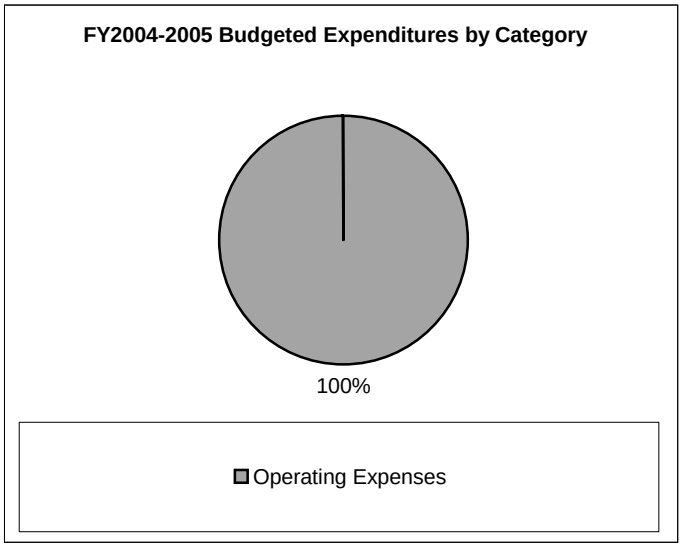
Contact

For additional information on this activity, please contact William Krueger, Division Director, at (651) 296-1572 or William.Krueger@state.mn.us

AGRICULTURE DEPT
Program: PROTECTION SERVICES
Activity: LABORATORY SERVICES

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,035	2,693	2,713	2,501	2,501	5,002
Statutory Appropriations						
Special Revenue	9	0	0	0	0	0
Agriculture Fund	1,572	1,786	2,206	1,917	1,917	3,834
Federal	386	405	480	587	587	1,174
Total	**5,002**	**4,884**	**5,399**	**5,005**	**5,005**	**10,010**
Expenditures by Category						
Operating Expenses	5,002	4,884	5,399	5,005	5,005	10,010
Total	**5,002**	**4,884**	**5,399**	**5,005**	**5,005**	**10,010**
Revenue by Type and Fund						
Dedicated						
Agriculture Fund	69	129	346	346	346	692
Federal	445	406	587	462	462	924
Subtotal Dedicated	514	535	933	808	808	1,616
Total Revenue	514	535	933	808	808	1,616
Full-Time Equivalents (FTE)	**42.6**	**47.4**	**46.2**	**43.8**	**43.8**	

Activity Description

The Grain and Produce activity has three program areas:

- Grain inspections and sampling analysis;
- Fruit and Vegetable inspections services; and
- Certified Seed Potato inspection services.

The inspection services provided are a combination of voluntary and mandatory activities to ensure fair marketing and appropriate end use of the product. This facilitates fair pricing of healthy produce and grain products. It also is used by clients to determine conformance with contract specifications of quantity and quality, which promotes fair trade practices.

Population Served

Grain Inspection:

- consumers around the world;
- elevators;
- exporters;
- processors;
- livestock feeders and grain farmers; and
- trading firms and those involved in the grain trade and transportation industry throughout the U.S. and its customers worldwide.

Fruit and Vegetable Inspection:

- consumers;
- produce brokers;
- wholesalers;
- processors;
- retailers; and
- exporters.

Certified Seed Potato Inspection:

- seed potato growers;
- processors and wholesalers of any kind, whether in or out of the state;
- consumers; and
- potato producers.

Activity at a Glance

Grain Inspection:

- More than 77,000 inspections in FY 2001 of officially sampled and inspected grain equaling 468 million bushels. This does not count grain presented for submitted or commercial inspections or other weighing and tests. By comparison 1.2 billion bushels of corn, soybeans, wheat, and barley were grown in Minnesota in 2001.

Produce Inspection:

- Staff are licensed to inspect 85 different fruits and vegetables
- 43 million pounds of produce inspected in FY 2002
- 603 million pounds of potatoes at processing plants and 9 million pounds of table stock potatoes

Minnesota Certified Seed Potato:

- 9,330 acres enrolled in program with an estimated value of seed crops up to $20,000,000
- 45 million pounds of certified seed potatoes given shipping point inspections

Services Provided

The Grain Inspection program provides neutral-party, accurate, repeatable, rapid quantity and quality determinations on grains. This service is provided under agreements with the U.S. Department of Agriculture's (USDA) Federal Grain Inspection Service. Services facilitate the marketing, storage and use of grain as well as promoting fair and competitive trade. The provision of these consistent professional weighing, sampling, testing, and grading services allows voluntary domestic and mandatory export customers the ability to trade with certainty of grain quality and quantity.

The Fruit and Vegetable program provides an unbiased third-party opinion on the quality and quantity of produce, ensuring that both are fairly reflected in the price to consumers. It allows shippers and receivers to operate in a fair market, with commodities that further ripen during shipment. Inspections occur at wholesale and delivery

points, at the producer's sites for shipping point, and at the processing plants to determine market value and end use potential.

The Certified Seed Potato program markets, inspections, and tests seed potato lots to determine adherence to disease tolerance levels, freedom from certain diseases, and varietal purity of 75 different varieties of potatoes. It also provides recognition and increases market share by promoting the quality of the Minnesota Seed Potatoes.

Historical Perspective

Grain inspection revenue fluctuates with the level of commodity exports. The table below reflects Minnesota exports for the past three crop years.

	September – August		
Commodity	**2000-01**	**2001-02**	**2002-03**
	Million Bushels	**Million Bushels**	**Million Bushels**
Corn	490	440	620
Soybeans	923	971	922
Wheat	32	22	10

Adding to the volatility of the program is the increasing demand for services in sampling and inspecting 110 rail car shuttle trains with a 12-15 hour completion requirement.

Seed Potato acreage enrolled in the Certified Seed Potato Program has fluctuated over the last five years. Acreage enrolled has gone from a high of 14,712 acres in 1998, to a low of only 9,030 acres in 2001. Current acreage is 10,135 acres.

Key Measures

Performance measures used to evaluate effectiveness are:

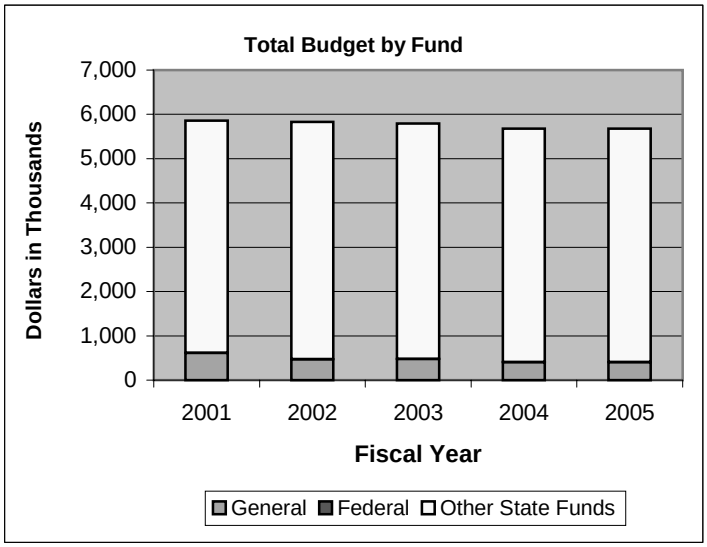
- Fruit and Vegetable Inspection provides inspection services within six hours of request or on-line as requested at processing facilities.
- Grain Inspection provides services within six hours of customer request.

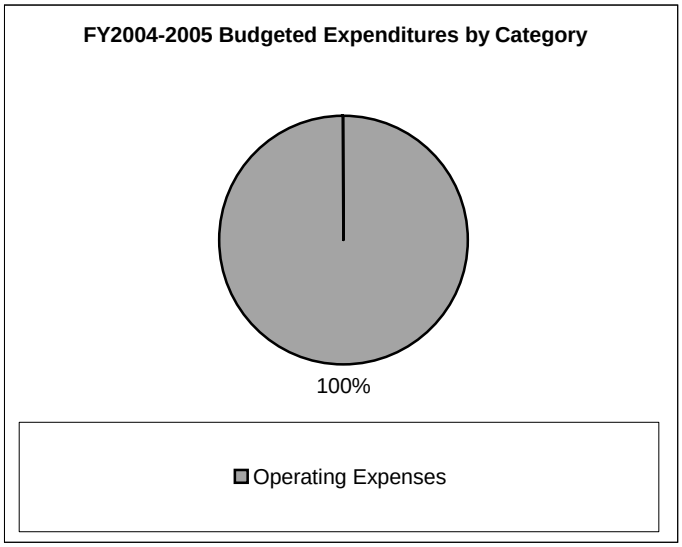
Contact

For additional information on this activity, please contact Dale Heimermann, Division Director, at (612) 341-7190 or Dale.Heimermann@state.mn.us

AGRICULTURE DEPT
Program: PROTECTION SERVICES
Activity: GRAIN & PRODUCE INSPECTION

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	614	467	477	408	408	816
Statutory Appropriations						
Agriculture Fund	5,243	5,362	5,314	5,270	5,270	10,540
Total	**5,857**	**5,829**	**5,791**	**5,678**	**5,678**	**11,356**
Expenditures by Category						
Operating Expenses	5,857	5,829	5,791	5,678	5,678	11,356
Total	**5,857**	**5,829**	**5,791**	**5,678**	**5,678**	**11,356**
Revenue by Type and Fund						
Dedicated						
Agriculture Fund	5,221	5,301	5,288	5,288	5,288	10,576
Subtotal Dedicated	5,221	5,301	5,288	5,288	5,288	10,576
Total Revenue	5,221	5,301	5,288	5,288	5,288	10,576
Full-Time Equivalents (FTE)	**82.4**	**82.5**	**81.8**	**81.0**	**81.0**	

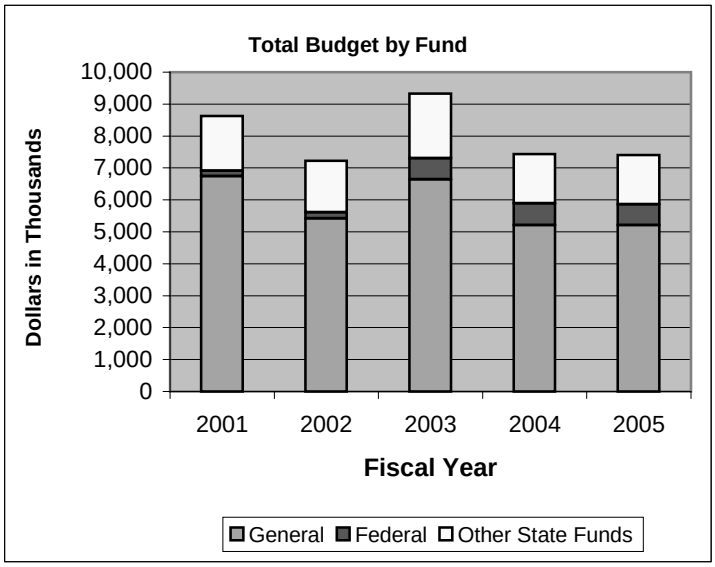
Program Description

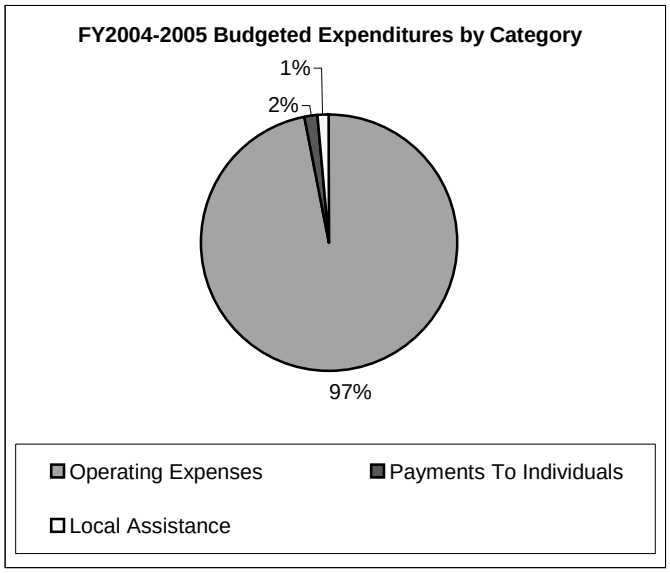
The purpose of the Ag Marketing and Development Program is to bolster our agricultural sector's economic and environmental health by providing quality marketing services, technical resources, and economic stimulus.

Budget Activities Included:

⇒ Ag Marketing Services

⇒ Resources Management and Development





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
Environment & Natural Resource	225	120	189	0	0	0
General	6,739	5,417	6,644	5,209	5,209	10,418
Minnesota Resources	11	48	138	0	0	0
Statutory Appropriations						
Special Revenue	198	184	277	270	270	540
Agriculture Fund	1,248	1,181	1,356	1,274	1,274	2,548
Federal	174	197	659	680	656	1,336
Gift	29	75	65	0	0	0
Total	**8,624**	**7,222**	**9,328**	**7,433**	**7,409**	**14,842**

Expenditures by Category						
Operating Expenses	7,858	6,675	8,442	7,198	7,182	14,380
Capital Outlay & Real Property	29	0	0	0	0	0
Payments To Individuals	0	36	285	137	137	274
Local Assistance	737	511	601	98	90	188
Total	**8,624**	**7,222**	**9,328**	**7,433**	**7,409**	**14,842**

Expenditures by Activity						
Ag Marketing Services	4,081	4,145	5,301	4,436	4,442	8,878
Resources Mgmt & Development	4,307	2,909	3,700	2,997	2,967	5,964
Agri Resources Management	236	168	327	0	0	0
Total	**8,624**	**7,222**	**9,328**	**7,433**	**7,409**	**14,842**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	2	203	202	202	202	404
Minnesota Resources	1	0	0	0	0	0
Cambridge Deposit Fund	120	0	0	0	0	0
Subtotal Non Dedicated	123	203	202	202	202	404
Dedicated						
Special Revenue	117	176	195	233	233	466
Agriculture Fund	1,058	1,207	1,225	1,231	1,231	2,462
Federal	154	71	1,124	1,201	1,177	2,378
Gift	87	29	7	0	0	0
Subtotal Dedicated	1,416	1,483	2,551	2,665	2,641	5,306
Total Revenue	**1,539**	**1,686**	**2,753**	**2,867**	**2,843**	**5,710**
Full-Time Equivalents (FTE)	**78.4**	**80.3**	**85.8**	**82.0**	**81.5**	

Activity Description

Agricultural Marketing Services (AMS) assists in the orderly marketing of Minnesota's agricultural commodities and products; promotes Minnesota agricultural products in domestic and international markets; furnishes information and economic analyses related to marketing opportunities; provides promotional, informational and other marketing services for agricultural producers, processors, consumers, and others involved in the marketing process; and protects producers through programs related to the licensing, bonding, and certification in the sale and storage of agricultural products.

Included in AMS is the State Meat Inspection program which provides on-site inspection services at processing plants to the meat and poultry industry.

Activity at a Glance

This activity has three major functions:

- Help producers and agribusinesses add value to agricultural products by helping them find and capitalize on marketing opportunities.
- Protect producers of agricultural products by licensing, bonding, and auditing of persons and companies that buy grain, livestock and wholesale produce; registering and inspecting honeybee colonies; and accurately weighing of livestock.
- Provides State Meat Inspection program services, which allows producers and processors to direct market their product within the state of Minnesota.

Population Served

AMS serves grain, livestock, vegetable, fruit, poultry, dairy producers, agri-businesses, manufacturers, processors, distributors, retailers, and exporters by protecting and promoting Minnesota agriculture. Consumers and end users benefit from the introduction and promotion of Minnesota agricultural products.

Currently the Meat Inspection Program has 60 processing plants under inspection. These processing plants plus the meat and poultry processors and livestock producers in Minnesota benefit from this program.

Services Provided

AMS helps diversify agriculture in Minnesota by promoting:

- Minnesota-Certified and Identity-Preserved Products, so producers can maximize their profits by differentiating what they produce from commonly produced commodity products.
- Risk Management and Dairy Options Pilot Program, so producers can protect themselves from market volatility.
- Dairy and Livestock development, so the state can maintain productivity in animal agriculture and maintain a diverse agricultural economy.
- Renewable fuel production and use, so Minnesota grain can help reduce air pollution and dependence on imported fossil fuels.
- Farmers markets, so producers can maximize their profits in the sale of fresh farm produce.
- Minnesota-Grown labeled products, so consumers can buy produce 2,000 miles fresher.

AMS protects producers by licensing, bonding, inspecting, and auditing:

- grain buyers and grain storage elevators;
- livestock dealers, markets and agents; and
- wholesale produce dealers.

AMS serves beekeepers by inspecting bee colonies to allow interstate shipment and bee colony inspections that track the health of Minnesota's honeybee population.

AMS helps commodity growers by overseeing the operations of the state's 12 commodity promotion and research councils.

The State Meat Inspection program provides on-site inspections during processing to 60 small- to medium-sized processing facilities. This program allows product to be sold at wholesale and retail in the state of Minnesota.

Historical Perspective

As farmers' productivity has outpaced Minnesota's population, the need for effective marketing and adding value has also increased. The globalization and consolidation of agriculture means that family farmers and local agri-businesses need help to sell their quality products locally, nationally, and internationally, and prosper in a changing economy. We help Minnesota consumers and producers connect locally through the Minnesota Grown program and connect Minnesota producers and agri-businesses with the world through trade missions and international cooperation. Licensing, bonding, and auditing programs are more important than ever when sellers and buyers are no longer neighbors but strangers. Producers in a changing landscape receive education on their rights under Minnesota and federal law, and Minnesota Certified Farm Risk Management Consultants help producers make fully informed business decisions.

In January 1999, the State Meat Inspection program started with one processing plant. That plant produced 100 pounds of inspected product during that first month. The 60 plants presently operating under state inspection produce more than 500,000 of product each month and slaughter more than 2,000 head of livestock. This creates more than $40 million in of meat sales per year.

Key Measures

Performance measures used to evaluate effectiveness are:

⇒ Ensure the orderly marketing of agricultural products through the licensing, bonding, and auditing of grain elevators, grain buyers, wholesale produce dealers, and livestock dealers.

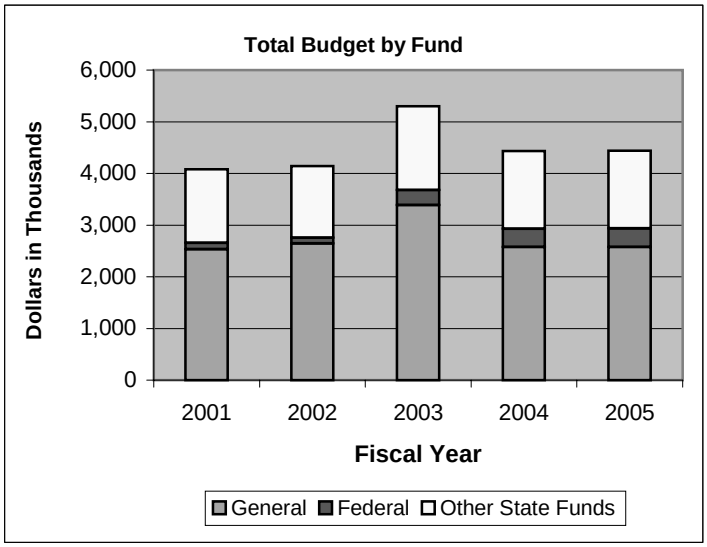
⇒ New or expanding domestic and international markets are identified, analyzed, and developed.

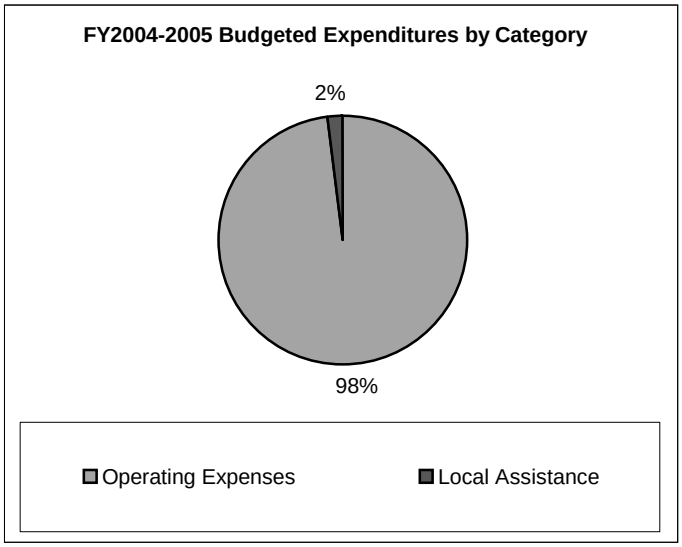
⇒ Verify the wholesomeness of product processed under Minnesota State Meat Inspection program to ensure it meets and/or exceeds U.S. Department of Agriculture standards for meat processed for sale and sold wholesale.

Contact

For additional information on this activity, please contact Kurt Markham, Division Director, at (651) 296-6382 or Kurt.Markham@state.mn.us

Minnesota Grown Directory www.mda.state.mn.us/mngrown/directory
MinnCert Program – www.mda.state.mn.us/minncert
Minnesota Dairy L - www.mda.state.mn.us/dairyl
Ag in the Classroom - www.mda.state.mn.us/maitc
Apiary information - www.mda.state.mn.us/apiary
Grain Elevator & Buyer licensing fact sheet - www.mda.state.mn.us/grain/grainfaq
Wholesale Produce Dealer licensing information- www.mda.state.mn.us/wholedeal





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,531	2,642	3,386	2,577	2,577	5,154
Statutory Appropriations						
Special Revenue	150	131	233	233	233	466
Agriculture Fund	1,248	1,181	1,356	1,274	1,274	2,548
Federal	123	116	294	352	358	710
Gift	29	75	32	0	0	0
Total	**4,081**	**4,145**	**5,301**	**4,436**	**4,442**	**8,878**
Expenditures by Category						
Operating Expenses	3,822	3,915	5,074	4,340	4,354	8,694
Local Assistance	259	230	227	96	88	184
Total	**4,081**	**4,145**	**5,301**	**4,436**	**4,442**	**8,878**
Revenue by Type and Fund						
Non Dedicated						
General	0	203	202	202	202	404
Minnesota Resources	1	0	0	0	0	0
Cambridge Deposit Fund	120	0	0	0	0	0
Subtotal Non Dedicated	121	203	202	202	202	404
Dedicated						
Special Revenue	103	156	190	233	233	466
Agriculture Fund	1,058	1,207	1,225	1,231	1,231	2,462
Federal	15	23	816	873	879	1,752
Gift	87	3	0	0	0	0
Subtotal Dedicated	1,263	1,389	2,231	2,337	2,343	4,680
Total Revenue	**1,384**	**1,592**	**2,433**	**2,539**	**2,545**	**5,084**
Full-Time Equivalents (FTE)	**43.4**	**46.5**	**53.5**	**51.7**	**51.2**	

Activity Description

Resources Management and Development supports the development of an agricultural industry that is profitable and environmentally sound by assisting producers with resource management and protection, conducting on-farm research, developing and transferring information and technology; and providing pest management and diversification options.

Population Served

Resources Management and Development primarily serves producers, and indirectly serves agricultural professionals, processors, suppliers and the general public. We work closely with researchers, local governments and state, local and federal environmental or developmental agencies to develop partnerships to address issues or opportunities.

Activity at a Glance

- Respond to producer and stakeholder information needs regarding environmental compliance, pest management, organic certification, and other issues.
- Administer a $52 million Ag BMP Loan Program.
- Enter into research partnerships to evaluate feasibility, cost and environment benefit of practices or technologies.
- Disseminate weekly pest field data directly to all growers and agricultural professionals.
- With partners, maintain and harvest 1,600 insectaries for leafy spurge control agents.
- Provide planning assistance to local units of government on land use planning and agricultural development.

Services Provided

Services include the following:

⇒ Reach out and inform producers and other stakeholders about new production methods, techniques, and options through forums, conferences, publications, and web sites.

⇒ Organize research and development partnerships with producers, researchers and others to address environmental protection measures, overcome production barriers and create opportunities.

⇒ Provide financial and technical assistance to producers to make investments in environmental protection.

⇒ Sponsor on-farm demonstrations and pilot projects to evaluate and transfer information and technology.

⇒ Identify pest infestations and provide biological control and integrated pest management (IPM) strategies.

⇒ Assist local governments and producers with rural planning and land management.

⇒ Provide information to producers on diversification options, including participation in value-added organizations.

Historical Perspective

The Resources Management and Development division administers or supports several state laws that affect resources management and development. These include the:

- Environmental Policy Act (environmental review);
- Agricultural Land Preservation and Conservation;
- Sustainable Agriculture and Integrated Pest Management (including biological control);
- Agricultural Diversification;
- Feedlot and Manure Management Advisory Committee;
- Agricultural Best Management Practices (BMP) Loan Program; and
- Organic Production and Certification.

Some trends affecting the division's clientele and mission include:

- state and federal environmental policy on feedlots, non-point source pollution, pesticide use, and conservation;
- growing opportunities for new industrial and commercial uses of agricultural products, such as energy;
- growing consumer demand for organic, natural, and eco-labeled food products;
- demand from small and medium-sized producers for sound diversification options with which to integrate operations, including participation in value-added organizations;
- ongoing decline in Minnesota's livestock production, particularly in dairy;
- loss of agriculturally related businesses in rural Minnesota;

- rising consumer expectations about environmental and food quality, and
- globalization of agriculture and the resulting need to be cost competitive.

Key Measures

Performance measures used to evaluate effectiveness are:

⇒ Conduct up to 50 site-specific demonstration projects to evaluate the feasibility of on-farm implementation of practices or technology on production, environmental protection, or pest management.

⇒ Fund about 2,000 agricultural practices that protect or enhance water quality while keeping producers economically viable, such as feedlot upgrades, conservation tillage, or structural erosion control.

⇒ Publish weekly pest reports during the growing season to inform growers of pest infestations with economic significance so that they can implement effective and environmentally sound control measures.

Contact

For information regarding the division's overall mission and programs, agricultural development issues, and assistance to cooperatives, please contact Gerald F. Heil, Division Director at (651) 296-1486 or Gerald.Heil@state.mn.us

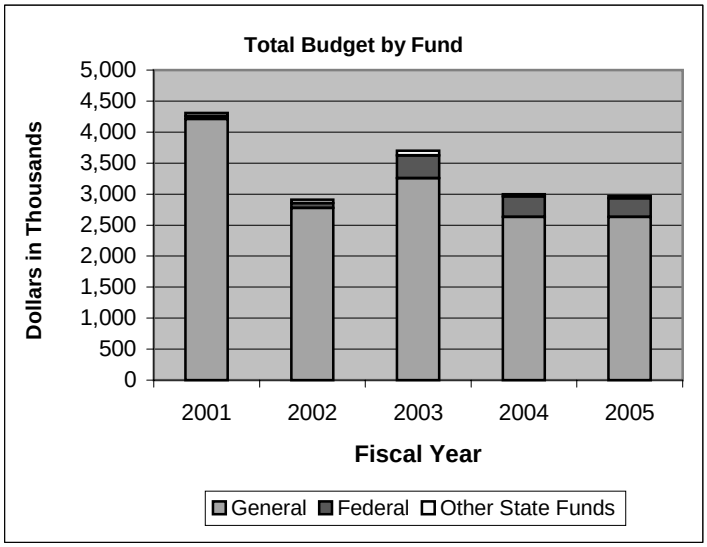
For information regarding information on Ag BMP loans, environmental review, agricultural land preservation, and animal agricultural issues, please contact Paul Burns, Assistant Director at (651) 296-1488 or Paul.Burns@state.mn.us

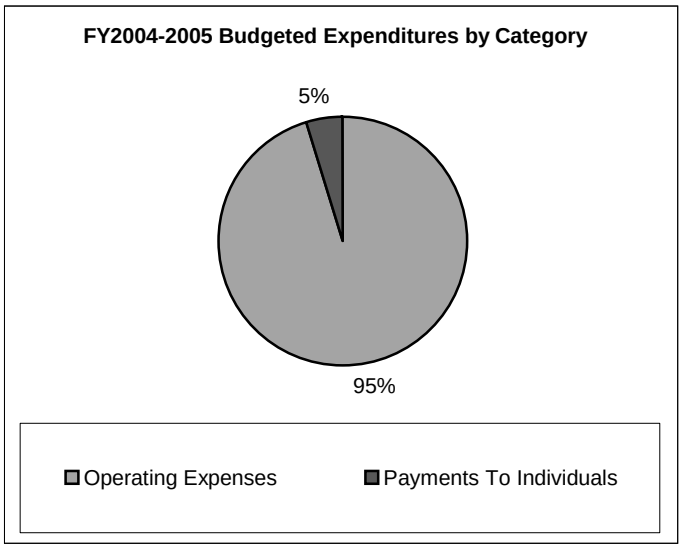
For information regarding information on sustainable agriculture, integrated pest management, pest surveys and organic programs, please contact Mary Hanks, supervisor, Sustainable Agriculture, IPM, and Biological Control at (651) 296-1277 or Mary.Hanks@state.mn.us

Division Web Site: www.mda.state.mn.us/agdev

AGRICULTURE DEPT
Program: AG MARKETING AND DEVELOPMENT
Activity: RESOURCES MGMT & DEVELOPMENT

Fiscal Report





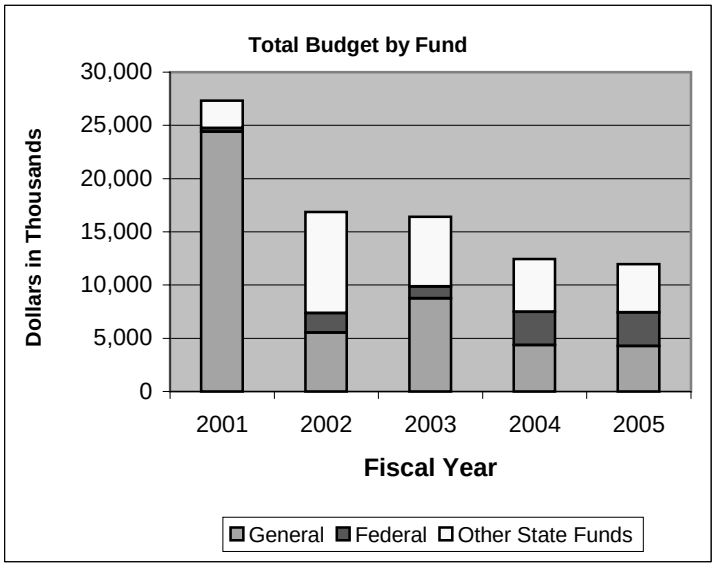
Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	4,208	2,775	3,258	2,632	2,632	5,264
Statutory Appropriations						
Special Revenue	48	53	44	37	37	74
Federal	51	81	365	328	298	626
Gift	0	0	33	0	0	0
Total	**4,307**	**2,909**	**3,700**	**2,997**	**2,967**	**5,964**
Expenditures by Category						
Operating Expenses	3,962	2,618	3,194	2,858	2,828	5,686
Capital Outlay & Real Property	29	0	0	0	0	0
Payments To Individuals	0	36	285	137	137	274
Local Assistance	316	255	221	2	2	4
Total	**4,307**	**2,909**	**3,700**	**2,997**	**2,967**	**5,964**
Revenue by Type and Fund						
Non Dedicated						
General	2	0	0	0	0	0
Subtotal Non Dedicated	2	0	0	0	0	0
Dedicated						
Special Revenue	14	20	5	0	0	0
Federal	139	48	308	328	298	626
Gift	0	26	7	0	0	0
Subtotal Dedicated	153	94	320	328	298	626
Total Revenue	**155**	**94**	**320**	**328**	**298**	**626**
Full-Time Equivalents (FTE)	**34.2**	**32.4**	**31.9**	**29.9**	**29.9**	

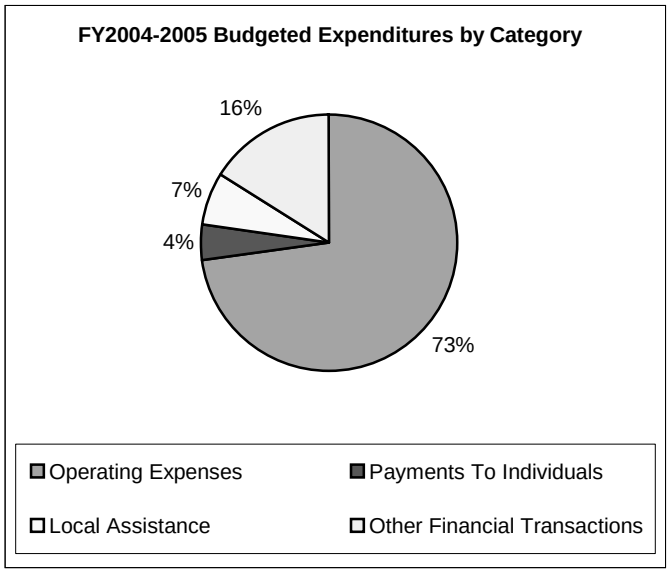
Program Description

The purpose of the Administration and Financial Assistance Program is to provide leadership and direction to the functions of the agency, and to provide Minnesota agriculture with financial assistance.

Budget Activities Included:

⇒ Grants and Claims
⇒ Rural Financing
⇒ Administrative Services





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Carry Forward						
General	0	0	0	66	0	66
Direct Appropriations						
General	24,404	5,540	8,745	4,281	4,281	8,562
Statutory Appropriations						
Public Facilities Authority	0	6,208	2,555	1,240	1,077	2,317
Special Revenue	2,578	2,736	3,012	2,961	2,978	5,939
Agriculture Fund	5	518	505	505	195	700
Federal	329	1,813	1,102	3,131	3,131	6,262
Rural Finance Administration	0	0	411	250	300	550
Miscellaneous Agency	0	0	2	2	2	4
Gift	0	45	68	3	0	3
Total	**27,316**	**16,860**	**16,400**	**12,439**	**11,964**	**24,403**
Expenditures by Category						
Operating Expenses	24,435	6,645	10,059	8,847	8,880	17,727
Capital Outlay & Real Property	0	0	2	2	0	2
Payments To Individuals	479	621	405	552	536	1,088
Local Assistance	2,031	2,659	2,273	857	791	1,648
Other Financial Transactions	371	6,935	3,661	2,181	1,757	3,938
Total	**27,316**	**16,860**	**16,400**	**12,439**	**11,964**	**24,403**
Expenditures by Activity						
Grants And Claims	20,180	3,830	6,166	1,691	1,688	3,379
Rural Financing	950	7,476	4,271	2,653	2,169	4,822
Administrative Services	6,186	5,554	5,963	8,095	8,107	16,202
Total	**27,316**	**16,860**	**16,400**	**12,439**	**11,964**	**24,403**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	1,637	1,629	796	541	378	919
Cambridge Deposit Fund	27	0	0	0	0	0
Subtotal Non Dedicated	1,664	1,629	796	541	378	919
Dedicated						
Public Facilities Authority	0	38	1,401	1,526	1,663	3,189
Special Revenue	3,104	2,934	2,816	2,891	2,920	5,811
Agriculture Fund	27	26	64	39	10	49
Federal	332	2,537	371	3,129	3,131	6,260
Rural Finance Administration	9,389	13,831	10,838	12,522	14,557	27,079
Miscellaneous Agency	-2	0	2	2	2	4
Gift	66	8	31	0	0	0
Subtotal Dedicated	12,916	19,374	15,523	20,109	22,283	42,392
Total Revenue	**14,580**	**21,003**	**16,319**	**20,650**	**22,661**	**43,311**
Full-Time Equivalents (FTE)	**72.6**	**70.3**	**70.9**	**68.3**	**68.3**	

Activity Description

Farm Advocates provide one-on-one assistance for Minnesota farmers who face crisis due to a natural disaster or financial problems. Farm Advocates understand the needs of agricultural families. They are trained and experienced to deal with agricultural lending practices, mediation, lender negotiation, farm programs, crisis counseling and disaster programs, and to recognize the need for legal and social services.

Farmers' Market Nutrition Programs (FMNP) promote farmers' markets and improve the diets of low-income children, pregnant women, and seniors. The program aims to increase direct sales of locally grown produce and encourage consumption of fresh produce among low-income and nutritionally at-risk people.

The Dairy Development Profitability and Enhancement program is a grant program to assist dairy producers in the enhancement of their operations. This is accomplished through grants to dairy producers across the state in collaboration with local representatives of the University of Minnesota (U of M), Minnesota State Colleges and Universities (MnSCU), and industry. There are currently seven regional teams involved in assisting producers including Sustainable Farming Association.

Activity at a Glance

Farm Advocates Program

- Offer one-on-one assistance to farmers
- Offer expertise and referral services to farmers facing adversity due to a natural disaster or financial programs.
- Assisted 366 families in FY 2002

Farmers Market Nutritional Programs

- Number of authorized farmers' market vendors: 335
- Number of FMNP-WIC recipients: 42,000
- Number of FMNP senior recipients: 2,765

Dairy Development Profitability and Enhancement Program

- 1,200 farms served to date
- Teams consistently produce a four to one return on grant funds
- 49 business planning grants closed in FY 2002

Population Served

Farm Advocates assist farmers who are entering negotiations with a lender, liquidating assets of the farming operation, seeking financial assistance, and/or are receiving an adverse decision from a state or federal agency.

Farmers' Market Nutrition Program helps program vendors (farmers who sell at local farmers' markets) and program recipients (low-income, nutritionally at-risk pregnant or post partum women, children under the age of five, and low-income seniors).

Dairy Development Profitability and Enhancement program provides assistance to dairy producers of Minnesota who wish to improve their management skills and their operations through a grant program funding local teams. Local teams are composed of U of M Extension and MnSCU employees as well as local veterinarians, feed nutritionists and financial lenders. Through this cooperative effort producers have been able to eliminate bottlenecks on their operations and accomplish business and family goals.

Services Provided

Key farm advocate services include: financial planning; lender negotiations; farm program advice; referrals for legal services; and referrals for Social and Human Services.

FMNP issues checks to FMNP-WIC recipients through the local WIC (Women, Infant and Children) agencies that can only be redeemed at authorized farmers' markets for locally grown, fresh, unprocessed fruits and vegetables. Seniors receive checks from the agencies that distribute NAPS (Nutrition Assistance Program for Seniors) commodities. The department authorizes markets and vendors to accept the checks and investigates to ensure that vendors comply with program requirements and redeem checks only for eligible items.

The Dairy Development Profitability and Enhancement program has two facets: Dairy Enhancement Team Grants and Dairy Business Planning Grants.

The Dairy Development Profitability and Enhancement Teams work one-on-one with producers to help them achieve greater profitability, productivity, and efficiency. This grant is available to all dairy producers, but the program prioritizes small to medium-sized producers.

The Dairy Business Planning Grant provides a 50% cost share, up to $5,000 per producer, of the cost of completing a business plan. Options explored by these producers have included on-farm processing, expansion, transferring the farm to the next generation, and environmental upgrades.

Historical Perspective

The Farm Advocate program was founded in the mid-1980s.

Minnesota has had state funded FMNP since FY 1989 and has received federal funds since federal FY 1994. The senior FMNP started in Minnesota in federal FY 2001, the first year federal funds were available.

The Dairy Diagnostic program was established in 1996 to address low profitability on dairy farms. During the 2001 legislative session, funding was increased and the Dairy Business Planning Grants were added.

Key Measures

Performance measures used to evaluate effectiveness are:

Farm Advocate

⇒ Four hundred farm families will be served annually by 15 Farm Advocates.

Farmers' Market Nutrition Programs

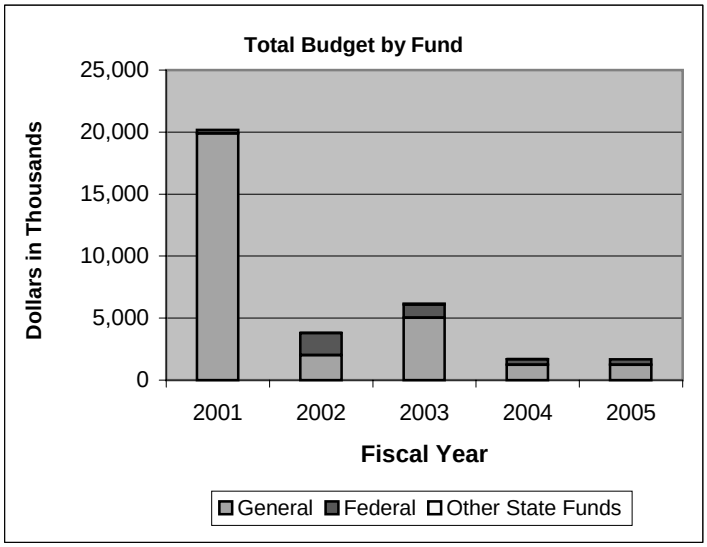
⇒ Fifty percent of all first time check recipients who spend FMNP checks will be new market customers.

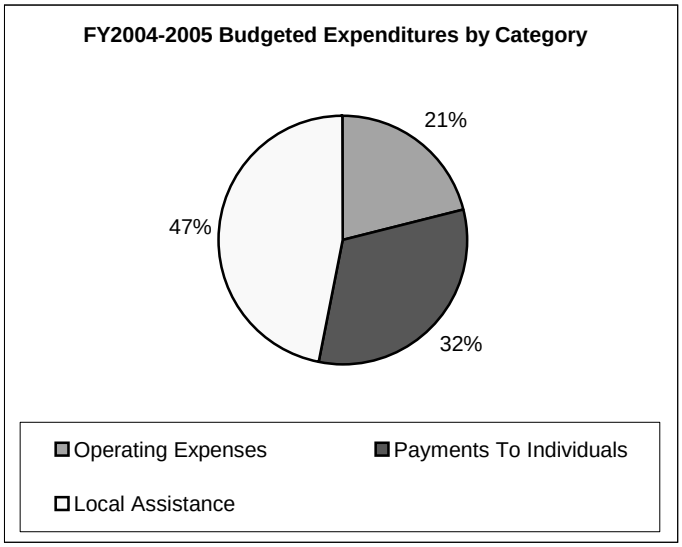
Dairy Profitability

⇒ A minimum of 350 producers served annually by a Dairy Profitability and Enhancement Team.

Contact

For additional information on:
Farm Advocate-Jim Boerboom, Assistant Commissioner at (651) 297-3395 or Jim.Boerboom@state.mn.us
Farmers' Markets Nutrition Programs-Carol Milligan at (651) 296-6906 or Carol.Milligan@state.mn.us
Dairy Development Profitability and Enhancement-David Weinand at (651) 215-3946 or David.Weinand@state.mn.us





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	19,881	2,010	5,020	1,246	1,246	2,492
Statutory Appropriations						
Federal	299	1,775	1,078	442	442	884
Gift	0	45	68	3	0	3
Total	**20,180**	**3,830**	**6,166**	**1,691**	**1,688**	**3,379**
Expenditures by Category						
Operating Expenses	17,720	589	3,540	348	361	709
Payments To Individuals	479	621	405	552	536	1,088
Local Assistance	1,981	2,620	2,221	791	791	1,582
Total	**20,180**	**3,830**	**6,166**	**1,691**	**1,688**	**3,379**
Revenue by Type and Fund						
Dedicated						
Federal	0	1,949	0	0	0	0
Gift	14	1	31	0	0	0
Subtotal Dedicated	14	1,950	31	0	0	0
Total Revenue	14	1,950	31	0	0	0
Full-Time Equivalents (FTE)	**3.6**	**2.1**	**2.1**	**2.1**	**2.1**	

Activity Description

The Agricultural Finance division administers programs designed to enhance Minnesota's agricultural production and processing capacity, provide opportunities for renewable energy, and protect the environment.

The Rural Finance Authority (RFA), a separate public body created under M.S. Chapter 41B and authorized to utilize state bonds to develop the state's agricultural resources, is included in this activity.

Activity at a Glance

- 2,132 farmers assisted through RFA
- $96.2 million RFA real estate participations closed
- 419 RFA financial service centers available
- 3,073 legal entities certified under Corporate Farm Law guidelines
- 4,293 practices implemented through AgBMP
- 305 sustainable ag practices financed

Population Served

Eligible farmers who wish to purchase a farm, construct improvements on their farm, participate in value added activities, reduce production costs or protect the environment; and rural land owners with septic system needs.

Services Provided

Four primary activities are administered by the Ag Finance division. They include:

- Rural Finance Authority;
- Sustainable Agriculture Loan Program, jointly with Ag Development division;
- Agricultural Best Management Loan Program, jointly with Ag Development division; and
- Minnesota Corporate Farm Law.

The RFA may purchase a participation interest in a financial institution's agricultural loan when the loan is made to an eligible farmer for an eligible purpose, such as purchasing a farm or constructing new production buildings. A 45% interest in the loan may be purchased; up to $125,000 under the Basic, Seller Assisted, and Ag Improvement programs; $150,000 under Restructure II; and $250,000 under Livestock Expansion. The loan must be secured by a first real estate mortgage. The RFA participation is structured on a reduced interest rate that is fixed for up to 10 years to improve the farmer's cash flow and reduce risk. The RFA has signed participation agreements that establish a partnership with over 400 qualified lenders. Currently, the RFA manages a loan portfolio of more than $53.6 million, serving 1,180 farmers. A loan loss reserve greater than 1% of outstanding loan balances is maintained to preserve the financial strength of the state's investment.

The Agricultural Development Bond (Aggie Bond) Program creates a federal tax exemption for banks, and a federal and state tax exemption on interest income to an individual seller in exchange for offering below-market interest rates to the buyer. No state funds go into these loans.

In 1988, the Minnesota Legislature established the Shared Savings Loan Program within the Sustainable Agriculture statutes. The loan program is supported by a $1 million revolving fund, and is designed to accomplish two goals. First, to demonstrate and publicize agricultural practices that are energy efficient, protect the environment, and lower production costs. Second, the program provides low-interest loans to farmers as an incentive to adopt such practices.

The Agricultural Best Management Program (AgBMP) was created by the 1994 State Legislature to provide low interest financing to farmers, agribusinesses, and rural landowners for the implementation of agricultural best-management practices that reduce or mitigate non-point source pollution. The program assists an eligible borrower through low-interest (3%) loans to purchase conservation tillage, seal abandoned wells, install agricultural waste facilities, erosion control systems, and septic systems.

The division also enforces and facilitates compliance with the Corporate and Alien Farm laws. The law's stated purpose is to protect the family farm as a basic economic unit and promote the stability and well being of rural society by ensuring that non-farm corporations and foreign entities do not own farm land or engage in production agriculture. The Corporate Farm Law (M.S. 500.24) was recodified in 1997 and amended substantially in 2000.

Historical Perspective

The Rural Finance Authority was established in 1986 to administer a program under which state bonds are issued to develop the state's agricultural resources. The initial program was designed to help lenders and borrowers restructure farm real estate loans that had become undersecured. In response to identified financing needs for agriculture, additional programs were initiated. They included the Basic Farm Loan (1987) and Seller-Assisted (1989) to help finance beginning and low-equity farmers to purchase farm real estate, Agricultural Improvement (1992) for existing farmers that needed to make improvements to their property, Restructure II for existing farmers who were in good standing with their local lender but having cash flow problems due to an imbalance in their debt structure, and Livestock Expansion (1994) to create affordable financing for new, state-of-the-art improvements for livestock production; the Value-Added "Stock" Loan Program (1994) and the Methane Digester Loan Program (2002).

Key Measures

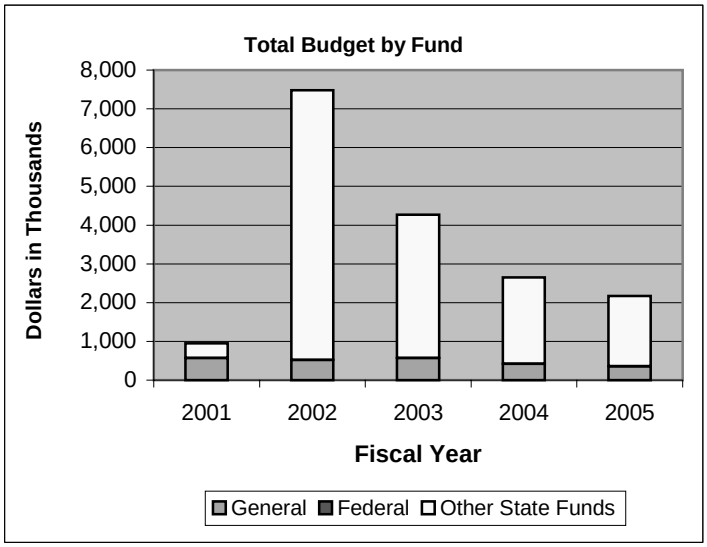
Performance measures used to evaluate effectiveness are:

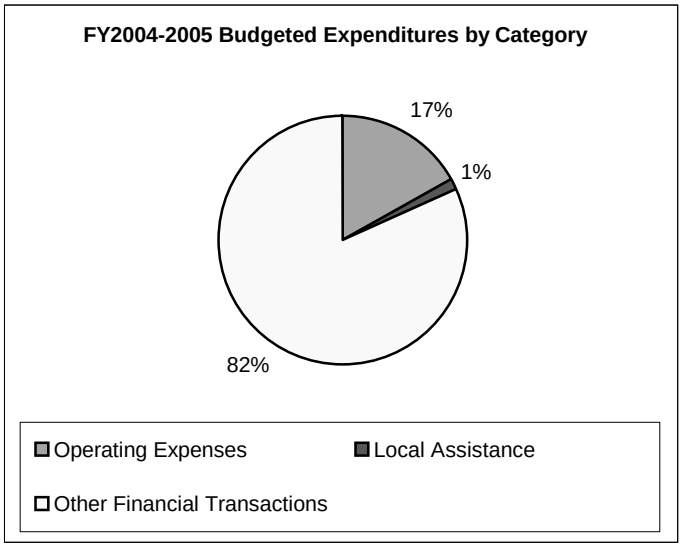
⇒ To direct more than 60% of the RFA loan participation to Basic, Seller-Assisted, and Agricultural Improvement loan programs.

⇒ To underwrite credits that show capital, liquidity, and debt service capacity comparable to industry standards.

Contact

For additional information on this activity, please contact Wayne Marzolf at (651) 296-1748 or Wayne.Marzolf@state.mn.us





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Carry Forward						
General	0	0	0	66	0	66
Direct Appropriations						
General	566	523	571	356	356	712
Statutory Appropriations						
Public Facilities Authority	0	6,208	2,555	1,240	1,077	2,317
Special Revenue	384	245	232	239	244	483
Agriculture Fund	0	500	500	500	190	690
Rural Finance Administration	0	0	411	250	300	550
Miscellaneous Agency	0	0	2	2	2	4
Total	**950**	**7,476**	**4,271**	**2,653**	**2,169**	**4,822**

Expenditures by Category						
Operating Expenses	529	502	556	404	412	816
Capital Outlay & Real Property	0	0	2	2	0	2
Local Assistance	50	39	52	66	0	66
Other Financial Transactions	371	6,935	3,661	2,181	1,757	3,938
Total	**950**	**7,476**	**4,271**	**2,653**	**2,169**	**4,822**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	1,631	1,629	796	541	378	919
Cambridge Deposit Fund	27	0	0	0	0	0
Subtotal Non Dedicated	1,658	1,629	796	541	378	919
Dedicated						
Public Facilities Authority	0	38	1,401	1,526	1,663	3,189
Special Revenue	630	559	272	272	270	542
Agriculture Fund	0	0	62	37	8	45
Rural Finance Administration	9,389	13,831	10,838	12,522	14,557	27,079
Miscellaneous Agency	-2	0	2	2	2	4
Subtotal Dedicated	10,017	14,428	12,575	14,359	16,500	30,859
Total Revenue	**11,675**	**16,057**	**13,371**	**14,900**	**16,878**	**31,778**
Full-Time Equivalents (FTE)	**6.4**	**6.6**	**6.6**	**5.0**	**5.0**	

Activity Description

Administrative Services provides the leadership to the Minnesota Department of Agriculture (MDA) and its employees, and outreach to the agriculture industry and Minnesota consumers. It also provides department-wide support in the areas of Human Resources, Finance and Budget, and Information Services by assisting divisions in providing efficient and effective programs.

M.S. 17 provides the statutory authority for the commissioner of MDA.

Minnesota's agriculture industry is the 6th largest in the nation.

Population Served

In addition to supplying essential assistance to MDA employees and programs, Administrative Services also works with the legislature, producers and processors in the agricultural industry, citizens of Minnesota, and partner-state and federal agencies.

Activity at a Glance

- Commissioner's Office oversees and directs the activity of the 10 divisions in MDA
- Human Resources and Diversity assist over 500 employees with personnel matters
- Finance and Budget works to build and manage an $83 million annual budget
- Information Services provides, maintains and updates MDA's hardware, software and network computer assets
- Agricultural Statistics is a state/federal partnership that collects, correlates, and analyzes agricultural data
- MDA has 317 employees located in the Minneapolis/St. Paul metro area, and 220 employees located throughout Minnesota in the areas they serve

Services Provided

Services are provided through the:

⇒ Commissioner's Office—provides leadership for the department, sets policy, and interacts with our stakeholders—federal, state, local, and international.

⇒ Human Resources –provides employee safety and health program, labor relations program, training program, and diversity program in order to maintain a flexible and diverse workforce that can meet the needs of a changing and demanding workplace.

⇒ Finance and Budget—provides centralized accounting, payroll, budgeting, mail, and copying services to the employees of MDA.

⇒ Information Services—provides services to all divisions for computer systems analysis, technical support, programming, project management, web design, graphic arts, and centralized licensing service and prepares for future technology needs.

⇒ Agricultural Statistics—a joint federal/state division that collects, analyzes, and disseminates statistical information useful to not only agricultural producers and processors, but also to economists.

Historical Perspective

During this administration, there have been many existing and new executive challenges and opportunities. Farm production and the economy continue to face formidable challenges; food safety and agriculture security requirements at the highest level in recent history; department's budget and human resources have been obligated to respond to numerous critical situations (i.e. budget reductions, state government shutdown, union strike, etc.).

In six short years, the department has made significant advances to align business needs with technology support, moving from a fragmented information technology infrastructure to a highly integrated system providing improved support/services to our employees, customers, and Minnesota citizens. The department has a proven track record of successfully managing and completing complex information technology projects on time and within budget.

Key Measures

Performance measures used to evaluate effectiveness are:

⇒ MDA will partner with other state departments of agriculture to increase our presence at the national level to insure Minnesota's agriculture is represented and heard.

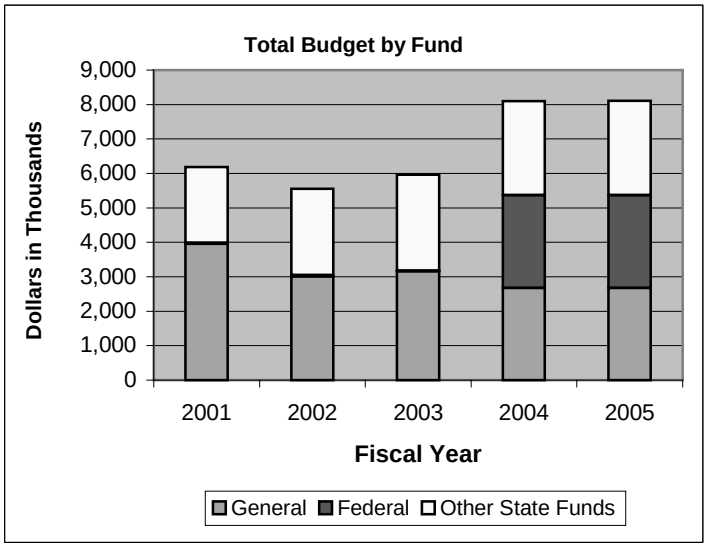
⇒ MDA is designing and completing technology projects that will insure that the projects goals are defined by business practices. Our projects will be completed on time and within budget.

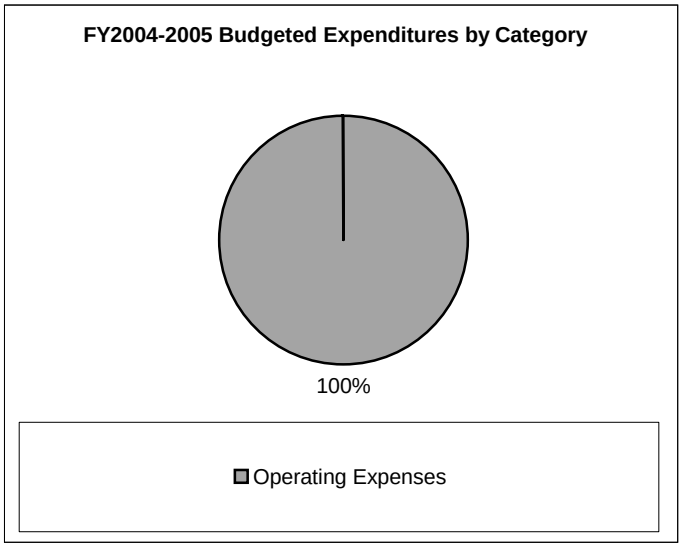
Contact

For additional information on budgets, please contact Becky Leschner, Budget Director, at (651) 215-5770 or Becky.Leschner@state.mn.us

For additional information on policy, please contact Amy Sobieski, Legislative Liaison, at (651) 296-2880 or Amy.Sobieski@state.mn.us

Additional information, such as the Commissioner's Column is also available on the MDA's web site.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,957	3,007	3,154	2,679	2,679	5,358
Statutory Appropriations						
Special Revenue	2,194	2,491	2,780	2,722	2,734	5,456
Agriculture Fund	5	18	5	5	5	10
Federal	30	38	24	2,689	2,689	5,378
Total	**6,186**	**5,554**	**5,963**	**8,095**	**8,107**	**16,202**
Expenditures by Category						
Operating Expenses	6,186	5,554	5,963	8,095	8,107	16,202
Total	**6,186**	**5,554**	**5,963**	**8,095**	**8,107**	**16,202**
Revenue by Type and Fund						
Non Dedicated						
General	6	0	0	0	0	0
Subtotal Non Dedicated	6	0	0	0	0	0
Dedicated						
Special Revenue	2,474	2,375	2,544	2,619	2,650	5,269
Agriculture Fund	27	26	2	2	2	4
Federal	332	588	371	3,129	3,131	6,260
Gift	52	7	0	0	0	0
Subtotal Dedicated	2,885	2,996	2,917	5,750	5,783	11,533
Total Revenue	**2,891**	**2,996**	**2,917**	**5,750**	**5,783**	**11,533**
Full-Time Equivalents (FTE)	**62.6**	**61.6**	**62.2**	**61.2**	**61.2**	

Program Description
The Minnesota Department of Agriculture (MDA) makes Ethanol Development Payments to Minnesota ethanol producers based on a formula found in M.S. 41A.09.

Population Served
Currently 13 ethanol plants located throughout Minnesota receive producer payments.

One plant no longer receives payments, and two more have their payments limited due to reaching the 10-year limitation on part of their production.

Services Provided
Each plant submits a quarterly report of gallons of ethanol produced to the MDA. These reports are independently audited, and payments are made in accordance with the statute. Payments are made November 15, February 15, May 15, and August 15.

Program at a Glance

Ethanol Plants in Minnesota receiving producer payments:

- Agra Resources Co-op, Albert Lea
- Agri-Energy, LLC, Luverne
- Al-Corn Clean Fuel, Claremont
- Central MN Ethanol Coop, Little Falls
- Chippewa Valley Ethanol, LLP, Benson
- CornPlus, LLP, Winnebago
- Diversified Energy Co., LLC, Morris
- Ethanol 2000, Bingham Lake
- Heartland Corn Products, Winthrop
- Melrose Dairy Proteins, LLC, Melrose
- Gopher State Ethanol, St. Paul
- Minnesota Energy, Buffalo Lake
- Pro-Corn, LLC, Preston

Historical Perspective
This program was authorized by the state legislature in 1986. Each plant enrolled in the program is eligible for payment of 20 cents per gallon of ethanol produced up to a maximum amount of $3 million for each of the 10 years they may participate in the program. The program expires June 30, 2010.

Laws of 2002, Chapter 220, reduced the payments from 20 cents per gallon to 19 cents per gallon, effective July 1, 2004.

Program Funding
Sources of funds for this program are:

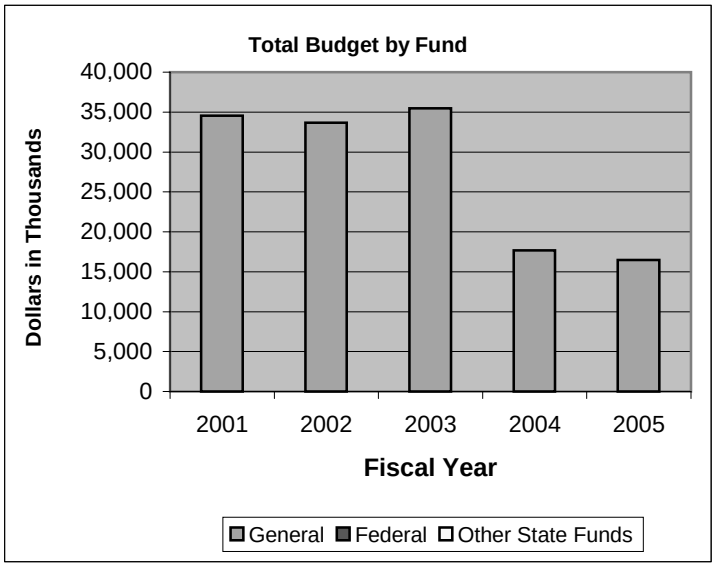
Funds:	FY 2002	FY 2003	Biennium
General Fund	100.00%	100.00%	100.00%
Total	100.00%	100.00%	100.00%

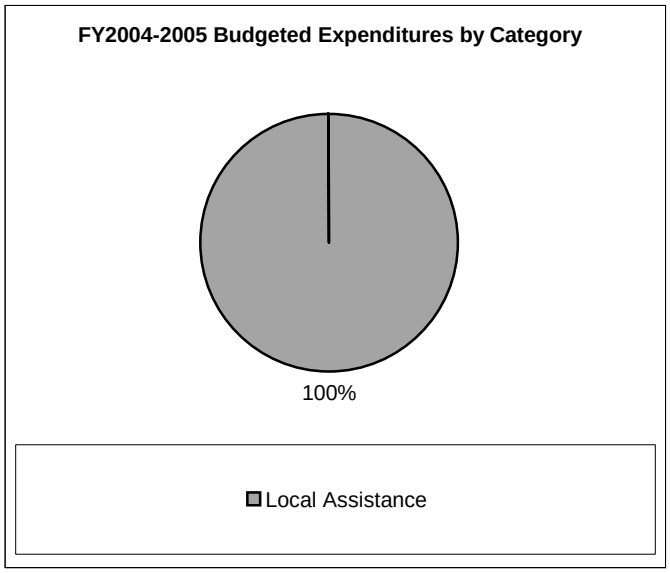
Expenditures by Category by Fund:	Salaries	Operating	Pass Thru
General Fund	0%	0%	100.00%
Total	0%	0%	100.00%

Key Measures
Key measures for this program are specified in M.S. 41A.09, which provides for an annual production of ethanol from Minnesota plants of at least 240 million gallons. Current annual production is in excess of 260 million gallons.

⇒ MDA reviews, audits, and makes payments to producers eligible for payment under M.S. 41A.09.

Contact
For additional information on this activity, please contact Alan Dupay at (651) 296-1686 or Alan.Dupay@state.mn.us





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Open Appropriations						
General	34,559	33,681	35,456	17,663	16,484	34,147
Total	**34,559**	**33,681**	**35,456**	**17,663**	**16,484**	**34,147**
Expenditures by Category						
Local Assistance	34,559	33,681	35,456	17,663	16,484	34,147
Total	**34,559**	**33,681**	**35,456**	**17,663**	**16,484**	**34,147**
Expenditures by Activity						
Ethanol Producer Payments	34,559	33,681	35,456	17,663	16,484	34,147
Total	**34,559**	**33,681**	**35,456**	**17,663**	**16,484**	**34,147**

Minnesota Department of Agriculture

February 18, 2003

The 2003 Minnesota Legislature:

I respectfully submit the Governor's recommendation for the FY 2004-05 biennial budget for the Minnesota Department of Agriculture (MDA). The Governor recommends a total budget of $134.6 million. The Governor's recommendations call for the state to allocate $70.7 million of general funds to support agency programs and activities designed to protect our food supply, safeguard our environment, and boost the economic standing of the state's agricultural sector.

This budget reflects a $6.4 million general fund reduction for the department. MDA has reviewed all programs the agency provides, including grant programs, and prioritized services as they meet core functions assigned to MDA. We have considered and are continuing to look for ways to deliver services more effectively either through internal reorganization or by looking outside of our agency.

In developing these budget recommendations, we focused on maintaining the department's core functions – particularly on ensuring the integrity of our food supply, protecting the food supply against terrorism, protecting our environment and developing markets for Minnesota agricultural products.

The Governor also recommends continuing ethanol producer payments under a modified system. The modification will change the appropriation from the current formula based on eligible production capacity to a new formula based on the level of producer ownership and financial need. This change is intended to ensure the long-term financial viability of the state's investment in the ethanol industry.

We believe we have made solid decisions given the circumstances. We are open to discussing this budget document and would be happy to listen to any ideas you may have regarding the department responsibilities and funding.

Sincerely,

Gene Hugoson
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	119,674	61,387	181,061
Legislatively Mandated Base	-48	0	-48
One-Time Appropriations	-6,000	-206	-6,206
Open Appr. Forecast Adj.	-4,266	0	-4,266
Adjusted Base Funding	109,360	61,181	170,541
Change Items			
Consolidated Food Handler License Fee	1,390	0	1,390
Dairy Fee Increase	0	570	570
Ethanol Program Changes	-32,499	0	-32,499
Food Handler Reinspection Fee Increase	0	30	30
Grant Programs Reductions	-2,244	0	-2,244
Nursery & Phytosanitary Fee Increase	-1,074	1,692	618
Operating Budget Reductions	-4,170	0	-4,170
Seed Inspection Fee Increase	0	317	317
Governor's Recommendations	70,763	63,790	134,553
Biennial Change, 2002-03 to 2004-05	-43,544	-823	-44,367
Percent Change	-38%	-1%	-25%

Brief Explanation Of Budget Decisions:

Base Adjustments were made in the following:

⇒ Legislatively Mandated Base:
Under Laws of 2002, Chapter 220, Article 9, MDA's base budgets were additionally reduced beginning in fiscal year 2004. The adjustments were in program 02 and program 06.

⇒ One-Time Appropriations
Under Laws of 2002, First Special Session, Chapter 1, MDA was appropriated one-time funds of $3,000,000 for Ag Assistance Payments.

⇒ Open Appropriation Forecast Adjustment
This adjustment reflects the forecast adjustment for ethanol producer payments based upon current law.

The Minnesota Department of Agriculture (MDA) during the FY 2002-03 biennium reorganized the Ethanol Producer Payments into a separate program.

For the 2004-05 biennium MDA is requesting authority to move two additional activities. MDA is requesting authority to move the State Meat Inspection Program from Program 01—Protection Services to Program 02—Agricultural Market & Development Services. We are also requesting authority to move the Dairy Profitability and Enhancement activity from Program 01 to Program 06—Administration & Financial Assistance. These moves are requested to realign these activities into the budget activities that best suit their purposes.

MDA is in the process of requesting amendments to the current grain inspection fee structure from USDA. The fee structure is set under the federal delegation of services agreement. This voluntary program provides service to Minnesota producers and grain industry at no cost to the state.

Governor's Recommendation(s):

The Governor recommends the following fee changes:

Non-Dedicated Accounts:

⇒ Consolidated Food Handlers License Fee will be increased to recover 60% of the cost of regulatory inspection services.

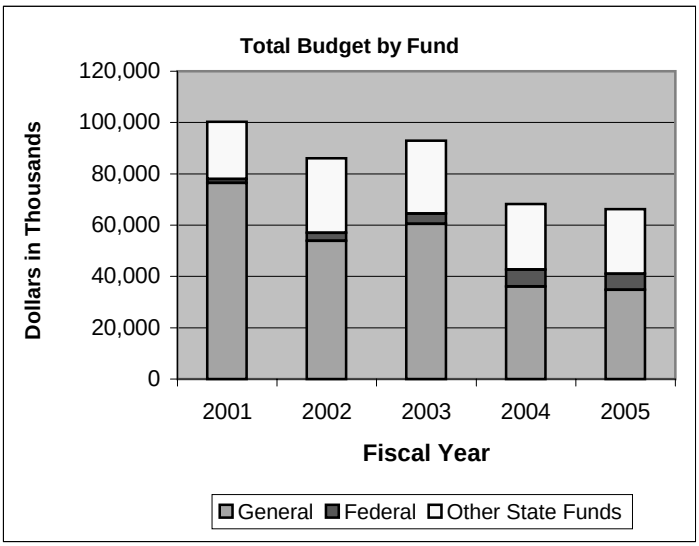
Dedicated Accounts:

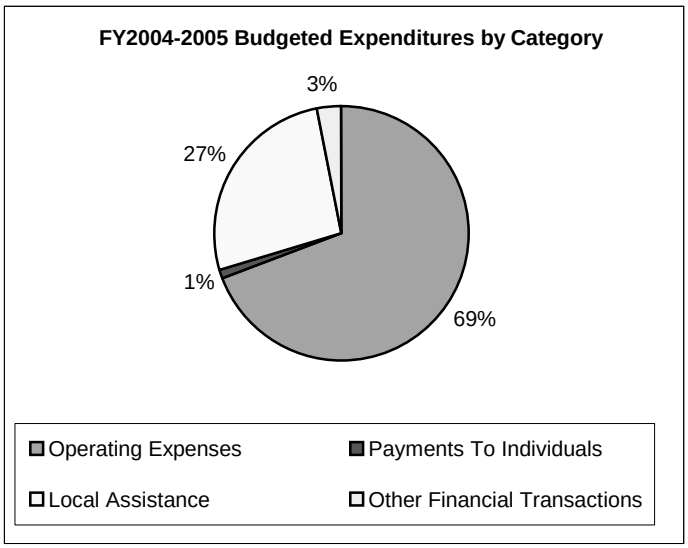
- ⇒ Seed Inspection Fee will be increased on seed permit fees and hybrid corn registration fees.
- ⇒ Dairy Processor Assessment Fee will be increased from 5 cents a hundredweight to 7 cents and the Dairy Farm Reinspection Fee will be increased from $25.00 to $45.00
- ⇒ Food Handler Reinspection Fee will be increased from $25.00 to $75.00 for food handlers with gross food sales under $1,000,000 and from $50.00 to $100.00 for food handlers with gross food sales of over $1,000,000.

Non-Dedicated Account changing to Dedicated Account:

- ⇒ Nursery Inspection and Phytosanitary Certificate Fees will be increased to recover the cost of regulatory inspections, and will be moved from the general fund to the Ag Fund.

	FY 2004-05 Revenues ($000s)		
	General Fund	**Other Funds**	**Total**
FY 2004-05 Current Law Revenues	6,325	85,828	92,153
Change Items			
Seed Inspection Fee Increase	0	400	400
Food Handler Reinspection Fee Increase	0	30	30
Dairy Fee Increase	0	570	570
Consolidated Food Handler License Fee	1,416	0	1,416
Nursery & Phytosanitary Fee Increase	-1,086	2,010	924
FY 2004-05 Total Revenues	6,655	88,838	95,493
Biennial Change 2002-03 to 2004-05	6,655	88,838	95,493
Percent Change	5%	4%	4%





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Carry Forward						
General	0	0	0	66	0	66
Direct Appropriations						
Environment & Natural Resource	225	120	189	0	0	0
General	41,924	20,146	25,024	18,275	18,275	36,550
Minnesota Resources	61	48	138	0	0	0
Environmental	338	347	353	353	353	706
Open Appropriations						
General	34,559	33,681	35,456	17,663	16,484	34,147
Statutory Appropriations						
Public Facilities Authority	0	6,208	2,555	1,240	1,077	2,317
General	10	0	0	0	0	0
Special Revenue	3,635	2,954	3,447	3,237	3,254	6,491
Agriculture Fund	17,635	18,916	19,904	20,011	19,728	39,739
Federal	1,467	3,220	3,974	6,666	6,308	12,974
Environmental	345	256	1,313	500	500	1,000
Rural Finance Administration	0	0	411	250	300	550
Miscellaneous Agency	0	0	2	2	2	4
Gift	33	122	136	6	3	9
Total	**100,232**	**86,018**	**92,902**	**68,269**	**66,284**	**134,553**

Expenditures by Category						
Operating Expenses	61,933	41,479	50,118	46,678	46,414	93,092
Capital Outlay & Real Property	29	0	2	2	0	2
Payments To Individuals	479	657	690	689	673	1,362
Local Assistance	37,344	36,865	38,356	18,644	17,365	36,009
Other Financial Transactions	447	7,017	3,736	2,256	1,832	4,088
Total	**100,232**	**86,018**	**92,902**	**68,269**	**66,284**	**134,553**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Program	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Protection Services	29,733	28,255	31,718	30,734	30,427	61,161
Ag Marketing And Development	8,624	7,222	9,328	7,433	7,409	14,842
Admin & Financial Assist	27,316	16,860	16,400	12,439	11,964	24,403
Ethanol Producer Payments	34,559	33,681	35,456	17,663	16,484	34,147
Total	**100,232**	**86,018**	**92,902**	**68,269**	**66,284**	**134,553**

Revenue by Type and Fund						
Non Dedicated						
General	1,643	4,462	3,499	3,409	3,246	6,655
Minnesota Resources	1	0	0	0	0	0
Cambridge Deposit Fund	2,773	0	0	0	0	0
Subtotal Non Dedicated	4,417	4,462	3,499	3,409	3,246	6,655
Dedicated						
Public Facilities Authority	0	38	1,401	1,526	1,663	3,189
Special Revenue	3,526	3,167	3,017	3,130	3,159	6,289
Agriculture Fund	17,320	18,318	17,897	19,305	19,247	38,552
Federal	1,970	4,507	3,795	7,045	6,674	13,719
Environmental	118	0	0	0	0	0
Rural Finance Administration	9,389	13,831	10,838	12,522	14,557	27,079
Miscellaneous Agency	-2	0	2	2	2	4
Gift	158	39	41	3	3	6
Subtotal Dedicated	32,479	39,900	36,991	43,533	45,305	88,838
Total Revenue	**36,896**	**44,362**	**40,490**	**46,942**	**48,551**	**95,493**

Full-Time Equivalents (FTE)	**470.7**	**458.9**	**458.4**	**456.9**	**456.4**

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$695	$695	$695	$695
Revenues	$708	$708	$708	$708
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($ 13)	($ 13)	($ 13)	($ 13)

Recommendation
The Governor recommends an increase in the Food Handler License fees by amending M.S. 28A.08.

Background
Minnesotans for years have had an abundant, safe and wholesome food supply. To ensure the safety of our food supply, the MDA maintains a comprehensive food inspection program focusing on educating the food industry in proper food handling techniques to ensure safe food and to open markets. Consolidated Food Handlers License fees generated are deposited in the General Fund. The last fee increase was in 1998, when it was raised approximately 7 percent. The Dairy and Food Inspection division is the primary program for ensuring a safe food supply in the state through inspection, sampling, educational activities and emergency response.

License fee increases are necessary to cover the operating costs associated with maintaining these programs. The fees currently collected cover approximately 50 percent of operating costs. Inspection of food establishments is a critical function that must be maintained to protect public health and maintain the integrity of the Minnesota food industry for domestic and foreign sales, as well as inspections of food products imported from foreign sources.

Relationship to Base Budget
Presently the Food Inspection program maintains a staffing of 45.47 FTE's. This includes field inspectors, management, supervisors, clerical and administrative support, and compliance staff. Additionally, two dairy FTE's are funded from the General Fund and are assigned to inspection of dairy processing plants. Further, two FTE's are provided to conduct laboratory analysis of food products for microbiological and food standards. Without an increase in the Food Handler license fees, four FTE's will be eliminated. This will affect the Food Safety program and may interrupt the exportation of food products from Minnesota firms.

In addition, food inspection personnel will be cross-utilized in the inspections of custom exempt meat processing establishments.

If approved, Food Handlers License fees would recover 60 percent of the cost of operating the Food Inspection program. (See M.S. 28A.08 for current license fees.)

Key Measures
At least 90 percent of all food establishments will be inspected on a risk-based frequency to verify compliance with good manufacturing practices or good retail practices and ensure safe food is available for consumers.

Statutory Change: M.S. 28A.08

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Agriculture Fund				
Expenditures	$285	$285	$285	$285
Revenues	$285	$285	$285	$285
Net Fiscal Impact	$ 0	$ 0	$ 0	$ 0

Recommendation
The Governor recommends increasing the dairy processor assessment to $0.07 per hundredweight of milk and the dairy farm reinspection fee from $25 to $45 for grade A and manufacturing grade dairy farms.

Background
The Dairy Inspection activity enables Minnesota dairy products to move freely in both interstate and international markets and ensures safe and wholesome dairy foods. The federal mandates include farm inspections and reinspections, rating milk sheds, inspection of plants/transfer stations/milk receiving facilities/dairy container plants, testing and sealing milk pasteurizers, milk tanker inspections, evaluating haulers, reviewing equipment and construction plans and conducting interstate milk surveys.

Responding quickly to a reinspection request has extraordinary costs (single farm trips, delays for other scheduled work, efficiency loss, and averages about one and a half to two times more time than a routine inspection). There were 384 Grade A Farm reinspections and 40 Manufacturing Grade Farm reinspections in the first six months of 2002. About 848 projected per year. The current $25 charge per reinspection generates about $21,000. The proposed $45 would raise $16,960 in additional projected revenue to cover the projected costs of doing reinspections.

Relationship to Base Budget
Presently the Dairy Inspection program maintains a staffing of 26.5 FTE's. This includes two interstate shipment rating officers, 5.5 in administrative staffing and 19 dairy field inspectors.

The current reinspection fee only recovers 46 percent of the actual expenses incurred for the work. The proposed change would recover 82 percent of the total costs. The balance of the reinspection cost is funded from a mixture of the general fund and dedicated dairy funds.

Key Measures
The U.S. Food and Drug Administration (FDA) evaluates our state milk program every two years. The Minnesota dairy industry must maintain its substantial compliance status to continue shipping milk and dairy products to other states and countries. Approximately 87 percent of our milk supply is shipped out of state. By not meeting these mandates, the dairy industry in Minnesota will be affected by not being able to ship products out of the state.

Statutory Change: M.S. 32.394, Subd. 8d(a) M.S. 32.394, subd. 8 and 8b

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($17,664)	($14,835)	($12,977)	($10,570)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($17,664)	($14,835)	($12,977)	($10,570)

Recommendation

The Governor recommends that ethanol producer payments be reduced to 10 cents per gallon effective July 1, 2003. This reduction will reduce eligible producer payments from 20 to 10 cents for FY 2004 and from 19 to 10 cents for FY 2005.

Background

The authority for the Ethanol Producer Payments program is M.S. 41A.09. The payment formula is also listed in this section. From FY 1986 to FY 2002, this program invested $206,257,541.05 in the ethanol industry.

Minnesota has achieved the target of 240 million gallons of annual production. Current annual production of ethanol in Minnesota is greater than 360 million gallons. Economies of scale are realized in plants with capacity of 30 to 40 million gallons. Smaller plants are more sensitive to changes in the profitability of ethanol.

Currently there are 13 plants eligible for producer payments under the current law.

Relationship to Base Budget

The Ethanol Producer Payments appropriation is an open appropriation. In M.S. 41A.09, the maximum payment a plant may receive each year is $3,000,000. This is based on the formula of a maximum of 15,000,000 gallons at 20 cents per gallon.

Under this recommendation, the maximum a plant may receive in one year will be reduced from $3,000,000 (at 20 cents per gallon) to $1,500,000 (at 10 cents per gallon). Also, quarterly maximums, as set in statute will be reduced accordingly.

For Future Fiscal years, this reduction will result in the following savings:

Fiscal Year	2004	2005	2006	2007	2008	2009	2010
Current Law (dollars in thousands)	35,327	31,319	27,397	22,315	17,217	9,835	3,728
Payments at 10 cents/gallon	17,663	16,484	14,420	11,745	9,061	5,176	1,962
Projected Savings	17,664	14,835	12,977	10,570	8,156	4,659	1,766

Total projected savings for the seven fiscal years totals $70,627,000

Statutory Change: M.S. 41A.09

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Agriculture Fund				
Expenditures	$15	$15	$15	$15
Revenues	$15	$15	$15	$15
Net Fiscal Impact	$ 0	$ 0	$ 0	$ 0

Recommendation
The Governor recommends that M.S. 28A.085 be amended to increase the reinspection fee for food handlers.

Background
The Food Handler Reinspection Fund was created in 1995 to recover the cost of the increasing number of reinspections at food establishments where major or critical violations occurred. It was also intended to cover the costs of conducting food recalls because of potential or actual adulteration or contamination of food products putting consumers at risk of illness or injury. The fees have not increased since their inception and presently recover less than half of the operating costs for reinspections. Raising these fees will ensure that the violating firm bears the costs of reinspections. Firms who violate food safety laws are issued corrective action orders with compliance dates. Firms with significant violations are reinspected to ensure they have complied. The reinspection fee is assessed to recover the costs of the reinspection.

- ⇒ The reinspection fee for licensed food handlers will be raised from $25 to $75 for an initial reinspection of critical violations for any food handler with gross food sales under $1,000,000 and from $50 to $100 with gross food sales of $1,000,000 or more.
- ⇒ The fee for any subsequent reinspections for the same violation will be 50 percent of their current license fee or $200, whichever is greater.

Relationship to Base Budget
The Food Handler Reinspection Fund reduces the impact on the General Fund because violating facilities will pay for the cost of reinspections necessary to verify compliance.

Key Measures
Reinspections are conducted in a timely manner to ensure compliance with food safety laws and regulations. Emergencies are responded to as necessary. Food reinspection fees collected will recover the cost of reinspections, enabling MDA to respond to additional work demands resulting from emergencies and repeated violations without reducing MDA's abilities to perform routinely scheduled inspections.

Statutory Change: M.S. 28A.085

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($1,122)	($1,122)	($1,122)	($1,122)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($1,122)	($1,122)	($1,122)	($1,122)

Recommendation
The Governor recommends a reduction of $1,122,000 for FY 2004 and $1,122,000 for FY 2005 in grants from the Department of Agriculture.

Background
The agency maintains grant programs that support a wide variety of activities, such as helping farmers finance new value-added cooperatives, training livestock judges, reimbursing producers for livestock killed by wolves, and helping dairy farmers find ways to make themselves more profitable.

The MDA has reviewed all programs the agency provides, including grant programs, and prioritized services as they meet the core functions assigned to MDA.

Grant programs in the following budget activities will be reduced or eliminated:

- Agricultural Marketing Services $226,000
- Resources Development and Management $195,000
- Grants and Claims $701,500

Relationship to Base Budget
The following reduction represents 5% of the base budget.

Statutory Change: M.S. 3.731 and M.S. 3.737,
M.S. 17.101, Subd. 5,
M.S. 17.110, M.S. 38.02

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
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 has recommended the elimination of the dedicated funding for the Future Resources Fund. The Governor is not making specific recommendations on LCMR projects at this point, but intends to provide a statement of the administration's priorities for Environmental Trust Fund projects at a later time.

Background

Advancing Utilization of Manure Methane Digester Electrical Generation: Future Resources Fund ($295,000) To maximize use of manure methane digester by identifying compatible waste streams, and the feasibility of micro-turbine and fuel cell technologies.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($537)	($537)	($537)	($537)
Revenues	(543)	(543)	(543)	(543)
Agriculture Fund				
Expenditures	846	846	846	846
Revenues	990	1,020	1,020	1,020
Net Fiscal Impact	($138)	($168)	($168)	($168)

Recommendation
The Governor recommends that the fees for nursery certification and inspection services, and phytosanitary (export) certificates be revised to recover the cost of services. The Governor also recommends that fees for the Nursery program and Phytosanitary Export Certification be deposited into a separate dedicated account established for these purposes in the Ag fund.

Background
Minnesota's nursery industry is a $2.1 billion a year industry. Of this amount, exports alone amount to $96 million in sales to other states with over $5 million worth of nursery stock being exported to international markets. Since 1991, the number of nursery dealer certificates issued has increased 130 percent and in the last 20 years the number of export certificates issued has increased 170 percent. In addition, the complexity of individual export certificates, increasing travel to collect samples, as well as recent U.S. Department of Agriculture mandated sampling changes will make the cost of issuance of each export certificate by the Department of Agriculture (MDA) exceed the revenue obtained for this service.

In today's global economy, Minnesota's risk of having dangerous and destructive plant pests introduced intentionally or inadvertently into Minnesota continues to increase. The reverse risk of plants coming from Minnesota's nursery industry introducing plant pests into other states or countries has increased the demand for export certificates. The cost of pest surveillance for export certificate mandates, as well as meeting significantly increased exotic pest risks requires more resources than are currently funded through General Fund. Therefore, to meet the increasing and changing service levels needed by industry to ensure continued export, and Minnesota's protection, a fee increase is needed. Fees for the nursery and export certificate program, which were last adjusted in 1991, are currently deposited into the general fund. By dedicating these fees the regulated clientele will be ensured that adequate resources will be available to support exports and trade.

The department charges a fee of $35 for each export certificate issued regardless of the value of the commodity involved and these fees have historically generated approximately $113,000 annually. Nursery program fees generate approximately $430,000 annually. The proposed plant protection law would provide a tiered export certificate fee structure that is based on the value of the commodity being shipped.

Relationship to Base Budget
Removing these programs from the General Fund and dedicating the fees into a special revenue account would reduce the base budget.

Key Measures
- ⇒ Issue approximately 2,500 annual export certificates for 1.5 million nursery plants and plant products going to over 71 countries.
- ⇒ Monitor and inspect for the presence of a number of exotic pests to both support export certificate requirements and protect agriculture and the environment to prevent their establishment.
- ⇒ Provide nearly 1,000 inspections for the highly susceptible nursery industry.

Statutory Change: M.S. 18.01 – 18.61

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($2,085)	($2,085)	($2,085)	($2,085)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($2,085)	($2,085)	($2,085)	($2,085)

Recommendation
The Governor recommends reductions of $2,085,000 for FY 2004 and $2,085,000 in FY 2005 in the operational budget of the Department of Agriculture (MDA).

Background
MDA has reviewed all programs the agency provides and prioritized services as they meet the core functions assigned to MDA.

The Protection Program, which includes the Agronomy and Plant Protection, the Dairy and Food Inspection, the Laboratory Services, and the Grain and Produce Inspection budget activities, provides regulatory oversight for agricultural products from the farm to retail stores. The Protection Program will be reduced by $1,145,000 per year.

The Agricultural Marketing and Development Services Program, which includes the Ag Marketing Services and Resources and Development Services budget activities, helps sustain and enhance farmers' economic and environmental well-being through the services provided. The Agricultural Marketing and Development Services Program will be reduced by $504,000 per year.

The Administration and Financial Assistance Program, which includes the Grants and Claims, Ag Finance, and Administration Services budget activities, provides leadership and administrative support to the agency, gathers important statistical information for the farm sector, and offers financial assistance to producers. The Administration and Financial Assistance Program will be reduced by $413,000 per year.

Relationship to Base Budget
The following reduction represents 10% of the base budget.

Statutory Change: M.S. 18.75 to M.S. 18.88
Minnesota Food Code, Rules 4626.1720 through 4626.1745

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Agriculture Fund				
Expenditures	$154	$163	$163	$163
Revenues	200	200	200	200
Net Fiscal Impact	($ 46)	($ 37)	($ 37)	($ 37)

Recommendation
The Governor recommends an increase in Seed Permit fees and Hybrid Corn registration fees in order to recover costs associated with providing program services. The Governor also recommends several technical changes to the seed law to ensure that Minnesota remains consistent with other state and federal seed laws and has enforcement provisions that are consistent with other agricultural statutes.

Background
In Minnesota, approximately 21 million acres are planted with crops, and of these acres one half million acres are devoted to growing seed. Nearly 10,000 retailers sell approximately $500 million worth of seed annually in the state. To protect Minnesota agriculture and anyone growing plants from seed, the department collects approximately 1,500 samples per year from over 40,000 seed lots to verify label accuracy, and conducts approximately 500 inspections of retail and wholesale seed facilities. The Minnesota seed law provides Minnesota farmers and seed purchaser's assurance that the seed that they have obtained meets a number of specified standards and requirements and that information about the seed is accurately stated on the seed label.

The cost of providing seed testing, seed certification and hybrid seed corn testing services exceed program revenue. Fees for the seed program have not been adjusted nor updated since 1990.

Relationship to Base Budget
Current revenue generated by program fees paid by the seed industry provides the department about $750,000 annually. Of this amount, approximately $70,000 is passed on to the University for support of the Hybrid Seed corn testing program.

Key Measures
The seed law amendments will ensure that Minnesota seed laws are consistent and harmonious with other state and federal seed laws while some of the technical changes will enhance compliance.

⇒ Over 2,500 varieties of hybrid seed corn will continue to be tested and registered in Minnesota and that proper maturity ratings are assigned for each variety.
⇒ The 500 brands of seed varieties are properly registered and labeled by 26 seed companies.
⇒ That 1,500 annual seed samples are collected and analyzed for over 25 crops ensuring adequate germination rates and minimum purity standards.

Statutory Change: M.S. 21.80-21.92

The Minnesota Department of Agriculture (MDA) receives funding from the U S Department of Agriculture (USDA), the Food and Drug Administration (FDA), the Environmental Protection Agency (EPA), and the US Department of Commerce (USDC) for grants and fee for service agreements. Federal expenditures totaled approximately 4.1% of the agency's total FY 2002-2003 biennial budget. Most grants and fee for service agreements were less than $100,000 per year.

MDA has two larger reoccurring grants. These are the EPA Pesticide Enforcement Grant and the Farmers Market Program Grant.

The EPA Pesticide Enforcement Grant provides funding for pesticide enforcement, applicator enforcement and training, worker protection, groundwater monitoring, and endangered species protection. This grant has an 85/15 matching requirement in state funding. Matching funds are special revenue funds from the Pesticide Regulatory Account.

The Farmers Market Nutrition Program provides funding to educate low income, nutritionally-at-risk families about the value of fresh, locally grown produce and to increase direct sales for farmers through farmers' markets. It requires a 70/30 matching grant. Matching funds are General Fund dollars. Additional federal funding was provided in FY 2003 for a Farmers Market Nutrition Program for Senior Citizens.

The State Meat Inspection program is a partnership with USDA. The program receives 100% in general funding, with up to 50% in federal reimbursement being returned to the General Fund.

MDA received additional funding from several sources (USDA-Forest Service, USDA-APHIS, STS Foundation, and the Interstate Pest Control Compact) for the State of Minnesota's fight against an invasion of the Gypsy Moth in FY 2002-2003. Minnesota has become the forefront of a national Gypsy Moth infestation. Because of an ongoing survey program, MDA was able to determine the location of infestation sites and initiated an eradication, aerial spraying program. It is anticipated that MDA will continue with the Gypsy Moth battle in future years and continue to receive funding assistance from the USDA and other sources.

In FY 2002, MDA received a one-time grant, in the amount of $1.9 Million, from USDA-Commodity Credit Corporation, for Specialty Crops Grants. This funding was a pass-through program of grant aid to non-government organizations for research and promotion of Minnesota specialty crops.

Federal government assessments indicate that agriculture and the food supply may be subject to a terrorist attack. A terrorist attack on food, farm or agriculture industries has high potential to cause illness, fear, panic, and loss of public confidence in the food supply and severe economic losses. In such an event, the Minnesota Department of Agriculture and its partners need to communicate and respond decisively to limit the extent of the damage and protect public health. Resources through bio-terrorism funding could help prepare our response to a terrorist attack. Therefore, MDA is also making application to federal agencies for $2.6 Million in an attempt to fund our emergency response. This would include funds needed for planning, development and implementation of an "All Hazard Program" response effort. Also, funding will be requested to implement MDA's data management, communications and information technology systems, and increased laboratory capacity and analytical capabilities.

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
11/F09 Medicated Feed Ins	0	SO	58	82	79	79
11/F36 Clean Water PCA	0	SO	50	50	100	100
11/F39 USDA Plant Pest S	0	SO	11	0	170	0
11/F50 Pest Record Keeping	0	SO	34	38	50	50
11/F52 Nat'l Fish & Wildlife *	0	SO	0	25	100	75
11/F54 Source Water Prot	0	SO	24	61	86	86
11/F56 Gypsy Moth STS *	49	SO	103	65	80	80
11/F59 Nat Lab Manure A *	0	SO	0	176	176	176
11,16,25/F60,61,51,57 EPA Cons Grant *	320	SO	746	1134	1200	1199
11/F62,63 CAPS Cons Grt *	14	SO	56	195	305	140
11/F65 Non-Pt Poll & TMDL	0	SO	8	15	0	0
11/F70 Pest Reduc Partner	0	SO	72	11	0	0
14/F02 Poultry Inspection	0	SO	85	0	0	0
14/F03 Egg Inspection	0	SO	29	0	0	0
14/F08 FDA Food Inspect *	0	SO	40	77	80	90
14/F32 Fish Inspection	0	SO	30	32	34	36
14/F55 Food Safety Task *	0	SO	5	50	80	80
14/F83 St Meat Inspection	1002	SO	501	0	0	0
14/F97 Retail Fd SAF Ins *	0	SO	0	85	85	85
16/F21 Egg/Poultry Analys *	0	SO	92	250	125	125
23/F02 Poultry Inspection	0	SO	0	89	94	98
23/F03 Egg Inspection	0	SO	0	30	32	34
23/F17 Farmer Mkt Devel *	0	GI	0	0	50	50
23/F20 Mkt Imprv-Soybean*	0	GI	0	160	160	160
23/F42 Asst Sm Farmers	3	GI	23	12	12	12
23/F83 State Meat Insp	0	SO	0	525	525	525
25/F21 USDA-AMS *	0	SO	0	150	0	0

25/F23 Plant Pest Survey	0	SO	3	0	0	0
25/F36 EPA 319 Grants *	5	SO	0	90	225	208
25/F90 USDA SARE Prog *	0	SO	0	22	68	55
63/F99 Spec Crops Grt	0	GI	1949	0	0	0
67/F52 Homeland Secur *	0	SO	0	0	2665	2665
69/F01 Ag Stats Fed Coop	0	SO	35	20	22	24
69/F17 Farmers Mkt Nutri	174	GI	479	271	375	375
69/F95 Sr Frmrs Mkt Nutri	0	GI	74	80	67	67
Agency Total			4507	3795	7045	6674

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

Agency Purpose

The Minnesota statutes directs the Minnesota Amateur Sports Commission (MASC) to promote the economic and social benefits of sport for Minnesota citizens and organizations. The MASC contributes to the statewide system of amateur sports by:

- generating economic benefits through sport events;
- providing increased amateur sport opportunities; and
- improving infrastructure through developing new sport facilities.

At A Glance

	2000	2001
♦ Out-state annual economic impact of amateur sports	$51.8 mil.	$55 mil.
♦ Out-state annual economic impact of the NSC	$30.1 mil.	$35.8 mil.
♦ Annual participants in MASC affiliate facilities & programs	3.75 mil	3.9 mil
♦ Annual visitors to NSC	2.5 mil.	2.7 mi.

- The NSC is the state's most visited sport facility.
- Star of the North Games hosts up to 9,000 Minnesota athletes annually.

Core Functions

The MASC provides strategic direction to the state's amateur sports community in order to increase the state economic benefits from amateur sport by increasing sport opportunities and supporting facility improvements. These core functions translate to:

- hosting major amateur sport tourism events;
- operating the annual Star of the North State Games; and
- administering major sport facility and local grant programs.

These functions support ongoing operating goals:

⇒ Identifying and bidding for major amateur sport events that can bring financial impact to Minnesota, such as the 2001 Women's World Ice Hockey Championships.

⇒ Creating and developing new "homegrown" amateur sport events, such as the Schwan's USA Cup.

⇒ Administering the annual state Olympic games and rotating the event to various regions throughout the state. For example, during the summer of 2002, the Star of the North State Games was staged in St. Cloud.

⇒ Overseeing MASC's National Sports Center (NSC) operations. The NSC has operated in the black without subsidy for 12 straight years.

⇒ Administering both major sport facility grant programs and local grant programs, such as the Mighty Ducks, the Mighty Kicks, and the Mighty Kids programs.

Operations

The MASC serves a varied customer base. The local, national, and international amateur sport participants and their families are the primary customers of the agency. Amateur sport athletes participate in MASC sport programs and at MASC affiliate facilities. Cities, counties, school districts, and other state agencies/public entities are secondary customers through sport facility grant programs, sport event partnerships, and sport education collaboration. The MASC also serves and partners with convention and visitors bureaus, chambers of commerce, and community organizations on sport tourism promotion.

Sport Event Research and Bidding - The MASC actively researches new event opportunities for Minnesota. Once an event is identified, the MASC will partner with local government units, facilities, convention and visitors bureaus, and amateur sport organizations, in order to host the event.

Creation of the New Sport Events - Staff of the MASC research new event concepts and work to develop new "homegrown" events for our state.

Operating the state Olympic games and selecting event -The MASC partners with its Star of the North State Games Board to 1) identify cities through Minnesota to host the games, 2) host the selected annual state games event involving up to 9,000 athletes; and 3) establish and administer the policy of the games.

Research and develop major amateur sport facilities - Since 1987, the MASC has partnered with state and local government units to assist the development of the following facilities:

National Sports Center	Blaine
National Hockey Center	St. Cloud
University of MN/Aquatic Center	Minneapolis
Giants Ridge Golf & Ski Resort	Biwabik
National Kayak Center	Carlton
Ole Mangseth Memorial Ski Jump	Coleraine
John Rose Minnesota OVAL	Roseville
National Volleyball Center	Rochester
Range Recreation Civic Center	Eveleth
Minneapolis Sports Center	Minneapolis
Bush Lake Ski Jump	Bloomington
Sport Event Center (Planning)	Blaine

Budget

The MASC's agency budget for the FY 2002-03 biennium is $1.2 million and is appropriated from the General Fund. The commission has a total of nine full-time staff.

Contact

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the Governor's FY 2004-05 budget proposals for the non-cabinet agencies in the state government omnibus bill. Under the Governor's recommended budget, these agencies would collectively spend $12.882 million in General Fund dollars for the FY 2004-05 biennium. The funding provided for these agencies will be used for the protection of public assets and resources, assurance of due process related to governmental rulemaking, the regulation of the gambling and racing industries, administration of campaign finance and disclosure laws, and support to small non-profit organizations that assist Minnesota veterans.

The FY 2004-05 funding recommended for these agencies represents a $6.695 million (34.2%) decrease from the FY 2002-03 biennium. The recommendations will also result in a net decrease in revenue to the General Fund of $954,000 for the biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing and reorganizing some functions. Therefore, for some of the agencies in this bill, the Governor recommends that funding and/or operations be consolidated with other related operations in the state in order to ensure cooperation and shared services to reduce costs.

In addition, the Governor recommends mitigating the impact of the state's deficit by spreading the cuts broadly among agencies, and by ensuring that the industries and parties that benefit from these services assist in paying for them. Therefore, for some of the agencies in this bill, the Governor recommends that dependence upon General Fund dollars be supplanted or offset with fees and user charges, and that where appropriate, some fees billed to governmental agencies be reduced.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium as well as the Governor's recommendations for state funding of pension systems.

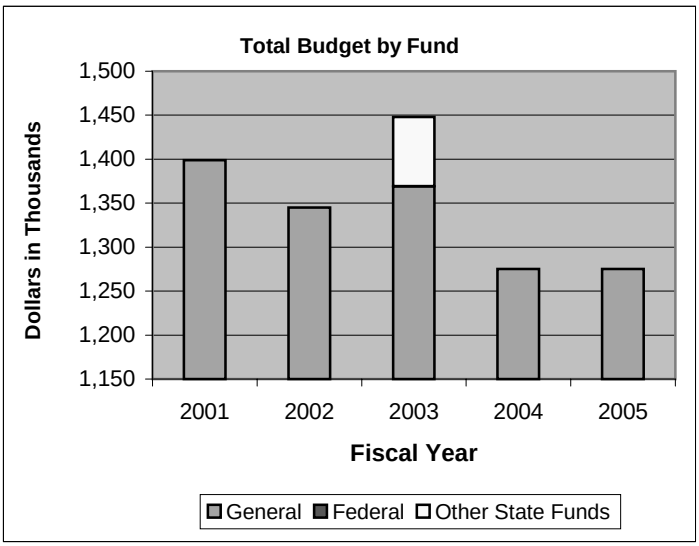
My staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

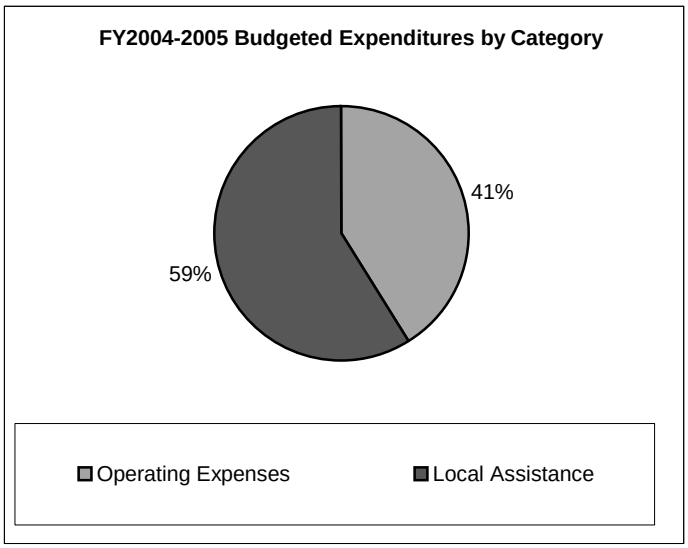
Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	2,734	0	2,734
Adjusted Base Funding	2,734	0	2,734
Change Items			
Recover Operating Costs Through Fees	-184	0	-184
Governor's Recommendations	2,550	0	2,550
Biennial Change, 2002-03 to 2004-05	-164	-79	-243
Percent Change	-6%	-100%	-9%

	FY 2004-05 Revenues ($000s)		
	General Fund	**Other Funds**	**Total**
FY 2004-05 Current Law Revenues	0	0	0
Change Items			
Recover Operating Costs Through Fees	1,050	0	1,050
FY 2004-05 Total Revenues	1,050	0	1,050
Biennial Change 2002-03 to 2004-05	1,050	0	1,050
Percent Change	100%	0%	100%





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	649	595	619	525	525	1,050
Open Appropriations						
General	750	750	750	750	750	1,500
Statutory Appropriations						
Special Revenue	0	0	79	0	0	0
Total	**1,399**	**1,345**	**1,448**	**1,275**	**1,275**	**2,550**
Expenditures by Category						
Operating Expenses	649	595	698	525	525	1,050
Local Assistance	750	750	750	750	750	1,500
Total	**1,399**	**1,345**	**1,448**	**1,275**	**1,275**	**2,550**
Expenditures by Program						
Amateur Sports Commission	1,399	1,345	1,448	1,275	1,275	2,550
Total	**1,399**	**1,345**	**1,448**	**1,275**	**1,275**	**2,550**
Revenue by Type and Fund						
Non Dedicated						
General	0	0	0	525	525	1,050
Subtotal Non Dedicated	0	0	0	525	525	1,050
Total Revenue	**0**	**0**	**0**	**525**	**525**	**1,050**
Full-Time Equivalents (FTE)	**10.2**	**9.3**	**9.3**	**9.3**	**9.3**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($92)	($92)	($92)	($92)
Revenues	525	525	525	525
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($617)	($617)	($617)	($617)

Recommendation
The Governor recommends that the Amateur Sports Commission develop and implement fees sufficient to fully recover its operating costs of $525,000 per year. This level of funding is $92,000 less than the commission's November forecast base.

Background
Although the activities of the Amateur Sports Commission remain important to the state, the Governor believes that the commission has the ability to recover its operating costs.

Currently, the commission oversees three affiliated non-profit organizations. They are the National Sports Center Foundation (NSCF), Star of the North State Games Foundation, and the MASC Foundation. NSCF is the largest of these organizations with an annual operating budget of approximately $9,000,000 and 45 FTEs. The primary function of NSCF is to operate the state-owned National Sports Center (NCS) in Blaine. The NSC has operated with a net income for 12 straight years.

This proposal allows the commission to collect fees from its affiliated non-profits as well as other entities it serves. It is anticipated that the majority of these fees will come from income generated at the NSC. New fees will be subject to the approval of the commissioner of Finance and notification of the house and senate. Revenues will deposited to the General Fund as an offset to the commission's direct appropriation.

This change may require that the NSC be operated with a greater emphasis on generating income. While this may diminish access for some organizations, it will ensure that the costs associated with promoting amateur sports in Minnesota are fully recovered.

Relationship to Base Budget
This proposal for FY 2004-05 represents a $164,000 reduction from the commission's FY 2002-03 spending.

Statutory Change: M.S. 240A

Agency Purpose

The Minnesota Board of Animal Health shall protect the health of Minnesota domestic animals (M.S. Chapter 35). The board's mission is to protect and enhance the health of Minnesota domestic animal populations by preventing, controlling and eliminating animal diseases.

At A Glance

Two-Year State Budget:
$5.9 million General Fund
$6.1 million all funds

Annual Business Processes:

The environment is affected by the Minnesota legislative and executive branch of state government, the board members, the United States Department of Agriculture, the livestock industry, the poultry industry, practicing veterinarians, pet owners, as well as current and emerging disease threats. It is this delicate balance that provides oversight and guidance to the board, while bringing together many different aspects striving for a common goal.

Core Functions

The core functions have been ever changing and increasingly challenging over the 100 years of service to the citizens of Minnesota. The Board of Animal Health supports both the livestock industry and animal health professionals in disease prevention and control. Our core functions are to:

- coordinate state and national animal disease control programs;
- monitor the health of imported animals;
- identify, locate, and control the movement of infected animals;
- educate the public about animal diseases;
- educate and train veterinarians in animal disease control programs;
- respond to disease outbreaks;
- coordinate the response to bio-terrorism and other emergencies involving animals;
- promote public health through animal health programs;
- coordinate programs with other agencies, the University of Minnesota, the federal government, and the legislature; and
- inspect domestic animal facilities to control diseases.

Operations

The board serves a variety of customers. Livestock producers, veterinarians, pet owners, the University of Minnesota Diagnostic Laboratory and the United States Department of Agriculture are the primary customers. Services delivered include: monitoring the movement of livestock and poultry to prevent the spread of disease; providing updates on disease outbreaks; developing, implementing and enforcing animal health statutes and rules; and encouraging best management practices for bio-security.

Key Measures

The Board of Animal Health's success is measured by progress in disease eradication and control programs. Many of these diseases are zoonotic and affect humans. Examples of eradication programs include pseudorabies, brucellosis, tuberculosis, hog cholera, *Salmonella pullorum-typhoid*, *Mycoplasma gallisepticum*, *Mycoplasma synoviae*, scrapie, chronic wasting disease and all diseases foreign to the United States. Examples of control programs include rabies, salmonella, Johne's Disease, anthrax, anaplasmosis, avian pneumovirus, Lyme Disease, and equine infectious anemia.

Budget

The board's FY 2002-03 budget totals $6.1 million. Board staff includes 33 full-time equivalent employees.

Of the total budget for the biennium, $5.9 million comes from General Fund dollars; $220,000 comes from federal grants.

Contact

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Environment, Natural Resources, and Agriculture omnibus bill. These agencies collectively administer $129 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $28 million (18%) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to protect our water quality, reduce soil erosion, protect the health of our domestic livestock, educate citizens on environmental issues, and help farmers find ways to compete in the world market.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Examples of reductions in this area include a 20% average reduction in agency administrative costs, and $13 million in reductions to grant programs.

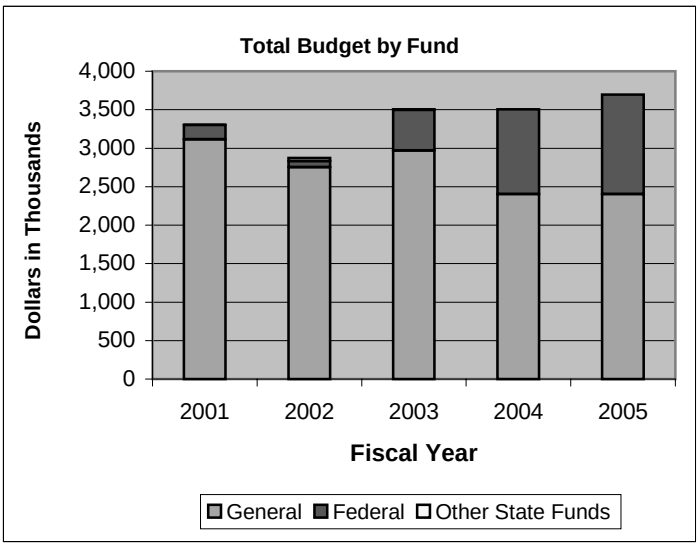
The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

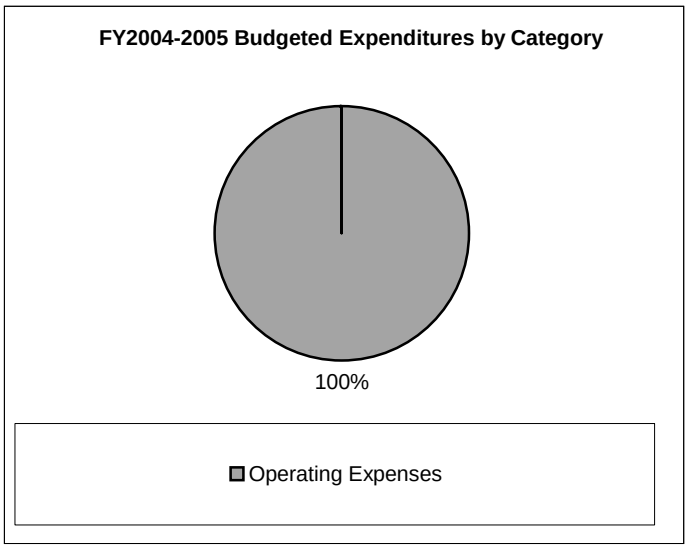
I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	5,606	2,398	8,004
Adjusted Base Funding	5,606	2,398	8,004
Change Items			
Budget Reduction	-800	0	-800
Governor's Recommendations	4,806	2,398	7,204
Biennial Change, 2002-03 to 2004-05	-915	1,740	825
Percent Change	-16%	264%	13%





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,114	2,753	2,968	2,403	2,403	4,806
Special Revenue	1	44	6	0	0	0
Statutory Appropriations						
Federal	189	78	530	1,104	1,294	2,398
Total	**3,304**	**2,875**	**3,504**	**3,507**	**3,697**	**7,204**
Expenditures by Category						
Operating Expenses	3,264	2,875	3,504	3,507	3,697	7,204
Local Assistance	40	0	0	0	0	0
Total	**3,304**	**2,875**	**3,504**	**3,507**	**3,697**	**7,204**
Expenditures by Program						
Livestock And Poultry Health	3,304	2,875	3,504	3,507	3,697	7,204
Total	**3,304**	**2,875**	**3,504**	**3,507**	**3,697**	**7,204**
Revenue by Type and Fund						
Non Dedicated						
General	0	3	5	5	5	10
Cambridge Deposit Fund	3	0	0	0	0	0
Subtotal Non Dedicated	3	3	5	5	5	10
Dedicated						
Special Revenue	1	50	0	0	0	0
Federal	176	78	530	1,104	1,294	2,398
Subtotal Dedicated	177	128	530	1,104	1,294	2,398
Total Revenue	**180**	**131**	**535**	**1,109**	**1,299**	**2,408**
Full-Time Equivalents (FTE)	**31.9**	**31.1**	**32.0**	**28.8**	**28.8**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($400)	($400)	($400)	($400)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($400)	($400)	($400)	($400)

Recommendation

The Governor recommends a reduction of $400,000 in FY 2004 and $400,000 in FY 2005 from the budget of the Board of Animal Health. The Governor further recommends that the administrative and operational functions of the Board of Animal Health be consolidated with the Department of Agriculture in order to continue critical services while reducing administrative costs.

Background

This recommendation only consolidates administrative and operational functions of the Board of Animal Health. The State Veterinarian and Board will continue to be independent.

The Board of Animal Health will make the following reductions:

- Close Brucellosis Laboratory $303,000
- Administration $97,000

Relationship to Base Budget

The recommended reduction represents 14.3% of the base budget.

Statutory Change: M.S. 35

Agency Purpose

The Board of Architecture, Engineering, Land Surveying, Landscape Architecture, Geoscience, and Interior Design was established to safeguard life, health, and property and to promote the public's welfare. M.S. – 326.15 mandates that the board examine, certify, license and regulate individuals practicing architecture, professional engineering, land surveying, landscape architecture, professional geology, and professional soil science, and those who use the title certified interior designer.

Core Functions

The Board of Architecture, Engineering, Land Surveying, Landscape Architecture, Geoscience, and Interior Design protects the public at large through their regulation of the seven professions. Core functions support the policy making process and administration of the board. These core functions include:

- ensuring that those entering the professions meet standards of competency by way of education, experience, and examination;
- enforcing the laws and rules governing the professions in a fair, expeditious, and uniform fashion;
- educating the public on the requirements and exemptions to licensed practice; and
- ensuring that the professionals regulated by the board will continue to remain competent in their areas of practice through mandated continuing education and adherence to established standards of a code of conduct.

At A Glance

Annual Business Process:

Examination: Through the board, approximately 3,600 biennium examinations are conducted for those candidates meeting the board's education and experience requirements.

Licensure: The board licenses and certifies 15,000 individuals who meet the established qualifications, evaluates individuals, and issues approximately 800 new licenses annually.

Enforcement: During the 2002-03 biennium the board received 103 complaints alleging violation of its rules and laws. The board in conjunction with the Attorney General's office has continued to receive, file, and investigate complaints of violation of the statutes and rules.

New Program: June 2002 is the first mandated reporting period of continuing education. Administration of this program includes an audit process.

Operations

The board serves a diverse customer base. The licensees, certificate holders, and applicants are the primary customers of the licensing staff: application processing, verification of information, evaluation and examination.

Minnesota citizens, board members, legislators, building officials, fire marshals, other state agencies, and national councils, are provided information as part of the board's outreach program.

Budget

The board's FY 2002-03 budget totals $1.932 million and the board staff includes nine full-time equivalent employees.

The board has four sources of revenue:

- Examinations
- Licenses
- Fines
- Filings

In addition:

⇒ Examinations are a pass through cost.

⇒ The board is funded by General Fund appropriations, and all revenues collected are returned to the General Fund.

⇒ The board's license fees are set in statute.

Contact

Board of Architecture, Engineering,
Land Surveying, Landscape Architecture,
Geoscience, and Interior Design

World Wide Web Home Page: http://www.aelslagid.state.mn.us

- Statutes
- Rules
- Newsletters
- Rosters
- Applications
- Enforcement Action

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Economic Development omnibus bill. These agencies collectively administer $130 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $17.5 million (17.8%) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to preserve Minnesota's rich history, support the state's art community, regulate professional licensees, and provide advice to the Governor and legislature on issues effecting the state's minority populations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

We have evaluated the role of government in a number of these agencies and are recommending the elimination of state funding. The reduction level for most of the other non-cabinet agencies in the economic development area ranges from 15-20%. Most agencies have focused on reducing their administrative areas of the budget in order to preserve the core functions of the agency.

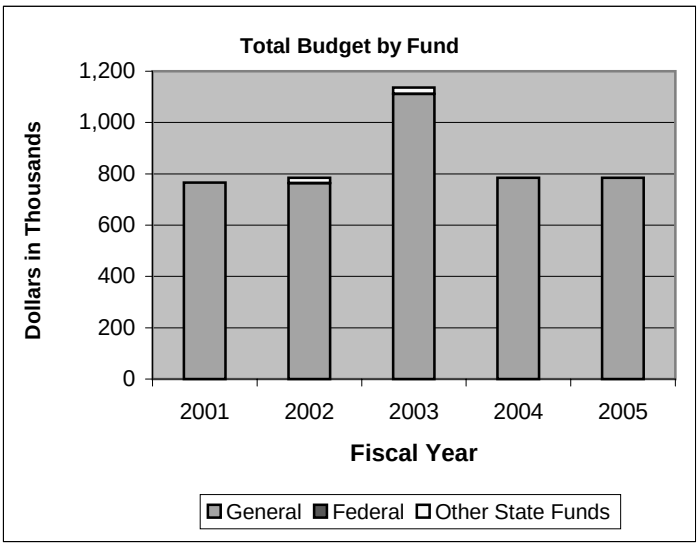
The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

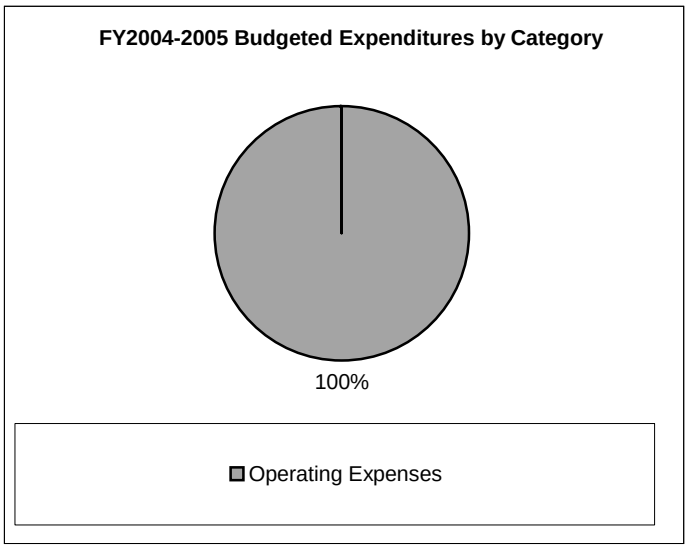
I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	1,962	0	1,962
Adjusted Base Funding	1,962	0	1,962
Change Items			
Budget Reduction	-392	0	-392
Governor's Recommendations	1,570	0	1,570
Biennial Change, 2002-03 to 2004-05	-305	-45	-350
Percent Change	-16%	-100%	-18%





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	766	764	1,111	785	785	1,570
Special Revenue	0	20	25	0	0	0
Total	**766**	**784**	**1,136**	**785**	**785**	**1,570**
Expenditures by Category						
Operating Expenses	766	784	1,136	785	785	1,570
Total	**766**	**784**	**1,136**	**785**	**785**	**1,570**
Expenditures by Program						
Aelsla	766	784	1,136	785	785	1,570
Total	**766**	**784**	**1,136**	**785**	**785**	**1,570**
Revenue by Type and Fund						
Non Dedicated						
General	0	1,348	1,327	1,327	1,327	2,654
Cambridge Deposit Fund	780	0	0	0	0	0
Subtotal Non Dedicated	780	1,348	1,327	1,327	1,327	2,654
Total Revenue	**780**	**1,348**	**1,327**	**1,327**	**1,327**	**2,654**
Full-Time Equivalents (FTE)	**8.4**	**9.2**	**11.6**	**11.3**	**11.3**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($196)	($196)	($196)	($196)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($196)	($196)	($196)	($196)

Recommendation
The Governor recommends a reduction of $196,000 in FY 2004 and $196,000 in FY 2005 from the budget of the Board of Architecture, Engineering, Land Surveying, Landscape Architecture and Interior Design.

Background
The board will reduce the staffing roster in order to implement the recommended budget reduction. The staff reduction will result in slower turn-around times for the services delivered to the licensees and the general public. The board staff will work to ensure that the quality of services provided by the agency is not reduced.

Relationship to Base Budget
The recommended reduction represents 20% of the base budget.

Alternatives Considered
Salaries represent the bulk of the division's budget. There are no other significant expenditure areas that could be used to provide a budget reduction.

Statutory Change: Not Applicable.

Agency Purpose

The Minnesota State Arts Board, through responsible stewardship, promotes the quality of life in Minnesota by making the arts accessible to all citizens, nurturing creative activities, encouraging the development of innovative forms of artistic expression, and preserving the diverse artistic heritage of the people.

The Arts Board was established in its current form in 1976, by M.S., Chapter 129D. However, it had several predecessor organizations that have been serving artists, arts organizations, and arts participants in Minnesota since 1903.

In order to achieve its mission, the Arts Board is pursuing the following goals as part of its current three-year plan:

- provide meaningful financial support to the arts in Minnesota;
- exercise prudent stewardship of the public interest;
- enhance arts education opportunities for Minnesota's school children;
- provide technical support for artists and arts organizations;
- build public awareness about the importance of the arts to the community;
- makes the Arts Board equally accessible in both non-metro and metro areas of the state;
- support arts opportunities for underserved cultural communities;
- maintain a productive, efficient organization while fostering a rewarding work environment for the staff; and
- be considered a national leader among state arts agencies.

At A Glance

- The arts are a $1.3 billion industry in Minnesota.
- Minnesota is home to:
  30,000 individual artists and
  1,268 nonprofit arts organizations
- More than 19 million children and adults were served by Arts Board- and RAC-funded activities during FY 1999 and 2000.
- Five of Minnesota's top 25 tourist attractions are arts organizations: the Walker Art Center, Guthrie Theater, Ordway Center, Orchestra Hall, and the Children's Theatre.
- In the FY 2000-01 biennium, the Arts Board was able to fund 54% of the requests it received.

Core Functions

The Arts Board provides grants and services to the statewide arts community through five programs: Artist Assistance, Arts Across Minnesota, Arts in Education, Folk Arts, and Institutional/Institutional Presenter Support. These programs support individual artists, schools, arts organizations, colleges and universities, communities, and organizations that sponsor arts activities.

The Arts Board also serves as the fiscal agent for 11 Regional Arts Councils (RACs) that comprise a statewide decentralized re-granting system. Regional Arts Councils provide grants and support services tailored to meet the needs of artists, arts organizations, and arts audiences in their particular areas of the state.

Operations

The Minnesota State Arts Board and Regional Arts Councils provide financial support and services to artists, arts organizations, arts educators, nonprofits, schools, and communities. Ultimately, Minnesota citizens are the primary beneficiaries of these activities.

The Arts Board employs a three-tiered grant review process to ensure that public funds are distributed wisely and fairly. First, Arts Board staff members review each application to ensure that it meets all eligibility requirements. Second, a peer panel of individuals from across the state who have expertise in the discipline/art form being considered, review and recommend which applications to fund. Finally, the 11-member Minnesota State Arts Board reviews the panel recommendations and makes final funding decisions.

The Arts Board is a primary service provider to the Minnesota arts community. The agency provides technical assistance workshops and training sessions for artists, arts organizations, and arts educators annually in locations throughout the state. It is engaged in a multi-year statewide initiative to broaden, deepen, and diversify arts participation. Working in cooperation with Springboard for the Arts, it produces print and web-based exhibition, rehearsal/performance space, and grant guides for Minnesota artists.

Key Measures

Annually, the Minnesota State Arts Board accomplishes the following:

⇒ Provides general support to at least 110 Minnesota arts organizations. The funds stabilize the state's leading arts organizations and provide them with the flexibility essential to their growth and vitality.

⇒ Supports 600 weeks of residencies by artists in schools across the state. Through these activities, hundreds of thousands of children experience the arts, develop their cognitive skills, and achieve key competencies necessary to meet the state's graduation standards.

⇒ Provides timely, targeted support to 120 Minnesota artists. Supporting artistic and professional growth builds a strong foundation for a healthy arts community.

⇒ Provides support to at least 70 Minnesota communities, schools, and other nonprofit organizations to help present quality arts experiences for young people, residents, and visitors. These activities revitalize and stimulate community pride, bring people together, and enhance the quality of life for all Minnesotans.

⇒ Provides at least $50,000 each year to arts activities in traditionally underserved communities. These activities effectively promote cross-cultural understanding and relationship building among all of Minnesota's citizens.

Budget

The Arts Board had a staff of 21 full-time equivalent employees in FY 2002; that number will decrease to 16.7 in FY 2003. Over 90% of the Arts Board general fund appropriation is awarded as grants to local arts organizations.

Contact

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February 18, 2003

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St. Paul, Minnesota

Dear Legislators,

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The funding recommended for these agencies for FY 2004-05 represents a $17.5 million (17.8%) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to preserve Minnesota's rich history, support the state's art community, regulate professional licensees, and provide advice to the Governor and legislature on issues effecting the state's minority populations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

We have evaluated the role of government in a number of these agencies and are recommending the elimination of state funding. The reduction level for most of the other non-cabinet agencies in the economic development area ranges from 15-20%. Most agencies have focused on reducing their administrative areas of the budget in order to preserve the core functions of the agency.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

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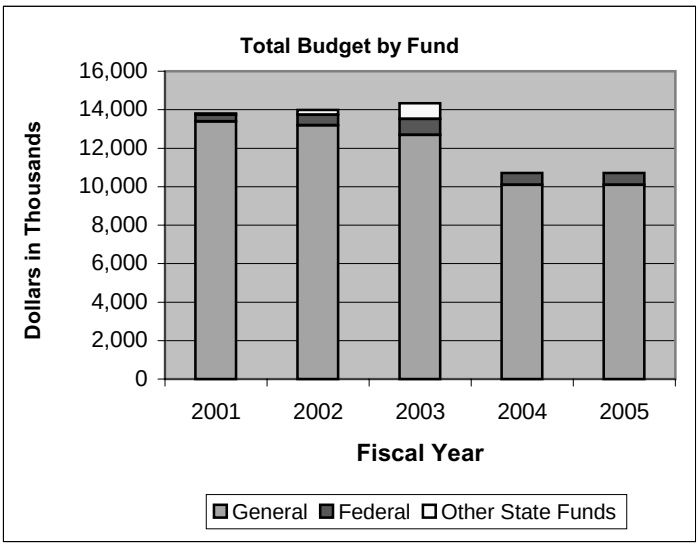
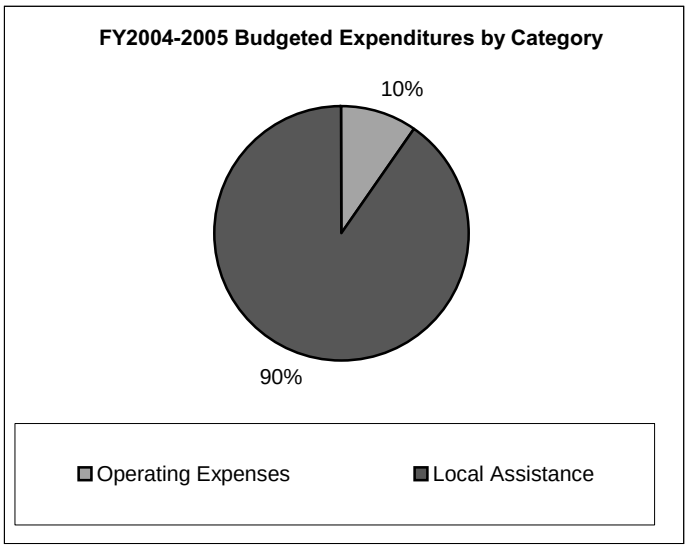
Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	25,232	1,252	26,484
Adjusted Base Funding	25,232	1,252	26,484
Change Items			
Operating Budget Reduction	-5,046	0	-5,046
Governor's Recommendations	20,186	1,252	21,438
Biennial Change, 2002-03 to 2004-05	-5,698	-1,176	-6,874
Percent Change	-22%	-48%	-24%





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	13,396	13,191	12,693	10,093	10,093	20,186
Statutory Appropriations						
Federal	350	543	829	626	626	1,252
Gift	66	246	810	0	0	0
Total	**13,812**	**13,980**	**14,332**	**10,719**	**10,719**	**21,438**
Expenditures by Category						
Operating Expenses	1,451	1,586	2,298	1,039	1,039	2,078
Payments To Individuals	473	524	0	0	0	0
Local Assistance	11,888	11,870	12,034	9,680	9,680	19,360
Total	**13,812**	**13,980**	**14,332**	**10,719**	**10,719**	**21,438**
Expenditures by Program						
Operations & Services	1,492	1,623	2,298	1,039	1,039	2,078
Grant Programs	8,785	8,822	8,640	6,892	6,892	13,784
Region Arts Fisc Agent	3,535	3,535	3,394	2,788	2,788	5,576
Total	**13,812**	**13,980**	**14,332**	**10,719**	**10,719**	**21,438**
Revenue by Type and Fund						
Dedicated						
Federal	510	586	626	626	626	1,252
Gift	461	94	410	0	0	0
Subtotal Dedicated	971	680	1,036	626	626	1,252
Total Revenue	**971**	**680**	**1,036**	**626**	**626**	**1,252**
Full-Time Equivalents (FTE)	**22.4**	**17.1**	**16.7**	**16.7**	**16.7**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($2,523)	($2,523)	($2,523)	($2,523)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($2,523)	($2,523)	($2,523)	($2,523)

Recommendation
The Governor recommends a reduction of $2.523 million in both FY 2004 and FY 2005 in the General Fund appropriation to the Arts Board.

Background
The Arts Board enriches the state through its support of artists and cultural institutions. While this change item reflects a significant reduction, it will allow Minnesota to remain a regional leader in its funding of the arts.

State General Fund Appropriations to Arts in the Midwest

State	*Population (2000 Census)*	*FY 02 State Arts Spending*	*State Arts General Fund Spending per Capita*
Minnesota	4,919,479	$13,191,000	$2.68
Minnesota at FY 2004 Reduction Target		*$10,093,000*	*$2.05*
Michigan	9,938,444	$23,944,000	$2.41
Missouri	5,595,211	$9,969,000	$1.78
Illinois	12,419,293	$13,676,000	$1.10
North Dakota	642,200	$491,000	$0.76
South Dakota	754,844	$526,000	$0.70
Iowa	2,926,324	$1,294,000	$0.44
Wisconsin	5,363,675	$2,563,000	$0.48

Notes: Table prepared by the Department of Finance (DOF). Data obtained from official state budget documents. States organize and fund these activities in different ways. As a result, some of the totals cited above may not fully represent the state's support for that activity. For example, several states fund these activities through larger state agencies, which may mask some of the associated administrative expenses.

It is anticipated that the Board will spread this reduction across its three major spending areas (administration, grants, and regional councils). Although changes in the number of FTEs employed by the Board are likely, no estimates have been incorporated into this budget proposal.

Relationship to Base Budget
This change will provide the Arts Board with a $20,186,000 General Fund appropriation during FY04-05, which is $5,698,000 less than what was appropriated in the last biennium.

Statutory Change: Not applicable.

Agency Purpose

The Council on Asian-Pacific Minnesotans ('Council' or 'CAPM') was created by the Minnesota State Legislature in 1985 to fulfill the following primary objectives: advise the governor and state legislators on issues pertaining to Asian Pacific people; ensure Asian Pacific Minnesotans are more incorporated and engaged in the governmental and policymaking process; see that residents of Asian Pacific descent have sufficient access to state government services; promote the talents and resources of Asian Pacific people where appropriate; and act as a broker between the Asian Pacific community in Minnesota and mainstream society.

Serving as a conduit to state government for Asian Pacific organizations and individuals, the council recommends bills to the governor and state legislature designed to improve the economic and social condition of all Asian Pacific Minnesotans. Furthermore, the council may provide comment and/or recommendations regarding any application for federal funds submitted by state departments or agencies that stand to impact programs pertinent to Asian-Pacific Minnesotans.

Minnesota Statute, Section 3.9226

Core Functions

On behalf of this population, the council plays the role of advisor, advocate, and broker. In these capacities it deals with, among other things, problems unique to non-English speaking immigrants and refugees; administrative and legislative barriers blocking Asian-Pacific people's access to benefits and services; creating opportunities for affordable housing and health care; and taking appropriate measures to increase Asian Pacific peoples' level of preparedness for, and overall presence in, the state's ever-evolving workforce.

At A Glance

The number of Asians and Pacific Islanders almost doubled during the 1990s, rising from about 78,000 to more than 144,000. An additional 24,000 people said they were part Asian or Pacific Islander. When those mixed-race people are apportioned among their races, the Asian population grew 108%.

Statewide	144,000	3%
Hennepin County	54,086	4.8%
Ramsey County	45,159	8.8%
Dakota County	10,450	2.9%
Olmsted County	5,346	4.3%
Anoka County	5,102	1.7%

Refugee Experience Background

Approximately 55% of the community has a refugee background, meaning having fled their war torn countries due to persecution based on one of the following five criteria: religion, political opinion, membership in a social group, race, or nationality.

Young Community	
Asian American	24.5
Pacific Islander American	27.9

School District	1990	2000
Saint Paul	6,516	13,985
Minneapolis	4,028	7,134
Osseo	598	1,705
Rochester	889	1,337
Rosemount	561	1,315

The council may perform its own research or contract for studies to be conducted which lead to policy recommendations intended to benefit the Asian Pacific community. Areas of focus may include education; work-force development; human rights; mental health; affordable housing; economic development; violence prevention/intervention; immigration and refugee issues; social welfare; or any other timely subject matter. For a more thorough understanding of these issues or to facilitate a community dialogue, the council frequently hosts roundtable discussions, forums, and workshops. It also convenes workgroups, taskforces, and special committees focusing on issues of particular importance — ones requiring more detailed examination or ones where the need for solutions is conveyed with a sense of urgency by the community.

Operations

The Council on Asian-Pacific Minnesotans consists of 23 members, 19 of which are appointed by the governor and subsume a broad representation of the Asian-Pacific community. In addition, two members of the House of Representatives and two members of the state senate are appointed under the rules of their respective bodies. They serve as non-voting members. The council maintains a staff of four under the leadership of the executive director.

The council serves individuals and ethnic groups from over 40 countries, including Afghanistan, Australia, Bangladesh, Bhutan, Brunei, Burma (Myanmar), Cambodia, China, Cook Islands, Federated States of Micronesia, Federated States of Midway Islands, Fiji, French Polynesia, Guam, Hawaii's, Hong Kong, India, Indonesia, Iran, Japan, Kazakhstan, Kiribati, Kyrgyzstan, Laos (Hmong and Lao), Macau, Malaysia, Maldives, Marshall Islands, Mongolia, Nauru, Nepal, New Caledonia, New Zealand, North Korea, Northern Mariana Islands, Pakistan, Palau, Papua New Guinea, Philippines, Pitcairn Islands, Samoa, Singapore, Solomon Islands, South Korea, Sri Lanka, Tahiti, Taiwan, Tajikistan, Thailand, Tibet, Tonga, Turkmenistan, Tuvalu, Uzbekistan, Vanuatu, and Vietnam.

Budget

For the Two-Year State Budget

599,000	General Fund
633,215	All Funds

75% of General Funds support 4 FTEs
25% of General Funds operational support
5% of all funds support Asian Pacific American Heritage Month activities and/or special events and services

Contact

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Economic Development omnibus bill. These agencies collectively administer $130 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $17.5 million (17.8%) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to preserve Minnesota's rich history, support the state's art community, regulate professional licensees, and provide advice to the Governor and legislature on issues effecting the state's minority populations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

We have evaluated the role of government in a number of these agencies and are recommending the elimination of state funding. The reduction level for most of the other non-cabinet agencies in the economic development area ranges from 15-20%. Most agencies have focused on reducing their administrative areas of the budget in order to preserve the core functions of the agency.

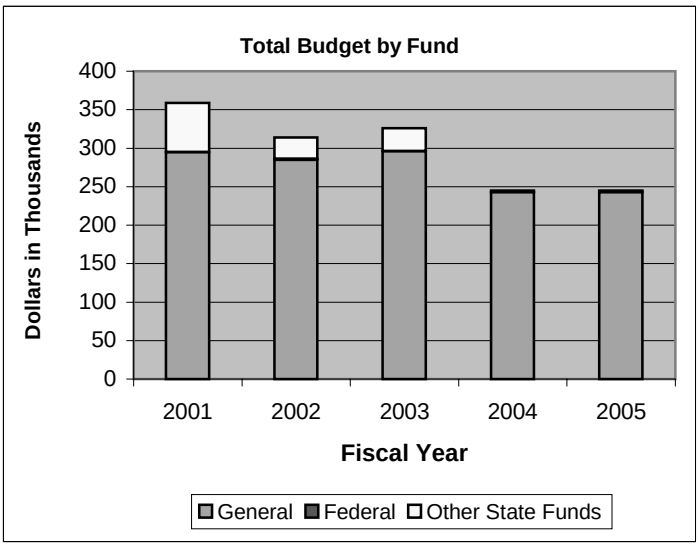
The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

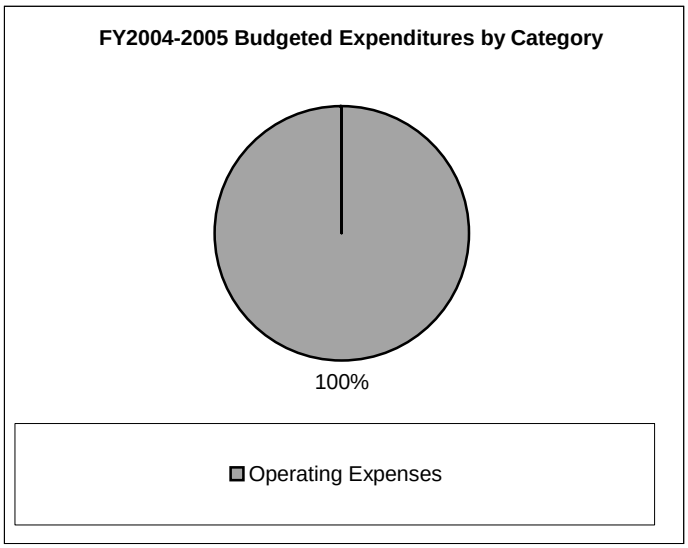
I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	608	4	612
Adjusted Base Funding	608	4	612
Change Items			
Budget Reduction	-122	0	-122
Governor's Recommendations	486	4	490
Biennial Change, 2002-03 to 2004-05	-95	-55	-150
Percent Change	-16%	-93%	-23%





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	295	285	296	243	243	486
Statutory Appropriations						
Special Revenue	45	1	0	0	0	0
Federal	0	1	0	0	0	0
Gift	19	27	30	2	2	4
Total	**359**	**314**	**326**	**245**	**245**	**490**
Expenditures by Category						
Operating Expenses	359	314	326	245	245	490
Total	**359**	**314**	**326**	**245**	**245**	**490**
Expenditures by Program						
Cncl Asian Pacific	359	314	326	245	245	490
Total	**359**	**314**	**326**	**245**	**245**	**490**
Revenue by Type and Fund						
Non Dedicated						
General	0	1	0	0	0	0
Subtotal Non Dedicated	0	1	0	0	0	0
Dedicated						
Special Revenue	24	0	0	0	0	0
Federal	0	1	0	0	0	0
Gift	25	22	18	2	2	4
Subtotal Dedicated	49	23	18	2	2	4
Total Revenue	**49**	**24**	**18**	**2**	**2**	**4**
Full-Time Equivalents (FTE)	**4.2**	**4.0**	**4.0**	**4.0**	**4.0**	

Fiscal Impact ($)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($61)	($61)	($61)	($61)
Revenues				
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($61)	($61)	($61)	($61)

Recommendation
The Governor recommends a reduction to the base appropriation of $61,000 each year. The Governor is also asking the Asian-Pacific Council to maintain its most important core functions while reducing administrative costs by merging staffing and office facilities with the Black Minnesotans, and Chicano-Latino Councils

Background
By consolidating administrative functions and sharing office space, the councils should be able to collectively reduce their operating costs.

Relationship to Base Budget
This is a 20% reduction to the council's base.

Statutory Change: Not Applicable.

Agency Purpose

The attorney general is the chief legal officer for the state. The duties of the office arise from the Constitution, state statutes, and common law. Every board, commission, and agency of the state of Minnesota receives legal counsel and representation in the courts by the attorney general. The attorney general also acts in a *parens patrie* capacity on behalf of the people of the state. Minnesota's attorney general is elected by the state's voters and serves a four-year term.

Core Functions

The attorney general has jurisdiction to:

- initiate legal actions to enforce civil laws;
- provide legal representation for state agencies;
- prosecute criminal actions at the request of local prosecutors;
- serve as the state's chief consumer advocate; and
- provide education, information, and mediation to agencies and citizens of the state.

At A Glance

- The office, through its citizen protection section, obtained settlements of over $8 million in FY 2001 for state government and more in restitution for individual consumers.
- In 2001, staff mediated over 20,000 consumer complaints.
- At the current rate, the AGO during the 1999-2002 term will prosecute over twice as many murder cases as any previous term, 50 white-collar crime cases and over 100 drug cases.
- Since 1999, approximately 4,200 "implied consent" cases relating to drunk driving arrests were prosecuted, a number that has doubled since 1996.
- During the past biennium, the AGO saved the treasury over $1 billion by successfully defending claims against the state.

Operations

The Attorney General's Office (AGO) is divided into five sections, each headed by a deputy attorney general, and an administrative support section. Sections are divided into divisions specializing in fields such as criminal, health, transportation, consumer protection, antitrust, finance, human services, agriculture, environment, utilities, public safety, and occupational licensing. The Chief Deputy/Solicitor General is state government's chief legal advocate as well as being the top deputy. The office has 431 full-time equivalent employees

The Attorney General's Office has direct and ongoing interaction with state agencies and officials, the legislature and staff, government entities as well as individual citizens. Much of the work of the office involves appearances before the courts and administrative agencies. The attorney general's work is categorized as follows.

Citizen Protection

⇒ Enforcing laws governing consumer protection, charities, Medicaid, anti-trust, and unfair business practices.

⇒ Assisting citizens in resolving consumer complaints through education, information, and mediation.

⇒ Providing education and information to help citizens avoid consumer fraud through presentations to community groups and distribution brochures on issues such as home buying, health care, privacy, and consumer credit.

⇒ Advocating interests of residential and small business utility customers before the Public Utilities Commission (PUC).

Law Enforcement

⇒ Assisting county attorneys in prosecuting serious crimes such as murder, gang operations, drug dealing, and drunken driving.

⇒ Representation in the appellate courts.

Attorney General Representation

⇒ Protecting the public from unsafe health care, sexual predators, and unscrupulous licensed professionals.

⇒ Protecting the state's natural resources.

⇒ Protecting taxpayers' dollars and enforcing state laws.

⇒ Providing opinions on legal issues to attorneys of local governments and school districts.

Defense of Claims

⇒ Defending the state against claims and using alternative dispute resolution methods to save on legal costs.

⇒ Advising state agencies on legal issues to limit litigation.

Budget

Of the total operating budget for the FY 2002-03 biennium, 62.4% comes from the general fund; 24.7% is received from other state entities through partner agreement billings for legal services; 5.9% is received from other appropriations (Fund 170, Fund 330, and Fund 370); and 2.4% is received from federal and special revenue funds. An additional 4.7% is also received as pass-through funds for restitution and/or settlement payments.

Contact

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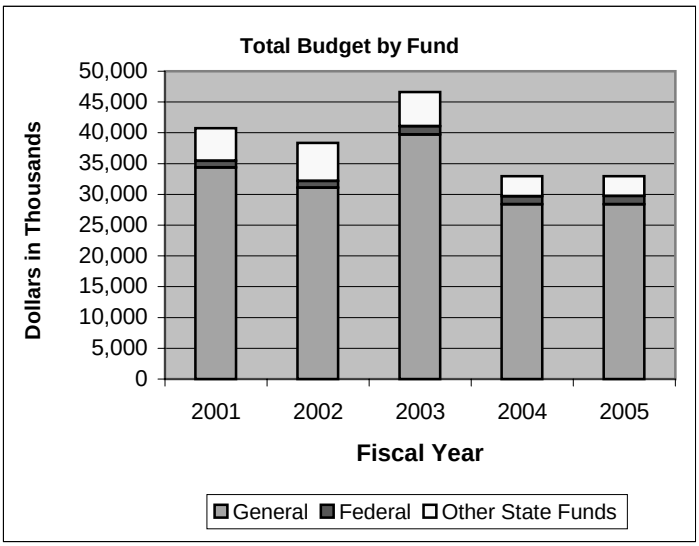
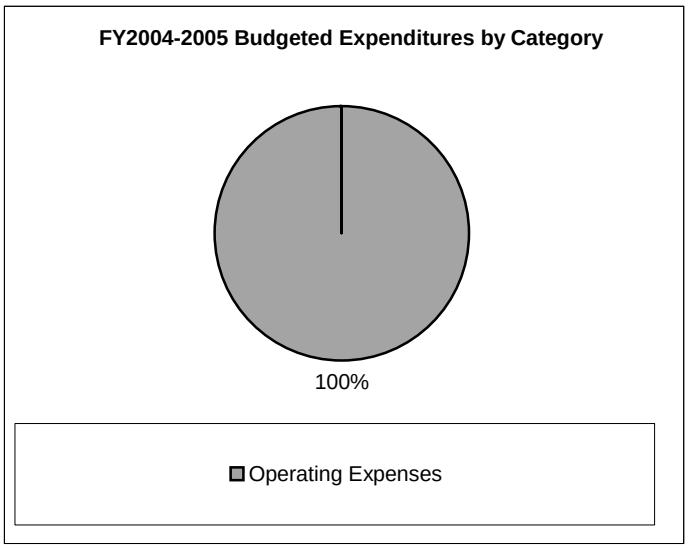




Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	27,275	25,006	33,269	22,559	22,559	45,118
State Government Special Revenue	2,229	2,363	2,813	1,612	1,591	3,203
Special Revenue	0	48	52	0	0	0
Environmental	61	52	235	145	145	290
Solid Waste	281	165	796	484	484	968
Statutory Appropriations						
General	7,075	6,094	6,433	5,830	5,830	11,660
Petroleum Tank Release Cleanup	126	127	101	0	0	0
Special Revenue	250	257	701	277	277	554
Federal	1,083	1,087	1,373	1,294	1,336	2,630
Miscellaneous Agency	1,947	2,684	850	750	750	1,500
Housing Finance Agency	441	467	0	0	0	0
Total	**40,768**	**38,350**	**46,623**	**32,951**	**32,972**	**65,923**

Expenditures by Category						
Operating Expenses	40,768	38,350	46,623	36,068	36,030	72,098
Transfers	0	0	0	-3,117	-3,058	-6,175
Total	**40,768**	**38,350**	**46,623**	**32,951**	**32,972**	**65,923**

Expenditures by Program						
Attorney General	40,768	38,350	46,623	32,951	32,972	65,923
Total	**40,768**	**38,350**	**46,623**	**32,951**	**32,972**	**65,923**

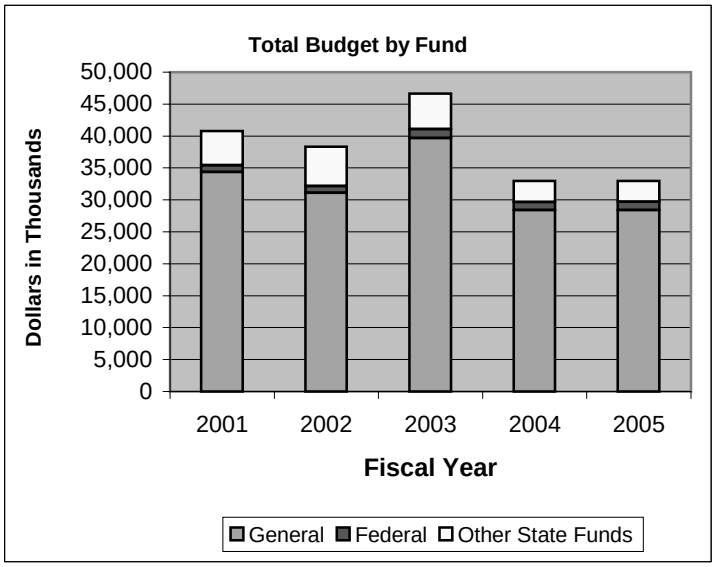
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	10,457	4,559	4,471	4,471	4,471	8,942
Cambridge Deposit Fund	327	0	0	0	0	0
Subtotal Non Dedicated	10,784	4,559	4,471	4,471	4,471	8,942
Dedicated						
General	5,857	6,245	6,275	5,830	5,830	11,660
Special Revenue	202	237	277	277	277	554
Federal	1,080	1,067	1,332	1,294	1,336	2,630
Miscellaneous Agency	1,640	2,031	130	750	750	1,500
Subtotal Dedicated	8,779	9,580	8,014	8,151	8,193	16,344
Total Revenue	**19,563**	**14,139**	**12,485**	**12,622**	**12,664**	**25,286**
Full-Time Equivalents (FTE)	**426.3**	**413.0**	**444.1**	**444.1**	**444.1**	

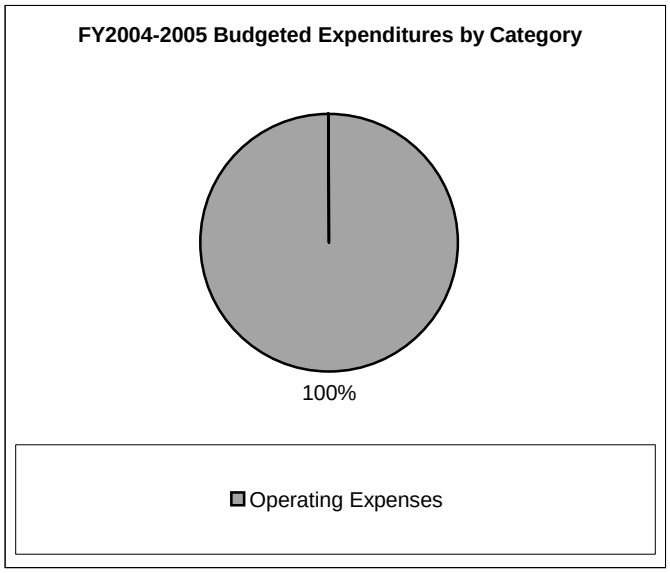
Program Description

The Attorney General's Office (AGO) is organized under one program consisting of five sections and an administrative division as listed under the following budget activities.

Budget Activities Included:

⇒ Government Operations
⇒ Government Services
⇒ Civil Enforcement
⇒ Public Protection
⇒ Solicitor General
⇒ Administration





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Transfers	0	0	0	-3,117	-3,058	-6,175
Total	**40,768**	**38,350**	**46,623**	**32,951**	**32,972**	**65,923**
Expenditures by Activity						
Government Operations	4,390	5,960	9,819	6,581	6,581	13,162
Government Services	7,486	7,009	9,498	6,567	6,546	13,113
Civil Enforcement	7,106	6,675	7,090	6,346	6,346	12,692
Public Protection	7,498	5,177	5,468	4,518	4,560	9,078
Solicitor General	4,755	7,295	5,996	5,058	5,058	10,116
Administration	9,533	6,234	8,752	3,881	3,881	7,762
Total	**40,768**	**38,350**	**46,623**	**32,951**	**32,972**	**65,923**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
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Miscellaneous Agency	1,640	2,031	130	750	750	1,500
Subtotal Dedicated	8,779	9,580	8,014	8,151	8,193	16,344
Total Revenue	**19,563**	**14,139**	**12,485**	**12,622**	**12,664**	**25,286**
Full-Time Equivalents (FTE)	**426.3**	**413.0**	**444.1**	**444.1**	**444.1**	

Activity Description

Provide a wide range of cost-effective, efficient legal services to state agencies.

Activity at a Glance

- Provide expert legal advice and representation to state agencies
- Handles over 5,000 implied consent cases (drunk driver license revocations) annually

Population Served

- Department of Human Rights
- Department of Human Services
- Department of Public Safety
- Agencies connected with gambling
- Department of Finance
- Department of Administration
- State boards (non-health professions)
- Department of Transportation
- Department of Commerce (utilities issues)
- Department of Labor and Industry
- Department of Economic Security

Services Provided

- Expert legal advice and representation to state agencies.
- Litigates human rights cases.
- Litigates workers compensation cases.
- Handles over 5,000 implied consent cases (drunk driver license revocations) annually.
- Handles drunk-driving-related appeals of convictions.
- Defends state agencies against litigation brought by various parties.
- Brokers settlements in lawsuits brought against state agencies when warranted.
- Provides eminent domain representation to the Department of Transportation.
- Provides representation for Department of Commerce on behalf of utility ratepayers before the Public Utilities Commission.
- Litigates OSHA workplace safety cases.

Historical Perspective

⇒ Obtained compensatory relief for Minnesota citizens in the amount of $1,570,000 resulting from claims of discrimination filed with the Department of Human Rights.

⇒ Litigated to enforce occupational safety and health standards. In FY 2002 the AGO obtained $235,000 in OSHA fines.

⇒ Represented the Department of Human Services on issues involving public assistance, child support, licensing, health care, child welfare, and mental health. Handled a large volume of licensing litigation under new licensing statutes that became effective in calendar years 2001 and 2002.

⇒ Facilitated bond issuance for state agencies - over $1.51 billion.

⇒ Advised state agencies in connection with implementation of various communications and technology programs including MN Link, iSeek, CriMNet and MetNet.

⇒ Defended the state in litigation over contract and lease issues and data practices challenges.

⇒ Defended the state against challenges to DWI statutes.

⇒ Handled over 4,000 district court implied consent proceedings that challenged revocations of driving privileges.

⇒ Worked extensively with business and consumer advocates to develop a performance assurance plan for Qwest's provision of local wholesale performance.

⇒ Investigated anti-competitive conduct of a telecommunications provider.

⇒ Monitored and enforced terms of the merger between NSP and New Century (Xcel Energy).
⇒ Investigated natural gas purchasing practices.
⇒ Litigated eminent domain actions and appeals.
⇒ Represented Mn/DOT in its statutory prevailing wage enforcement responsibilities.
⇒ Successfully represented Mn/DOT in litigation involving Light Rail Transit.

Key Measures

- Claims brought against the state are defended.
- Interests of state agencies are advanced.
- Implied consent cases are prosecuted vigorously.
- Challenges to DWI laws are defended effectively.
- Utility mergers and acquisitions are monitored so that Minnesota's interests are represented.
- The AGO provides quality advice regarding the legal aspects of state transportation projects.

Contact

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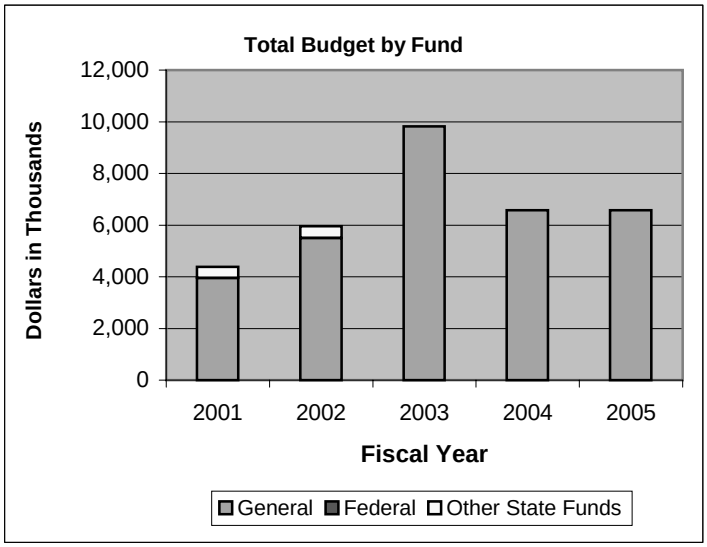
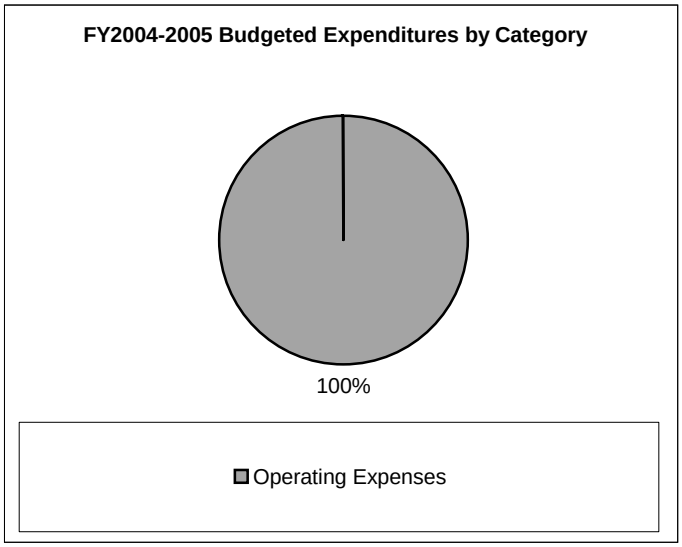
ATTORNEY GENERAL
Program: ATTORNEY GENERAL
Activity: GOVERNMENT OPERATIONS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,494	4,063	8,254	5,075	5,075	10,150
Statutory Appropriations						
General	1,455	1,430	1,565	1,506	1,506	3,012
Housing Finance Agency	441	467	0	0	0	0
Total	**4,390**	**5,960**	**9,819**	**6,581**	**6,581**	**13,162**
Expenditures by Category						
Operating Expenses	4,390	5,960	9,819	8,472	8,472	16,944
Transfers	0	0	0	-1,891	-1,891	-3,782
Total	**4,390**	**5,960**	**9,819**	**6,581**	**6,581**	**13,162**
Full-Time Equivalents (FTE)	**54.2**	**108.2**	**105.4**	**105.4**	**105.4**	

Activity Description

Provide a wide range of legal services to state agencies and citizens of Minnesota.

Activity at a Glance

- Provides legal services to state agencies
- Litigates on behalf of the state

Population Served

- Department of Natural Resources (DNR)
- Department of Agriculture
- Pollution Control Agency
- Department of Health
- Board of Medical Practice
- Health-related Licensing Boards
- Consumers and small businesses who are customers of utility companies
- Consumers and businesses that need protection from unfair practices in the marketplace

Services Provided

- Provides client advice and legal representation to state agencies in the application and enforcement of state laws.
- Assists client agencies to recover fines, penalties and restitution.
- Provides client defense in suits brought against state agencies.
- Provides legal advice regarding Indian Law.
- Provides investigative services to health-related licensing boards.

Historical Perspective

⇒ Provided legal support to the Department of Natural Resources in the area of ecological services, enforcement, fish, forestry, Indian law issues, minerals, real estate acquisitions, and real estate land exchange.

⇒ During FY 2002, the AGO provided legal advice including drafting, review of and approval of, approximately 800 DNR transactions valued at approximately $29 million.

⇒ The AGO provided legal assistance to the Pollution Control Agency in the areas of environmental law enforcement and environmental review litigation.

⇒ Provided legal services to the Department of Health including handling more than 25 cases concerning maltreatment of vulnerable adults in nursing homes and other healthcare facilities.

⇒ Initiated legal action against drug manufacturers for engaging in anti-competitive and illegal acts.

⇒ Investigated the Minnesota gasoline supply chain to determine the causes of recent gasoline price spikes and to identify legislative options that may address some of the problems experienced in Minnesota.

⇒ Initiated legal action with respect to the acquisition of certain assets of Potlatch by Sappi, Ltd.

⇒ During FY 2002, the AGO provided legal representation and investigative services to 15 health-related licensing boards.

⇒ During FY 2002, consumer analysts in the AGO's Residential Utilities Division (RUD) handled approximately 4,000 complaints from residential and small business consumers.

⇒ RUD represented the interests of consumers and small businesses in issues before the Public Utilities Commission, including challenges to certain practices of Xcel Energy, Qwest Communications and Reliant/Minnegasco.

Key Measures

- Effective and efficient legal advice is provided to state agencies.
- State agencies receive expert representation in all litigated matters.
- Investigations conducted are focused, thorough and timely.

Key Measures (Continued)

- The rights of consumers and small businesses are protected in the purchase of and payment for services from utility companies.
- Prompt action is taken against those who engage in anti-competitive practices in the marketplace.

Contact

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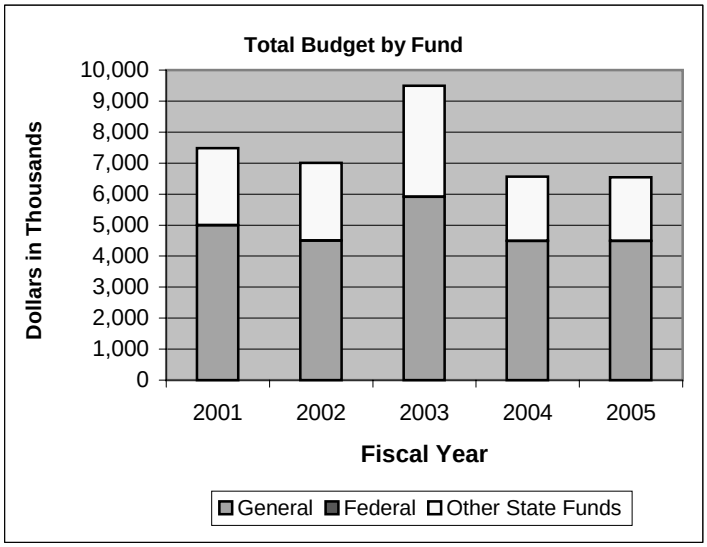
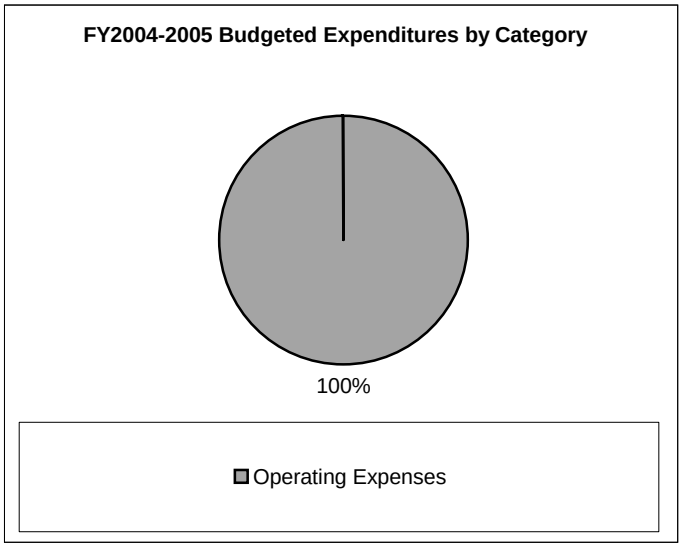
ATTORNEY GENERAL
Program: ATTORNEY GENERAL
Activity: GOVERNMENT SERVICES

Fiscal Report





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	2,459	1,998	3,145	2,004	2,004	4,008
State Government Special Revenue	2,208	2,342	2,792	1,591	1,570	3,161
Solid Waste	281	165	796	484	484	968
Statutory Appropriations						
General	2,538	2,504	2,765	2,488	2,488	4,976
Total	**7,486**	**7,009**	**9,498**	**6,567**	**6,546**	**13,113**
Expenditures by Category						
Operating Expenses	7,486	7,009	9,498	7,702	7,622	15,324
Transfers	0	0	0	-1,135	-1,076	-2,211
Total	**7,486**	**7,009**	**9,498**	**6,567**	**6,546**	**13,113**
Full-Time Equivalents (FTE)	**100.0**	**74.0**	**94.7**	**94.7**	**94.7**	

Activity Description

Provide enforcement of Minnesota consumer and nonprofit laws. Represent Department of Commerce.

Activity at a Glance

- Received 25,000 written complaints and inquiries from Minnesota citizens
- Received 200,000 telephone inquiries from Minnesota citizens
- Recovered $11 million in FY 2002 for Minnesota consumers resulting from complaints filed by them

Population Served

- Consumers and citizens of the State of Minnesota
- Department of Commerce

Services Provided

- Enforce the State's consumer protection laws.
- Educate and advise consumers of their rights.
- Register and provide oversight of charities and non-profit organizations.
- Provide legal advice and representation to the Department of Commerce.

Historical Perspective

⇒ During FY 2001-02 recovered over $5 million in restitution for Minnesota consumers.
⇒ Successfully settled an investigation of U.S. Bancorp Investment resulting in the payment of $1.1 million to Minnesota consumers.
⇒ Required Fleet Mortgage Corporation to make full restitution to Minnesota consumers for mortgage account charges resulting from telemarketing calls.
⇒ Resolved a consumer fraud lawsuit against WorldCom, Inc., regarding deceptive advertising.
⇒ Entered into agreements with two large Minnesota auto dealers related to the sale of extended warranties to Minnesota consumers.
⇒ Received 25,000 written complaints and inquiries from Minnesota citizens.
⇒ Received 200,000 telephone inquiries from Minnesota citizens.
⇒ In FY 2002 recovered $11 million for Minnesota consumers resulting from complaints filed by them.
⇒ Represented the Commerce Department and obtained over $800,000 in civil complaints and settlements with entities the department regulates.
⇒ Successfully defended a class action lawsuit challenging the 2000 legislation that directed the transfer of $460 million in excess surplus from the Workers Compensation Assigned Risk Plan.
⇒ Maintained public registration information about 5,731 charitable organizations, 2,357 charitable trusts, and 227 professional fundraisers.
⇒ Audited Allina Health System and, based on findings, required it and its subsidiaries to adopt strict policies concerning executive compensation, travel and entertainment, conflicts of interest, etc. Numerous other Minnesota nonprofit organizations are adhering to these regulations following the conclusion of this audit.

Key Measures

- Minnesota's citizens are protected from wrongful acts and illegal conduct.
- Minnesota's citizens are educated about their rights and responsibilities in the marketplace.
- Charities and non-profits registered in Minnesota comply with state law.
- The Department of Commerce receives effective and efficient legal representation.

Contact

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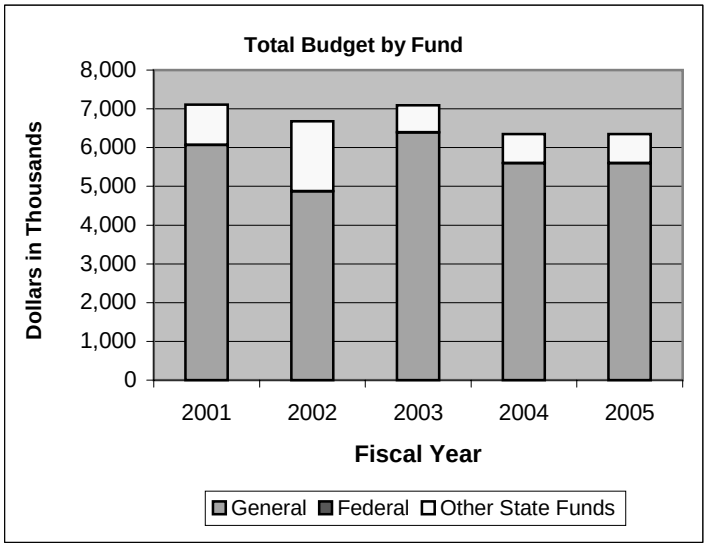
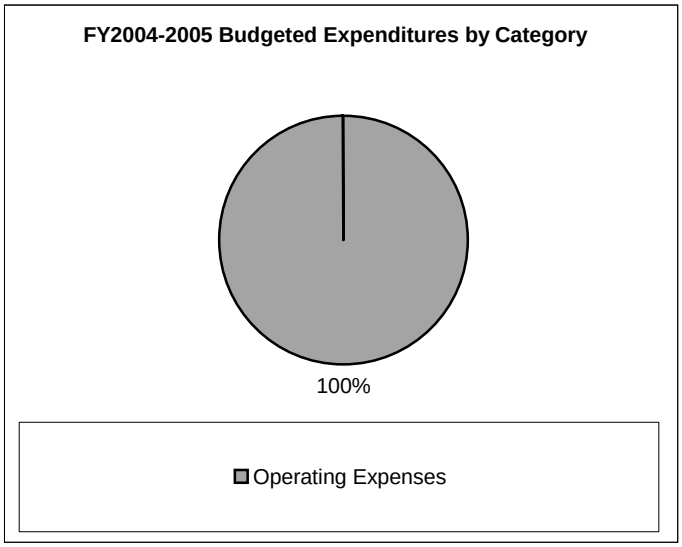
ATTORNEY GENERAL
Program: ATTORNEY GENERAL
Activity: CIVIL ENFORCEMENT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	6,066	4,834	6,339	5,596	5,596	11,192
Special Revenue	0	48	52	0	0	0
Statutory Appropriations						
General	0	33	54	0	0	0
Petroleum Tank Release Cleanup	0	127	101	0	0	0
Miscellaneous Agency	1,040	1,633	544	750	750	1,500
Total	**7,106**	**6,675**	**7,090**	**6,346**	**6,346**	**12,692**
Expenditures by Category						
Operating Expenses	7,106	6,675	7,090	6,437	6,437	12,874
Transfers	0	0	0	-91	-91	-182
Total	**7,106**	**6,675**	**7,090**	**6,346**	**6,346**	**12,692**
Full-Time Equivalents (FTE)	**82.4**	**78.2**	**90.5**	**90.5**	**90.5**	

Activity Description

Prosecute violent and serious crimes statewide. Defend felony convictions upon appeal. Obtain civil commitment of sex offenders. Criminal prosecution and civil enforcement of Medicaid Fraud violations including abuse or neglect of vulnerable adults.

Activity at a Glance

- Handled 172 criminal appeals
- Prosecuted violent and serious crime
- Trained law enforcement officers and prosecutors throughout the state

Population Served

- Minnesota citizens
- Minnesota counties
- Gang strike force
- Vulnerable adults

Services Provided

- Prosecutes violent and serious crime.
- Prosecutes gang crimes statewide.
- Prosecutes drug and white collar crime statewide.
- Provides training and prosecutorial assistance to local prosecutors throughout Minnesota.
- Defends felony conviction upon appeal.
- Obtains civil commitment of sex offenders under psychopathic personality and sexually dangerous person statutes.

Historical Perspective (optional)

⇒ In FY 2002 the AGO's Appeals Division handled 172 criminal appeals.
⇒ The AGO's Medicaid Fraud Division opened 31 abuse and neglect investigations.
⇒ The Medicaid Fraud Division reviewed 359 vulnerable adult cases in the Department of Health and 339 cases in the Department of Human Services.
⇒ In FY 2002 the Medicaid Fraud unit recovered Medicaid funds from providers who fraudulently billed the program for services provided. Over $16 million was recovered for Medicare and Medicaid programs.
⇒ The AGO's Trial Division prosecuted violent and serious crime including first-degree, second-degree and first-degree premeditated murder cases throughout the state.
⇒ The AGO prosecuted methamphetamine and other drug cases referred to it by county attorneys obtaining 75 convictions in 20 counties in FY 2002.
⇒ The AGO handled more than a dozen sexually dangerous person/sexual psychopathic personality commitment cases in FY 2002.
⇒ The AGO trained law enforcement officers and prosecutors throughout the state on law-enforcement related issues.

Key Measures

- Prosecutions are successful.
- Citizens are protected from criminal activities.
- Vulnerable adults are protected.
- Medicaid Fraud regulations are enforced.
- Top quality prosecution resources are provided to county attorneys across the state.
- Criminal convictions are upheld.
- Respond effectively to crime growth areas.

Contact

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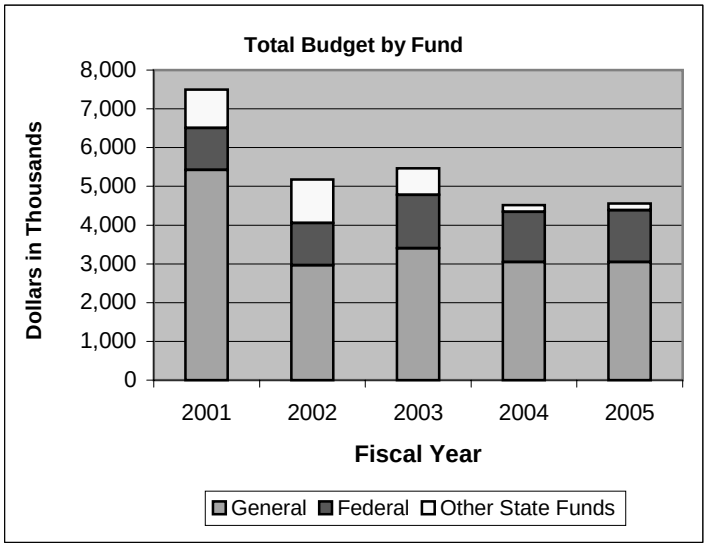
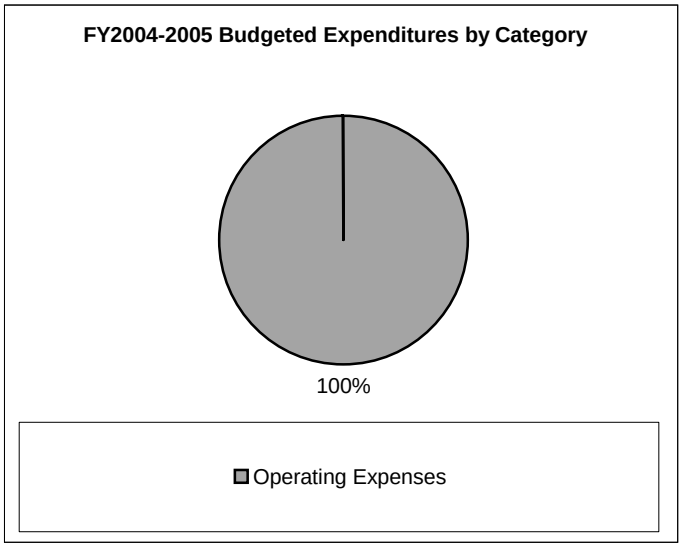
ATTORNEY GENERAL
Program: ATTORNEY GENERAL
Activity: PUBLIC PROTECTION

Fiscal Report





Dollars in Thousands				Governor's Rec		
Expenditures by Fund	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**FY2004**	**FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	5,419	2,859	3,400	3,048	3,048	6,096
State Government Special Revenue	21	21	21	21	21	42
Environmental	61	52	235	145	145	290
Statutory Appropriations						
General	4	104	4	0	0	0
Special Revenue	3	3	129	10	10	20
Federal	1,083	1,087	1,373	1,294	1,336	2,630
Miscellaneous Agency	907	1,051	306	0	0	0
Total	**7,498**	**5,177**	**5,468**	**4,518**	**4,560**	**9,078**

Expenditures by Category						
Operating Expenses	7,498	5,177	5,468	4,518	4,560	9,078
Total	**7,498**	**5,177**	**5,468**	**4,518**	**4,560**	**9,078**

Full-Time Equivalents (FTE)	**85.4**	**47.4**	**50.4**	**50.4**	**50.4**

Activity Description
Provide a wide range of legal services to state agencies.

Activity at a Glance

- Obtained judgments on debts owed to the state
- Saved the state millions of dollars by its defense and resolution of tort and employment law claims

Population Served
- Citizens of the state
- All state agencies
- Minnesota State Colleges and Universities (MnSCU)
- Department of Children, Families and Learning
- Department of Corrections
- Department of Revenue
- Department of Employee Relations
- Public Utilities Commission

Services Provided
- Defense of challenges to the constitutionality of Minnesota law.
- Defends tort claims against the state.
- Defense of employment claims against the state.
- Commercial litigation.
- Prisoner litigation.
- Representation of state educational agencies.
- Tax litigation.

Historical Perspective
⇒ In FY 2002 successfully represented the state in an *amicus* capacity regarding the Minnesota Twins requiring the team to fulfill its contract to play baseball in Minnesota in 2002.
⇒ Obtained judgments on debts owed to the state.
⇒ Represented MnSCU's 34 colleges and universities in litigation, discrimination/harassment issues, and data practices issues and technology issues.
⇒ Provided legal advice to Department of Children, Family and Learning regarding charter schools, special education and desegregation issues.
⇒ Opened 148 tax cases on behalf of the Department of Revenue.
⇒ Saved the state millions of dollars by its defense and resolution of tort and employment law claims.

Key Measures
- Constitutional challenges are defended successfully.
- Tort and employment law claims brought against the state are successfully defended or settled thereby minimizing the state's fiscal and employment law exposure.
- Employment law claims brought against the state are defended successfully.
- Debts owed state agencies are collected.
- Litigation brought by prisoners in correctional facilities is defended successfully.
- Litigation brought against state educational institutions is defended successfully.
- The Department of Revenue's interests in tax collection and tax litigation matters are represented effectively.

Contact

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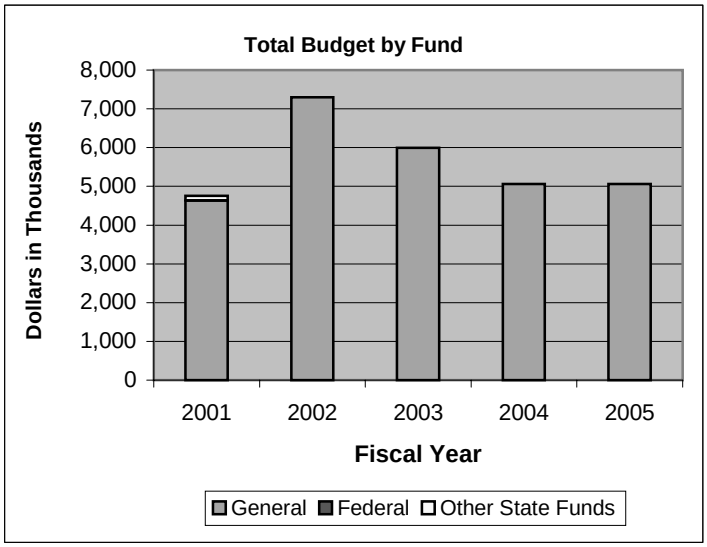
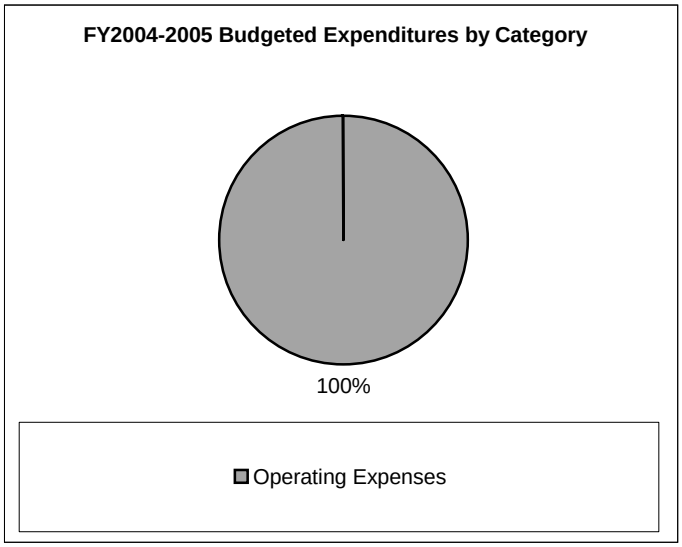
ATTORNEY GENERAL
Program: ATTORNEY GENERAL
Activity: SOLICITOR GENERAL

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,770	5,285	3,979	3,242	3,242	6,484
Statutory Appropriations						
General	1,859	2,010	2,017	1,816	1,816	3,632
Petroleum Tank Release Cleanup	126	0	0	0	0	0
Total	**4,755**	**7,295**	**5,996**	**5,058**	**5,058**	**10,116**
Expenditures by Category						
Operating Expenses	4,755	7,295	5,996	5,058	5,058	10,116
Total	**4,755**	**7,295**	**5,996**	**5,058**	**5,058**	**10,116**
Full-Time Equivalents (FTE)	**63.0**	**63.4**	**63.6**	**63.6**	**63.6**	

Activity Description

Administrative Services provides overall administrative support to the AGO.

Population Served

- Employees of the Attorney General's Office
- State agencies and other government agencies
- Citizens of Minnesota

Services Provided

- Strategic planning.
- Development and implementation of new administrative policies and procedures.
- Upgrading and maintaining the AGO's systems network.
- Budget development.
- Purchasing.
- Accounting.
- Docketing/timekeeping system that provides billing information to state agencies.
- Human resources services/personnel transactions.
- Library and legal research services.

Key Measures

⇒ Office mission is clear.
⇒ Procedures are implemented.
⇒ Budget is developed to justify funding for AGO activities.
⇒ AGO systems are up-to-date and operate efficiently.
⇒ Fiscal activities are accurate, complete and meet state standards.
⇒ Docketing/timekeeping is accurate. Invoices are produced on time.
⇒ Personnel transactions are accurate and timely.
⇒ Library/research services are up-to-date and complete.

Contact

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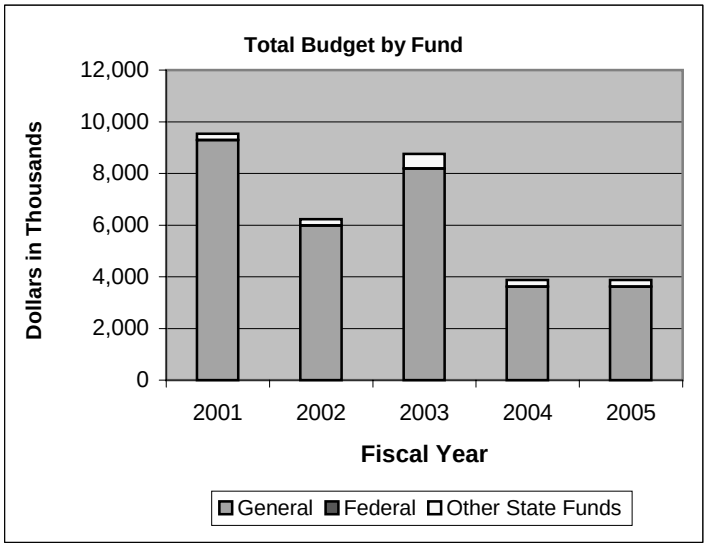

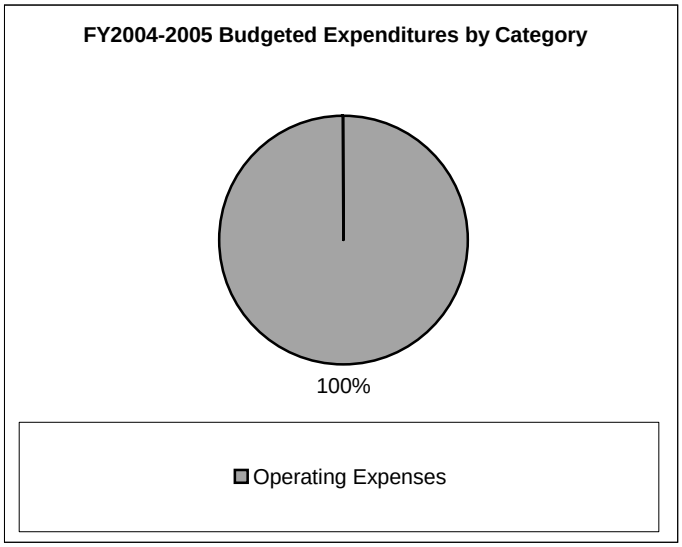

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	8,067	5,967	8,152	3,594	3,594	7,188
Statutory Appropriations						
General	1,219	13	28	20	20	40
Special Revenue	247	254	572	267	267	534
Total	**9,533**	**6,234**	**8,752**	**3,881**	**3,881**	**7,762**
Expenditures by Category						
Operating Expenses	9,533	6,234	8,752	3,881	3,881	7,762
Total	**9,533**	**6,234**	**8,752**	**3,881**	**3,881**	**7,762**
Full-Time Equivalents (FTE)	**41.3**	**41.8**	**39.5**	**39.5**	**39.5**	

State of Minnesota
Department of Finance

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the Governor's FY 2004-05 budget proposal for the Attorney General. The Governor respects the separation of powers and the desire of officials in the judicial and legislative branches and other constitutional officers 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's general recommendations for the legislature and constitutional offices reflect both his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions examine and redesign their operations to increase efficiencies while minimizing the disruption to public services as much as possible. They should also consider collaboration with other agencies to consolidate operations, co-locate facilities, or otherwise share services in order to reduce costs.

For the Attorney General, the Governor's recommendation is $45.239 million in General Fund appropriations for the FY 2004-05 biennium, which reflects a 15% reduction from the agency's forecast budget. This is consistent with the recommendations for other constitutional officers and the legislature. The Governor makes no recommendation regarding the specific initiatives put forward by the Attorney General and other constitutional officers.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	64,716	9,694	74,410
Forecast Caseload/Enrollment Changes	0	-549	-549
Legislatively Mandated Base	40	0	40
New Programs To Agency Base	22	0	22
Adjusted Base Funding	64,778	9,145	73,923
Change Items			
Operating Budget Reduction	-8,000	0	-8,000
Reduce Non Partner Agency Appropriation	0	0	0
Governor's Recommendations	56,778	9,145	65,923
Biennial Change, 2002-03 to 2004-05	-14,024	-5,026	-19,050
Percent Change	-20%	-35%	-22%

Brief Description of Budget Changes:

⇒ In addition to direct appropriations, the AGO receives funds from "partner" agencies for the cost of providing legal services.

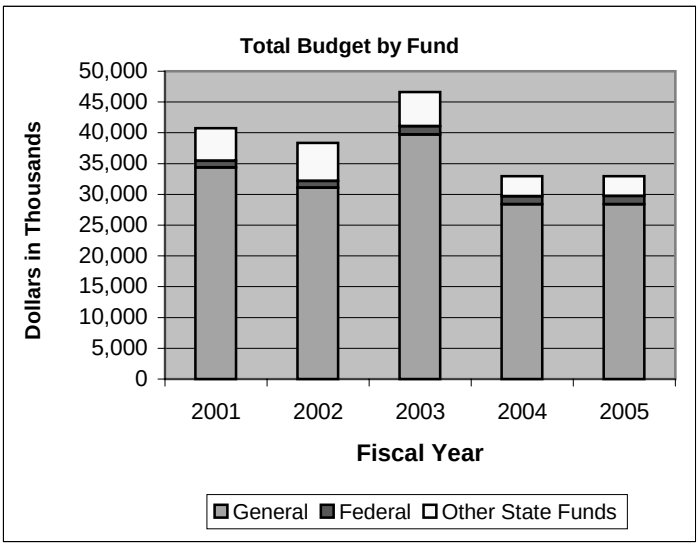
⇒ Base adjustments include a base adjustment of $22,000 for New Programs to Agency Base in the general fund to reflect the full annual costs associated with the felony-level driving while impaired penalty appropriation and a $549,000 enrollment base decrease in the state government miscellaneous revenue fund to reflect a reduction in legal services needed by the various health related boards.

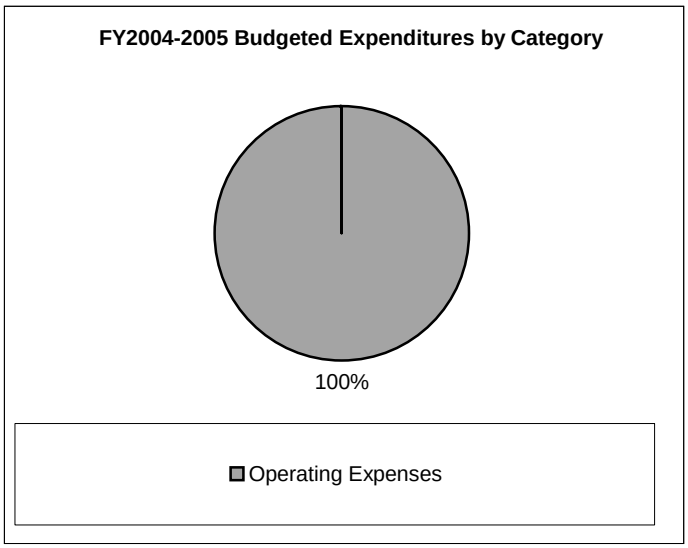
	FY 2004-05 Revenues ($000s)		
	General Fund	Other Funds	Total
FY 2004-05 Current Law Revenues	20,392	4,684	25,076
Change Items			
Reduce Non-Partner Agency Appropriation	210	0	210
FY 2004-05 Total Revenues	20,602	4,684	25,286
Biennial Change 2002-03 to 2004-05	(948)	(390)	(1,338)
Percent Change	(4%)	(8%)	(5%)

Agency Request (Submitted for Reference Only):

⇒ The Governor is required to submit the Attorney General's budget request to the Legislature. A narrative summary of the Attorney General's request is included after the transmittal letter in this document. Additional detail on the Attorney General's change item may be found on the Department of Finance's budget website at www.budget.state.mn.us. The following table summarizes the Attorney General's request:

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level (Biennial Base)	64,716	9,694	74,410
Forecast Caseload/Enrollment Changes	0	-549	-549
Legislatively Mandated Base	40	0	40
New Programs To Agency Base	22	0	22
Adjusted Base Funding	64,778	9,145	73,923
Change Items			
Technology Maintenance and Replacement	2,253	0	2,253
FY 2004-05 Total Agency Request	67,031	9,145	76,176
Biennial Change 2002-03 to 2004-05	(3,771)	(5,026)	(8,797)
Percent Change	(5%)	(35%)	(10%)





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	27,275	25,006	33,269	22,559	22,559	45,118
State Government Special Revenue	2,229	2,363	2,813	1,612	1,591	3,203
Special Revenue	0	48	52	0	0	0
Environmental	61	52	235	145	145	290
Solid Waste	281	165	796	484	484	968
Statutory Appropriations						
General	7,075	6,094	6,433	5,830	5,830	11,660
Petroleum Tank Release Cleanup	126	127	101	0	0	0
Special Revenue	250	257	701	277	277	554
Federal	1,083	1,087	1,373	1,294	1,336	2,630
Miscellaneous Agency	1,947	2,684	850	750	750	1,500
Housing Finance Agency	441	467	0	0	0	0
Total	**40,768**	**38,350**	**46,623**	**32,951**	**32,972**	**65,923**

Expenditures by Category						
Operating Expenses	40,768	38,350	46,623	36,068	36,030	72,098
Transfers	0	0	0	-3,117	-3,058	-6,175
Total	**40,768**	**38,350**	**46,623**	**32,951**	**32,972**	**65,923**

Expenditures by Program						
Attorney General	40,768	38,350	46,623	32,951	32,972	65,923
Total	**40,768**	**38,350**	**46,623**	**32,951**	**32,972**	**65,923**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	10,457	4,559	4,471	4,471	4,471	8,942
Cambridge Deposit Fund	327	0	0	0	0	0
Subtotal Non Dedicated	10,784	4,559	4,471	4,471	4,471	8,942
Dedicated						
General	5,857	6,245	6,275	5,830	5,830	11,660
Special Revenue	202	237	277	277	277	554
Federal	1,080	1,067	1,332	1,294	1,336	2,630
Miscellaneous Agency	1,640	2,031	130	750	750	1,500
Subtotal Dedicated	8,779	9,580	8,014	8,151	8,193	16,344
Total Revenue	**19,563**	**14,139**	**12,485**	**12,622**	**12,664**	**25,286**
Full-Time Equivalents (FTE)	**426.3**	**413.0**	**444.1**	**444.1**	**444.1**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($4,000)	($4,000)	($4,000)	($4,000)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($4,000)	($4,000)	($4,000)	($4,000)

Recommendation
The Governor recommends a $4,000,000 reduction in FY 2004 and FY 2005 in the General Fund appropriation to the Attorney General.

Background
The Governor respects the separation of powers and the desire of officials in the judicial and legislative branches and other constitutional officers 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 balanced budget.

Relationship to Base Budget
This change will provide the attorney general with $45,239,000 in General Funds during FY 2004-05, which is $12,946,000 less than what was appropriated in the last biennium.

Statutory Change: Not applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Direct Expenditures	($105)	($105)	($105)	($105)
Revenues	105	105	105	105
Statutory Expenditures	105	105	105	105
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($105)	($105)	($105)	($105)

Recommendation
The Governor recommends a $105,000 annual reduction in the General Fund appropriation to the Attorney General, which will be offset by an increase in payments received from state agencies.

Background
Currently, non-partner agencies that receive a General Fund appropriation do not pay for legal services provided by the attorney general. Instead, the legislature makes a single appropriation to pay for these expenses. Since the Governor is recommending that two small agencies (Gambling Control Board and Racing Commission) no longer receive General Fund appropriations, they will be required to pay for legal services directly.

It is anticipated that this change will have no net impact on the attorney general's budget.

Relationship to Base Budget
No change.

Statutory Change: Not applicable.

MIKE HATCH
ATTORNEY GENERAL

STATE OF MINNESOTA

OFFICE OF THE ATTORNEY GENERAL

102 STATE CAPITOL
ST. PAUL, MN 55155-1002
TELEPHONE: (651) 296-6196

February 18, 2003

The 2003 Minnesota Legislature

Re: The Attorney General's Budget Request for FY 2004/2005

Dear Members:

Attached is the budget request for the Attorney General's Office (AGO) for Fiscal Years 2004 and 2005. Our Office proposes to carry out its mission to protect the interests of Minnesota's citizens by:

Agency Representation (the AGO serves as legal counsel to all state agencies)

- Enforcing state laws
- Protecting taxpayer dollars
- Protecting the public from unsafe health care and childcare providers, intoxicated drivers, sexual predators and unethical licensed professionals
- Ensuring that state agencies carry out their programs according to state law
- Reviewing state contracts, grants and bond issues to safeguard state resources

Defense of Claims (the AGO serves as defense counsel for the legislature, the State)

- Defending legislation and constitutional challenges
- Representing agencies in litigation brought against the State
- Saving the state millions of dollars by successfully defending claims against the State

Public Protection

- Enforcing the State's consumer, charities, Medicaid and antitrust laws to protect its citizens from fraud and to ensure fair business practices
- Advocating for the interests of residential and small business utility customers before the Public Utilities Commission
- Assisting county attorneys in prosecuting serious crimes and upholding criminal convictions on appeal to safeguard the public interest

The AGO returns, saves and protects taxpayer dollars. The AGO accomplishes this by an ongoing effort to provide high quality cost-effective legal services. The AGO works with state agencies to help them avoid legal problems before they occur. It has aggressively used alternative dispute resolution to prevent costly litigation.

The AGO carries out its mission by:

- Attracting highly qualified attorneys, legal assistants and support staff who provide effective/efficient legal services
- Addressing threats to the public such as telemarketing fraud, felony crime and gang violence
- Working with state agencies, county attorneys and other constituent groups to enable them to carry out their programs more effectively
- Working with agencies to educate staff about issues such as employment law, tort claims and the implementation of new statutes to reduce exposure to claims and to prevent costly litigation for the State

- Developing legislative proposals to address the concerns of Minnesota's citizens
- Regularly examining staffing levels to ensure the efficient delivery of legal services by a core group of employees. The AGO significantly reduced staff in 1999 and continues to review its complement

The AGO is committed to operating in a fiscally responsible manner. Ongoing fiscal challenges to the AGO include:

- Maintaining adequate funding for the Office in light of increasing demand for quality legal services
- Meeting the constantly changing demand for AGO services driven by new initiatives, amended laws, increased litigation and concerns about public safety
- Developing necessary legal expertise, recruiting and retaining highly qualified attorneys

Currently the AGO is funded by a mix of general fund appropriations and by funding agreements with "partner agencies".

As you review our budget request, I will be available to discuss any issues or questions you have.

Very truly yours,

MIKE HATCH
Attorney General

Consolidated Listing of Appropriations
($ in thousands)

	Agency Request FY 2004	Agency Request FY 2005	Senate Budget Division	House Finance Division
Submitted as Part of the Attorney General's Budget Request:				
Direct Appropriations:				
General	$27,933	$27,648		
State Government Miscellaneous	1,612	1,591		
Environmental	145	145		
Solid Waste Fund	484	484		
Statutory Appropriations:				
General	5,725	5,725		
Special Revenue	277	277		
Federal	1,294	1,336		
Miscellaneous Agency	750	750		
Total Agency Request	**$38,220**	**$37,956**	State Government	State Government
Other Funding: Partner Agreements:				
Direct Appropriations:				
General				
--Department of Human Services	1,891	1,891	Health, Human Services & Corrections	Health & Human Services
--Pollution Control Agency	401	401	Environment, Agriculture & Economic Development	Environment & Natural Resources
Petroleum Tank Release Cleanup				
--Department of Commerce	91	91	Environment, Agriculture & Economic Development	Jobs & Economic Development
State Government Miscellaneous				
--State Board of Medical Practice	734	675	Health, Human Services and Corrections	Health & Human Services
Total Partner Agreement Funding	**$3,117**	**$3,058**		
TOTAL ALL	**$41,337**	**$41,014**		

Change Item: TECHNOLOGY MAINTENANCE & REPLACEMENT

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$1,269	$984	$1,134	$1,134
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$1,269	$984	$1,134	$1,134

Recommendation

Two essential projects have been identified: Equipment and Software Maintenance and Network Communications Replacement. These projects must be implemented in the next biennium because vendors will discontinue support of the Attorney General Office (AGO) systems network in FY 2004 if these critical upgrades don't occur. A systems failure would have a devastating impact on the work of the office. These two projects are essential for maintaining our existing network. No additional staff will be needed to implement these projects. Cost of the two projects will be $1,269,000 in FY 2004 and $984,000 in FY 2005.

Background

- ⇒ The AGO undertakes a wide range of activities to ensure that Minnesota's citizens are protected and governmental entities receive quality legal services. The AGO enforces the state's consumer, charities, Medicaid, and antitrust laws to protect the citizens of the state from fraud and to ensure fair business practices. The office assists county attorneys in prosecuting serious crimes, such as murders and gang crimes, and upholds criminal convictions to safeguard the public.
- ⇒ The AGO assists citizens with consumer complaints and legal issues by providing information and mediation, and by educating citizens about their rights. The AGO's citizen assistance telephone line and web site provide easily accessible information about a wide variety of consumer issues and concerns directly to the public.
- ⇒ The office serves as general counsel to state agencies and the legislature to provide legal advice that assists agencies in carrying out their goals and missions. Staff attorneys establish close working relationships with agencies to educate and advise agency staff to reduce exposure to claims and to prevent costly litigation. It serves as defense counsel for state agencies to protect taxpayer dollars and to defend state legislation.
- ⇒ The AGO strives to provide high quality, cost-efficient legal services. The AGO has built a preventative law program designed to avoid legal problems for state agencies. It has aggressively used alternative dispute resolution (ADR) methods to ameliorate or resole claims against the state.
- ⇒ Information Resources support the internal and external activities of the office.

Relationship to Base Budget

The AGO provides a service to state agencies, governmental entities, and the citizens of the state. Because it is a service agency, 80% of its budget is salary-related. The remainder is used for payment of building leases and operations. The AGO does not have "program" dollars to fund necessary technology upgrades and enhancements. This means that technology funding becomes an initiative outside its base budget. Although the AGO requested technology funding for FY 2002-03, the AGO received no technology funding for FY 2002-03. Consequently the office had to put off hardware/software replacement and upgrades. This makes funding for this initiative in FY 2004-05 critical if the office is to continue to operate its network and web site.

Key Measures

Meet court-imposed deadlines. Currently met by using electronic research capabilities, word processing and document management systems, electronic docket and timekeeping, litigation databases, e-mail, and networked printers. Without ongoing support for the network, AGO will not be able to meet deadlines resulting in defaulted court cases.

Measures:
- the AGO has 6,464 open cases currently docketed;
- AGO staff retrieved over 51,000 electronic documents in FY 2002 to provide legal research for developing briefs and legal guidance to clients; and
- AGO staff rely on internal databases to track information, evidence, and documents.

Educate consumers. Minnesota citizens receive help with consumer problems in a variety of ways. AGO brochures on a variety of consumer topics are mailed by request and are available in many local public libraries. The AGO web site has numerous publications online as well as other information. Consumer complaints can be submitted via the web. Without ongoing support for the AGO network, the AGO will be forced to curtail these important access points for Minnesota citizens.

Measures:
- the AGO offers 38 consumer oriented publications through its web site;
- over 250,000 brochures were requested by the public in FY 2002;
- over 100,000 brochures were distributed at speaking events and the Minnesota State Fair; and
- the percent of consumers requesting brochures via the AGO web site is increasing each year of the web site's operation.

Effective and efficient state agency legal representation. A fully operational network is vital for providing quality legal representation to state agencies. E-mail provides efficient communication and fast review of documents. Support of the AGO network is essential for continued effective interfacing with state agency networks.
Measures:
- AGO has 6,464 open cases currently docketed;
- AGO staff retrieved over 51,000 electronic documents in FY 2002 to provide legal research for developing briefs and legal guidance to clients; and
- AGO staff rely on internal databases to track information, evidence, and documents.

Responding to consumer complaints and mediating claims to avoid lawsuits. Rapid response to consumers is possible with support from AGO databases and other electronic support. Consumer complaints often can be resolved through voluntary settlements to the satisfaction of all parties.
Measures:
- response time to complaints is three days (turnaround shortened from 10 days previously); and
- AGO handles in excess of 25,000 complaints a year

Charities: The AGO charities database has an extensive and complete collection of information on charitable and other non-profit organizations. Maintaining this database ensures public accountability of charitable organizations. A fully operational network is essential for continuing public access to these data.

Measures:
- AGO maintains public information accessible via its web site about over 8,300 charitable organizations, charitable trusts, and professional fundraisers; and
- the charities area of the AGO web site accounts for 12% of access to the site by the public.

Alternatives Considered
The office has considered attempting to run its current network without any upgrades. This has been ruled out because the operations and security of the network would be compromised to an unacceptable level.

Statutory Change: Not applicable.

Office of Technology Analysis

The Office of Technology recommends funding this project but agency needs to begin establishing a replacement schedule for hardware and software as budgetary line items.

- ⇒ Agency ROI information was not provided.
- ⇒ This is primarily a maintenance and continuation project to upgrade equipment and software. Due to product life cycle this project needs to be accomplished by FY 2004.
- ⇒ Agency has made ***very good*** use of the strategic planning process (SIRMP) to establish direction, assessment and planning of projects.
- ⇒ Project has cross agency collaboration, service and represents some re-engineering of business processes.

Agency Purpose

The Board of Barber Examiners was created in 1897 to protect the public's health and welfare while maintaining a high quality of barbering services to the public. Currently, M.S. 154 and Rules 2100 authorized the board to examine and regulate the barbering profession.

At A Glance

Factors affecting the board are school enrollment and the number of individuals, shops, and schools that are licensed on an annual basis.

Budget for FY 2002-03 biennium is $312,000

Core Functions

The board is responsible for the following:

- administering examinations;
- regulating the practice and registration of all individual barbers, barber shops, and schools; and
- conducting inspections of barber shops and schools on an annual basis to ensure that all sanitary statutes and rules are complied with. As a result of these inspections, the public can be assured of a clean and sanitary environment.

Operations

The board's operations for the most part directly affect the licensees, however, the public also can be affected by the processing of complaints and receiving of information. Services are delivered through examinations, licensing, inspections, regulation, processing of complaints, and giving information to individuals requesting it.

Budget

The board's FY 2002-03 budget totaled $312,000. There are two full-time employees. The board is totally funded with a General Fund appropriation. The board recovers all operating costs through fees charged for examinations and licenses.

Contact

Board of Barber Examiners
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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Economic Development omnibus bill. These agencies collectively administer $130 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $17.5 million (17.8%) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to preserve Minnesota's rich history, support the state's art community, regulate professional licensees, and provide advice to the Governor and legislature on issues effecting the state's minority populations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

We have evaluated the role of government in a number of these agencies and are recommending the elimination of state funding. The reduction level for most of the other non-cabinet agencies in the economic development area ranges from 15-20%. Most agencies have focused on reducing their administrative areas of the budget in order to preserve the core functions of the agency.

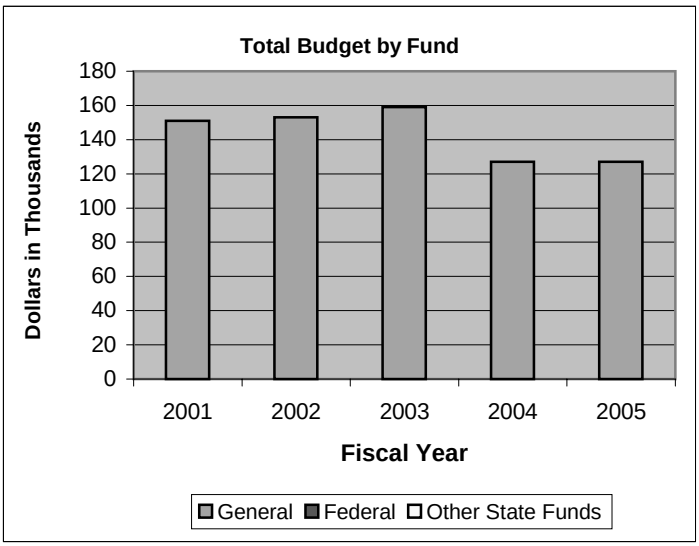
The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

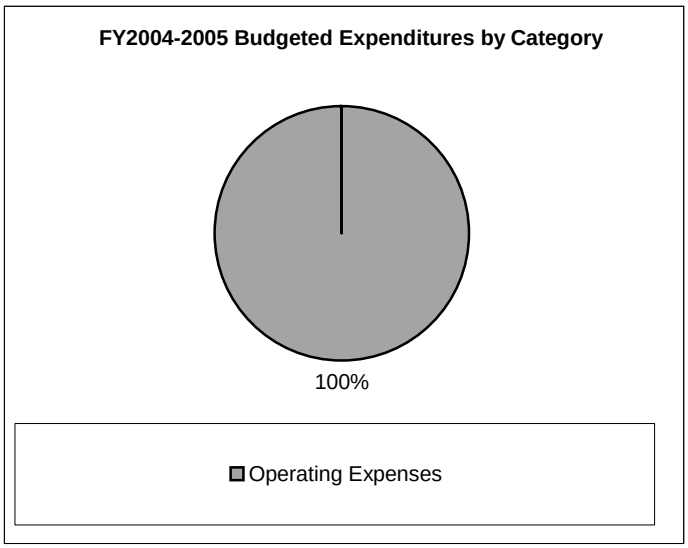
I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	318	0	318
Adjusted Base Funding	318	0	318
Change Items			
Budget Reduction	-64	0	-64
Governor's Recommendations	254	0	254
Biennial Change, 2002-03 to 2004-05	-58	0	-58
Percent Change	-19%	n.m.	-19%





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	151	153	159	127	127	254
Total	**151**	**153**	**159**	**127**	**127**	**254**
Expenditures by Category						
Operating Expenses	151	153	159	127	127	254
Total	**151**	**153**	**159**	**127**	**127**	**254**
Expenditures by Program						
Barbers	151	153	159	127	127	254
Total	**151**	**153**	**159**	**127**	**127**	**254**
Revenue by Type and Fund						
Non Dedicated						
General	0	186	180	180	180	360
Cambridge Deposit Fund	182	0	0	0	0	0
Subtotal Non Dedicated	182	186	180	180	180	360
Total Revenue	**182**	**186**	**180**	**180**	**180**	**360**
Full-Time Equivalents (FTE)	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($32)	($32)	($32)	($32)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($32)	($32)	($32)	($32)

Recommendation
The Governor recommends a reduction of $32,000 in FY 2004 and $32,000 in FY 2005 from the budget of the Board of Barbers Examiners.

Background
The reduction will require cuts to program areas along with staff.

Relationship to Base Budget
The recommendation reduction represents 20% of the base budget.

Alternatives Considered
None.

Statutory Change: Not Applicable.

Agency Purpose

The State Council on Black Minnesotans addresses the needs for people of African heritage to fully and effectively participate in and equitably benefit from the political, social and economic resources, policies and procedures of this state.

With the insistence and support of the African American community, the council was created by the Minnesota legislature in July 1980 (M.S. Section 3.9225). It has as its primary purpose to advise the governor and legislature on the nature and intensity of issues confronting the state's Black populations. The formation of the council was critical for Black Minnesotans because, historically, this population has been, and continues to be, underrepresented in the legislature and has had little access to the office of the governor or other policy makers.

The council is a policy-oriented agency that uses a community mobilization and involvement model. Prior to the creation of the council, there was no state or local agency with the responsibility for advising and educating policy makers, researching and analyzing the broad spectrum of issues affecting Black Minnesotans, and advocating on their behalf. And, there was also no agency or organization with the responsibility to educate and reeducate Black Minnesotans regarding specific policy issues and the value of political and policy participation.

The council's advice to policy makers must be well founded, accurate and representative of the will of its constituencies. To facilitate these functions, the council is made up of 13 public members appointed by the governor with the understanding that they must be broadly representative of Minnesota's Black communities. Four ex-officio legislative representatives are also members of the council and participate in setting the agenda and priorities of the agency.

At A Glance

Minnesota's fast growing Black population is the council's primary client constituency and is the state's largest non-European ethnic/cultural group. According to the 2000 census, there are now about 171,731 residents who are Black Minnesotans – more than triple the state's Black population in 1980. The council's client constituency also includes one of the largest African immigrant populations in the United States. The vast majority of the council's constituencies, over 75%, are residents of the Twin Cities Metropolitan Area. Smaller Black communities can be found in and near Rochester, Duluth, St. Cloud, Moorhead and Worthington. Currently, rapid Black population growth is taking place in such Greater Minnesota counties as Carlton, Isanti, Chisago and Crow Wing.

The council also has an institutional constituency of health and human service organizations with similar values, concerns, target populations, and objectives.

Overall, the populations served by the council are disproportionately impoverished and have experienced a multitude of complex and inter-related problems; social, political and economic. These conditions are both caused and acerbated by a lack of equal access and opportunity, and institutional and individual racism. The council was created to address the disparities associated with these conditions and be an instrument to create institutional and social change.

Core Functions

The council operates as a liaison between state agencies, individuals and organizations seeking access to state government. Basically, it participates in policy making processes that affect the interests and welfare of Black Minnesotans. And, it recommends new laws or changes in existing laws to the governor and legislature which may benefit African Americans and Africans in the state of Minnesota. It also publicizes the accomplishments of Black Minnesotans and their contributions to the quality of Minnesota life. Specific functions of the council include monitoring government and private sector agencies, programs and policies to determine their impact on Black Minnesotans and other population of color. They also include conducting primary and secondary research and sponsoring and promoting issue/policy oriented educational programs.

In order to effectively advise the governor, legislators and other policy makers, the council has organized community legislative/policy dialogues. It also conducts primary and secondary research to get information on the extent to which Black Minnesotans benefit from current policies and programs. Conducting research has provided the council with information that allows it to identify existing community needs and resources and set organizational priorities. A significant barrier to the accomplishment of these functions is the current status of available data or information. Most agencies, state or local, public or non-profit, do not collect data in a manner

that would allow the council to determine in a precise fashion the extent to which Black Minnesotans participate in and benefit from existing programs and policies. Correcting this condition is a primary objective of the council.

The council has established programs to address the needs of its constituencies. Through collaboration and cooperation, it is involved in about 70 ongoing committees and organizations addressing such issues as out-of-home placement of children, teen pregnancy, hunger, health, affordable housing and homelessness, economic development, education, drugs, violence, childcare, HIV/AIDS, crime, the status of African American males, tobacco usage prevention/reduction, employment, the status of Black veterans, poverty, police community relations (including racial profiling) and the unique concerns of native African communities.

An annual function of the council involves managing and overseeing the observance of the Dr. Martin Luther King Holiday and celebration. Every year, since its inception in 1982, the council has planned and presented programs and events designed to promote the ideals of Dr. King.

Another important function of the council is to promote the representation, accountability and increased/effective leadership of Black Minnesotans in policy-making processes. This is accomplished through the identification of individuals, as community assets, and matching individual skills with volunteer opportunities on Boards, Commissions and Task Forces, etc.

Budget

Revenues: The total budget for the State Council on Black Minnesotans for budget year 2002, is $342,000. The state of Minnesota was the council's sole revenue source for this year. Of this amount, $25,000 (7.3%) was allocated specifically for the Dr. Martin Luther King Holiday and celebration. The remaining $317,000 (92.7%) was allocated for agency personnel and operations.

Expenditures: Just over 70% ($218,500) of the council's budget is being devoted to staffing costs for 4.0 full-time equivalents for 2002. The remaining $93,500 (roughly 30%) funded traditional agency operations costs (e.g., rent, travel, communications, supplies and equipment).

Contact

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February 18, 2003

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St. Paul, Minnesota

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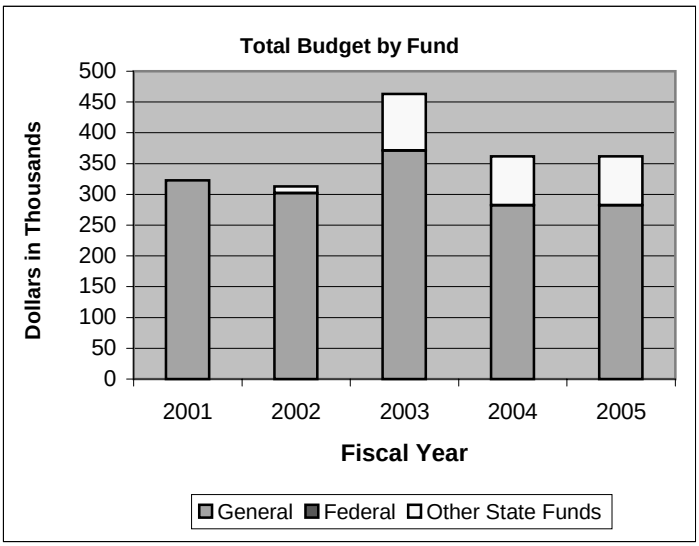
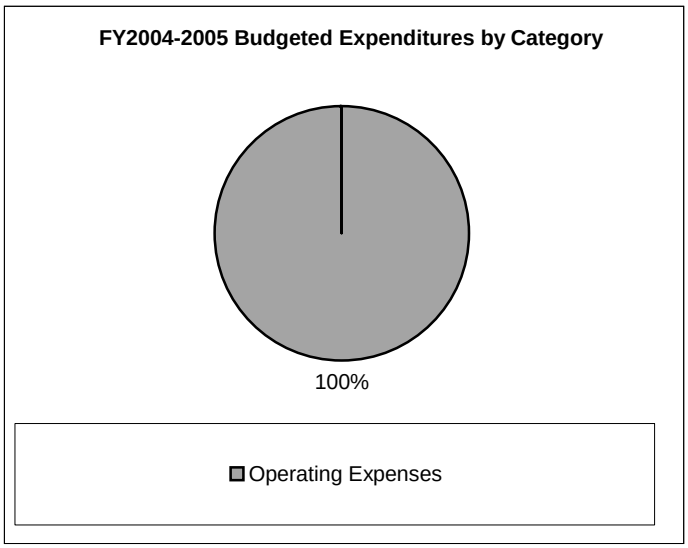
Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	704	160	864
Adjusted Base Funding	704	160	864
Change Items			
Budget Reduction	-140	0	-140
Governor's Recommendations	564	160	724
Biennial Change, 2002-03 to 2004-05	-109	57	-52
Percent Change	-16%	55%	-7%





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	323	302	371	282	282	564
Statutory Appropriations						
Special Revenue	0	4	85	80	80	160
Gift	0	7	7	0	0	0
Total	**323**	**313**	**463**	**362**	**362**	**724**
Expenditures by Category						
Operating Expenses	321	313	463	362	362	724
Local Assistance	2	0	0	0	0	0
Total	**323**	**313**	**463**	**362**	**362**	**724**
Expenditures by Program						
Council On Black Minn	323	313	463	362	362	724
Total	**323**	**313**	**463**	**362**	**362**	**724**
Revenue by Type and Fund						
Dedicated						
Special Revenue	4	20	82	82	61	143
Gift	1	0	0	0	0	0
Subtotal Dedicated	5	20	82	82	61	143
Total Revenue	5	20	82	82	61	143
Full-Time Equivalents (FTE)	**4.1**	**3.4**	**5.1**	**5.0**	**5.0**	

Fiscal Impact ($141s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($70)	($70)	($70)	($70)
Revenues				
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($70)	($70)	($70)	($70)

Recommendation
The Governor recommends a reduction to the base appropriation of $70,000 each year. The Governor is also asking the Black Minnesotans Council to maintain its most important core functions while reducing administrative costs by merging staffing and office facilities with the Asian-Pacific, and Chicano-Latino Councils.

Background
The council should be able to consolidate administrative functions with the other councils, and reduce all their operating costs.

Relationship to Base Budget
This is a 20% reduction to the council's base.

Statutory Change: Not Applicable.

Agency Purpose

The Campaign Finance and Public Disclosure Board is the service and regulatory agency that develops and implements administration and enforcement of M.S. Ch. 10A, the Ethics in Government Act. Agency staff supports a six-member bipartisan board, appointed by the governor for staggered four-year terms. The board's mission is to promote public confidence in state government decision making through development, administration, and enforcement of disclosure and public financing programs which will ensure public access to and understanding of information filed with the board.

At A Glance

In FY 2001, the board administered programs covering

- 744 candidate committees
- 336 political party units
- 345 political committees and funds
- 3,107 lobbyist registrations
- 1,355 reporting public officials
- $3.3 million in public subsidy payments to candidates

Core Functions

Core functions of the Campaign Finance and Public Disclosure Board include administration and management of the:

- registration and public disclosure by state legislative and constitutional office candidates, political party units, political committees, and political funds;
- registration and public disclosure by lobbyists and their principals attempting to influence state legislative actions, administrative action, and the official action of metropolitan governmental units;
- disclosure of economic interests, conflicts of interest, and representation of a client for a fee under circumstances defined in M.S. Ch. 14 and M.S. Ch. 216B.243 for certain state and metropolitan officials; and
- distribution of payments from the state's public subsidy program that provides public funding to qualified state candidates and the state committee of a political party; and allows those candidates and parties to give political contribution refund receipts to certain campaign contributors.

Operations

The Campaign Finance and Public Disclosure Board assists clients in meeting the requirements of the law by:

- making all disclosure forms available in the board office, on the board's website, and mailing required forms to clients up to one month prior to the reporting date;
- conducting training classes to aid volunteer treasurers and candidates in record keeping, reporting, and using Finance 2002 campaign software;
- providing free campaign finance software to candidates for state and judicial offices to assist them in record keeping and enable them to file required reports electronically;
- maintaining an agency web site which provides forms and publications for downloading, board advisory opinions, board meeting agendas and minutes, board member and staff information, lists of clients, and summaries of past filings;
- maintaining an inbound watts voice line and fax line;
- providing client-use computers in the office for customers who do not have access to a computer or the Internet;
- providing a copier for client use in copying information from filed reports; and
- working with the legislature to make sure that the statute is understandable and easy to administer.

Agency operations directly affect candidates for state office, lobbyists, and public officials by assisting them in compliance with the statute. The general public and news media are benefited by timely, easy access to campaign information filed by candidates through agency web base applications.

Key Measures

⇒ Agency-developed campaign finance software was requested by and provided to 105 clients in 1998; software enhancements and additional training in 2002 added another 202 interested clients.

⇒ Agency interactive website information is updated daily to keep the public informed.

Budget

The board's operating budget is funded by a direct General Fund appropriation from the Minnesota Legislature.

Staff salaries currently include nine full-time (two vacant positions), one part-time, and one student worker position. Agency operations include all non-subsidy disbursements made to assist clients and are always higher in the second year of the biennium due to the elections cycle. The board's technology budget is used for the development and maintenance of its interactive agency website.

Contact

For additional information:

Jeanne Olson, Executive Director, at (651) 296-1721
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State of Minnesota
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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the Governor's FY 2004-05 budget proposals for the non-cabinet agencies in the state government omnibus bill. Under the Governor's recommended budget, these agencies would collectively spend $12.882 million in General Fund dollars for the FY 2004-05 biennium. The funding provided for these agencies will be used for the protection of public assets and resources, assurance of due process related to governmental rulemaking, the regulation of the gambling and racing industries, administration of campaign finance and disclosure laws, and support to small non-profit organizations that assist Minnesota veterans.

The FY 2004-05 funding recommended for these agencies represents a $6.695 million (34.2%) decrease from the FY 2002-03 biennium. The recommendations will also result in a net decrease in revenue to the General Fund of $954,000 for the biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing and reorganizing some functions. Therefore, for some of the agencies in this bill, the Governor recommends that funding and/or operations be consolidated with other related operations in the state in order to ensure cooperation and shared services to reduce costs.

In addition, the Governor recommends mitigating the impact of the state's deficit by spreading the cuts broadly among agencies, and by ensuring that the industries and parties that benefit from these services assist in paying for them. Therefore, for some of the agencies in this bill, the Governor recommends that dependence upon General Fund dollars be supplanted or offset with fees and user charges, and that where appropriate, some fees billed to governmental agencies be reduced.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium as well as the Governor's recommendations for state funding of pension systems, and revenue from the Minnesota Lottery.

My staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

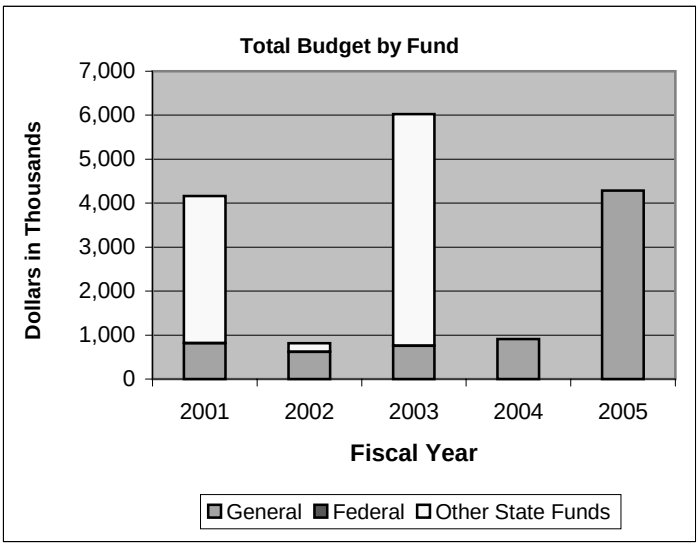
	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	9,830	0	9,830
Biennial Appropriations	-1,500	0	-1,500
Legislatively Mandated Base	0	0	0
Open Appr. Forecast Adj.	-3,096	0	-3,096
Transfers Between Agencies	30	0	30
Adjusted Base Funding	5,264	0	5,264
Change Items			
Fee Recovery Proposal	-67	0	-67
Governor's Recommendations	5,197	0	5,197
Biennial Change, 2002-03 to 2004-05	3,821	-5,465	-1,644
Percent Change	278%	-100%	-24%

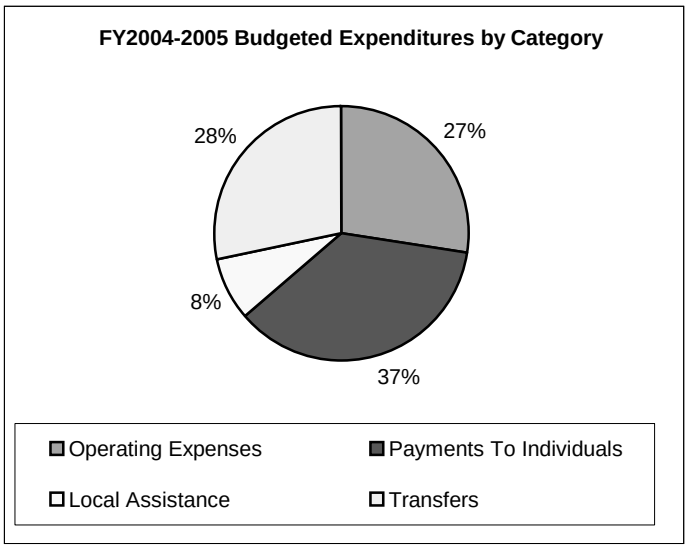
Brief Explanation Of Budget Decisions:

The FY 2004-05 appropriation level includes a $30,000 biennial transfer and ongoing increase from the Office of Technology associated with Small Agency Infrastructure (SAI) project funding in the prior biennium.

The base budget is reduced by $1.5 million, because the general public subsidy is appropriated every other year by statute as related to the election cycle. Similarly, tax check-off contributions and expenses are paid out on a cyclical basis related to the election cycle, which results in another adjustment down of $3.096 million to the forecasted open appropriation for these funds.

	FY 2004-05 Revenues ($000s)		
	General Fund	Other Funds	Total
FY 2004-05 Current Law Revenues	94	1	95
Change Items			
Fee Recovery Proposal	1,256	0	1,256
FY 2004-05 Total Revenues	1,350	1	1,351
Biennial Change 2002-03 to 2004-05	1,282	(6)	1,276
Percent Change	1885%	(600%)	1701%





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	815	620	756	712	712	1,424
Open Appropriations						
General	0	0	0	200	3,573	3,773
Special Revenue	3,344	100	5,240	0	0	0
Statutory Appropriations						
Special Revenue	0	98	27	0	0	0
Total	**4,159**	**818**	**6,023**	**912**	**4,285**	**5,197**
Expenditures by Category						
Operating Expenses	815	648	783	712	712	1,424
Payments To Individuals	3,228	70	4,571	0	1,877	1,877
Local Assistance	116	100	669	200	220	420
Transfers	0	0	0	0	1,476	1,476
Total	**4,159**	**818**	**6,023**	**912**	**4,285**	**5,197**
Expenditures by Program						
Campaign Finance & Public Disc	4,159	818	6,023	912	4,285	5,197
Total	**4,159**	**818**	**6,023**	**912**	**4,285**	**5,197**
Revenue by Type and Fund						
Non Dedicated						
General	100	21	47	783	567	1,350
Subtotal Non Dedicated	100	21	47	783	567	1,350
Dedicated						
Special Revenue	0	3	4	1	0	1
Subtotal Dedicated	0	3	4	1	0	1
Total Revenue	**100**	**24**	**51**	**784**	**567**	**1,351**
Full-Time Equivalents (FTE)	**8.0**	**7.9**	**9.2**	**9.2**	**9.2**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$30	($97)	$30	($97)
Revenues	736	520	736	520
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($706)	($617)	($706)	($617)

Recommendation

The Governor recommends a General Fund direct appropriation of $1.424 million for the FY 2004-05 biennium. Also, the Governor recommends establishing fees for those who file and register with the board as well as an increase to the administration set aside from political campaign tax check-off revenues in order to fully offset the operating costs for the agency.

Background

The Campaign Finance and Public Disclosure Board administers registration and public disclosure of expenditures, contributions, and investments of and to state candidates and public officials. The board also distributes public subsidies to state candidates for their election campaigns. Except for smaller incidental penalties and late fees, the agency does not currently charge any fees to the individuals and organizations that file and register with the board. Because the Governor is concerned about the magnitude of the state's budget shortfall, he hopes to ensure that some of the parties who benefit by the work of the board, assist in paying for it.

In many states that have ethics laws and boards similar to Minnesota, the administering agencies charge fees to recover their operating costs. For example, all states except three in the U.S. require lobbyists to register. Of the 47 states that register lobbyists, 37 charge registration fees. Of the 37 that charge fees, over one-third of them charge a fee of $100 or more. Wisconsin has a fee of $100 annually for political committees and party units if they spend more than $2,500 per year. Louisiana also has a $100 annual fee for political committees. Kansas has a progressive annual fee structure for political committees, based upon how much they raise, from $20 for less than $500 raised to $240 for over $2,500 raised. Also, Kansas charges candidates a fee in addition to its election filing fee.

The Governor proposes setting the following fee structure to generate the following estimated revenues:

	Approx. Number	***Fee***	***Frequency***	***Total Est. Revenue Per Bien.***
Lobbyists	1,300	$225	Biennial	$292,500
Associations represented by lobbyists	1,200	$225	Biennial	$270,000
Candidates:				
Statewide Offices	35	$1,000	Biennial	$35,000
Senate	150	$500	Biennial	$75,000
House of Representatives	300	$350	Biennial	$105,000
Judicial	25	$25	Biennial	$625
Political Committees/Funds	350	2% of expenditures	Biennial	$180,000
Political Party Units	350	1% of expenditures	Biennial	$180,000
Public Officials	1,300	$45	Annual	$117,000
Total Fee Revenue				**$1,255,125**

Fees charged to appointed public officials who are required to register with the board would be billed to the sponsoring agency or institution.

Additionally, current law provides that 3 percent of the tax check-off proceeds are transferred to the General Fund for administrative costs prior to distributing the funds to campaign recipients. The Governor proposes to increase the percentage to 10 percent, which would provide an additional estimated $172,000 during the biennium to offset the board's costs. Therefore, the total cost and revenue offset is estimated to be $1,427,125 for the FY 2004-05 biennium.

The legislature would continue to directly appropriate the agency's budget from the General Fund, and all fee revenues would be deposited as non-dedicated General Fund proceeds. The board would report costs and revenues under the departmental earnings requirements, whereby fee rates would be adjusted to appropriately cover costs through the legislative process.

Relationship to Base Budget

The Governor recommends an additional $60,000 for the FY 2004-05 biennium above the agency's biennial base budget to accommodate costs related to the new administrative requirements and increased workload of collecting fees from the many registrants.

Alternatives Considered

Other fee structures were considered for charging the same registrants. Candidates could be charged a flat rate regardless of the office for which he/she is running. Fees to political committees and party units could be tiered in ranges of expenditures, or the fees to political committees and party units could be based upon the level of funding raised by those groups instead of the amount spent by those groups.

Other considerations were to charge additional fees to filers who manually file their forms rather than using the software provided at no cost by the board. The board could also charge a fee to individuals who file grievances, because such filings generate expensive investigations. The latter consideration was dismissed, because it was deemed to inappropriately discourage such filings.

Statutory Change: M.S. Chapter 10A

Agency Purpose

Minnesota Statutes 15.50 provide for the Capitol Area Architectural and Planning Board (CAAPB) to preserve and enhance the Capitol Area's unique aesthetic and historic character, and to plan and guide its future development by maintaining a framework for its physical growth. CAAPB was established by the 1967 legislature to ensure the architectural integrity of the Capitol, the buildings immediately adjacent to it, the Capitol grounds, and the Capitol Area.

At A Glance

- The Capitol, built in 1905, will celebrate its centennial in 2005.
- Approximately 300,000 people visit the Minnesota State Capitol each year and another approximately 9,000 work within the Capitol Complex on a daily basis.
- Since 1986, capital budget appropriations totaling $25.9 million have been dedicated to Capitol Building renovations and restoration.
- The Capitol Complex is comprised of a 60-block area that contains 15 state office (two million gross square feet of office, ceremonial, and public spaces), six blocks of commercial/retail space, 12 residential blocks, and one primary care hospital campus.
- The board is comprised of 10 members, chaired by the lieutenant governor, with both House and Senate representation as well as gubernatorial and city appointees.

Core Functions

As the planning and regulatory agency responsible for architectural design and long-range planning for the Capitol Area, the CAAPB has exclusive zoning jurisdiction and design review over both the state government complex and the surrounding commercial and residential neighborhoods.

Key Service Strategies:

⇒ *Initiate* funding requests, promoting timely design and maintenance of the Capitol Building.
⇒ Provide *framework* for the development and maintenance of the Capitol Mall and its memorials.
⇒ *Manage* internal agency operations, planning, and projects.
⇒ Provide planning tools and *guidelines* for future Capitol Area development.
⇒ *Coordinate* all historical documents for the Capitol Area.
⇒ Provide open *communication* and coordination with all clientele.
⇒ *Manage* the board's human resources effectively.

Operations

As overseer of Capitol Area development, the CAAPB's responsibility for public projects cover all phases of design and construction. Individual project planning occurs within a long-range framework for the area's physical development. The board's *1998 Comprehensive Plan* and the *Specific Actions for Implementation of the Comprehensive Plan* are the framework for its daily agenda, along with the *Zoning and Design Rules for the Capitol Area*, serving the 60 block area around Minnesota's Capitol, published in January 2000.

In overseeing and coordinating development in the Capitol Area, the CAAPB is works closely with many state agencies, especially the Department of Administration, the city of Saint Paul, neighborhood planning district councils and development groups, and with private sector architects, engineers, and developers.

Board performance focuses on good design, thorough and coordinated long-range planning, and achieving more for the public dollar, whether it is federal, state, or city funding. Because the board is composed of gubernatorial, legislative, and city appointees, it often is in a position to coordinate and leverage public improvements in a cost-effective and result-orientated manner.

Key Measures

The board meets every two to three months to review or approve issues directly affecting zoning/planning development or design within the 60-block area of the board's jurisdiction.

Based on solid planning tools and guidelines developed in concert with the *Comprehensive Plan* and the *Zoning and Design Rules*, the board's influence has positive impact on the overall appearance of the Capitol Area and beyond. In recent years, the agency assisted in the design and construction of the Department of Revenue building, the Korean War Veterans Memorial, and the Woman's Suffrage Memorial, in addition to the ongoing

restoration of the Capitol Building, including the "Rathskeller" cafeteria, the exterior and immediate grounds, and the completion of the *Predesign Study* for interior restoration of the building.

Based on the board's success in implementing a higher design standard, the advice of the Advisory Committee and staff is sought after by:

- other state capitols in their approaches to planning and development;
- the Saint Paul Design Center;
- surrounding district councils and citizen action groups;
- professional planning and architectural organizations interests; and
- nonprofit and community based initiatives; for example, Public Art Saint Paul, Summit Park redevelopment effort, Riverfront Corporation, and Saint Paul Farmers Market.

Budget

The CAAPB base budget is appropriated from the General Fund. The budget covers salaries for four permanent employees, plus per diems for the three-member Advisory Committee and the ten-member board. In FY 2002-03 a specific appropriation through the Department of Administration provided some additional funding for technology costs. The committee's level of activity, outside CAAPB control, is contingent upon others who need CAAPB review or approval for development projects. Legislative language passed in 2001 has allowed the CAAPB to begin charging for board, advisors, and staff time when the projects are pursuant to the Capitol Area and requiring board review or approval, but those costs are only reimbursable through FY 2003.

Contact

Capitol Area Architectural and Planning Board
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Saint Paul, Minnesota 55155

World Wide Web Home Page: http://www.caapb.state.mn.us

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February 18, 2003

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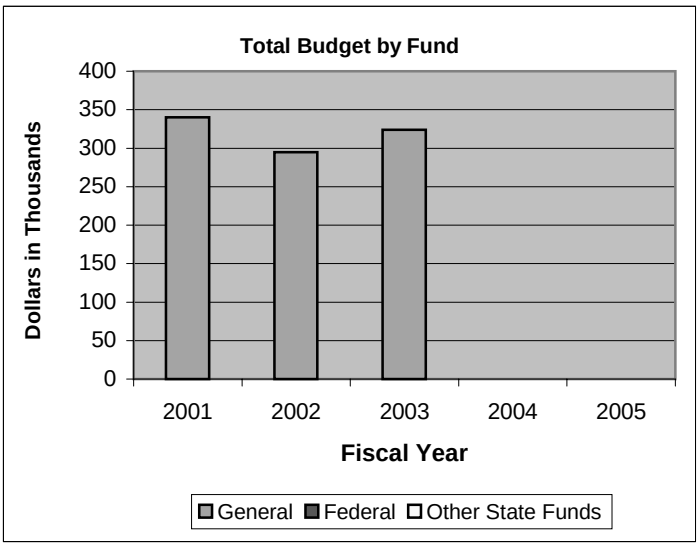
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	614	0	614
Legislatively Mandated Base	0	0	0
Transfers Between Agencies	40	0	40
Adjusted Base Funding	654	0	654
Change Items			
Transfer To Admin & Operating Reduction	-654	0	-654
Governor's Recommendations	0	0	0
Biennial Change, 2002-03 to 2004-05	-619	0	-619
Percent Change	-100%	n.m.	-100%

Brief Explanation Of Budget Decisions:

The FY 2004-05 appropriation level includes a $40,000 biennial transfer and ongoing increase from the Office of Technology associated with Small Agency Infrastructure (SAI) project funding in the prior biennium. Per fiscal protocol, the transfer is spread evenly across each year of the biennium.



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	340	295	324	0	0	0
Total	**340**	**295**	**324**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	340	295	324	0	0	0
Total	**340**	**295**	**324**	**0**	**0**	**0**
Expenditures by Program						
Capitol Area Arch Planning Bd	340	295	324	0	0	0
Total	**340**	**295**	**324**	**0**	**0**	**0**
Revenue by Type and Fund						
Non Dedicated						
General	0	1	0	0	0	0
Subtotal Non Dedicated	0	1	0	0	0	0
Dedicated						
Gift	2	0	0	0	0	0
Subtotal Dedicated	2	0	0	0	0	0
Total Revenue	**2**	**1**	**0**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**4.0**	**4.0**	**4.0**	**0.0**	**0.0**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($327)	($327)	($327)	($327)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($327)	($327)	($327)	($327)

Recommendation

The Governor recommends an appropriation of $262,000 per year for the activities of the Capitol Area Architecture and Planning Board (CAAPB). The Governor also recommends that this funding and the activities of the CAAPB be transferred to the Department of Administration in order to more efficiently administer activities that are similar.

Background

In an effort to seek efficiencies while maintaining core services, the Capitol Area Architecture and Planning Board would become the responsibility of the Department of Administration. The Department of Administration currently provides some support services to the board, and many of the board's authorities have functional relationships with the divisions of State Building Construction and Plant Management within Administration.

Relationship to Base Budget

The appropriation to be transferred to the Department of Administration (see change item under Administration) would be 80% of the funding appropriated in FY 2002-03, a reduction of $130,000.

Statutory Change: M.S. 15.50

Agency Purpose

Minnesota statutes provide the Chicano Latino Affairs Council with a unique responsibility of "advising the governor and the legislature on the issues of importance to Minnesota's growing Latino population. The Council's mission is key to bringing the Latino issues to the forefront when legislation, rules and regulations are discussed and to advise as to the impact of government action with regards to the Latino population. There are other statutory functions that are key to the Chicano Latino Affairs Council as well:

- serve as a liaison between local, state and federal government and Minnesota's Chicano Latino community;
- serve as an information and referral agency to ensure that Chicano Latinos in Minnesota are connected to the appropriate government agencies and community based organizations to address their concerns, which range from immigration and education to discrimination and social well being;
- educate legislators, agency heads, the media and the general public about the accomplishments and contributions of Chicano Latinos;
- raise general awareness about the problems and issues faced by the Latino community; and
- publish the accomplishments of Chicano Latinos in Minnesota.

At A Glance

Two-Year State Budget:

$741,824 from the General Fund

The Latino population is the ethnic group with the highest growth in the United States and in Minnesota. The 2000 Census show that, from 1990 to 2000, Minnesota experienced a growth in the Latino population of 166%, becoming the minority group with the biggest growth in the state. Approximately 145,000 Latinos are residents in Minnesota. Close to 20,000 Latino agricultural workers come to Minnesota to work in the farms and food industry each year. The Chicano Latino Affairs Council's unique position within state government makes it possible to bring the voice of the Latino community in Minnesota to the policymakers, raising awareness of the issues that affect that population while at the same time serving the community as an educational conduit and liaison with city and county governments statewide.

Core Functions

These functions help the Chicano Latino Affairs Council carry out its mission:

⇒ Being a resource for legislators, the governor and state agencies that address problems and issues of impact to the Latino population in Minnesota.

⇒ Being a resource for city and county governments that implement legislation and create policies that have an impact in the Latino population in the state.

⇒ Being a resource for community based organizations that work with the Chicano Latino population.

⇒ Educating the new Latino immigrants in the state on legislation, rules and regulations.

⇒ Publishing a monthly newsletter in Spanish and English titled "Al Dia" which has statewide distribution and not only reports on the accomplishments of the Chicano Latinos, but serves as an informational conduit for the community.

⇒ Publishing and disseminating a bilingual directory which is a resource book for the community containing information about all the organizations, businesses, churches, media and networking groups that are either owned by, or serve, Minnesota's Chicano Latino population.

Operations

The Chicano Latino Affairs Council consists of a fifteen-member board of directors, eleven of which are members of the Chicano Latino community and four of which are legislators. Of the 11 community members, there is a representative for each of the state's eight congressional districts. There are also three at-large community representatives.

All community members are appointed by the governor. Through the executive director, they provide a voice in all levels of government for the approximately 145,000 Latinos who reside in the state of Minnesota as well as the approximately 20,000 migrant agricultural workers that come to work in the state each year from the months of March through November.

M.S. 3.9223, mandates that the CLAC not only fulfills its primary mission of advising to the governor and the Legislature on issues that affect the Chicano Latino community, including the unique problems encounteres by the Spanish-speaking migratory workers, but that it also:

- make recommendations to the governor and the legislature as to statutes or rules ecessary to ensure that Chicano Latinos are well served in the state;
- recommend legislation to improve the economic and social status of Chicano Latinos in the state;
- serve as a conduit for state government agencies that serve the Chicano Latino people;
- oversee the performance of studies designed to accurately depict the situation of Chicano Latinos in the state with the goal of suggesting solutions to those issues, especially in the areas of education, housing, economic development, health, human rights, social welfare and related matters; and
- implement programs designed to solve the problems of Chicano Latinos when authorized to do so by statute, rule or order.

Contact

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February 18, 2003

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Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Economic Development omnibus bill. These agencies collectively administer $130 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $17.5 million (17.8%) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to preserve Minnesota's rich history, support the state's art community, regulate professional licensees, and provide advice to the Governor and legislature on issues effecting the state's minority populations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

We have evaluated the role of government in a number of these agencies and are recommending the elimination of state funding. The reduction level for most of the other non-cabinet agencies in the economic development area ranges from 15-20%. Most agencies have focused on reducing their administrative areas of the budget in order to preserve the core functions of the agency.

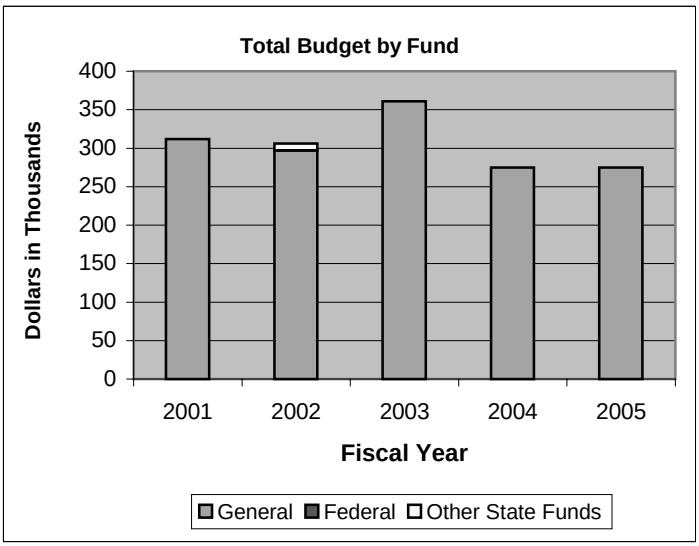
The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

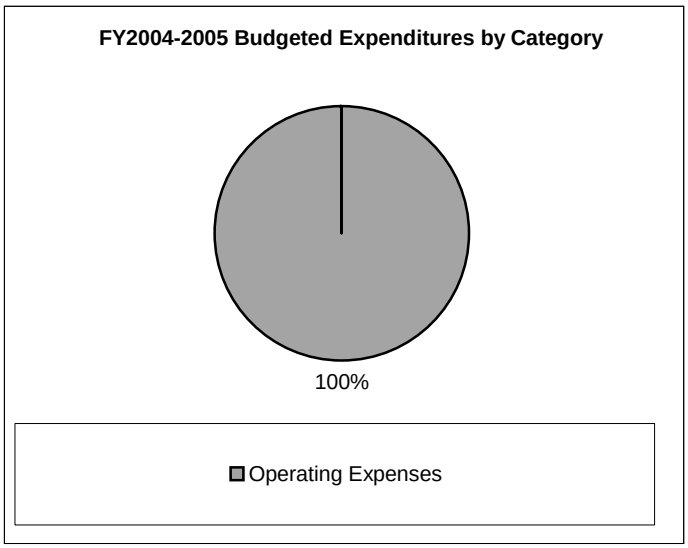
I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	688	0	688
Adjusted Base Funding	688	0	688
Change Items			
Budget Reduction	-138	0	-138
Governor's Recommendations	550	0	550
Biennial Change, 2002-03 to 2004-05	-108	-9	-117
Percent Change	-16%	-100%	-18%





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	312	297	361	275	275	550
Special Revenue	0	4	0	0	0	0
Statutory Appropriations						
Gift	0	5	0	0	0	0
Total	**312**	**306**	**361**	**275**	**275**	**550**
Expenditures by Category						
Operating Expenses	312	306	361	275	275	550
Total	**312**	**306**	**361**	**275**	**275**	**550**
Expenditures by Program						
Chicano Latino Affairs Council	312	306	361	275	275	550
Total	**312**	**306**	**361**	**275**	**275**	**550**
Revenue by Type and Fund						
Non Dedicated						
General	2	4	0	0	0	0
Subtotal Non Dedicated	2	4	0	0	0	0
Dedicated						
Special Revenue	4	0	0	0	0	0
Gift	1	1	1	1	1	2
Subtotal Dedicated	5	1	1	1	1	2
Total Revenue	**7**	**5**	**1**	**1**	**1**	**2**
Full-Time Equivalents (FTE)	**4.5**	**4.3**	**4.0**	**4.0**	**4.0**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($69)	($69)	($69)	($69)
Revenues				
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($69)	($69)	($69)	($69)

Recommendation
The Governor recommends a reduction to the base appropriation of $69,000 each year. The Governor is asking the Chicano-Latino Council to maintain its most important core functions while reducing administrative costs by merging staffing and office facilities with the Asian-Pacific, and Black Minnesotans Councils.

Background
By consolidating administrative functions and sharing office space, the councils should be able to reduce their operating costs.

Relationship to Base Budget
This is a 20% reduction to the council's base.

Statutory Change: Not Applicable.

Agency Purpose

The Minnesota Board of Chiropractic Examiners (MBCE) was created by legislative act on 3-13-19. It was originally created and currently exists to protect the public's interest through the regulation of chiropractors in the state of Minnesota. Minnesota Statutes 148.01-148.106 and Minnesota Rules 2500 give the board power to regulate, to license by examination and renewal, and to investigate complaints.

At A Glance

Biennial Budget – FY 2002-03:

Total Expenses: $1.378 million

Total Revenues: $1.136 million

Staff: 5 Full-time equivalent employees

Minnesota Licensed Chiropractor Statistics
(As of June 30, 2002)

Total Licensed: 2,520

Core Functions

The board accomplishes its mandate by:

- examining practitioners prior to licensure to ensure that they meet or exceed baseline competence;
- responding to complaints about chiropractors and enforcing the laws governing the practice of chiropractic in Minnesota; and
- establishing continuing education (CE) requirements and monitoring compliance with those requirements.

To meet these core functions the MBCE operates under the following four key service strategies while protecting the public and providing services in an efficient and cost-effective manner with a focus on public accessibility:

- maintains an integrated database of licensee information, registrations, discipline, and complaints;
- conducts regular board meetings where citizens have input into the review of operations and rulemaking efforts;
- responds to public requests for information on chiropractors, continuing education sponsors, and licensee's status; and
- manages funds soundly.

Operations

The seven-member board, appointed by the governor, meets approximately five times a year. The board operates through its committees, most of which meet monthly, and are as follows: executive; rules; three complaint panels; and any additional committees formed only when necessary to address items of policy-making guidance. Meetings are conducted in accordance with the open meeting laws.

The board's office operates with a five member staff whose mission is on a daily basis to:

- license applicants;
- approve registrations for: acupuncture, professional firm, graduate preceptorship, and independent examiner;
- manage funds received;
- manage continuing education; and
- investigate complaints.

The board makes much of the information it gathers available to the public at no cost via publication on its web site.

Budget

The board's total direct and indirect expenses for FY 2002-03 biennium are $1.378 million. The board staff includes five full-time equivalent employees.

Of the total budget for the biennium, $1.136 million is collected as non-dedicated revenue which is deposited into the state government special revenue fund. The board collects fees charged to applicants, prospective applicants, licensees, and sponsors of continuing education programs approved by the board. The board is responsible to collect enough revenue to recover all direct and indirect costs.

The board is responsible for the costs of services received from the Attorney Generals' Office, Health Professional Services Program, and the Administrative Services Unit. A direct appropriation is given to each of these programs from the state government special revenue fund. The board must ensure that sufficient revenue is collected through its fees to fund their portion of these program costs.

Contact

Board of Chiropractic Examiners
2829 University Avenue Southeast, Suite 300
Minneapolis, Minnesota 55414-3220

The website at: http://www.mn-chiroboard.state.mn.us/ gives visitors easy access to useful information about chiropractors. Types of information available through the website include: regulatory news and updates, rules and Minnesota statutes, public notices and forms.

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State of Minnesota
Department of Finance

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Health and Human Services omnibus bill. These agencies collectively administer $163.2 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $1 million (0.6%) increase from the FY 2002-03 biennium. The funding for these agencies will be used to provide health and supportive housing services for Minnesota Veterans, license and regulate health professionals, promote high standards for treatment of mental illness, promote the protection of children, and coordinate training and administration for eight independent EMS organizations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, eliminate duplication, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Agencies have focused reduction plans around administrative areas of the budget. In most cases this protects the core function of the agency, albeit at a reduced level. In some cases, reduced staff will have direct effects on citizens as they try to access government services.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

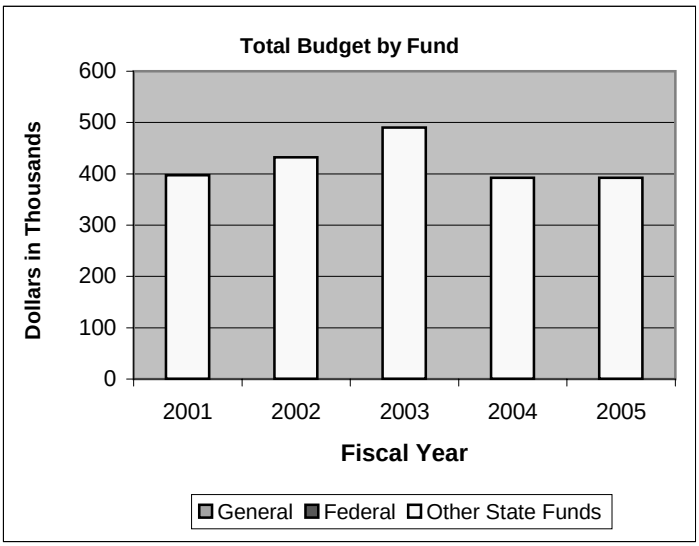
Sincerely,

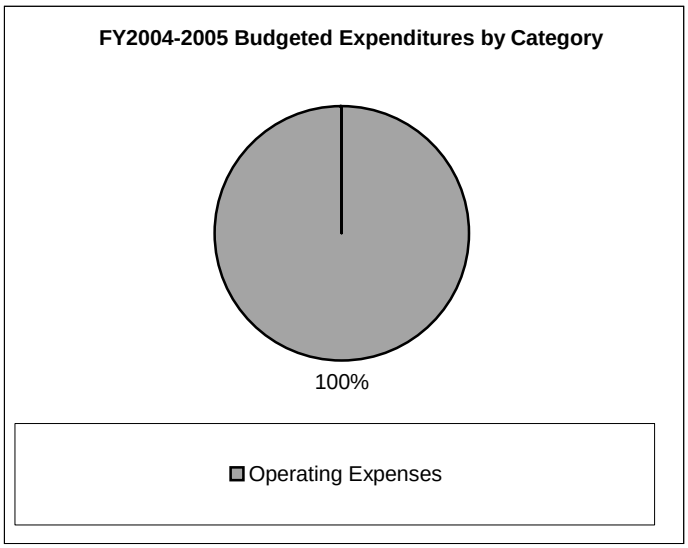
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	0	784	784
Adjusted Base Funding	0	784	784
Governor's Recommendations	0	784	784
Biennial Change, 2002-03 to 2004-05	0	-138	-138
Percent Change	n.m	-15%	-15%

Brief Explanation Of Budget Decisions:

The Chiropractors Board is a fee-based organization that provides licensure and regulation services. Appropriations are made from the State Government Special Revenue (SGSR) fund and funding will continue at the FY 2003 level for both FY 2004 and FY 2005. The 15% reduction shown above is caused by a balance forward into FY 2002 from the previous biennium. Similar funds are not anticipated in FY 2004.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
State Government Special Revenue	377	424	482	384	384	768
Open Appropriations						
State Government Special Revenue	20	8	8	8	8	16
Total	**397**	**432**	**490**	**392**	**392**	**784**
Expenditures by Category						
Operating Expenses	397	432	490	392	392	784
Total	**397**	**432**	**490**	**392**	**392**	**784**
Expenditures by Program						
Chiropractors, Board Of	397	432	490	392	392	784
Total	**397**	**432**	**490**	**392**	**392**	**784**
Revenue by Type and Fund						
Non Dedicated						
State Government Special Revenue	566	594	558	591	591	1,182
Subtotal Non Dedicated	566	594	558	591	591	1,182
Total Revenue	**566**	**594**	**558**	**591**	**591**	**1,182**
Full-Time Equivalents (FTE)	**5.0**	**4.9**	**4.9**	**4.9**	**4.9**	

Agency Purpose

The Minnesota Department of Commerce ensures secure, stable, reliable, and equitable commercial, financial, and utility services and transactions. To provide this assurance to the people of Minnesota, the department:

- Advocates to ensure equitable and reliable services;
- Regulates business activity to ensure compliance, responsible business conduct, security and stability;
- Investigates and resolves consumer complaints;
- Safeguards consumers' rights and investments; and,
- Expands economic opportunities while working to improve our environment and quality of life.

At A Glance

FY2002 - 2003 Budget:
$54.2 million General Fund
$221.6 million all funds
98% of General Fund appropriations recovered through fees and assessments

Annual Business Processes:

348,000	Consumer contacts received
10,215	Market Assurance Division investigations
$6,300,000	Recovered by Market Assurance Division
232	Financial institutions examined
2,004	Utility and telecom cases completed
130 MW	Electricity demand reductions
109,000	Low income households served by LIHEAP and Weatherization
$63,000,000	Federal funds disbursed to low income households
69,000	Weights and Measures inspections
125,000	Licenses issued

Core Functions

The Department of Commerce regulates utilities, financial institutions, licensed businesses, licensed individuals, retail businesses, and commercial activity without respect to the specific interests of either the regulated businesses or the clients they serve. The department's regulatory decisions maximize the net benefits to all residents and regulated businesses, while safeguarding the rights of consumers, and protecting policyholders and investors from financial failure.

Operations

The department enforces laws and rules, advocates on behalf of the public, and provides services to promote the financial well being of a broad constituency of individuals and businesses. To carry out its mission, the department must assess the significant consequences of every regulatory decision and enforcement action, including the impact on consumer costs, financial stability, reliability of service, the environment, and economic development. This carefully designed regulatory balance effectively protects the broad financial interests of Minnesota's businesses and consumers.

Financial Examinations Division:

- Licenses, examines and regulates insurance companies, credit unions, state chartered banks, mortgage companies, finance companies and other financial institutions to ensure that they remain safe and financially solvent.

Petrofund:

- Provides reimbursement to underground petroleum storage tank owners and operators for the cost of investigating and cleaning up petroleum tank releases.

Administration:

- Leads and directs the department, manages day to day operations, manages financial and human resources operations.
- Licenses businesses and individuals according to Minnesota statutes.
- Provides unclaimed property reclamation services to the people of Minnesota.
- Provides information management services and technical support to the department.

Market Assurance Division:

- Enforces compliance and responsible business conduct across a broad range of licensed occupations, including insurance agents, stock and investment brokers, realtors, builders, and cosmetologists.
- Evaluates insurance policies and rates to ensure fair rates and to ensure compliance with Minnesota law.
- Registers securities sold in Minnesota.
- Ensures that telemarketing firms comply with Minnesota's "Do Not Call" statutes.

Energy & Telecommunications Division:

- Advocates on behalf of consumers and ratepayers in proceedings relating to regulated telecommunications, gas, and electric utilities.
- Promotes energy efficient building, conservation, alternative transportation fuels, and modern energy technologies.
- Oversees conservation improvement programs operated by public, municipal, and cooperative utilities.
- Administers the Low Income Home Energy Assistance Program and the Weatherization Assistance Program.
- Promotes real competition among telecommunications companies in Minnesota.

TAM:

- Funds telecommunications access services for deaf and hearing impaired citizens.

Weights and Measures Division:

- Ensures accuracy in all transactions based on weight or measure.
- Ensures consistent quality of petroleum products.
- Provides precision mass, temperature, density and volume measurement services to businesses.

Budget

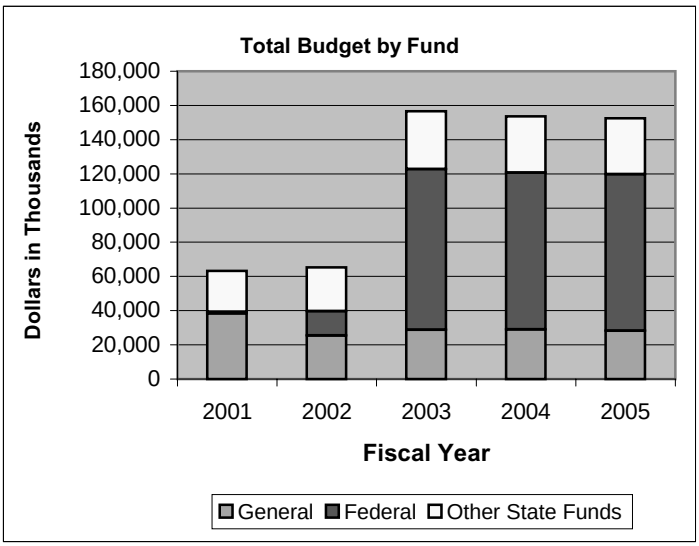
The department's FY 2002-03 budget totaled $221.6 million. 98% of General Fund costs are recovered and repaid to the General Fund. Department staff includes 356.4 FTE. The FY 2002 budget increased over the previous fiscal year because the 2001 Minnesota Legislature transferred the LIHEAP and Weatherization programs to Commerce.

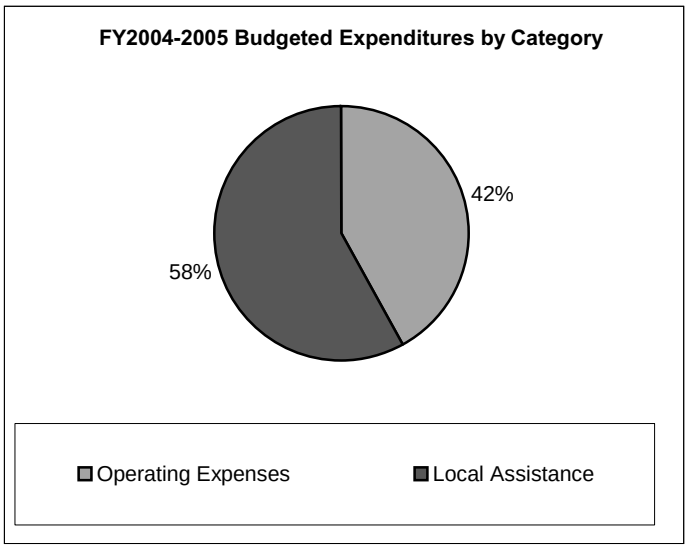
Contact

Department of Commerce
Suite 500
85 7th Place East
Saint Paul, Minnesota 55101

Home Page: http://www.commerce.state.mn.us
Performance Measures: http://www.departmentresults.state.mn.us
Glenn Wilson, Commissioner
Phone: (651) 296-5769
Fax: (651) 282-2568

Information on the department's results can be found at
http://departmentresults.state.mn.us/commerce/index.html





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	37,684	23,505	26,448	24,157	23,430	47,587
Petroleum Tank Release Cleanup	824	815	1,333	1,084	1,084	2,168
Workers Compensation	593	578	636	835	835	1,670
Open Appropriations						
General	742	1,914	2,352	4,778	4,838	9,616
Petroleum Tank Release Cleanup	13,256	10,692	15,145	15,246	15,246	30,492
Statutory Appropriations						
State Government Special Revenue	0	101	86	0	0	0
Special Revenue	9,310	12,480	16,459	15,582	15,617	31,199
Federal	823	14,333	93,882	91,820	91,410	183,230
Gift	0	840	220	26	26	52
Total	**63,232**	**65,258**	**156,561**	**153,528**	**152,486**	**306,014**

Expenditures by Category						
Operating Expenses	47,675	51,731	64,991	63,922	63,571	127,493
Local Assistance	15,520	13,372	91,070	89,005	88,314	177,319
Other Financial Transactions	37	155	500	500	500	1,000
Transfers	0	0	0	101	101	202
Total	**63,232**	**65,258**	**156,561**	**153,528**	**152,486**	**306,014**

Expenditures by Program						
Financial Examinations	6,656	7,555	10,066	9,700	9,697	19,397
Petroleum Tank Cleanup Fund	14,080	11,507	16,478	16,330	16,330	32,660
Administration	7,145	5,746	5,901	5,678	5,678	11,356
Market Assurance	21,980	6,817	8,724	8,209	7,494	15,703
Energy & Telecommunications	6,152	22,813	104,331	103,488	103,125	206,613
Tam	7,219	7,750	7,882	7,617	7,655	15,272
Weights & Measures	0	3,070	3,179	2,506	2,507	5,013
Total	**63,232**	**65,258**	**156,561**	**153,528**	**152,486**	**306,014**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	34,769	87,946	84,728	84,607	85,856	170,463
Petroleum Tank Release Cleanup	1,487	829	632	632	632	1,264
Cambridge Deposit Fund	46,679	0	0	0	0	0
Subtotal Non Dedicated	82,935	88,775	85,360	85,239	86,488	171,727
Dedicated						
General	0	2	4	0	0	0
Special Revenue	12,873	14,754	18,375	16,914	17,153	34,067
Federal	791	68,706	91,477	91,820	91,410	183,230
Miscellaneous Agency	4	3	0	0	0	0
Gift	0	1,732	27	26	26	52
Subtotal Dedicated	13,668	85,197	109,883	108,760	108,589	217,349
Total Revenue	**96,603**	**173,972**	**195,243**	**193,999**	**195,077**	**389,076**
Full-Time Equivalents (FTE)	**317.4**	**350.4**	**356.4**	**318.5**	**318.5**	

Program Description

The Financial Examinations Division assures safe, sound, and solvent financial services in Minnesota. -- an assurance that consumers and businesses cannot realize without the intervention of an independent regulator like the division. Additionally, by maintaining the soundness and solvency of a large number of financial institutions, the program assures consumers and businesses that they will have access to a broad range of financial products and services at competitive prices. The Bank and Credit Union Examination unit examines all state chartered banks, trust companies, credit unions, certificate investment companies, thrift companies, and consumer credit companies. The Insurance Examination unit is designed to monitor the financial stability of insurance companies. If a company becomes financially unstable, action is taken to provide a mechanism for a return to solvency.

Program at a Glance

In FY 2002, the Financial Examinations Division regulated:

- $32.6 billion in bank, credit union and finance company assets.
- $153 billion in insurance company assets.

Population Served

The Financial Examinations Division serves all Minnesota consumers and businesses that rely on banks, credit unions, finance companies and insurance companies for financial products and services.

Services Provided

Bank and Credit Union Examinations

The unit conducts on-site examinations at all state-chartered banks, trust companies, credit unions, certificate investment companies and thrift companies on a 12 to 18-month cycle (determined by institution rating). Examinations are shared between the Federal Deposit Insurance Corporation (FDIC), Federal Reserve Bank and the National Credit Union Administration (NCUA).

The unit also examines consumer credit companies. Examinations are generally conducted on an 18-month cycle. Examinations focus on compliance issues rather than solvency or safety and soundness. There is no comparable federal regulation of the consumer credit industry.

The unit licenses residential mortgage loan origination and servicing companies. These companies are subject to market conduct requirements, but not to routine on-site examinations. In addition to the examinations, the Bank and Credit Union unit performs compliance reviews of various applications from regulated entities. Action is taken to approve or deny applications.

The Division encourages the growth of state-chartered institutions. Growth fosters competition and ensures numerous choices for consumers and business. Competition drives down the cost of financial services. Several new financial products originated in state-chartered institutions and have spread nationwide.

Insurance Company Examinations

The unit's primary focus is to ensure the financial soundness and solvency of every insurance company doing business in Minnesota. If domestic companies are financially insecure, it is Minnesota's responsibility to formulate a plan to effect compliance or close the business. If a foreign company becomes unstable, Minnesota would restrict the business they are allowed to do within the state. If an insurance company failure is unavoidable, it is the unit's responsibility to manage the transition and to minimize any negative impact on Minnesota policyholders. The goal is to give the consumer the comfort that the company they purchase insurance from will have the resources available to pay a claim.

Insurance regulation is a state responsibility because, historically, insurance was largely a local endeavor. Today, insurers are large, multi-state, multi-jurisdictional concerns, but regulation is still accomplished at the state level. There is no federal regulation of the insurance industry. The Insurance Examination unit participates in the proceedings of the National Association of Insurance Commissioners (NAIC). The NAIC generally puts forward model regulatory standards for each state to adopt. However, the department tailors these model acts and adapts them to conditions unique to Minnesota.

The unit performs two types of examinations -- the desk audit and the on-site field audit. Desk audits are based on quarterly and annual financial reports submitted by insurance companies. Auditors evaluate information, and develop a financial profile of every company doing business in Minnesota. The staff monitor each profile for change. If change occurs, an action is taken to ensure that the company will remain solvent. The second method of monitoring solvency is the tri-annual on-site examination of domestic insurers. Examiners review insurance company books and records at the company headquarters. The examination is a full and complete review of financial condition. The examination is completed by staff or by special examiners (generally accounting firms). Additionally, the unit employs an actuarial staff to calculate and verify reserve adequacy at regulated insurance companies, and in various workers' compensation issues that the unit deals with.

Historical Perspective

With respect to insurance companies, the program is partially supported by an appropriation from the General Fund. Operating costs are also paid from the insurance examination revolving fund. The balance of the revolving fund cancels at the end of every fiscal year to the General Fund. Revenues generated by this program are a result of examination fees, registration fees, licensing fees, and transaction fees.

With respect to banks, credit unions and finance companies, the program is funded by appropriations from the General Fund, but all costs are recovered by assessments and examination fees charged to regulated entities. The assessment is billed at the beginning of a fiscal year at 103% of operating, agency indirect and Attorney General cost. The examination fee is set based on a formula calculating examiner salary and billing hours. Fees are also charged for applications relating to charter and license activity.

Key Measures

Banks, Credit Unions and Consumer Credit	FY 2000	FY 2001	FY 2002	FY 2003
State banks	365	358	349	345
Branch offices	336	363	357	360
Examinations conducted	149	123	124	120
Bank assets ($ in billions)	$20.5	$21.2	$22.9	$24.0
State credit unions	125	118	110	105
Consumer credit companies	144	144	141	140
Examinations conducted	194	185	179	175
Credit union assets ($ in billions)	$2.9	$3.0	$3.2	$3.4

Insurance	FY 2000	FY 2001	FY 2002	FY 2003
Licensed insurance companies	1,324	1,329	1,328	1,335
New company licenses issued	29	26	30	20
Domestic insurance companies	84	83	79	75
Financial reviews conducted (desk audit)	1,350	1,350	1,350	1,350
On-site examinations	24	19	13	15

Contact

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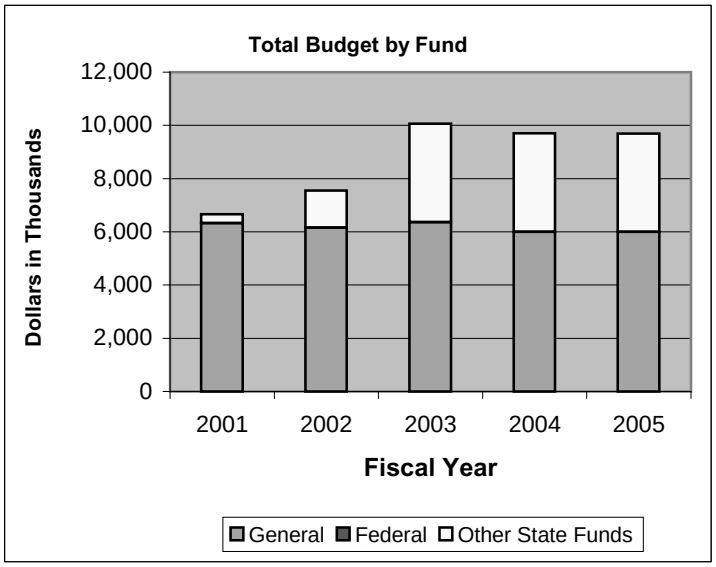
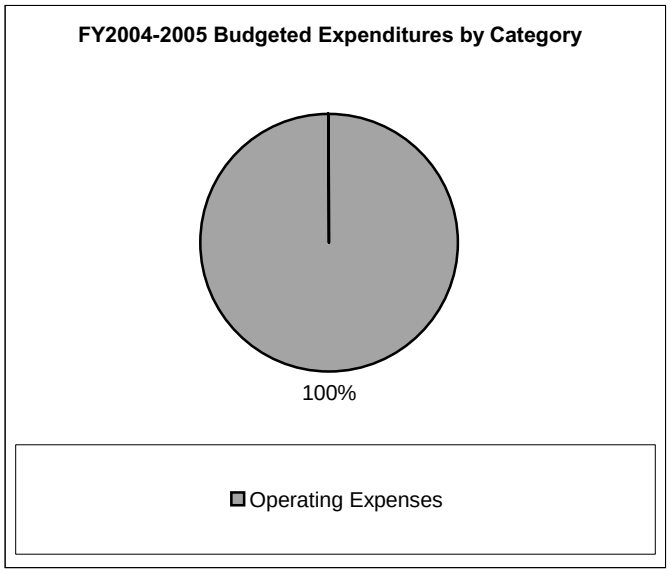




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	6,319	6,154	6,363	5,997	5,994	11,991
Statutory Appropriations						
Special Revenue	337	1,401	3,703	3,703	3,703	7,406
Total	**6,656**	**7,555**	**10,066**	**9,700**	**9,697**	**19,397**
Expenditures by Category						
Operating Expenses	6,656	7,555	10,066	9,700	9,697	19,397
Total	**6,656**	**7,555**	**10,066**	**9,700**	**9,697**	**19,397**
Expenditures by Activity						
Financial Examinations	6,656	7,555	10,066	9,700	9,697	19,397
Total	**6,656**	**7,555**	**10,066**	**9,700**	**9,697**	**19,397**
Revenue by Type and Fund						
Non Dedicated						
General	0	7,070	6,460	6,423	6,148	12,571
Cambridge Deposit Fund	6,044	0	0	0	0	0
Subtotal Non Dedicated	6,044	7,070	6,460	6,423	6,148	12,571
Dedicated						
Special Revenue	1,393	2,163	4,600	4,500	4,500	9,000
Subtotal Dedicated	1,393	2,163	4,600	4,500	4,500	9,000
Total Revenue	**7,437**	**9,233**	**11,060**	**10,923**	**10,648**	**21,571**
Full-Time Equivalents (FTE)	**86.7**	**82.1**	**78.0**	**69.0**	**69.0**	

Program Description

The Petroleum Tank Release Cleanup Fund (Petrofund) ensures a cleaner environment, and prevents additional pollution of Minnesota's soil and water by providing eligible applicants with the financial wherewithal to investigate, cleanup, and stop leaks from petroleum storage tanks.

Program at a Glance

- Over $318 million provided in reimbursements since 1987.
- 9,301 eligible applicants have received reimbursement.

Population Served

The Petrofund directly serves owners and operators of petroleum storage tanks, owners of property where a petroleum tank release occurred, and applicants who are ordered by the Minnesota Pollution Control Agency (MPCA) to take corrective action. Indirectly, the program serves all Minnesotans because it ensures a cleaner environment.

Services Provided

The Petrofund:

- Reimburses eligible applicants for the costs associated to remediate petroleum leaks in the most cost-effective manner possible.
- Generally, evaluates and processes reimbursement applications within 30 days of receipt.
- Provides money to reduce health risks and physical dangers caused by petroleum tank releases.

Historical Perspective

The Petrofund was created by the 1987 Minnesota Legislature to reimburse underground petroleum storage tank (UST) owners and operators for the cost of investigating and cleaning up petroleum tank releases. To meet the U.S. Environmental Protection Agency's (EPA) financial assurance requirements, UST owners and operators must document their ability to pay up to $1 million for such costs. Minnesota, and 47 other states, established a state-financed reimbursement program to relieve UST owners and operators of this financial obligation.

By 1987, private insurance for old USTs had become scarce and expensive. Many tank owners were unable to afford the EPA mandated financial assurance requirement. The Petrofund was created to provide the necessary financial assurance. The program has helped to improve the environment for all Minnesotans by encouraging tank owners and operators to investigate and remediate petroleum contaminated soil and groundwater.

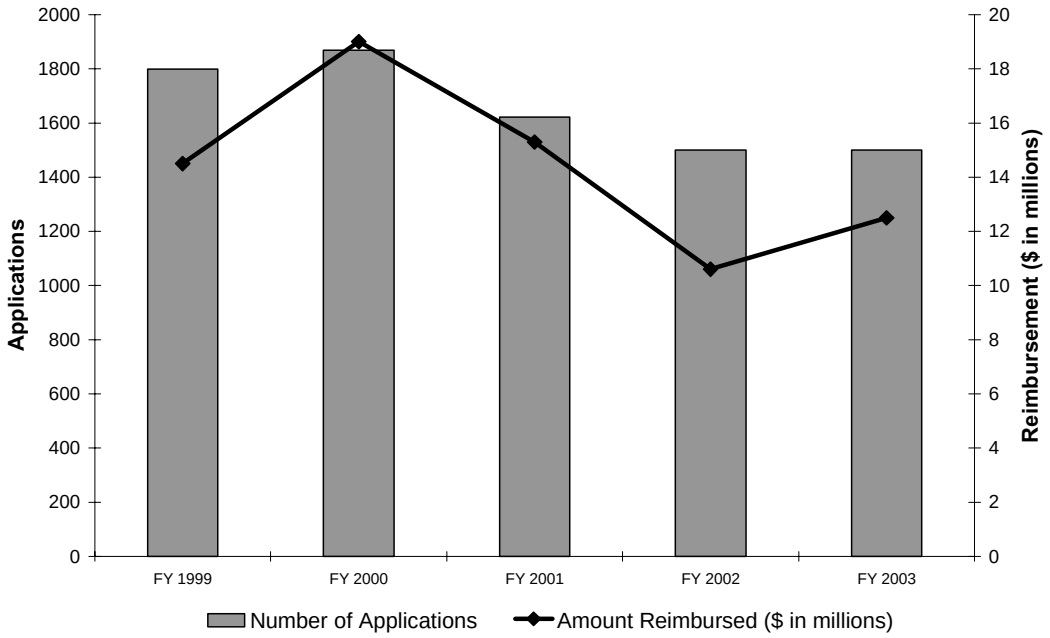
Installed or upgraded USTs must now meet or exceed federal requirements for leak detection and corrosion resistance. As a result, the insurance industry may begin to take a more active role in providing UST owners and operators with the required financial assurance. However, no one knows how the insurance industry will view historical contamination, or what premiums insurance providers will charge for coverage. In response to these concerns, the 1997 legislature extended the Petrofund's sunset date by five years. The statutory sunset date is now 6-30-05.

The EPA deadline for upgrading or replacing underground storage tanks expired on December 22, 1998. Demand on the fund will continue for several years due to continuing investigation and cleanup activities at many sites. MPCA's November 2003 compliance deadline for above ground storage tanks will cause continuing demand on the fund as owners and operators continue working to meet the new rules. The Petrofund's administrative costs should decrease after 2004.

The program is completely funded by an appropriation from the Petroleum Tank Release Cleanup Fund. Revenue into the fund is generated a $.02 per gallon fee on wholesale petroleum products. The fee is imposed and collected by the Department of Revenue <u>only</u> when the fund balance falls below $4 million (see M.S. 115C.08). Revenue is also received from investment earnings on the fund balance.

Key Measures

The annual number of reimbursement applications received by the program has remained fairly steady from FY 1997 through FY 2000.



Contact

James Pearson, Director
Minnesota Department of Commerce
Petroleum Tank Release Cleanup Fund
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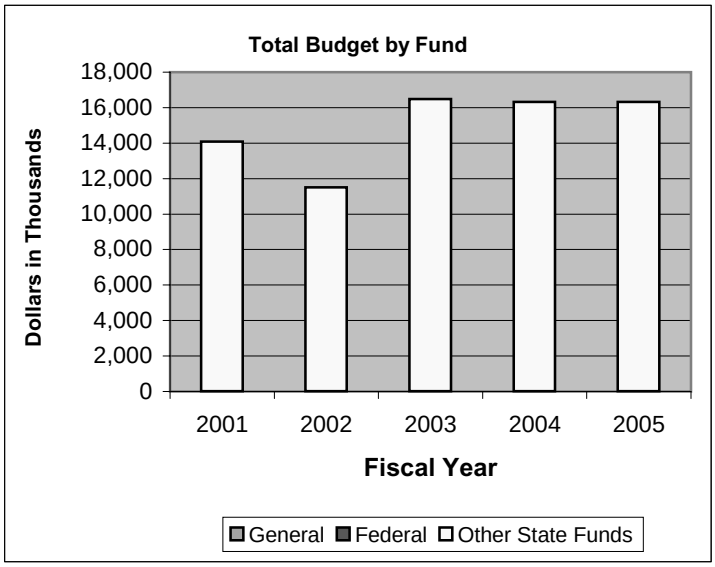

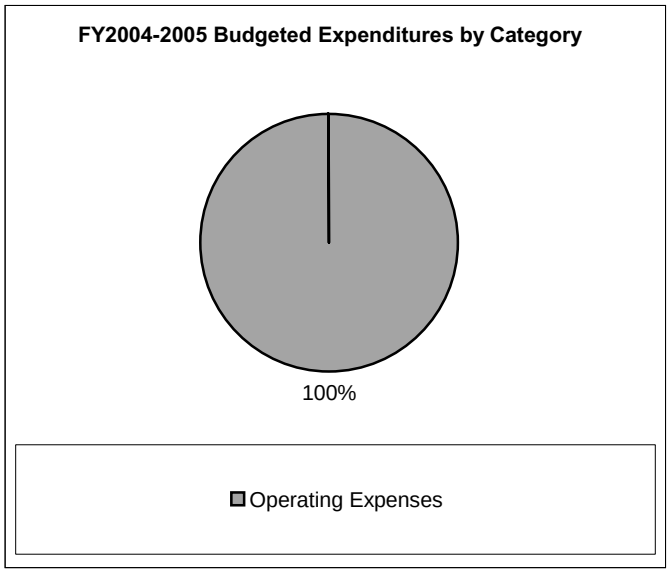

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Petroleum Tank Release Cleanup	824	815	1,333	1,084	1,084	2,168
Open Appropriations						
Petroleum Tank Release Cleanup	13,256	10,692	15,145	15,246	15,246	30,492
Total	**14,080**	**11,507**	**16,478**	**16,330**	**16,330**	**32,660**
Expenditures by Category						
Operating Expenses	14,080	11,507	16,478	16,229	16,229	32,458
Transfers	0	0	0	101	101	202
Total	**14,080**	**11,507**	**16,478**	**16,330**	**16,330**	**32,660**
Expenditures by Activity						
Petroleum Tank Cleanup Fund	14,080	11,507	16,478	16,330	16,330	32,660
Total	**14,080**	**11,507**	**16,478**	**16,330**	**16,330**	**32,660**
Revenue by Type and Fund						
Non Dedicated						
Petroleum Tank Release Cleanup	1,487	829	632	632	632	1,264
Subtotal Non Dedicated	1,487	829	632	632	632	1,264
Total Revenue	**1,487**	**829**	**632**	**632**	**632**	**1,264**
Full-Time Equivalents (FTE)	**11.9**	**11.4**	**14.5**	**14.5**	**14.5**	

Program Description

The Administration program includes the commissioner's office, the department's central management and support functions, and the department's licensing and unclaimed property operations. The program ensures that all department operations are managed and implemented in a manner consistent with law and with the goals of the administration.

Program at a Glance

Leads, manages and directs six divisions with diverse missions to:

- Regulate commercial, industrial, financial, utility, and retail activity in Minnesota.
- Provide technical services and support to Minnesota businesses.
- Provide energy assistance to low income households.
- Mitigate environmental damage from leaking petroleum storage tanks.
- Provide telecommunications services to the deaf and hard of hearing.
- License 276,000 professionals.
- Manage $41 million in unclaimed property, and return $10 million to rightful owners in FY 2002.

Population Served

- The Commissioner's office serves all Minnesotans who do business with the Department of Commerce.
- Licensing serves licensed individuals and businesses, and serves all Minnesotans who use the services of licensed individuals and businesses by assuring that the licensees have met professional standards established by law.
- Unclaimed property serves all Minnesotans who own abandoned property held by banks, former employers, retailers and other businesses.
- Central management and support functions facilitate the operations of the department's main programs.

Services Provided

Administration:

- Leads, manages, and directs the department to ensure efficient operations.
- Develops and directs implementation of annual and long range objectives.
- Manages department finances and develops budgets.
- Provides personnel management according to Minnesota statutes, rules and policies.
- Provides administrative support services to all programs within the department.
- Manages information systems.
- Facilitates productive relationships with regulated businesses and individuals.
- Coordinates department activities with other government agencies, private sector businesses and the public.
- Provides consumer information to the people of Minnesota.
- Licenses businesses and individuals according to Minnesota statutes.
- Provides unclaimed property reclamation services to the people of Minnesota.

Licensing:

The unit responds to inquiries from licensees, applicants, and schools providing educational services to licensees. Additionally, the unit responds to consumer inquiries about license activity or status. The unit licenses the following industries:

- Real estate brokers, appraisers, salespersons, and abstractors;
- Residential building contractors, roofers, and remodelers;
- Manufactured home installers;
- Subdivided land agents;
- Campground membership salespersons;
- Insurance agents, adjusters, agencies, managing general agents, and reinsurance intermediaries;
- Notaries public;
- Cosmetologists, cosmetology salons, and cosmetology schools;
- Collection agencies and debt collectors; and,

Unclaimed Property
Abandoned property may include money from savings and checking accounts, wages, insurance proceeds, safe deposit box contents, stocks, bonds or dividends. All banks, insurance companies, corporations and government agencies operating in Minnesota are statutorily required to report, and turn over, abandoned property to the Department of Commerce. The Unclaimed Property unit receives and maintains the abandoned property until the rightful owner claims it. Names of abandoned property owners are published annually. The names are also published on the Department of Commerce web site. Tangible property from safe deposit boxes is sold at public sale every ten years. Auction proceeds are deposited in the general fund until claimed by the rightful owner. The department holds unclaimed stock for three years. After three years, the stock is liquidated and the sale proceeds are deposited in the general fund until claimed by the rightful owner.

Historical Perspective

This program is funded by an appropriation from the General Fund. Program costs are recovered, as management overhead costs, through the cost recovery systems of other programs within the department.

The Licensing unit was created in 1983 when the department was reorganized -- all licensing operations were combined into one group. The Unclaimed Property unit was created in 1969 following enactment of Minnesota's uniform disposition of unclaimed property act.

Key Measures

Licensing	FY2001	FY 2002	FY 2003	FY 2004	FY 2005
New Licenses Issued	45,781	47,000	56,000	59,000	62,000
Licenses Renewed	55,140	56,000	65,000	67,000	69,000
Active Licenses	266,792	270,000	276,000	282,000	288,000
Telephone Calls Received	193,033	200,000	208,000	210,000	210,000

Unclaimed Property	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Number of Unclaimed Property Holders	12,500	13,000	13,500	14,000	14,500
Number of Property Inquiries to DOC	29,000	29,000	29,000	29,500	29,500
Unclaimed Property Remitted to DOC (dollars in thousands)	$37,100	$40,800	$40,400	$40,400	$40,400
Unclaimed Property Returned to Owners and Heirs (dollars in thousands)	$17,700	$9,800	$10,000	$10,000	$10,000

Contact

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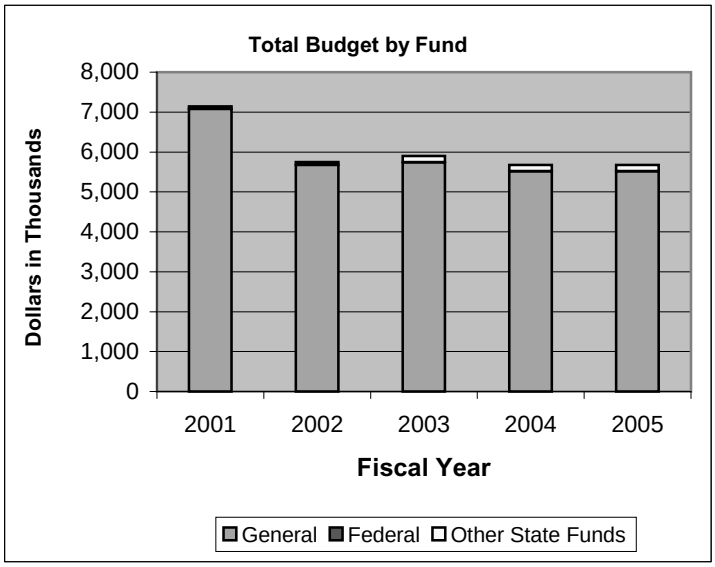

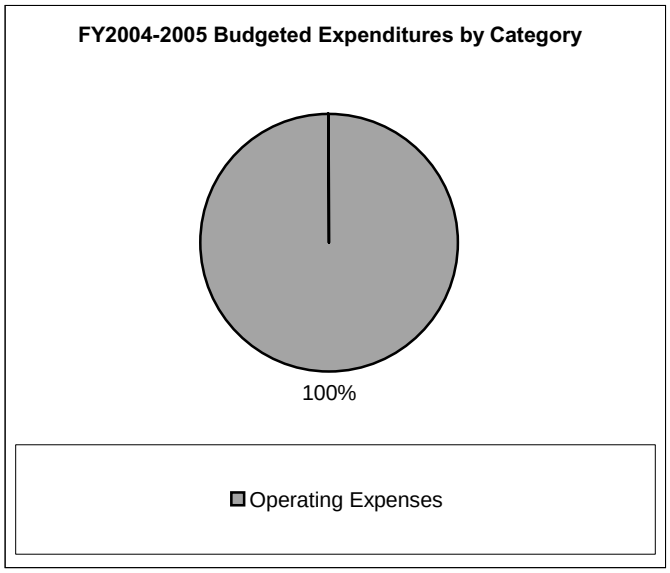

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	7,077	5,675	5,741	5,518	5,518	11,036
Statutory Appropriations						
Special Revenue	68	71	160	160	160	320
Total	**7,145**	**5,746**	**5,901**	**5,678**	**5,678**	**11,356**
Expenditures by Category						
Operating Expenses	7,145	5,746	5,901	5,678	5,678	11,356
Total	**7,145**	**5,746**	**5,901**	**5,678**	**5,678**	**11,356**
Expenditures by Activity						
Administration	7,145	5,746	5,901	5,678	5,678	11,356
Total	**7,145**	**5,746**	**5,901**	**5,678**	**5,678**	**11,356**
Revenue by Type and Fund						
Non Dedicated						
General	6	40,921	39,758	39,716	41,276	80,992
Cambridge Deposit Fund	29,116	0	0	0	0	0
Subtotal Non Dedicated	29,122	40,921	39,758	39,716	41,276	80,992
Dedicated						
Special Revenue	47	185	150	150	150	300
Miscellaneous Agency	4	3	0	0	0	0
Subtotal Dedicated	51	188	150	150	150	300
Total Revenue	**29,173**	**41,109**	**39,908**	**39,866**	**41,426**	**81,292**
Full-Time Equivalents (FTE)	**75.5**	**69.5**	**64.9**	**58.9**	**59.2**	

Program Description

The Market Assurance Division includes two distinct operations:

⇒ The Investigations unit investigates complaints to determine whether regulated businesses or individuals have violated laws or rules. The unit also attempts to informally resolve disputes between consumers and the regulated industries.

⇒ The Registration and Policy Analysis unit reviews insurance forms to ensure compliance with Minnesota statutes. The unit ensures reasonable insurance rates, reviews financial offerings to ensure stable capital markets, and reviews the financial condition of companies that self-insure. This unit also licenses over 20,000 securities broker-dealers, agents, and investment advisors.

Program at a Glance

- 21 industries and occupations regulated
- 6,200 insurance form and rate filings per year
- 7,300 securities and franchise offerings reviewed each year
- 9,600 investigation files per year
- 650 disciplinary actions per year
- Monitors the activities of 276,000 licensed professionals on a complaint basis
- Plans to register more than 1,000,000 Minnesota residents on the No-Call list.

Population Served

The Market Assurance Division serves:

- All Minnesota individuals and corporations that need insurance, have mortgages, buy or sell real estate, make investments, or otherwise do business with any of the industries licensed or regulated by the division.
- Licensees and regulated businesses.
- Other government and self-regulatory organizations, both in and out-state, that engage in similar regulatory activity or interact with the regulated industries.
- Minnesota residents who register for the No-Call list to reduce the number of telemarketing calls they receive.
- Consumers of insurance, investments, and other financial products, as well as the individual licensees and businesses that offer these products.

Services Provided

Investigations. The unit investigates complaints in the following areas:

- Insurance companies
- Insurance adjusters
- Notaries
- Real estate agents and brokers
- Residential building contractors and roofers
- Franchisors
- Currency exchanges
- Real estate appraisers
- Cigarette vendors
- Athlete agents
- Viatical settlements
- Insurance agents and brokers
- Third party administrators and self-insurers
- Petroleum tank release cleanup fund
- Residential mortgage originators and servicers
- Securities brokers, dealers and agents
- Investment advisors
- Collection agencies
- Wire transfer agencies (money transmitters)
- Abstractors
- Telemarketing companies
- Cosmetologists, manicurists, and estheticians

Registration and Policy Analysis:

- Reviews insurance policies and investment documents to determine whether they comply with applicable statutes and rules.
- Registers securities and franchise offerings, or certifies exemption from registration requirements.
- Licenses securities broker-dealers, agents, investment advisors, and viatical settlement providers.
- Develops and implements policies and procedures to expedite compliance with registration requirements.
- Promotes development and use of electronic registration and filing systems.
- Reviews rates charged for insurance products to ensure that rates are not excessive.
- Authorizes employers and other groups to self-insure.
- Develops and implements policies and procedures to expedite compliance with registration requirements.

Historical Perspective

Over the past five years the number of consumer complaints received by the division has increased by more than 43%, primarily in the insurance, mortgage originator, and building contractor industries. Over this same time period, the legislature has required the division to develop and administer five new regulatory programs. The following trends affect both the workload and performance of the Investigation unit:

- Consumer complaint activity tends to fluctuate with changes in the economy.
- As lending rates change, there are corresponding changes in the number of complaints about real estate and building contractor licensees. Complaints have been increasing steadily.
- Stock market volatility increases complaints about securities and insurance issues.
- In addition to specific economic influences, the number of consumer complaints and inquiries is generally trending upward.
- The number of insurance investigations has increased in the last five years. At the same time, the complexity of insurance complaints has also increased. National trends indicate that complex, multi-state investigations will become more frequent.

Registration and policy analysis is a pro-active regulatory activity designed to prevent, rather than respond to, victimization of consumers in connection with insurance and investment transactions. This form of regulation attempts to balance an acceptable level of regulatory burden with the need for product credibility and consumer protection. State government began to regulate the investment business because, prior to regulation, companies offered investment products that did not provide the safety or the opportunity to earn that was represented in sales materials. Insurance regulation is the exclusive responsibility of the state pursuant to the McCarran-Ferguson Act of 1945. Contrary to historical trends, the number of filings and registrations has not decreased during the current economic downturn. The division continues to note an increase in the number and complexity of products filed for approval.

Key Measures

Complaint activity against regulated industries has increased steadily over the last five years, from 8,121 formal investigation files opened in 1998, to 11,685 in 2002. The number of administrative disciplinary actions taken against licensed entities rose from 571 in 1998 to 760 in 2002. This increase appears to be the result of a widespread change in corporate behavior and to financial instability in some business sectors.

Contact

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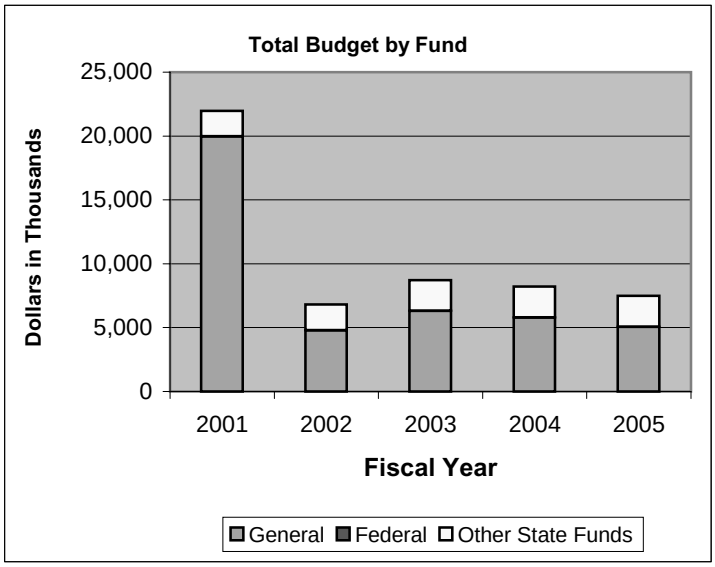
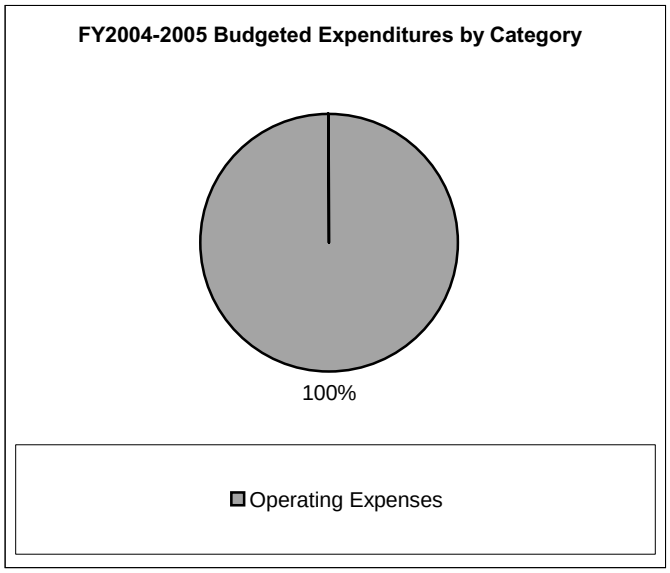




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	19,973	4,790	6,319	5,787	5,062	10,849
Workers Compensation	593	578	636	835	835	1,670
Statutory Appropriations						
Special Revenue	1,414	1,449	1,769	1,587	1,597	3,184
Total	**21,980**	**6,817**	**8,724**	**8,209**	**7,494**	**15,703**
Expenditures by Category						
Operating Expenses	6,875	6,817	8,509	8,159	7,444	15,603
Local Assistance	15,105	0	215	50	50	100
Total	**21,980**	**6,817**	**8,724**	**8,209**	**7,494**	**15,703**
Expenditures by Activity						
Market Assurance	21,980	6,817	8,724	8,209	7,494	15,703
Total	**21,980**	**6,817**	**8,724**	**8,209**	**7,494**	**15,703**
Revenue by Type and Fund						
Non Dedicated						
General	34,775	34,690	33,740	33,799	33,764	67,563
Cambridge Deposit Fund	8,784	0	0	0	0	0
Subtotal Non Dedicated	43,559	34,690	33,740	33,799	33,764	67,563
Dedicated						
Special Revenue	2,470	2,074	1,749	1,785	1,749	3,534
Subtotal Dedicated	2,470	2,074	1,749	1,785	1,749	3,534
Total Revenue	**46,029**	**36,764**	**35,489**	**35,584**	**35,513**	**71,097**
Full-Time Equivalents (FTE)	**88.7**	**83.7**	**81.8**	**72.8**	**72.5**	

Program Description

The Energy & Telecommunications Division advocates for the public interest, enforces federal and state energy and telecommunications laws, and promotes access to reliable, reasonably priced, efficient, economically and technologically sound and environmentally responsible energy and telecommunications services.

Population Served

The division serves all of Minnesota's residential, small business, and large business consumers as well as investors and providers of energy and telecommunication services.

Services Provided

The Energy & Telecommunications Division provides a broad range of regulatory and other services:

1) Energy and Telecommunications Regulatory Services:
   a) Advocates for the broad public interest in electric, natural gas and telecommunications utility matters before the Minnesota Public Utilities Commission.
   b) Enforces orders of the Public Utilities Commission as well as certain orders of the Federal Communications Commission.
   c) Analyzes utilities' energy conservation improvement proposals for the Commerce Commissioner.
   d) Participates as the consumer advocate in the development and operation of the regional electric transmission operating entity that regulates the power grid in Minnesota plus 26 other States.
   e) Advocates for the interests of Minnesota energy and telecommunication users before the Federal Energy Regulatory Commission and the Federal Communications Commission.
2) The Reliability Administrator ensures the reliability of Minnesota's electric transmission and distribution systems by:
   a) Providing independent energy reliability expertise to state energy regulators.
   b) Participating in the operations of local and regional transmission operating and planning organizations.
3) The State Energy Office
   a) Promotes research and development of modern energy technologies.
   b) Promotes alternative fuels.
   c) Administers energy conservation loan and grant programs.
   d) Administers the low-income weatherization program.
   e) The Energy Information Center distributes energy conservation information to Minnesota residents.
4) The Low Income Heating and Energy Assistance Program (LIHEAP) provides financial assistance to help Minnesota's low income residents pay their energy bills.
5) The division also
   a) Develops and implements statewide energy policies.
   b) Coordinates the actions, decisions, and plans of this broad group of energy-related functions to ensure that the department presents a clear and unified approach to energy and telecommunications regulation, reliability, conservation, planning, financial assistance, and information dissemination.
6) Additionally, the Commerce Commissioner has direct regulatory authority over energy Conservation Improvement Programs (CIP) designed and implemented by gas and electric utilities.

Program at a Glance

- The division enforces state and federal laws and regulations with respect to:
  - ⇒ 96 incumbent local telephone companies
  - ⇒ 161 competitive local carriers
  - ⇒ 418 companies offering long distance service
- The division evaluated and acted on approximately 1,798 individual telephone dockets in FY 2002.
- In FY 2003, Conservation Improvement Programs will save:
  - ⇒ 296,000,000 kilowatt hours of electricity
  - ⇒ 1.15 billion cubic feet of natural gas
- Regulatory effectiveness holds down utility rates. Minnesotans pay:
  - ⇒ 10% less than the national average for electricity.
  - ⇒ 21% less than the national average for natural gas.
- The LIHEAP program provided $59.5 million in heating assistance to Minnesota's low income households.
- In FY 2003, 637 wind turbines will produce 542 megawatts of electricity.

Historical Perspective

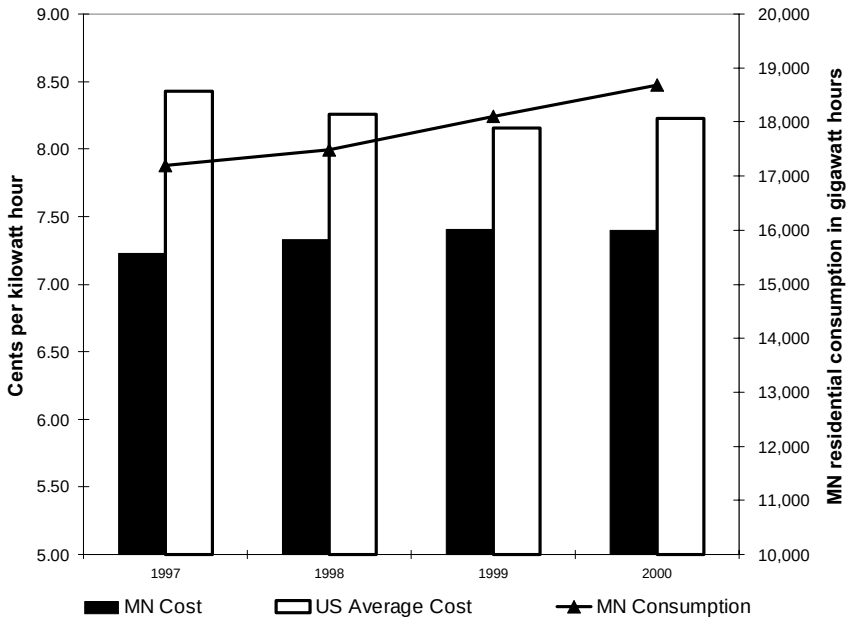
All direct and indirect costs related to telecommunications regulation and energy utility regulation are assessed back to the regulated companies. Direct telephone and energy utility costs are billed to regulated companies semi-annually. Indirect costs are estimated and billed 30 days in advance of each quarter. Indirect costs are prorated to regulated companies based on their gross Minnesota jurisdictional revenues. Estimated indirect cost billings are reconciled and adjusted to actual costs after the close of the fiscal year. Receipts include recovery of the department's administrative costs, statewide indirect costs and the cost of services provided by the Office of the Attorney General.

The cost of some operations within the Energy Division is supported by federal funds.

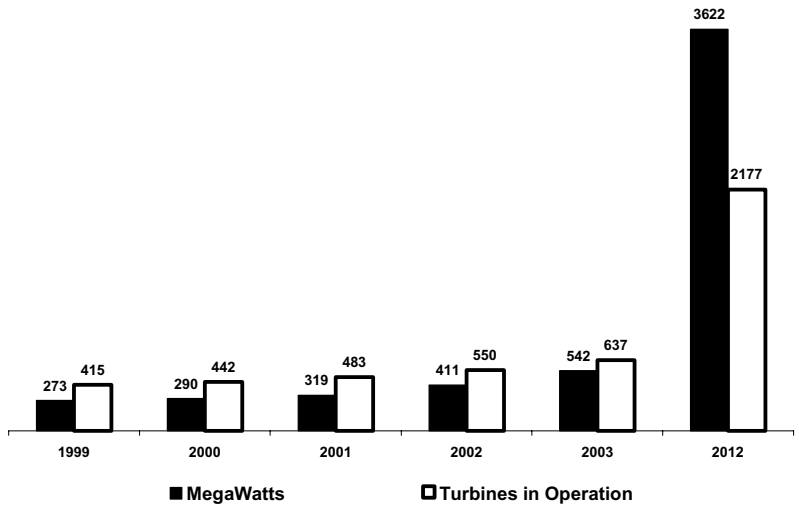
- LIHEAP operates almost entirely on funds provided by the U.S. Department of Health and Human Services.
- Weatherization operates entirely on funds provided by the U.S. Department of Energy.
- Loan and grant programs operate partially on funds provided by the U.S. Department of Energy.
- The Energy Information Center operates entirely on funds provided by the U.S. Department of Energy.

Key Measures

The cost of electric energy in Minnesota (black bars) is well below the national average (white bars) even though residential consumption is increasing steadily. The Energy Planning and Advocacy group works to maintain reasonable rates by representing the interests of Minnesota ratepayers.

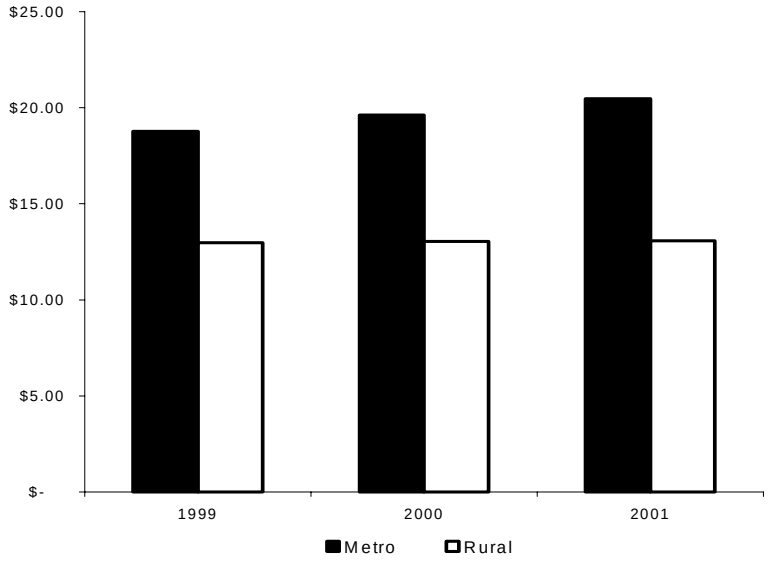


In the future, an increasing portion of Minnesota's energy needs will be supplied by alternative sources. The division promotes the use of alternative energy sources through its State Energy Office. The Office has mapped Minnesota's wind energy resource, and continues to work to promote wind energy as a viable source for producing electricity. The Office expects substantial growth in wind energy production within the next 12 years. If all currently planned projects are realized, the number of megawatts of electricity (black bars) produced from wind sources will increase by more than 800%.

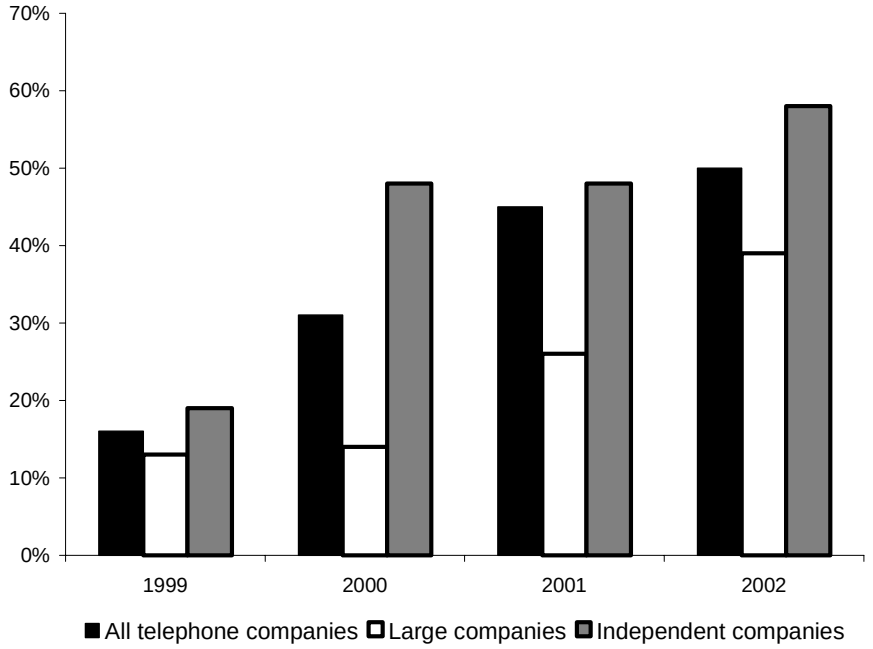


Average price for basic phone service

The department's goal is that prices for retail telephone lines will reflect the true underlying cost of providing service. If necessary, federal and state universal service subsidy programs will provide an explicit subsidy designed to achieve the goal of reasonable comparability between urban and rural rates. The department will work to rationalize subsidies and make them more explicit. Cost models and other strategies will help more closely relate price to cost.

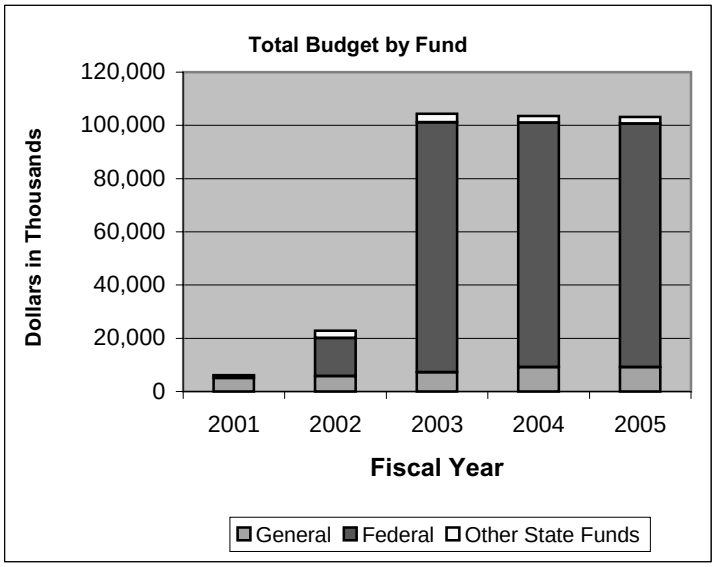


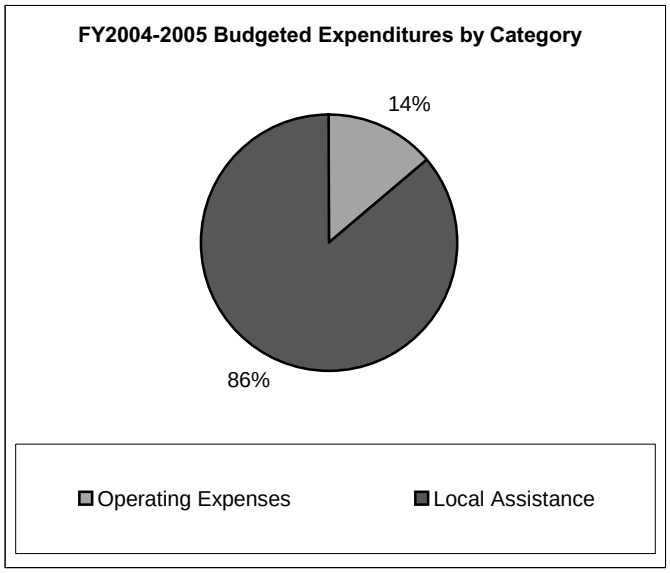
Number of telephone exchanges or wire centers served where DSL is available



Note: Telephone companies provide high speed service primarily through digital subscriber line (DSL) technology. The availability of DSL service by exchange or wire center is an indicator of the level of availability of high speed service throughout the state. The Department of Commerce conducted statewide inventories of telephone exchanges asking whether DSL was available within each telephone exchange or wire center. (Some companies serve an entire exchange through a single "wire center" or central office. Larger companies may serve an exchange through a number of different wire centers.)

Numbers are expected to improve due to agreements reached between the Department of Commerce and the Office of the Attorney General Residential Utilities Division and certain large telephone companies to further deploy DSL in telephone exchanges throughout the state. The Department of Commerce continues to work on the goal of making broadband service available to every state resident.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	4,315	3,816	4,846	4,349	4,349	8,698
Open Appropriations						
General	742	1,914	2,352	4,778	4,838	9,616
Statutory Appropriations						
State Government Special Revenue	0	101	86	0	0	0
Special Revenue	272	1,809	2,945	2,515	2,502	5,017
Federal	823	14,333	93,882	91,820	91,410	183,230
Gift	0	840	220	26	26	52
Total	**6,152**	**22,813**	**104,331**	**103,488**	**103,125**	**206,613**

Expenditures by Category						
Operating Expenses	5,700	9,286	12,976	14,033	14,361	28,394
Local Assistance	415	13,372	90,855	88,955	88,264	177,219
Other Financial Transactions	37	155	500	500	500	1,000
Total	**6,152**	**22,813**	**104,331**	**103,488**	**103,125**	**206,613**

Expenditures by Activity						
Energy	6,152	22,813	104,331	103,488	103,125	206,613
Total	**6,152**	**22,813**	**104,331**	**103,488**	**103,125**	**206,613**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	-12	3,986	3,490	3,272	3,271	6,543
Cambridge Deposit Fund	2,735	0	0	0	0	0
Subtotal Non Dedicated	2,723	3,986	3,490	3,272	3,271	6,543
Dedicated						
General	0	2	4	0	0	0
Special Revenue	1,524	4,011	5,499	4,038	4,249	8,287
Federal	791	68,706	91,477	91,820	91,410	183,230
Gift	0	1,732	27	26	26	52
Subtotal Dedicated	2,315	74,451	97,007	95,884	95,685	191,569
Total Revenue	**5,038**	**78,437**	**100,497**	**99,156**	**98,956**	**198,112**
Full-Time Equivalents (FTE)	**53.4**	**63.9**	**76.3**	**72.7**	**72.7**	

Program Description

The Telecommunications Access Minnesota (TAM) division of the Department of Commerce contracts with outside vendors for Telecommunications Relay Services (TRS) on behalf of Minnesota's telephone ratepayers. The Minnesota Relay allows a person using a specialized telecommunications device called a Telecommunications Device for the Deaf (TDD) or Teletypewriter (TTY), or an individual with a speech- or mobility-impairment, to communicate with a person using a standard telephone. The Minnesota Relay provides telephone access to Minnesotans who are deaf, hard-of-hearing, speech- or mobility-impaired, 24 hours per day, seven days a week.

Program at a Glance

- Minnesota Relay:
  - ⇒ Handled 1,408,345 calls in calendar year 2001.
  - ⇒ Offers 40 custom calling features.
- In FY 2001, the Telephone Equipment Distribution Program:
  - ⇒ Distributed 2,702 telecommunications devices.
  - ⇒ Conducted 241 presentations to customers.

TAM also contracts, through an Interagency Agreement with the Department of Human Service's (DHS) Telephone Equipment Distribution Program (TED Program), to provide a wide variety of assistive listening and telecommunications devices at no charge to eligible deaf, hard-of-hearing, speech- and mobility-impaired Minnesotans.

Population Served

TAM serves Minnesotans who are deaf, hard-of-hearing, speech- or mobility-impaired, and those with hearing that are involved in relayed conversations.

Services Provided

TAM serves its clients through two vendor contracts and an Interagency Agreement:

⇒ Contract with Communication Services for the Deaf (CSD). CSD provides the management and human resource components for the Minnesota Relay.

⇒ Contract with Sprint. Sprint is responsible for providing the relay facilities, maintenance and access to Sprint's fiber optic telecommunications network.

⇒ Interagency Agreement with DHS. DHS's TED Program provides special telecommunications equipment to eligible deaf, hard-of-hearing, speech- and mobility-impaired persons to enable them to access Minnesota's telephone network. DHS provides statewide coverage through its seven Deaf and Hard of Hearing Regional Service Centers. Equipment includes: Telecommunication Devices for the Deaf (TDD/TTY), telephone amplifiers, telephone ring signalers (visual, tactile or amplified), text telephones with large visual displays, Braille TTYs, and "hands-free" speaker phones.

Historical Perspective

⇒ The TAM program is funded by a surcharge on all wired and non-wired telephone subscriber lines in Minnesota. The surcharge is required by M.S. 237.52, subd. 2.

⇒ Funds from the surcharge are paid into an interest-bearing, dedicated special revenue account that funds:

- The TAP program administrator and coordinator;
- DHS/TED Program staff;
- Special assistive telecommunications devices distributed by the TED Program;
- The facility, equipment, and operations of the Minnesota Relay;
- Department of Commerce administrative costs.

⇒ The Public Utilities Commission (PUC) approves the TAM annual budget and sets the surcharge at a level that will generate sufficient revenue to fund the program.

⇒ The surcharge is currently set at $0.10 per month, per access line. The statutory maximum is $0.20 per month, per access line.

Key Measures

- The Minnesota Relay handled 1,408,345 calls in calendar year 2001.
- Relay service greatly exceeded FCC call answering performance standards. On average, incoming relay calls were answered in two rings or less.
- The TED Program distributed 2,702 telecommunications devices and conducted 241 presentations in FY 2001.

Contact

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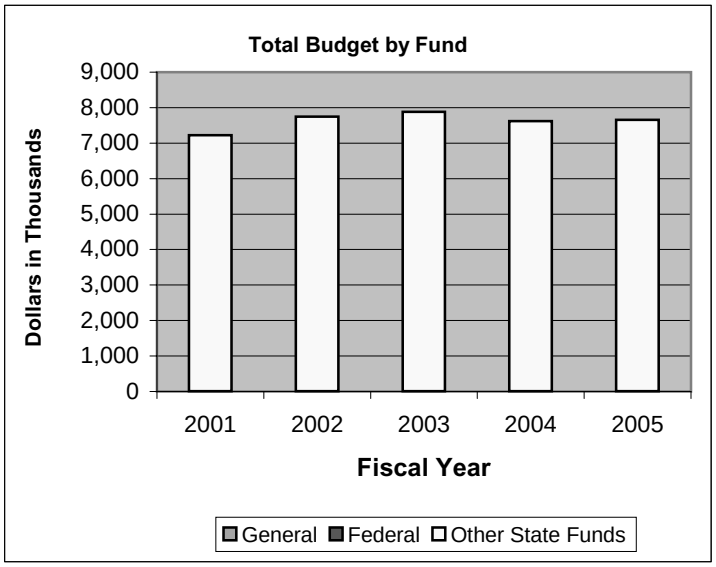

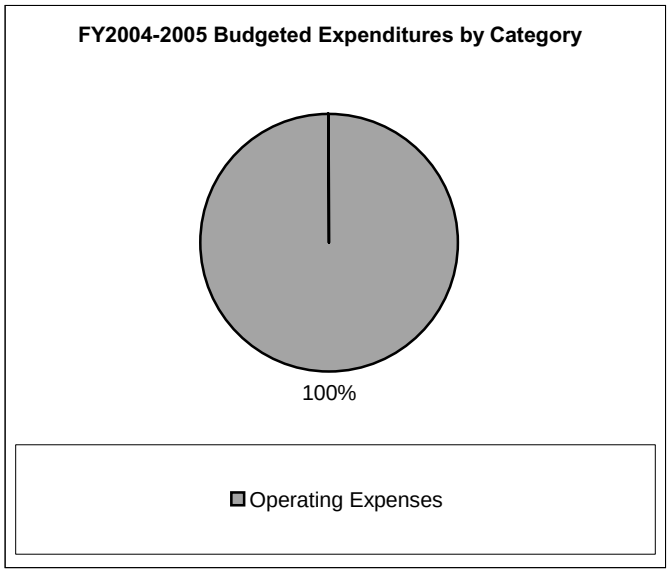

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Special Revenue	7,219	7,750	7,882	7,617	7,655	15,272
Total	**7,219**	**7,750**	**7,882**	**7,617**	**7,655**	**15,272**
Expenditures by Category						
Operating Expenses	7,219	7,750	7,882	7,617	7,655	15,272
Total	**7,219**	**7,750**	**7,882**	**7,617**	**7,655**	**15,272**
Expenditures by Activity						
Tam	7,219	7,750	7,882	7,617	7,655	15,272
Total	**7,219**	**7,750**	**7,882**	**7,617**	**7,655**	**15,272**
Revenue by Type and Fund						
Dedicated						
Special Revenue	7,439	6,321	6,377	6,441	6,505	12,946
Subtotal Dedicated	7,439	6,321	6,377	6,441	6,505	12,946
Total Revenue	**7,439**	**6,321**	**6,377**	**6,441**	**6,505**	**12,946**
Full-Time Equivalents (FTE)	**1.2**	**1.3**	**2.0**	**2.0**	**2.0**	

Program Description

The Weights and Measures Division:

⇒ Provides the basis for physical measurement accuracy in Minnesota by maintaining the state standards for mass, length, volume, temperature, and density.

⇒ Extends standardization and accuracy to commerce in Minnesota by offering precision calibration services to large and small businesses, and individuals.

⇒ Enforces accuracy in commercial marketplaces by inspecting and testing all commercial weighing and measuring equipment in Minnesota.

⇒ Ensures the quality of petroleum products by sampling and testing gasoline, diesel fuel, heating fuels, and other products.

⇒ Enforces statutory gasoline oxygenation requirements by sampling and testing gasoline at all levels of distribution and sale in Minnesota.

⇒ Ensures the net weight and net volume accuracy of consumer commodities by inspecting and testing prepackaged goods in Minnesota.

Program at a Glance

- Weights and Measures affects more than $23 billion in Minnesota commerce each year.
- The metrology laboratory is accredited under ISO 17025. It is one of the most highly regarded measurement laboratories in the nation.
- In FY 2002, the division's 17 petroleum and scale investigators tested and inspected:
  - ⇒ 49,000 gas pumps.
  - ⇒ 8,200 light capacity scales.
- In FY 2002, the division's six heavy capacity scale investigators tested and inspected:
  - ⇒ 1,600 vehicle scales
  - ⇒ 900 grain and fertilizer scales.
  - ⇒ 1,900 other heavy capacity scales.

Population Served

The Weights and Measures Division serves almost every person and business in Minnesota, including:

⇒ Minnesota citizens and businesses that buy or sell goods or services based on a measured quantity.

⇒ Businesses and individuals needing International Organization for Standardization (ISO) accredited calibration services to enable them to provide materials or services to other businesses in the United States, and throughout the world, and to enable them to compete in European Union nations.

⇒ Motor fuel, heating fuel, and aviation fuel consumers.

Services Provided

The division provides three distinct services:

⇒ Promotes accuracy in basic physical measurement by offering precision calibration services to Minnesota businesses and individuals.

⇒ Enforces Minnesota's weights and measures statutes to ensure the accuracy of gas pumps, grocery scales, prepackaged commodities, livestock scales, grain and fertilizer scales, and a broad range of other commercial weighing and measuring equipment.

⇒ Ensures the quality of gasoline, diesel fuel, heating fuel and other petroleum products.

Historical Perspective

The Weights and Measures Division is one of the oldest continuously operating units of Minnesota government. The division formally commenced operations in 1885 as part of the Railroad and Warehouse Commission.

The division has noted a continuing upward trend in the number of gasoline pumps in commercial use in Minnesota. The number has increased from approximately 21,000 in 1981 to 50,000 in 2002. Gasoline consumption, which declined in the 1970s and 1980s, and held fairly steady in the 1990s, is increasing again. Increasing gasoline consumption, and increasing gasoline prices, continue to increase demand for the division's inspection services.

Key Measures

The division's metrology laboratory has achieved and maintained accreditation under ISO 17025, the most recently adopted quality standards. Additionally, the metrology laboratory meets performance standards set by

the National Institute of Standards and Technology/National Voluntary Laboratory Accreditation Program and the NIST Office of Weights and Measures.

A comparison of measurement process uncertainties with other state and private metrology laboratories demonstrates that the Minnesota metrology laboratory consistently maintains the best measurement process uncertainties in the United States.

Inspection operations have maintained high compliance rates for commercial weighing and measuring equipment despite the rapid increase in the number of gas pumps. For comparison purposes, there were about 20,000 gas pumps in use in Minnesota in FY 1980. Currently, there are approximately 50,000 pumps in use. In the last 22 years, the number of gas pumps increased by 250%, the division's staff decreased and its productivity more than doubled.

Petroleum quality enforcement operations maintained a 98% compliance rate for gasoline octane and oxygenation.

Contact

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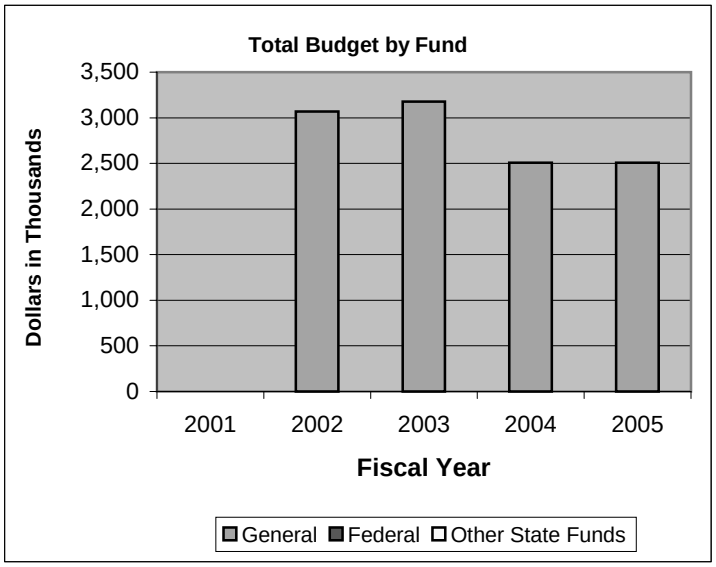

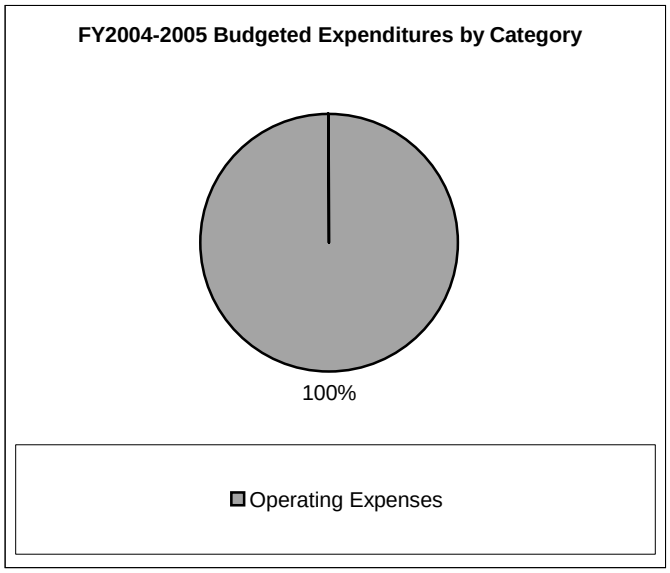

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	3,070	3,179	2,506	2,507	5,013
Total	**0**	**3,070**	**3,179**	**2,506**	**2,507**	**5,013**
Expenditures by Category						
Operating Expenses	0	3,070	3,179	2,506	2,507	5,013
Total	**0**	**3,070**	**3,179**	**2,506**	**2,507**	**5,013**
Expenditures by Activity						
Weights & Measures	0	3,070	3,179	2,506	2,507	5,013
Total	**0**	**3,070**	**3,179**	**2,506**	**2,507**	**5,013**
Revenue by Type and Fund						
Non Dedicated						
General	0	1,279	1,280	1,397	1,397	2,794
Subtotal Non Dedicated	0	1,279	1,280	1,397	1,397	2,794
Total Revenue	**0**	**1,279**	**1,280**	**1,397**	**1,397**	**2,794**
Full-Time Equivalents (FTE)	**0.0**	**38.5**	**38.9**	**28.6**	**28.6**	

MINNESOTA DEPARTMENT OF COMMERCE

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February 18, 2003

The 2003 Minnesota Legislature:

With this letter, we submit the Governor's recommended Department of Commerce budget for the FY 2004-05 biennium. This recommended budget includes important restructuring and outsourcing initiatives aimed at improving the department's efficiency and effectiveness. These initiatives will allow the department to meet the biennial cost reduction goals necessitated by Minnesota's current fiscal circumstances.

The Governor recommends a biennial budget of $306,014,000 for the Department of Commerce for the FY 2004-05 biennium. Of this amount:

- $57,203,000 is from the General Fund (including open appropriations for energy incentives);
- $183,230,000 is from federal funds; and,
- $65,581,000 is from all other funds.

The Governor's recommendation for the FY 2004-05 budget includes a base reduction of $5,287,000, which equates to 10% of our current budget. A large portion of the department's general fund costs is covered through fees and assessments. Consequently, some of the proposed reductions will result in a corresponding loss of revenue. The department carefully designed this budget proposal to minimize revenue losses.

The department will continue to provide core services in the FY 2004-05 biennium. However, some of our core services will, of necessity, be restructured, refocused or outsourced. These changes are fundamental to the proposed budget. The changes are absolutely essential for the department to continue to carry out its broad statutory mission. The proposals to restructure and outsource will allow the Department of Commerce to continue to effectively serve the people of Minnesota while keeping costs within the recommended budget levels for the FY 2004-05 biennium.

Our proposed restructuring and outsourcing projects include:

⇒ The Financial Examinations Division will gain efficiency and reduce costs by combining the Insurance Examinations unit with the Insurance Desk Audit unit. As a result, the division will increase its reliance on other states to audit out-of-state insurance companies.

⇒ The Administration Division plans to outsource a portion of its licensing operation. Outsourcing will allow the department to reduce expenditures, and will provide convenient, one-stop licensing services to 20,000 first-time licensees each year.

⇒ The Market Assurance Division will restructure parts of its operations to focus staff efforts in areas where improved consumer protection is most needed. The restructuring will allow the division to reduce costs.

⇒ The Energy Division and the Telecommunications Division will be combined. Resulting efficiency improvements will allow the division to reduce its costs.

⇒ The Weights and Measures Division will outsource gasoline pump inspection and liquefied petroleum gas (LPG) meter inspection. Outsourcing will produce significant savings while maintaining effective consumer and business protection.

We look forward to working with the 2003 Minnesota Legislature to resolve Minnesota's fiscal problems and to improve the overall efficiency of Minnesota government. Our proposed budget contributes to that resolution. The restructuring and outsourcing initiatives included in this proposed budget will allow the Department of Commerce to continue to effectively serve Minnesota businesses and individuals.

Sincerely,

Glenn Wilson, Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	58,514	248,437	306,951
Legislatively Mandated Base	-433	0	-433
New Programs To Agency Base	-17	0	-17
One-Time Appropriations	-670	0	-670
Open Appr. Forecast Adj.	4,912	-66	4,846
Transfers Between Agencies	184	440	624
Adjusted Base Funding	62,490	248,811	311,301
Change Items			
Budget Reduction	-5,287	0	-5,287
Governor's Recommendations	57,203	248,811	306,014
Biennial Change, 2002-03 to 2004-05	2,984	81,211	84,195
Percent Change	6%	48%	38%

Brief Explanation Of Budget Decisions:

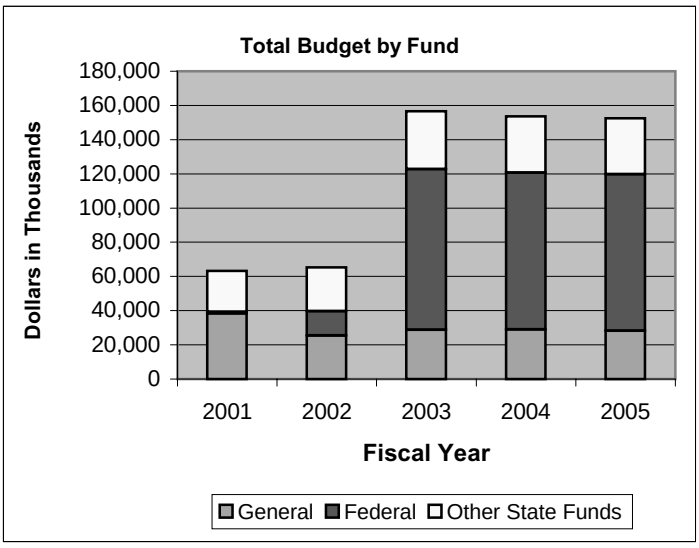
1) The direct appropriation from the General Fund to the Department of Commerce includes the following adjustments to the biennial base:

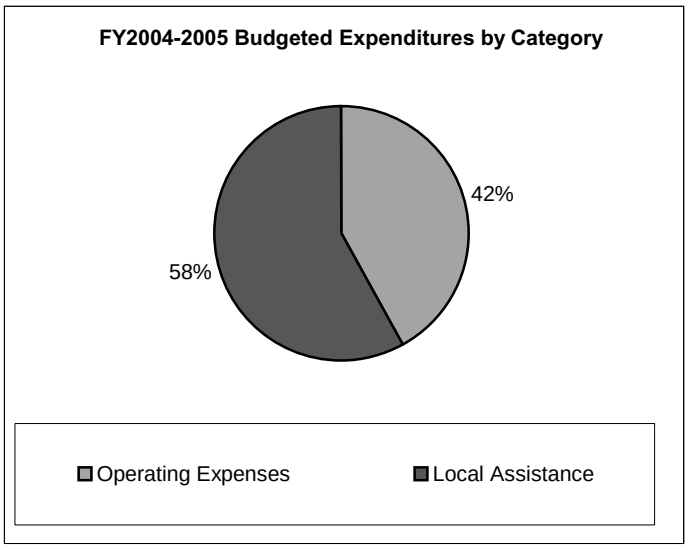
($50,000)	Administrative Cost Reduction (Phase 1)
($60,000)	Money Transmitters Reduction
$1,000	Insurance Producers Increase
($316,000)	Do-Not-Call Reduction
($17,000)	Student Athlete Agent
$184,000	The Cigarette pricing activity was transferred from the Department of Revenue to the Department of Commerce.
($670,000)	A one-time appropriation to the Department of Commerce for a School Employee Health Insurance Study will end in FY 2004.
$440,000	The base has been adjusted to transfer the fraud section of the Investigative Services Unit from the Department of Labor and Industry to the Department of Commerce.

2) The Department of Commerce forecasts that an open appropriation from the General Fund to the department for wind and hydroelectric incentive payments will increase by $4,912,000 for the FY 2004-05 biennium.

	FY 2004-05 Revenues ($000s)		
	General Fund	**Other Funds**	**Total**
FY 2004-05 Current Law Revenues	173,435	218,613	392,048
Change Items			
Weights and Measures Division			
W&M Fee Increase	$506	0	$506
Budget Reduction	-1486		-1486
FY 2004-05 Total Revenues	172,455	218,613	391,068
Biennial Change 2002-03 to 2004-05	980	22,072	23,052
Percent Change	0.57%	10.10%	5.88%

Currently, the division's non-petroleum fee income does not recover its non-petroleum costs. The fee levels have not changed since 1996. The division estimates that the proposed fee increase will generate sufficient revenue to recover the division's non-petroleum operating expenses as required by M.S. 239.101. All revenues from Weights and Measures fees are deposited in the General Fund.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	37,684	23,505	26,448	24,157	23,430	47,587
Petroleum Tank Release Cleanup	824	815	1,333	1,084	1,084	2,168
Workers Compensation	593	578	636	835	835	1,670
Open Appropriations						
General	742	1,914	2,352	4,778	4,838	9,616
Petroleum Tank Release Cleanup	13,256	10,692	15,145	15,246	15,246	30,492
Statutory Appropriations						
State Government Special Revenue	0	101	86	0	0	0
Special Revenue	9,310	12,480	16,459	15,582	15,617	31,199
Federal	823	14,333	93,882	91,820	91,410	183,230
Gift	0	840	220	26	26	52
Total	**63,232**	**65,258**	**156,561**	**153,528**	**152,486**	**306,014**

Expenditures by Category						
Operating Expenses	47,675	51,731	64,991	63,922	63,571	127,493
Local Assistance	15,520	13,372	91,070	89,005	88,314	177,319
Other Financial Transactions	37	155	500	500	500	1,000
Transfers	0	0	0	101	101	202
Total	**63,232**	**65,258**	**156,561**	**153,528**	**152,486**	**306,014**

Expenditures by Program						
Financial Examinations	6,656	7,555	10,066	9,700	9,697	19,397
Petroleum Tank Cleanup Fund	14,080	11,507	16,478	16,330	16,330	32,660
Administration	7,145	5,746	5,901	5,678	5,678	11,356
Market Assurance	21,980	6,817	8,724	8,209	7,494	15,703
Energy & Telecommunications	6,152	22,813	104,331	103,488	103,125	206,613
Tam	7,219	7,750	7,882	7,617	7,655	15,272
Weights & Measures	0	3,070	3,179	2,506	2,507	5,013
Total	**63,232**	**65,258**	**156,561**	**153,528**	**152,486**	**306,014**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	34,769	87,946	84,728	84,607	85,856	170,463
Petroleum Tank Release Cleanup	1,487	829	632	632	632	1,264
Cambridge Deposit Fund	46,679	0	0	0	0	0
Subtotal Non Dedicated	82,935	88,775	85,360	85,239	86,488	171,727
Dedicated						
General	0	2	4	0	0	0
Special Revenue	12,873	14,754	18,375	16,914	17,153	34,067
Federal	791	68,706	91,477	91,820	91,410	183,230
Miscellaneous Agency	4	3	0	0	0	0
Gift	0	1,732	27	26	26	52
Subtotal Dedicated	13,668	85,197	109,883	108,760	108,589	217,349
Total Revenue	**96,603**	**173,972**	**195,243**	**193,999**	**195,077**	**389,076**
Full-Time Equivalents (FTE)	**317.4**	**350.4**	**356.4**	**318.5**	**318.5**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($2,644)	($2,643)	($2,643)	($2,643)
Revenues	($743)	($743)	($743)	($743)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($1,901)	($1,900)	($1,900)	($1,900)

Recommendation

The Governor recommends a budget for the Department of Commerce of $24,157,000 in FY 2004 and $23,430,000 in FY 2005. This recommendation includes expenditure reductions of $2,644,000 in FY 2004 and $2,643,000 in FY 2005.

Background

The Department of Commerce proposes to improve efficiency and customer service while reducing costs. The department intends to accomplish these goals by making the following changes.

1) **Financial Examinations**
   The department proposes to combine the Insurance Examinations unit with the Insurance Desk Audit unit. The combined unit will refocus staff efforts to monitor primarily Minnesota-based insurance companies. The unit will place more reliance on other states to monitor insurance companies based in those states. Monitoring out-of-state companies will be risk-focused.
2) **Administrative Management**
   The department proposes to outsource application processing for initial license issuance. Currently, the department retains a contractor only to administer initial license examinations. Under this proposal, a contractor will administer examinations, process initial license applications, and issue initial licenses. Outsourcing is expected to be successful because the department will contract with one vendor to provide an efficient, one-stop system for initial license issuance.
3) **Market Assurance**
   The department proposes to restructure its Market Assurance Division to focus staff efforts in areas where consumer protection can be improved, and where the division will be most productive and effective. To accomplish this goal, the division will reinforce its investigative staff while reducing the overall staff level.
4) **Energy & Telecommunications**
   a) The department will gain some efficiency improvements from combining the Energy Division and the Telecommunications Division. These improvements will allow the combined division to reduce its staff.
   b) The division will turn back funds that have been statutorily appropriated from the General Fund to the Oil Burner Retrofit account. This proposed change will reduce the amount of funding available to retrofit and upgrade oil burning furnaces in low income households. There will be no corresponding loss of revenue.
5) **Weights and Measures**
   The department proposes to outsource inspection and testing of gasoline pumps and liquefied petroleum gas (LPG) meters. This proposal does not affect other areas of commercial weighing or measuring (e.g. heavy capacity scales at grain elevators, fertilizer plants, and livestock dealers, and light capacity scales at grocery stores and other businesses). Outsourcing is expected to be a successful solution for gasoline pump and LPG meter inspections because:
   a) Compliance, with respect to gasoline pump accuracy, has historically been in the range of 96%. Modern gasoline pump equipment tends to be fairly reliable and stable. The department will be able to contract for services, and extend inspection intervals, without detrimentally affecting compliance.
   b) Compliance for LPG meters has historically been in the range of 25%. Due to the nature of the product, meters cannot maintain long term accuracy. Regular repair and adjustment is required. The department will authorize private sector repair companies to inspect and test LPG meters on the department's behalf.

Relationship to Base Budget

The Governor's recommended budget for the Department of Commerce represents a 10% reduction from the previous biennium. The department is proposing to significantly restructure several of its operations in an effort to accomplish the necessary cost reduction. These restructuring efforts are the only reasonable way to achieve the necessary cost reduction goals.

Alternatives Considered

There are no alternatives. Salary expenditures represent the bulk of the Department of Commerce budget. The department's salary expenditures are the only significant expenditure areas that can be used to provide the substantial level of change necessitated by current fiscal circumstances.

Statutory Change:

1) **Financial Examinations**
   The proposed restructuring will require changes to Minnesota Statutes, Sections 46.04 and 52.06, to allow the division to expand examination intervals for banks and credit unions from the current 18 months to 24 months.
2) **Administrative Management**
   Changes to Minnesota Statutes, Chapter 45, will be required to allow the department to contract for initial license application processing services. The department intends to contract for license application processing, along with license examination services, so that initial license applicants will be able to conveniently complete the entire licensing process at one location, and with only one fee.
3) **Market Assurance**
   The proposed restructuring will require changes to Minnesota Statutes, Chapters 61A, 62A, 70A, 79, 155A, and 325D, and changes to Minnesota Statutes, Section 79.56 3(b).
4) **Energy & Telecommunications**
   Not Applicable.
5) **Weights and Measures**
   The proposed efficiency improvements will require changes to Minnesota Statutes, Chapter 239, to allow the division to authorize private sector businesses to inspect and test commercial weighing and measuring equipment on behalf of the state.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	$253	$253	$253	$253
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$253	$253	$253	$253

Recommendation
The Governor recommends increasing the inspection fees charged by the Weights and Measures Division. The recommended fee increases will balance the division's non-petroleum fee income against its non-petroleum operating expenses. The increased fees will increase General Fund revenues by $253,000 per year.

Background
Currently, the division's non-petroleum fee income does not recover its non-petroleum costs. The fees have not been increased since 1996. The division estimates that the proposed fee increase will generate sufficient revenue to recover the division's non-petroleum operating expenses. The following table provides details about the estimated income to be generated by the proposed fee increase. All revenues from Weights and Measures fees are paid into the General Fund. The division is required by M.S. Section 239.101, to recover its non-petroleum operating costs by charging direct fees for inspection services.

Inspection Type	Capacity	Estimated Tests	FY 2003 Fee	FY 2003 Income	Proposed FY 2004 Fee	Estimated FY 2004 Income
Agricultural Chemical Scale	All	81	$125	$10,125	$150	$12,150
LPG Platform Scale	7-250 lbs	3	$19	$57	$25	$75
	251-1,100 lbs	866	$30	$25,980	$45	$38,970
Industrial Scale	0-250 lbs	330	$19	$6,270	$25	$8,250
	251-1,100 lbs	800	$30	$24,000	$45	$36,000
	1,101-2000 lbs	45	$50	$2,250	$65	$2,925
	2,101-4,000 lbs	113	$75	$8,475	$90	$10,170
	4,001-10,000 lbs	347	$145	$50,315	$170	$58,990
	10,001-30,000 lbs	96	$175	$16,800	$195	$18,720
	over 30,000 lbs	14	$240	$3,360	$275	$3,850
Enforcement Scale, Portable	All	341	$100	$34,100	$125	$42,625
Fertilizer Hopper Scale	up to 9,000 lbs	68	$145	$9,860	$165	$11,220
	9,001 - 30,000 lbs	319	$175	$55,825	$195	$62,205
	over 30,000 lbs	46	$240	$11,040	$300	$13,800
Grain Hopper Scale	up to 4,000 lbs	9	$75	$675	$90	$810
	4,001-10,000 lbs	228	$145	$33,060	$170	$36,760
	10,001-80,000 lbs	68	$175	$11,900	$195	$13,260
	over 80,000 lbs	82	$240	$19,680	$300	$24,600
Livestock Scale	All USDA Test	150	$250	$37,500	$300	$45,000
LPG Meter	All	949	$135	$128,115	$150	$142,350

Inspection Type	Capacity	Estimated Tests	FY 2003 Fee	FY 2003 Income	Proposed FY 2004 Fee	Estimated FY 2004 Income
Metrology Laboratory	Hourly	2,275	$125	$284,375	$140	$318,500
Placing in Service Permit	All	478	$100	$47,800	$110	$52,580
Petroleum Laboratory	Hourly	35	$100	$3,500	$110	$3,850
Retail Scale **(see note)**	0-6 lbs	91	$9	$819	$10	$910
	7-250 lbs	3,300	$19	$62,700	$25	$82,500
	251-1,100 lbs	135	$30	$4,050	$45	$6,075
	1,101-2,000 lbs	19	$50	$950	$65	$1,235
	2,001-4,000 lbs	4	$75	$300	$90	$360
	4,001-10,000 lbs	2	$145	$290	$170	$340
Railroad Scale	single test	56	$500	$28,000	$750	$42,000
	second scale	23	$200	$4,600	$300	$6,900
Vehicle Scale	2 Section	565	$170	$96,050	$200	$113,000
	3 Section	365	$180	$65,700	$220	$80,300
	4 Section	575	$190	$109,250	$230	$132,250
	5 Section	295	$200	$59,000	$240	$70,800
	6 Section	23	$210	$4,830	$250	$5,750
Pkgd Commodity Net Weight	1-100 pkg lot	34	$30	$1,020	$35	$1,190
(see note)	101-500 pkg lot	86	$75	$6,450	$85	$7,310
	501-1,500 pkg lot	77	$200	$15,400	$220	$16,940
	over 1,500 pkg lot	77	$300	$23,100	$330	$25,410
Pkgd Commodity Reinspection	1-300 pkg lot	48	$130	$6,240	$135	$6,480
(see note)	301-1000 pkg lot	61	$175	$10,675	$185	$11,285
	1001-2,500 pkg lot	28	$300	$8,400	$320	$8,960
	over 2,500 pkg lot	11	$400	$4,400	$430	$4,730
Misc. Inspection (heavy)	hourly	342	$75	$25,650	$90	$30,780
Misc. Inspection (light)	hourly	54	$65	$3,510	$75	$4,050
FY 2003 Income (estimated)				**$1,366,446**		
FY 2004 Income (proposed)						**$1,619,215**
Annual Income Increase	**$252,769**					

NOTE: Retail scale and package inspections limited to one every three years.

Alternatives Considered

There are no alternatives. Cost reductions will reduce income. The only way to balance the division's income against its non-petroleum costs is to increase non-petroleum inspection fees.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Transfers In	$2,500	0	0	0
Other Fund				
Expenditures	0	0	0	0
Transfers Out	($2,500)	0	0	0
Net Fiscal Impact	$0	0	0	0

Recommendation

The Governor recommends a one-time transfer of $2,500,000 from the surplus balance in the Building Contractor's Recovery Fund to the General Fund.

Background

The Building Contractor's Recovery Fund was established to compensate aggrieved owners or lessees of residential property who have obtained a final judgment against a licensed building contractor on grounds of fraudulent, deceptive, or dishonest practices, or failure of performance. Claims against the fund are limited to $50,000 per claimant, or $75,000 per licensee.

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
Low Income Home Energy Assistance Program	$0	GCBO*	$60,550	$80,000	$77,700	$77,700
Weatherization Assistance For Low Income Persons	$0	GCBO	$6,706	$9,360	$11,715	$11,715
State Energy Program (SEP) including Exxon PVE & SEP Special Projects	$0	SO, GPS, GI	$1,349	$1,740	$1,800	$1,890
National Industrial Competitiveness through Energy, Environment & Economics (NICE3)	$0	GI	$42	$238	$500	$0
State Heating Oil & Propane (SHOPP)	$0	SO	$0	$4	$5	$5
USDOE Conservation & Renewable Activities	$0	SO	$24	$100	$100	$100
Council of Great Lakes Governors	$0	SO	$35	$35	$0	$0
Agency Total	$0		$68,706	$91,477	$91,820	$91,410

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

***** Community Based Organizations make Grants to Individuals

These federal funds are used to perform statutory-required activities under MS216C and provide the majority of discretionary funding for other activities related to energy efficiency and renewable energy resources. The primary objectives of SEP, NICE3, SHOPP and Conservation & Renewable Activities funds at the Department of Commerce are to:

- Operate an energy information center to provide comprehensive energy information services to the public;
- Promote increased utilization of modern energy technologies including renewable energy resources and distributed energy resources;
- Promote energy efficiency in buildings; and
- Promote alternative fuel vehicles.

The primary focus of federal low-income energy funds at the Department of Commerce is to:

- Help low-income households meet the costs of home energy by paying a portion of their heating bills.
- Provide a timely and effective crisis intervention during a no heat or life threatening situation caused by lack of heat.
- Increase the energy efficiency of low-income dwellings.
- Reduce low-income household's total energy expenditures.
- Improve the health and safety of dwelling units where low-income families reside.

Agency Purpose

The Board of Accountancy was established in 1909 and is mandated by M.S. 326.165-326.229. The board's is responsible for ensuring that persons engaged in public accounting meet and maintain the qualifications and standards required to competently practice public accounting in the state of Minnesota. The board fulfills its mission through the following:

- administering the Uniform Certified Public Accountant examination;
- issuing and renewing licenses to certified public accountants;
- renewing licenses to licensed public accountants; and
- regulates the profession.

At A Glance

Biennial Budget for FY 2002-03 $1.404 million
Recovers all its costs through fees

Business Functions:

- Licenses over 23,000 Certified Public Accountants;
- Reviews and processes over 3000 applications to sit for the Uniformed Certified Public Accountant examination biennially; and
- Issues fines and penalties based on board authorized disciplinary action.

The board has a staff of five full-time employees.

Core Functions

The board regulates the practice of public accounting by enforcing its rules and applicable laws on ethics and by monitoring continuing, professional education requirements, quality review and investigating complaints. The board also follows M.S. 214 that generally governs boards and commissions charged with regulating certain occupations in Minnesota.

Operations

The board is comprised of five certified public accountants, two licensed public accountants, and two public members. Dennis Poppenhagen is the executive secretary of the board. Four full-time equivalent employees assist the executive secretary with licensing, investigation, exam preparation, and other duties.

The Department of Commerce provides administrative support to the board. Its duties include processing payroll and personnel transactions, allotting, encumbering, and disbursing funds, and maintaining the accounting records. The Department of Commerce records the financial activity in the state's accounting system, MAPS, while payroll activity is recorded in the state's human resources system, SEMA4.

The Department of Finance provides standard financial reports for the board. The executive secretary is responsible for reviewing the financial reports and working with the Department of Finance to resolve any discrepancies. According to M.S. 214.06 and M.S. 326.22, the board is required to collect sufficient fees to recover both its direct and indirect costs. The Department of Finance works with the board to ensure that fees charged recover board costs.

Budget

The board's biennial budget for FY 2002-03 is $1.404 million. This funding is through a direct appropriation for the state's General Fund. The board recovers all of its costs through the collection of fees for licensing, disciplinary action, and examinations.

Contact

Minnesota Board of Accountancy
85 E. 7th Place
St. Paul, Minnesota 55101

Dennis Poppenhagen, Executive Secretary
Phone: (651) 296-7937
Fax: (651) 282-2644

Visit our web site at: www.boa@state.mn.us for information on licensing, examinations, CPE requirements, rules and statutes, forms, and newsletters.

State of Minnesota
Department of Finance

400 Centennial Building
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St. Paul, Minnesota 55155
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TTY: 1-800-627-3529

February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Economic Development omnibus bill. These agencies collectively administer $130 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $17.5 million (17.8%) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to preserve Minnesota's rich history, support the state's art community, regulate professional licensees, and provide advice to the Governor and legislature on issues effecting the state's minority populations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

We have evaluated the role of government in a number of these agencies and are recommending the elimination of state funding. The reduction level for most of the other non-cabinet agencies in the economic development area ranges from 15-20%. Most agencies have focused on reducing their administrative areas of the budget in order to preserve the core functions of the agency.

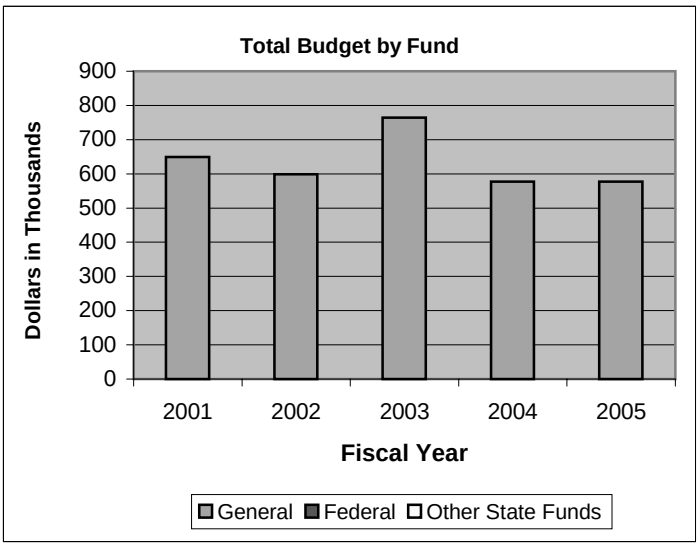
The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

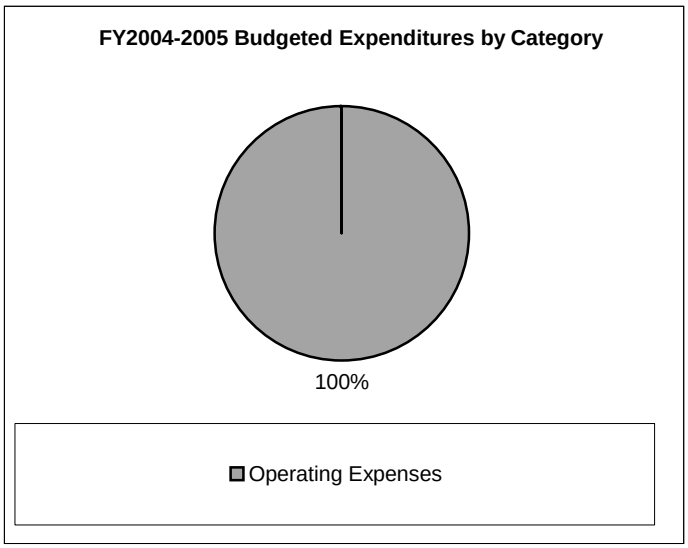
I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	1,442	0	1,442
Adjusted Base Funding	1,442	0	1,442
Change Items			
Budget Reduction	-288	0	-288
Governor's Recommendations	1,154	0	1,154
Biennial Change, 2002-03 to 2004-05	-209	0	-209
Percent Change	-15%	n.m.	-15%





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	649	599	764	577	577	1,154
Total	**649**	**599**	**764**	**577**	**577**	**1,154**
Expenditures by Category						
Operating Expenses	649	599	764	577	577	1,154
Total	**649**	**599**	**764**	**577**	**577**	**1,154**
Expenditures by Program						
Accountancy	649	599	764	577	577	1,154
Total	**649**	**599**	**764**	**577**	**577**	**1,154**
Revenue by Type and Fund						
Non Dedicated						
General	0	715	665	665	665	1,330
Cambridge Deposit Fund	701	0	0	0	0	0
Subtotal Non Dedicated	701	715	665	665	665	1,330
Total Revenue	**701**	**715**	**665**	**665**	**665**	**1,330**
Full-Time Equivalents (FTE)	**4.8**	**4.7**	**5.3**	**5.3**	**5.3**	

Preliminary Proposal

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($144)	($144)	($144)	($144)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($144)	($144)	($144)	($144)

Recommendation

The Governor recommends a reduction of $144,000 in FY 2004 and $144,000 in FY 2005 to the budget of the Board of Accountancy.

Background

The recommended reduction will be taken from the following portions of the board's operating budget.

- Staff
- Travel and subsistence
- Printing and repairs
- Employee development

The staff reduction may result in some slower turn-around times for the services delivered to the licensees and the public. No reduction in actual services will result.

Relationship to Base Budget

The recommended reduction represents 20% of the base budget.

Alternatives Considered

None.

Statutory Change: Not Applicable.

Agency Purpose

In 1976, the legislature established the Office of Administrative Hearings (OAH) as an independent executive branch agency responsible for conducting administrative contested case hearings whenever state or local law gave citizens the right to challenge state or local government action that adversely affected them. OAH was also given the responsibility of ensuring that state agency rulemaking and rulemaking proceedings conform to requirements of the law. In 1981, the legislature gave OAH the added responsibility of conducting hearings to resolve claims for workers' compensation benefits. And in 1998, the legislature added to that responsibility by transferring the functions of the Department of Labor and Industry's Judicial Services Unit to OAH. That gave OAH responsibility for providing certain alternative dispute resolution services to parties involved with workers' compensation benefit claims.

At A Glance

Annual Business Processes:

- Service to more than 80 state agencies and 20 local government units
- 584 administrative rulemaking and contested case proceedings per year
- 7,211 workers' compensation settlement matters disposed of per year
- 4,344 workers' compensation hearing matters disposed of per year

Core Functions

The agency's two operating divisions provide a variety of dispute resolution services to parties involved with administrative hearings and workers' compensation benefit claims, namely:

- providing persons adversely affected by state or local government actions with full and fair opportunities to be heard and to challenge those actions;
- ensuring that agency rules and rulemaking proceedings conform to the law and allowing the widest possible public participation in the formulation of agency rules;
- providing injured workers, their employers, and workers' compensation insurers with prompt and impartial resolutions of claims for workers' compensation benefits; and
- encouraging and assisting disputing parties to resolve their differences through settlement, arbitration, and mediation.

Operations

The administrative law judges (ALJ) assigned to the agency's Administrative Law Division serve and meet the administrative hearing needs of most state agencies and a number of local governments. Upon request, they also provide arbitration and mediation services to those customers. Administrative law judges also review all proposed agency rules and amendments for legality, necessity, and reasonableness and conduct public rule hearings when required. The compensation judges assigned to the agency's Workers' Compensation Division are responsible for conducting most pre-trial and all trial level functions associated with the disposition of claim petitions for workers' compensation benefits. Those functions include disposing of motions, conducting settlement and pre-trial conferences, conducting trials, and issuing awards and final decisions.

Key Measures

	Statutory Requirement	2002
⇒ Average time for ALJs to issue final decisions/recommendations after the record closes.	90 days	17 days
⇒ Average time for compensation judges to issue final decisions after the record closes.	60 days	34.6 days
⇒ Average time for compensation judges to issue orders on requests for discontinuance of benefits, medical and rehab requests.	5 days	3.4 days
⇒ Percent of attorneys and parties who rated OAH judges as "excellent" or "good" in each of 21 categories. (See OAH website for more information on this survey.)	NA	75%*

* 1999 information – 2002 data will be available in January 2003.

Budget

OAH maintains a staff of 94 full-time equivalent positions, and its FY 2002-03 biennial budget totals $17.3 million. The Administrative Law Division has a $2.3 million biennial budget, which is funded by a Special Revenue Revolving Fund. Deposits into that fund are collected from state agencies and local governments through hourly charges for administrative law judges and staff attorneys. The Workers' Compensation Division has a $15.0 million biennial budget funded by an appropriation by the legislature from the state's Workers' Compensation Special Compensation Fund.

Contact

Administrative Hearing Office
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Minneapolis, Minnesota 55401-2138

World Wide Web Home Page:
http://www.oah.state.mn.us

Kenneth A. Nickolai
Chief Administrative Law Judge
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Fax: (612) 349-2665

State of Minnesota
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TTY: 1-800-627-3529

February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators:

I respectfully submit for your consideration the Governor's FY 2004-05 budget proposals for the non-cabinet agencies in the state government omnibus bill. Under the Governor's recommended budget, these agencies would collectively spend $12.882 million in General Fund dollars for the FY 2004-05 biennium. The funding provided for these agencies will be used for the protection of public assets and resources, assurance of due process related to governmental rulemaking, the regulation of the gambling and racing industries, administration of campaign finance and disclosure laws, and support to small non-profit organizations that assist Minnesota veterans.

The FY 2004-05 funding recommended for these agencies represents a $6.695 million (34.2%) decrease from the FY 2002-03 biennium. The recommendations will also result in a net decrease in revenue to the General Fund of $954,000 for the biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing and reorganizing some functions. Therefore, for some of the agencies in this bill, the Governor recommends that funding and/or operations be consolidated with other related operations in the state in order to ensure cooperation and shared services to reduce costs.

In addition, the Governor recommends mitigating the impact of the state's deficit by spreading the cuts broadly among agencies, and by ensuring that the industries and parties that benefit from these services assist in paying for them. Therefore, for some of the agencies in this bill, the Governor recommends that dependence upon General Fund dollars be supplanted or offset with fees and user charges, and that where appropriate, some fees billed to governmental agencies be reduced.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium as well as the Governor's recommendations for state funding of pension systems and revenues from the Minnesota Lottery.

My staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

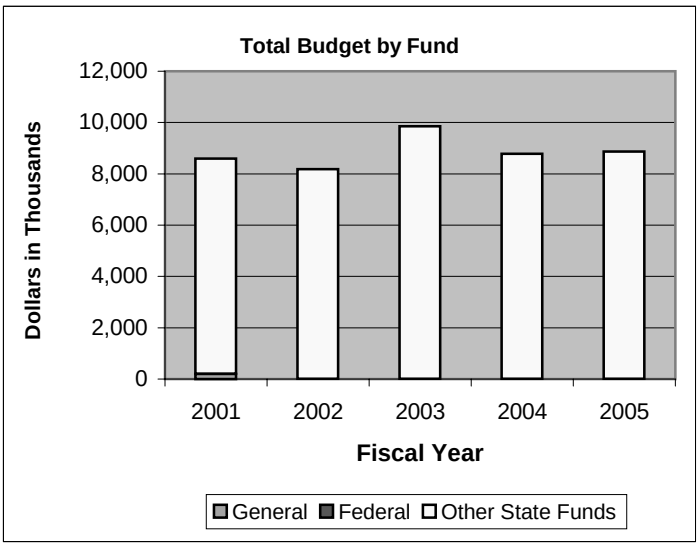
Dan McElroy
Commissioner

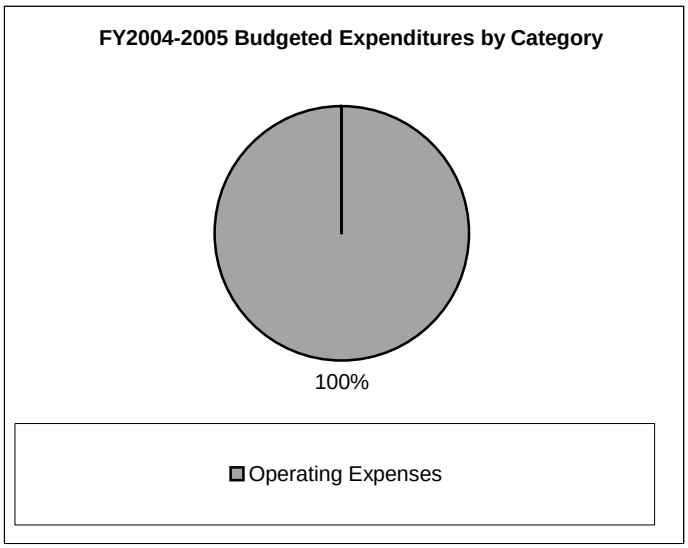
	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	0	19,098	19,098
Legislatively Mandated Base	0	41	41
Transfers Between Agencies	0	100	100
Adjusted Base Funding	0	19,239	19,239
Change Items			
Budget & Rate Reductions	0	-1,588	-1,588
Governor's Recommendations	0	17,651	17,651
Biennial Change, 2002-03 to 2004-05	0	-385	-385
Percent Change	n.m	-2%	-2%

Brief Explanation Of Budget Decisions:

As provided in Laws 2001, First Special Session, Chapter 8, Article 5, Sec. 22, base adjustments for the Workers' Compensation Special Revenue Fund are provided in FY 2004 and FY 2005 under "Legislatively Mandated Base" to appropriately reflect judicial salary increases.

The Workers' Compensation Fund base also reflects the transfer of $100,000 for the biennium from the Department of Labor and Industry (DOLI) for postage expenses. In FY 1998, the Judicial Services unit of DOLI was transferred to the Office of Administrative Hearings (OAH). Subsequently, the OAH St. Paul office was closed and all employees were moved to the OAH Minneapolis location. DOLI has continued to reimburse OAH for their postage expenses related to the former St. Paul operation. This transfer makes these funds a permanent part of the OAH base appropriation.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	194	0	0	0	0	0
Workers Compensation	7,063	7,086	8,309	7,186	7,249	14,435
Statutory Appropriations						
Administrative Hearings	1,336	1,096	1,535	1,593	1,611	3,204
Workers Comp Transcript	3	4	6	6	6	12
Total	**8,596**	**8,186**	**9,850**	**8,785**	**8,866**	**17,651**
Expenditures by Category						
Operating Expenses	8,596	8,180	9,850	8,785	8,866	17,651
Payments To Individuals	0	6	0	0	0	0
Total	**8,596**	**8,186**	**9,850**	**8,785**	**8,866**	**17,651**
Expenditures by Program						
Administrative Hearings	8,596	8,186	9,850	8,785	8,866	17,651
Total	**8,596**	**8,186**	**9,850**	**8,785**	**8,866**	**17,651**
Revenue by Type and Fund						
Dedicated						
Administrative Hearings	875	1,369	1,369	1,369	1,369	2,738
Workers Comp Transcript	8	8	6	6	6	12
Subtotal Dedicated	883	1,377	1,375	1,375	1,375	2,750
Total Revenue	**883**	**1,377**	**1,375**	**1,375**	**1,375**	**2,750**
Full-Time Equivalents (FTE)	**92.5**	**87.0**	**87.9**	**70.5**	**69.5**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	($794)	($794)	($794)	($794)
Revenues	0	0	0	0
Net Fiscal Impact	($794)	($794)	($794)	($794)

Recommendation

The Governor recommends an appropriation of $14.435 million in FY 2004-05 from the Workers' Compensation Special Revenue Fund. This is a 10% reduction. Also, the Governor recommends instituting fee rates for the Administrative Law Division that are 10% below the current rates. The Governor intends that the agency should focus its funding on maintaining its highest priority services. As a tool, the Office of Administrative Hearings (OAH) should collaborate with other state agencies on ways to achieve these reductions through consolidation, co-location, or sharing of support services. The Governor intends to provide as much flexibility as possible to the agency for the implementation of these reductions.

Background

OAH's Workers' Compensation Division adjudicates claim petitions for worker's compensation benefits and related matters that are filed by injured workers. The division's activities are funded entirely by a biennial appropriation from the Workers' Compensation Special Fund. In order to make a 10% reduction of the Workers' Compensation Division budget, as well as absorb anticipated rent and compensation increases for judges, OAH would propose to eliminate all funding for employee development and out-of-state travel, eight support staff positions, and six compensation judge positions. It would also propose to close the Detroit Lakes Workers' Compensation Division office (which would require legislation).

The office's Administrative Law Division conducts hearings on state and local government agency rulemaking and regulatory action by the agencies under those rules against individuals and businesses. The division's activities are funded entirely by fees collected from the state agencies and local governments through hourly charges for administrative law judges and staff attorneys. The revenue and expenses for the division are funded through a special revenue revolving fund and dedicated to the agency by statute.

If rates for administrative hearings are reduced, the agency may have to reduce its costs per claim in order to handle claims more efficiently. These reductions might include eliminating funding for employee development and out-of-state travel, five support staff positions, three unfilled administrative law judge (ALJ) positions, one full-time temporary ALJ position, and reductions in the use of part-time, contract ALJs.

Relationship to Base Budget

The Workers' Compensation Division's special compensation fund base budget for FY 2004-05 is $16.023 million. This change item would reduce that biennial appropriation by $1.588 for those upcoming two years, a 10% reduction.

Net impact to the office's base budget for the Administrative Law Division is not known, because hearing activities may increase and related revenues could exceed the level of corresponding expenditure reductions.

Key Measures

Under current law, OAH must adjudicate all compensation claims filed with the office by injured workers. Those claims have increased by 20% during the last two fiscal years. Assuming a further increase in benefit claims due to the current state of the economy, the result of the proposed budget would be delays in adjudication of those claims. It is estimated that resolution of disputed claims would be delayed from the current 14 months after filing to about 24 to 27 months.

Alternatives Considered

The primary alternative to current practice would be legislation to alter Minnesota's workers' compensation system whereby the state court system would adjudicate all workers' compensation claims. Judicial resolution of these claims would involve a significantly greater cost to the state, and adding over 10,000 new matters into a court system would probably create greater delays than claimants would experience at OAH.

Similarly, because administrative hearings are legally and constitutionally required, legislation to have them conducted in the state court system would significantly increase costs to the state and could raise separation of powers issues.

And finally, because a number of current statutes require equal treatment of ALJ and workers compensation judges with those in the state judicial system, another alternative that might be considered would be to require ALJ and workers compensation judges to retire at the age of 70 as is required of other judges in the state judiciary. A mandatory retirement age might assist in reducing costs to the office.

Statutory Change:
Rider language will be required to eliminate the Workers' Compensation Division's Detroit Lakes Office.

Agency Purpose

"Service First" to Minnesota and its citizens is the goal of the Department of Administration (Admin) and is expressed in Admin's mission to improve the quality and productivity of Minnesota government. Admin strives to accomplish this through providing high-quality facilities, services, and infrastructure that will assist each agency in achieving its organizational and strategic goals.

Admin strategic goals include:

⇒ *Customer Focus* – Admin consistently delivers goods and services that support state agencies in meeting and/or exceeding citizen expectations and takes a leadership role in facilities and operations management.

⇒ *Employer of Choice* – Admin motivates and enables employees to develop and utilize their skills in support of Admin's overall objectives in a positive work environment.

⇒ *Technology for the Future* – Provide citizens with more convenient, easy, fast, and cost-effective access to government information and services.

At A Glance

- Manages over 525 construction projects with a total value of $260 million.
- Recycles over 2,000 tons of materials yearly.
- Manages 1,000 state leases and 4 million usable square feet of leased space.
- Administers the state building codes.
- Provides energy management services that result in annual savings of over $125,000.
- Provides information technology services to Minnesota's public sector around the clock.
- Processes 31 million pieces of mail and 5 million warrants and checks annually.
- Provides oversight of $1 billion in annual purchasing and consolidates procurement activities, saving $49 million a year.
- Coordinates strategic investments in information and communications technology.
- Home to North Star, the state of Minnesota's Internet portal.

Core Functions

Admin is organized under five distinct bureaus.

⇒ **Operations Management Bureau (OMB)** is the state's buyer, mail service, printer, bookstore, office supply store, insurance carrier, vehicle leasing agency, and surplus property auctioneer.

⇒ **Office of Technology (OT)** is state government's technology window to today and tomorrow. OT provides statewide leadership and direction for the development, integration, and implementation of electronic government services and other technology initiatives and seeks to assure that state policy enhances the capabilities of Minnesota's citizens, businesses, schools, and communities. OT also coordinates and maintains *North Star*, the state's Internet portal.

⇒ **InterTechnologies Group (InterTech)** is the state's electronic nerve center, providing information technology services to state agencies, higher education, counties, cities, and school districts. InterTech offers voice, data, and video telecommunications network services; business recovery; and computer network server support.

⇒ **Facilities Management Bureau (FMB)** is the state's architect, building inspector, leasing and land acquisition/disposition specialists, landlord, gardener, and state building custodian.

⇒ **Management Services Bureau (MSB)** includes the agency's legislative, communications, administrative, and inter-agency support and consulting functions as well as several specialized services that include fiscal agent and public affairs responsibilities.

Operations

Admin serves multiple customers, including state agencies and constitutional offices, political subdivisions, the legislature, government employees, and citizens of the state. Admin provides four types of services to its customers:

⇒ **Marketplace Services** include internal service fund activities. Customers have freedom of choice when selecting vendors for products or services and choose to do business with Admin when superior service and value is provided. These services include management consulting services, vehicle leasing, sale of office supplies, sale of surplus property, insurance services, printing, sale of state documents, micrographics, and records storage.

- ⇒ **Utility Services** are similar to cooperatives in that the aggregation of demand is one of the primary benefits the utility provides. These services include data processing, telecommunications, 911 emergency telephone services, maintenance and grounds services, parking services, and mail operations.
- ⇒ **Compliance Services** are those that work to achieve compliance with laws, rules, standards, norms, and other expectations. These include information policy analysis, internal financial, audit and some human resources services, professional and technical contracting, leasing and land acquisition/disposition, and building codes and standards.
- ⇒ **Leadership Services** are those that provide statewide leadership on various issues. Leadership expertise within Admin focuses on technology architecture, NorthStar web site, electronic government services, facilities siting and building construction, resource recycling/recovery services, energy management, state archaeologist, and assistance to disabled individuals throughout the state.

Budget

The Department of Administration is funded through various sources including general, special revenue, federal, agency, gift, and internal service/enterprise funds.

- ⇒ General funds are primarily used for operations with statewide significance, including functions such as procurement, energy management, resource recovery, building construction, information policy analysis, and pass through grants. The Minnesota Legislature appropriates these funds.
- ⇒ Special Revenue funds are fee based and include 911 emergency services funds collected through monthly statewide subscriber fees, and building codes permits and surcharges for plan reviews, inspections and licenses.
- ⇒ The Developmental Disabilities Council and the STAR Program secure federal funds through the U.S. Department of Health and Human Services, and the U.S. Department of Education. Gift funds are donations accepted for the Governor's Residence Council.
- ⇒ Agency funds are pass through funds from state agencies for postage and state employees for bus cards.
- ⇒ Internal Service/Enterprise funds are the largest source of funds for the agency. Internal Service funds come through fees charged to state agencies for internal support services including insurance, printing, consulting, computer services, telecommunications, and leasing of facilities under the custodial control of Admin. These activities prepare annual business plans and develop rate structures for product and service offerings. Enterprise funds come through fees charged to governmental entities, citizens and businesses bookstore, surplus property, and cooperative purchasing products and services.

Many challenges are faced with hiring and maintaining a highly qualified staff to operate the many and varied divisions of the agency. Staffing numbers are constantly changing, and in FY 2002, the agency had 956 employees.

Contact

Department of Administration
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Larry Freund, Financial Management Director,
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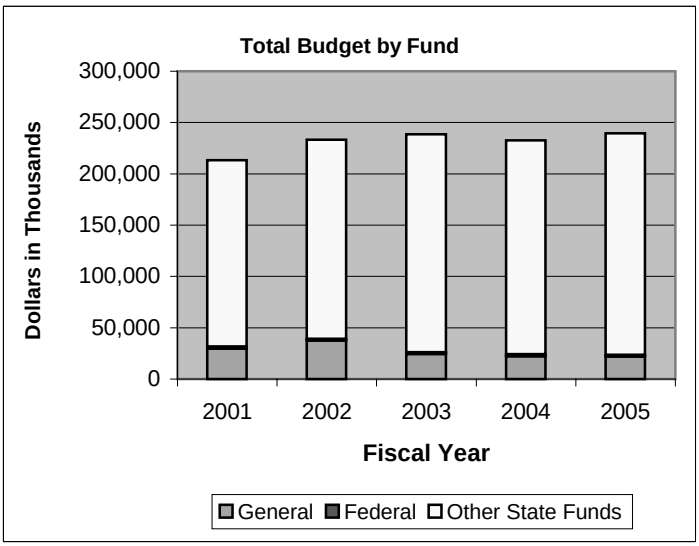
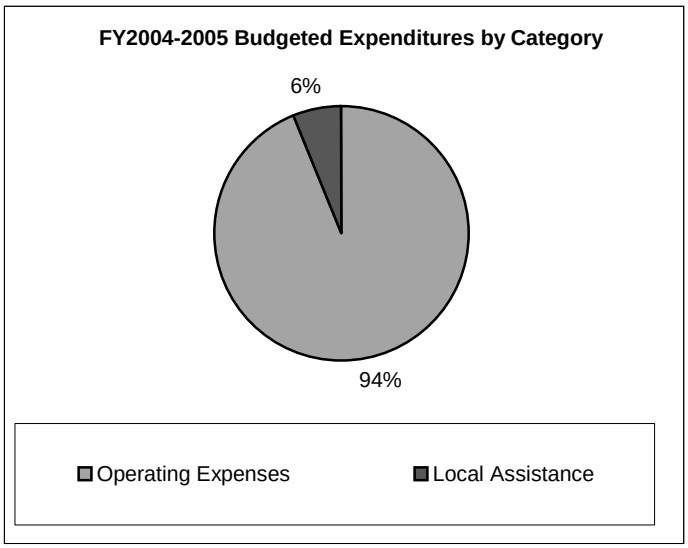
For information on how this agency measures whether it is meeting its statewide goals, please refer to www.departmentresults.state.mn.us.





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	29,621	37,491	24,215	22,221	21,721	43,942
Special Revenue	0	0	0	519	0	519
Statutory Appropriations						
General	44	0	0	0	0	0
State Government Special Revenue	22,343	23,076	30,192	29,281	32,881	62,162
Special Revenue	4,883	6,684	13,859	12,193	12,093	24,286
Federal	1,704	1,477	1,726	1,705	1,717	3,422
Risk Management	7,034	9,586	10,898	11,303	12,658	23,961
Miscellaneous Agency	10,435	9,917	11,100	11,100	11,103	22,203
Gift	155	131	38	77	64	141
Plant Management	24,791	26,155	25,920	25,551	25,800	51,351
Documents And Publications	2,306	1,873	1,949	1,980	2,061	4,041
Micrographics	1,295	1,336	1,284	1,359	1,380	2,739
Management Analysis	1,078	984	1,051	1,091	1,151	2,242
Central Motor Pool	13,060	14,021	12,862	13,104	13,292	26,396
State Printer	6,710	4,928	4,599	5,122	5,286	10,408
Central Stores	8,319	7,651	7,869	7,897	7,939	15,836
Materials Distribution	4,272	5,415	5,745	4,969	5,459	10,428
Intertechnologies	74,460	81,640	84,563	82,456	83,979	166,435
Central Mailing	760	765	701	738	766	1,504
Total	**213,270**	**233,130**	**238,571**	**232,666**	**239,350**	**472,016**

Expenditures by Category						
Operating Expenses	198,076	207,198	222,385	216,764	220,660	437,424
Capital Outlay & Real Property	1,756	584	638	634	638	1,272
Payments To Individuals	0	5	0	0	0	0
Local Assistance	11,078	21,551	12,548	13,083	15,652	28,735
Other Financial Transactions	2,360	3,792	3,000	2,185	2,400	4,585
Total	**213,270**	**233,130**	**238,571**	**232,666**	**239,350**	**472,016**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Program	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Operations Management Bureau	58,566	58,702	59,982	60,277	62,646	122,923
Office Of Technology	3,434	4,668	3,306	2,669	2,614	5,283
Intertechnologies Group	95,471	100,716	109,033	105,097	110,021	215,118
Facilities Management	37,728	40,454	47,470	46,146	45,971	92,117
Management Services	8,298	7,666	7,642	7,578	7,738	15,316
Fiscal Agent	9,773	20,924	11,138	10,899	10,360	21,259
Total	**213,270**	**233,130**	**238,571**	**232,666**	**239,350**	**472,016**
Revenue by Type and Fund						
Non Dedicated						
General	332	174	119	121	121	242
Subtotal Non Dedicated	332	174	119	121	121	242
Dedicated						
State Government Special Revenue	22,728	21,994	27,323	29,258	31,182	60,440
Special Revenue	4,938	5,494	4,402	4,331	4,531	8,862
Federal	1,472	1,467	1,669	1,705	1,717	3,422
Risk Management	8,532	9,037	11,049	12,064	13,369	25,433
Miscellaneous Agency	10,389	10,119	11,100	11,100	11,103	22,203
Gift	152	115	22	56	35	91
Plant Management	38,412	40,927	38,209	41,106	41,398	82,504
Documents And Publications	2,308	1,912	1,986	2,009	2,069	4,078
Micrographics	1,373	1,206	1,314	1,401	1,401	2,802
Management Analysis	1,086	1,061	1,050	1,091	1,150	2,241
Central Motor Pool	12,181	13,478	14,572	14,857	15,690	30,547
State Printer	5,846	4,472	4,981	5,130	5,284	10,414
Central Stores	8,498	7,706	7,902	7,902	7,902	15,804
Materials Distribution	4,732	5,655	5,685	5,420	5,542	10,962
Intertechnologies	76,367	73,243	83,219	80,581	82,528	163,109
Central Mailing	782	786	767	807	802	1,609
Subtotal Dedicated	199,796	198,672	215,250	218,818	225,703	444,521
Total Revenue	**200,128**	**198,846**	**215,369**	**218,939**	**225,824**	**444,763**
Full-Time Equivalents (FTE)	**912.5**	**901.5**	**927.4**	**872.4**	**866.9**	

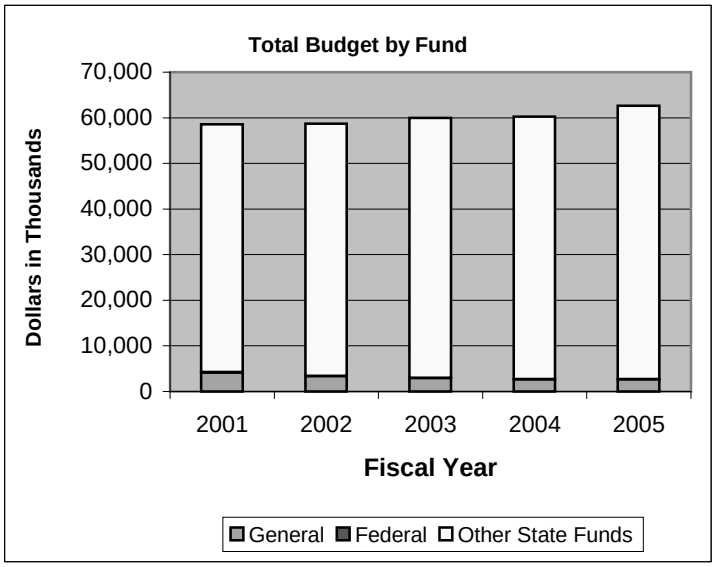
Program Description

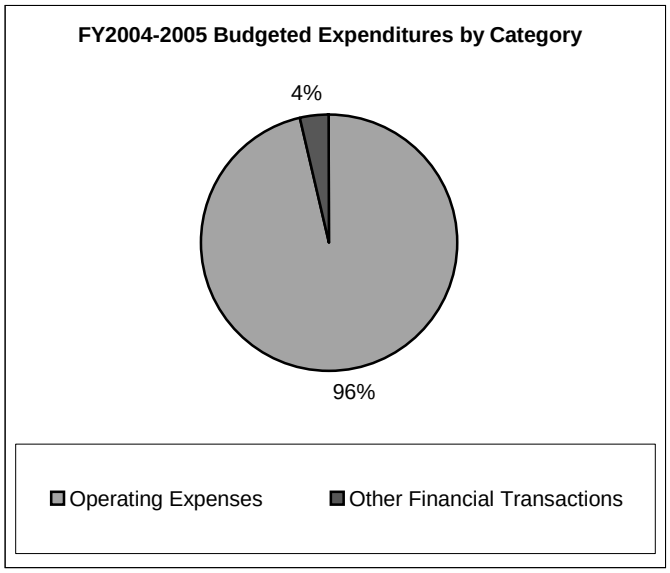
The purpose of the Operations Management Bureau (OMB) is to provide a broad range of operating support services to state government. These services are provided as cost-effective alternatives to decentralized administrative services. OMB strives to honor the agency mission by providing "services of such high quality and value that they are sought after by its customers."

Budget Activities Included:

⇒ Risk Management
⇒ Materials Management
⇒ MMD Central Stores
⇒ Travel Management
⇒ Communications Media

Further detail on each of these Budget Activities is included in subsequent pages of this budget document.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,121	3,343	2,938	2,669	2,669	5,338
Statutory Appropriations						
General	44	0	0	0	0	0
Special Revenue	291	186	137	136	136	272
Federal	55	0	0	0	0	0
Risk Management	7,034	9,586	10,898	11,303	12,658	23,961
Miscellaneous Agency	10,224	9,559	11,000	11,000	11,000	22,000
Gift	75	39	0	0	0	0
Documents And Publications	2,306	1,873	1,949	1,980	2,061	4,041
Micrographics	1,295	1,336	1,284	1,359	1,380	2,739
Central Motor Pool	13,060	14,021	12,862	13,104	13,292	26,396
State Printer	6,710	4,928	4,599	5,122	5,286	10,408
Central Stores	8,319	7,651	7,869	7,897	7,939	15,836
Materials Distribution	4,272	5,415	5,745	4,969	5,459	10,428
Central Mailing	760	765	701	738	766	1,504
Total	**58,566**	**58,702**	**59,982**	**60,277**	**62,646**	**122,923**
Expenditures by Category						
Operating Expenses	56,463	55,613	56,982	58,092	60,246	118,338
Other Financial Transactions	2,103	3,089	3,000	2,185	2,400	4,585
Total	**58,566**	**58,702**	**59,982**	**60,277**	**62,646**	**122,923**
Expenditures by Activity						
Risk Management	7,034	9,586	10,898	11,303	12,658	23,961
Materials Management	7,343	8,200	8,211	7,195	7,685	14,880
Mmd Central Stores	8,319	7,651	7,869	7,897	7,939	15,836
Travel Management	13,269	14,207	12,999	13,240	13,428	26,668
Communications Media	21,894	19,019	20,005	20,642	20,936	41,578
Mn Office Volunteer Serv	707	39	0	0	0	0
Total	**58,566**	**58,702**	**59,982**	**60,277**	**62,646**	**122,923**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	77	85	0	0	0	0
Subtotal Non Dedicated	77	85	0	0	0	0
Dedicated						
Special Revenue	246	129	136	136	136	272
Federal	26	0	0	0	0	0
Risk Management	8,532	9,037	11,049	12,064	13,369	25,433
Miscellaneous Agency	10,189	9,760	11,000	11,000	11,000	22,000
Gift	89	24	0	0	0	0
Documents And Publications	2,308	1,912	1,986	2,009	2,069	4,078
Micrographics	1,373	1,206	1,314	1,401	1,401	2,802
Central Motor Pool	12,181	13,478	14,572	14,857	15,690	30,547
State Printer	5,846	4,472	4,981	5,130	5,284	10,414
Central Stores	8,498	7,706	7,902	7,902	7,902	15,804
Materials Distribution	4,732	5,655	5,685	5,420	5,542	10,962
Central Mailing	782	786	767	807	802	1,609
Subtotal Dedicated	54,802	54,165	59,392	60,726	63,195	123,921
Total Revenue	**54,879**	**54,250**	**59,392**	**60,726**	**63,195**	**123,921**
Full-Time Equivalents (FTE)	**193.6**	**169.6**	**159.3**	**159.8**	**159.8**	

Activity Description

The Risk Management Division (RMD), operating under legislative authority of M.S. 16B.85, provides three major areas of service to state agencies, departments, boards, and commissions:

- manage the Risk Management Fund (RMF), which operates as the state's internal insurance company providing property and casualty insurance coverage;
- purchase commercial insurance to meet agencies' needs when the placement of the insurance may not be appropriate in the RMF; and
- provide risk and insurance management consulting services on a wide variety of issues.

Activity at a Glance

- Serves over 100 state agencies, departments, boards, and commissions.
- Property values insured total more that $7 billion.
- Insure 13,500 state vehicles.
- Handled 1,412 new claims in FY 2002.

Population Served

State of Minnesota agencies, departments, boards and commissions, and political subdivisions.

Services Provided

The RMD, through the RMF, offers five major lines of insurance. Those lines are auto liability, auto comprehensive and collision, general liability, property, boiler and machinery, and other miscellaneous lines that provide coverages that meet specific agency needs. Reinsurance is purchased to provide protection to the RMF against catastrophic or annual aggregation of property losses.

When unique types of coverage are needed, the RMD assists state agencies with purchasing appropriate insurance if self-insurance of the risk is not deemed appropriate for the RMF.

The RMD does not provide grants, regulate activity, or set or enforce standards.

The RMD has an Advisory Committee made up of representatives from state agencies, academia, and the private sector.

Historical Perspective

The legislature created the RMD in 1986 in response to the hard casualty insurance marketplace and the expectation that the state might not have been able to obtain auto liability insurance. The RMD started 1-01-87.

In 1988, the first commercial general liability insurance was underwritten by the RMF. In 1994, automobile comprehensive and collision insurance was offered. In 1996, the RMF started to offer a full line of property and casualty insurance coverages with the creation of Minnesota State Colleges and Universities (MnSCU) and their desire to have a comprehensive insurance program. Since that time, there has been a growing list of clients, which is now expanded (by legislation) to include political subdivisions.

The most critical issue facing the RMF is the uncertainty of the reinsurance market as a result of 9-11-01 terrorist attacks. The reinsurance market provides protection against catastrophic property losses and the aggregation of property claims in one year that could impair the financial integrity of the RMF. RMD was successful in obtaining coverage in FY 2003, but only after a cost increase of 286%. The rate increase to clients is 191%. The additional increase is being absorbed by the RMF. Continued uncertainty is expected because of a lack of terrorism insurance and the impacts of a weakening economy and major industry bankruptsies.

Key Measures

The goal of the RMF is to provide insurance at a lower cost than the traditional insurance market. One measure is to compare industry overhead to the RMF. Over the past five years, the performance has been as follows:

Fiscal Year	1998	1999	2000	2001	2002
Industry Average Operating Expense Ratio	29.95	30.5	30.6	28.6	29.0 (est.)
RMD Operating Expense Ratio	10.4	12.7	16.8	16.8	24.0 (est.)

The large increase in the RMD operating ratio is a one-time event, in great part because of the development of a new Risk Management Information System that will be operational in FY 2003. Another key factor is the increase in reinsurance costs that reduces the revenue base, which results in a higher expense ratio.

Activity Funding

RMD operates as an Internal Service Fund, charging fees based on insurance options requested by customers. RMD had 10 *full-time equivalents* on 7-01-02.

There are no *loans from the General Fund,* or *proposed investments in technology or equipment of $100,000 or more.*

Operating Losses/Increases in Retained Earnings:
The retained earnings decreased by $55,763 in FY 2002 due to increases in claims.

Dividends represent the return of premium for superior loss and expense experience. Premiums collected are invested by the State Board of Investment (SBI). The difference between premium and investment, less deductions for losses incurred and administrative expenses, equals the amount of funds that are eligible for dividend declaration. In the event of unsatisfactory experience, it is possible that no dividend will be declared.

In 2002, the calculated dividend was $1,451,374. Based upon the fact that the RMF was absorbing the increased reinsurance costs, higher deductibles, and aggregation of losses, it was the decision of the Risk Management Advisory Committee to withhold payment of the dividend in order to preserve the financial integrity of the RMF.

History of Rate Changes:

Fiscal Year	1998	1999	2000	2001	2002	2003
Rate Change (by line)						
Auto Liability	.50%	(6.25%)	(9.23%)	6.78%	.00%	(11.64%)
Auto Physical Damage	18.20%	59.00%	(4.95%)	17.65%	3.86%	.00%
General Liability	.00%	.00%	14.45%	.00%	.00%	(6.12%)
Property	.00%	.00%	.00%	.00%	.00%	191.31%
Other	.00%	.00%	.00%	.00%	.00%	.00%
Rate Change Average	2.68%	2.40%	2.77%	12.21%	1.46%	27.10%

Factors contributing to changes in premium rates:

- loss experience variation;
- increased claim potential due to additional volume;
- increased need to be proactive in risk management, loss control, and computer security; and
- violent fluctuations of the reinsurance marketplace. (In FY 2003, reinsurance costs increased 286%.)

Impact of Rate Changes:
Assuming the same volume and mix, the five largest customers will pay approximately 31.32% more in FY 2003. Early indications in FY 2003 are that customers will decrease the amount of deductible and increase the amount of insured value, which will lead to premium increases. The five largest customers in FY 2002 were MnSCU and the departments of Administration, Natural Resources, Transportation, and Corrections.

Contact

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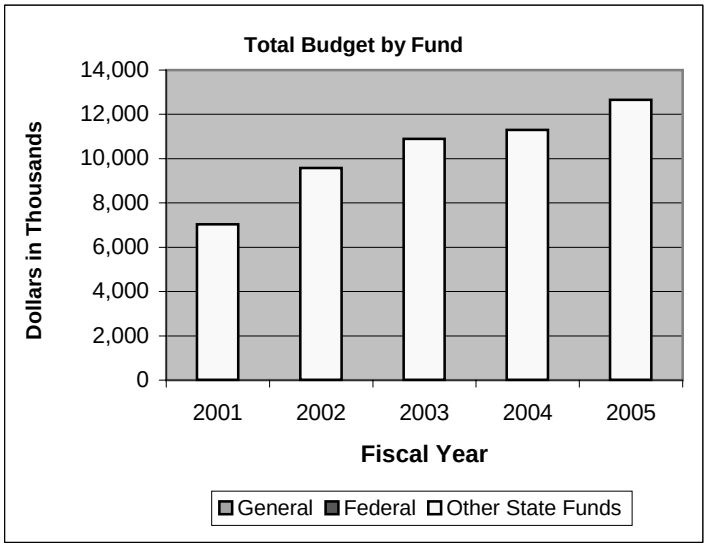
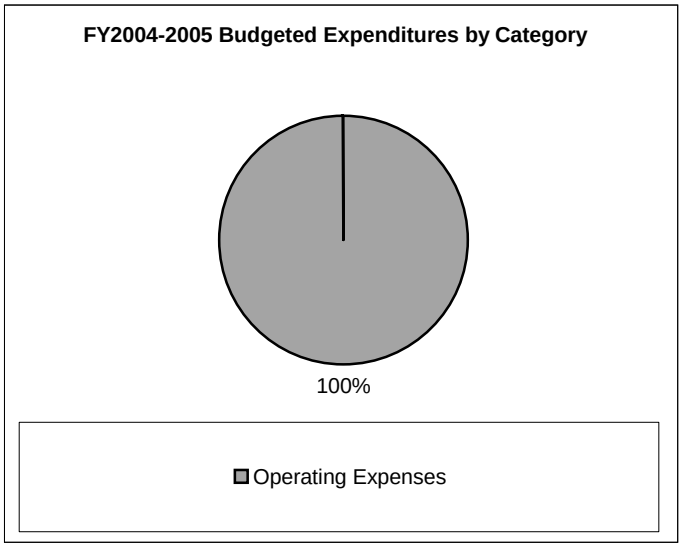
ADMINISTRATION DEPT
Program: OPERATIONS MANAGEMENT BUREAU
Activity: RISK MANAGEMENT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Risk Management	7,034	9,586	10,898	11,303	12,658	23,961
Total	**7,034**	**9,586**	**10,898**	**11,303**	**12,658**	**23,961**
Expenditures by Category						
Operating Expenses	7,034	9,586	10,898	11,303	12,658	23,961
Total	**7,034**	**9,586**	**10,898**	**11,303**	**12,658**	**23,961**
Revenue by Type and Fund						
Dedicated						
Risk Management	8,532	9,037	11,049	12,064	13,369	25,433
Subtotal Dedicated	8,532	9,037	11,049	12,064	13,369	25,433
Total Revenue	**8,532**	**9,037**	**11,049**	**12,064**	**13,369**	**25,433**
Full-Time Equivalents (FTE)	**7.9**	**8.0**	**9.6**	**10.0**	**10.0**	

Activity Description

The Materials Management Division (MMD) acquires goods and services and disposes of surplus property using methods that ensure the best value for the taxpayers' dollars and conform to the standards of public procurement. The division facilitates and oversees more than $1.2 billion annually in state government purchases each year. The statutory framework for the division's activities is M.S. Chapter 16C – State Procurement.

Activity at a Glance

- Oversees $1.2 billion annually in state government purchasing.
- Negotiates volume discounts for more than 450 government entities, including Minnesota's political subdivisions. Purchases from these contracts exceed $600 million annually.
- Reviews over 2,500 professional/technical contracts per year in an average of 2.76 days.

Population Served

MMD operates in close partnership with state agencies to achieve a productive balance of centralized and delegated purchasing. Statewide and multi-state contracts negotiated by MMD currently serve more than 450 government entities, including 40 other states and Minnesota's political subdivisions. MMD also works with Minnesota and out-of-state businesses to ensure fair competition and resolve vendor performance issues.

MMD's Surplus Services operation serves a population including state agencies, political subdivisions, various nonprofit organizations, and – with respect to its auction and "garage sale" programs – the general public.

Services Provided

The division provides a mix of direct services and compliance activities:

- purchasing and contracting for goods, services, and utilities;
- recruiting and managing vendors;
- promoting environmentally sensitive purchasing;
- managing procurement functions through Minnesota Accounting and Procurement System (MAPS);
- reviewing and overseeing professional/technical contracts;
- monitoring compliance with state procurement law and policy;
- managing federal and state surplus property; and
- operating a cooperative purchasing program for Minnesota's political subdivisions and a pharmaceutical purchasing program on behalf of 41 states.

Historical Perspective

Minnesota's procurement laws attempt to balance numerous interests, including those of state agencies, vendors, small businesses, minority- or female-owned or economically disadvantaged businesses, environmental advocates, correctional industries, the visually impaired, and others. The legislature re-wrote Minnesota's procurement laws in 1998, reducing the number of mandates and moving from a "low-bid" to "best value" philosophy of procurement. MMD concurrently shifted to a less centralized approach where unlimited authority can be delegated to purchasing staff within agencies if they have demonstrated their competence and adherence to state standards. These changes have allowed MMD to reduce its role with respect to one-time, low-dollar-value purchases and to concentrate on the more complex procurements, including contracts that aggregate public purchasing dollars to achieve volume discounts.

Recent developments include heightened attention to professional/technical contracts and MMD's role in contract oversight. Both the Office of the Legislative Auditor and MMD (working with Administration's Management Analysis Division) have undertaken assessments of this issue.

Key Measures

Efficiency in procurement processing: MMD tracks the number of working days from an agency requisitioning a commodity or service to issuing a purchase order. During FY 2002, agencies indicated that they needed the order issued in an average of 44.72 days. MMD issued these orders in an average 13.15 days.

Efficiency in reviewing and approving contracts: MMD attempts to review 80% of all professional/technical contracts within five days of receipt. Through May of FY 2002, 78.35% met that standard. However, approximately 30% were approved on the day of receipt and the average processing time was 2.76 working days.

Availability of decentralized options to state agencies: MMD's goal is to make training available to 95% of all agency staff seeking delegated purchasing authority. The success rate was 96% in FY 2000 and rose to 100% in FY 2002.

Effectiveness in reuse of government property: Recycling surplus property meets both environmental and fiscal objectives. MMD's Surplus Services measures success by meeting its sales goals. The goal for FY 2002 was to meet or beat the record sales level of $1,123,762 from the previous year. The goal was attained with net sales of approximately $1,188,000.

Activity Funding

MMD's General Fund appropriation covers costs associated with delivery of centralized procurement services as well as oversight of delegated purchasing and professional/technical contracts. Surplus services and the division's cooperative purchasing programs are self-sustaining enterprise funds.

Contact

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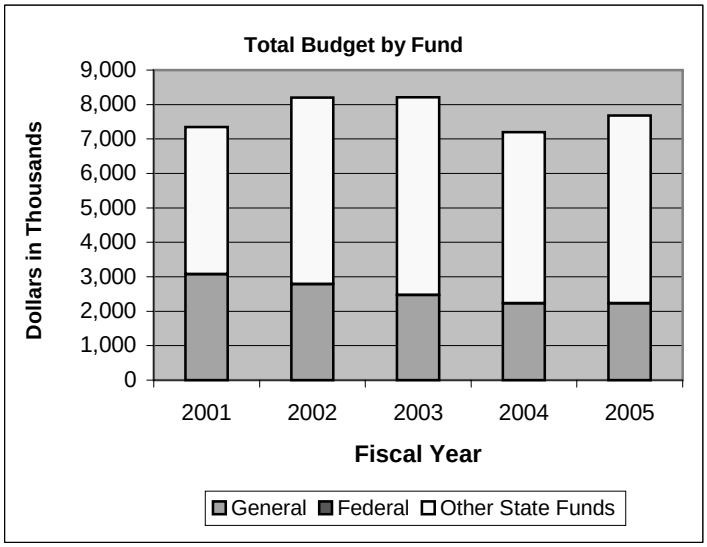
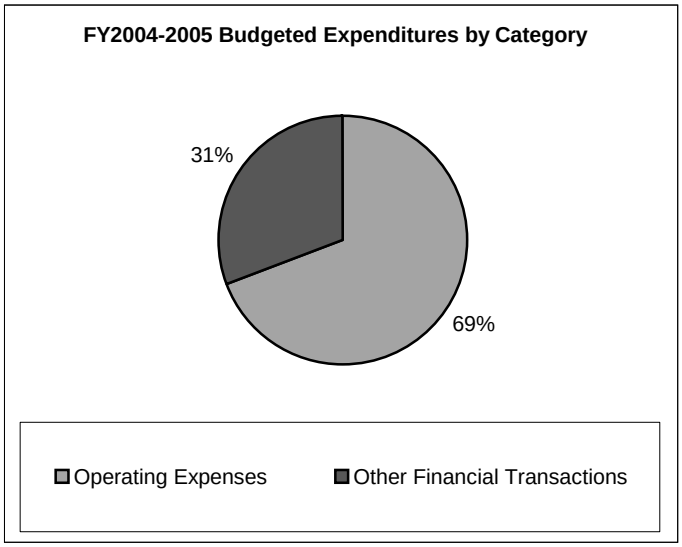
http://www.mmd.admin.state.mn.us

ADMINISTRATION DEPT
Program: OPERATIONS MANAGEMENT BUREAU
Activity: MATERIALS MANAGEMENT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,071	2,785	2,466	2,226	2,226	4,452
Statutory Appropriations						
Materials Distribution	4,272	5,415	5,745	4,969	5,459	10,428
Total	**7,343**	**8,200**	**8,211**	**7,195**	**7,685**	**14,880**
Expenditures by Category						
Operating Expenses	5,312	5,111	5,211	5,010	5,285	10,295
Other Financial Transactions	2,031	3,089	3,000	2,185	2,400	4,585
Total	**7,343**	**8,200**	**8,211**	**7,195**	**7,685**	**14,880**
Revenue by Type and Fund						
Non Dedicated						
General	12	26	0	0	0	0
Subtotal Non Dedicated	12	26	0	0	0	0
Dedicated						
Materials Distribution	4,732	5,655	5,685	5,420	5,542	10,962
Subtotal Dedicated	4,732	5,655	5,685	5,420	5,542	10,962
Total Revenue	**4,744**	**5,681**	**5,685**	**5,420**	**5,542**	**10,962**
Full-Time Equivalents (FTE)	**60.2**	**55.0**	**49.2**	**47.7**	**47.7**	

Activity Description

Materials Management Division (MMD) Central Stores is the state's distribution center for office supplies. Government entities benefit from one-stop shopping with pricing well below the competition plus free, prompt delivery.

Activity at a Glance

- Price comparison shows 39.8% savings to government on office products.
- Electronic orders via Central Stores web site now account for 42% of eligible purchases.
- Stores subsidizes chlorine-free, 100% recycled content paper and offers more than 3,000 other products with recycled content.

Population Served

Central Stores provides products to the three branches of state government plus other governmental entities. Its largest customers are executive branch state agencies, accounting for 84.51% of sales. Central Stores also serves Minnesota cities, counties, and school districts. Its customers are not required to purchase through Stores.

Services Provided

The following services are provided:

- sales and distribution of 948 stock items;
- catalog offering approximately 22,000 additional non-stock items at below-wholesale pricing;
- convenient "shopping cart" ordering through the Internet added to traditional fax and mail orders;
- free statewide delivery and central billing;
- product shows for customers; and
- guaranteed replacement for defective products or lost shipments.

Historical Perspective

Central Stores has been in business since 1939. It has not increased its markup rates since FY 1999.

Key Measures

Savings to state and local government: Central Stores conducts an annual price comparison with a major private sector competitor. The goal is to compare at least 45% of Central Stores' sales and demonstrate savings of 30% or more. In FY 2001, a market-basket comparison of 61% of the prior year's sales showed a cost savings to government of 31.4%. In FY 2002, the savings were calculated at 39.8% and compared 60% of the prior year's sales. Additionally, Stores has no add-on charges for shipping or minimum orders.

Efficiency in order processing: Stores implemented an Internet shopping cart service in May 2000. Staff members at both Stores and the agencies ordering office products benefit from the efficiencies of electronic procurement (less redundancy in forms and data entry, instant receipt of incoming orders, etc.). The goal of receiving 40% of Stores' eligible orders via the Internet in FY 2002 was exceeded by 2%.

Leadership in environmental stewardship: Central Stores attempts to grow the share of its sales for products containing recycled content. In FY 2002, 37.20% of stock and non-stock sales was for recycled content products. In FY 2001, that amount was 36.55%.

Activity Funding

Central Stores is an Internal Service Fund that receives no legislative appropriation and competes in the marketplace for its business. Operating costs are recovered and prices are determined by adding a markup to the cost of inventory purchased. In FY 2001, Stores sold $8.5 million in products to government entities. In FY 2002, that number was $7.7 million.

Stores operated with a staff of 12.65 *full-time equivalents* as of 7-01-02.

Central Stores does not have a *General Fund loan* or any *proposed investments in technology or equipment of $100,000 or more.*

Operating Losses/Increases in Retained Earnings:
Central Stores has experienced no operating losses. Central Stores' retained earnings increased by $30,324 in FY 2002 and are expected to increase by approximately $46,300 in FY 2003. Growth in retained earnings can be attributed to strong sales, low operating costs and -- primarily -- a five-year-contract offering substantial discounts on miscellaneous office products that will expire in May 2003.

History of Rate Changes:

Fiscal Year	1998	1999	2000	2001	2002	2003
Change	0%	7.27%	3.39%	0%	0%	0%

Impact of Rate Changes:
Stores' rates have remained quite stable. Assuming the same volume and mix of goods/services as used in FY 2002, Central Stores' customers will pay approximately the same in FY 2003. The five largest customers in FY 2002 were the Department of Transportation – Central Office; Department of Health; Department of Children, Families and Learning; Department of Transportation – Roseville Office; and the Department of Commerce.

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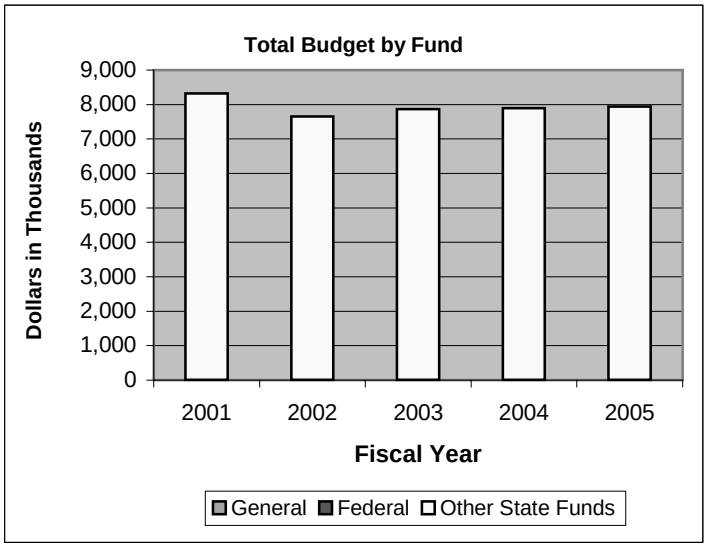
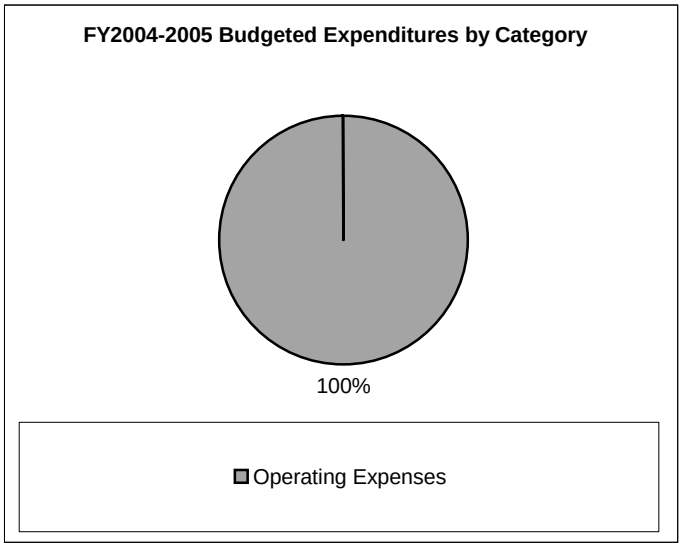
ADMINISTRATION DEPT
Program: OPERATIONS MANAGEMENT BUREAU
Activity: MMD CENTRAL STORES

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Central Stores	8,319	7,651	7,869	7,897	7,939	15,836
Total	**8,319**	**7,651**	**7,869**	**7,897**	**7,939**	**15,836**
Expenditures by Category						
Operating Expenses	8,319	7,651	7,869	7,897	7,939	15,836
Total	**8,319**	**7,651**	**7,869**	**7,897**	**7,939**	**15,836**
Revenue by Type and Fund						
Non Dedicated						
General	8	10	0	0	0	0
Subtotal Non Dedicated	8	10	0	0	0	0
Dedicated						
Central Stores	8,498	7,706	7,902	7,902	7,902	15,804
Subtotal Dedicated	8,498	7,706	7,902	7,902	7,902	15,804
Total Revenue	**8,506**	**7,716**	**7,902**	**7,902**	**7,902**	**15,804**
Full-Time Equivalents (FTE)	**12.6**	**12.4**	**12.7**	**12.7**	**12.7**	

Activity Description

The Travel Management Division (TMD) supplies vehicles to state programs for use in the conduct of official state business. TMD also supplies vehicles to political subdivisions. TMD supplies support services for these vehicles including maintenance, fuel, and insurance.

Activity at a Glance

- Provides long-term rental vehicles and vehicle support services to state program and political subdivisions.
- Operates a daily rental program serving state programs in the St. Paul area.

Population Served

TMD provides vehicles to all branches of state government and political sub-divisions including cities, counties, and school districts.

Services Provided

TMD operates a long-term rental program providing a wide variety of passenger vehicles and light trucks. These vehicles are packaged with vehicle services to provide a complete, easy to use transportation solution. Long-term rentals account for approximately 96% of the TMD fleet.

TMD operates a short-term rental program that provides basic passenger vehicles on a daily rental basis. Short-term rentals account for approximately 4% of the TMD fleet.

Historical Perspective

TMD was established in 1961 to help state agencies effectively meet transportation needs. It has grown and evolved over the years to more effectively address the growing and changing needs of state government. TMD has expanded the types of vehicles provided, moving into a greater variety of light trucks. Vehicle life cycles are now tailored to better meet varying customer work requirements.

Key Measures

TMD has an ongoing customer satisfaction survey effort in place. Over 1,100 TMD customers have responded to this survey covering timeliness, quality, courtesy, and ease of process. Ninety-five percent of respondents have indicated they are satisfied or very satisfied with TMD customer service.

Activity Funding

Travel Management operates as an Internal Service Fund. No money is appropriated to TMD from the state's General Fund. The current state budget crisis has caused TMD to refocus on core functions, dropping or reducing non-core functions. On-site vehicle shop services have been reduced to include only basic vehicle maintenance. All complex repairs are now farmed out to private vendors. TMD energy is focused on the core function, long- and short-term vehicle rental programs.

As of 7-1-02, TMD had a total of 20 *full-time equivalents* (FTEs). Four FTE positions have been eliminated in the process of reducing non-core functions.

General Fund Loans:
General Fund loans are used to refinance master lease loans so that the repayment schedules work within the division's cash flow constraints. The division purchases new vehicles on a regular replacement schedule throughout the year. Cash flow issues arise due to the need to pay for the purchase of fleet vehicles when received, but receiving reimbursement for use of the vehicle over an extended period of time. TMD's General Fund loan balance as of 6-30-02 is $4,933,332 with payments scheduled through February 2003.

TMD does not have any *proposed investments in technology or equipment of $100,000 or more.*

Operating Losses/Increases in Retained Earnings:
FY 2002 retained earnings decreased by approximately $598,000 due to the increase in depreciation expense.

History of Rate Changes:

Fiscal Year	1998	1999	2000	2001	2002	2003
Change	13.0%	(3.4%)	(1.5%)	4.9%	6.0%	7.1%

The TMD short-term rental program has a history of very low rates. In an effort to have this program become more self-supporting, rates were dramatically raised beginning in July. The average rate increase for FY 2003 was 48%.

TMD is implementing a new rate structure for all new long-term rental vehicles. Vehicle rates will be calculated on an individual vehicle basis, taking into account acquisition cost, fuel economy, and life cycle. This rate structure offers TMD customers more flexibility in managing vehicle expenses. It more closely resembles private long-term rental programs. Rates are designed to charge fairly for many different vehicle types, sizes, and uses. Along with improving customer service, this change will enable TMD to keep better pace with costs in the automotive industry.

Existing long-term rental vehicle rates were raised 6% beginning in July.

More information concerning TMD short-term and long-term rates can be found on the TMD web site, and in the FY 2003 TMD Business Plan.

Impact of Rate Changes:
Assuming the same volume and mix of services as used in FY 2002, TMD's customers will pay approximately 7.1% more in FY 2003. TMD's five largest customers are the departments of Human Services, Corrections, Agriculture, Health, and Minnesota State Colleges and Universities (MnSCU). These entities account for over half of TMD business.

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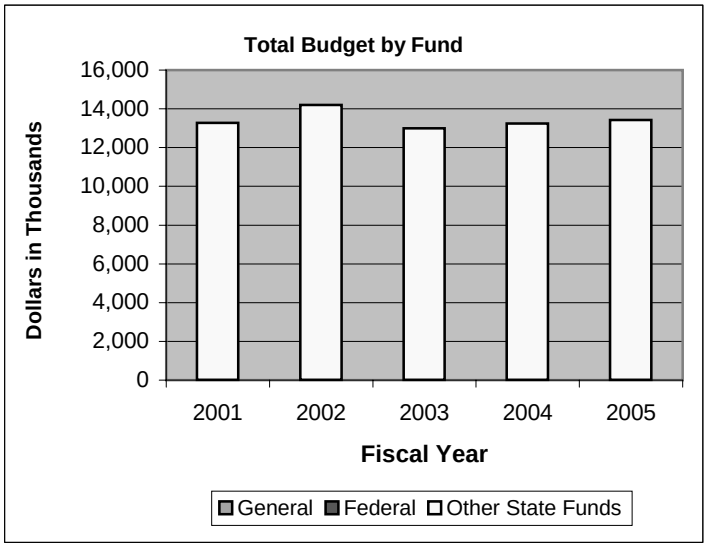
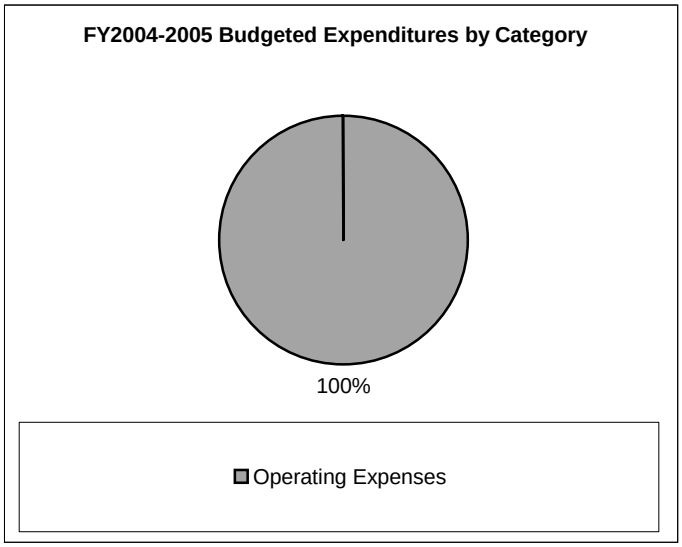
ADMINISTRATION DEPT
Program: OPERATIONS MANAGEMENT BUREAU
Activity: TRAVEL MANAGEMENT

Fiscal Report





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Statutory Appropriations						
Special Revenue	209	186	137	136	136	272
Central Motor Pool	13,060	14,021	12,862	13,104	13,292	26,396
Total	**13,269**	**14,207**	**12,999**	**13,240**	**13,428**	**26,668**
Expenditures by Category						
Operating Expenses	13,197	14,207	12,999	13,240	13,428	26,668
Other Financial Transactions	72	0	0	0	0	0
Total	**13,269**	**14,207**	**12,999**	**13,240**	**13,428**	**26,668**
Revenue by Type and Fund						
Dedicated						
Special Revenue	150	125	136	136	136	272
Central Motor Pool	12,181	13,478	14,572	14,857	15,690	30,547
Subtotal Dedicated	12,331	13,603	14,708	14,993	15,826	30,819
Total Revenue	**12,331**	**13,603**	**14,708**	**14,993**	**15,826**	**30,819**
Full-Time Equivalents (FTE)	**22.6**	**19.6**	**17.4**	**18.4**	**18.4**	

Activity Description

The Communications Media Division provides a variety of publishing and distribution services to state and local units of government through four major businesses: PrintComm, Minnesota's Bookstore, MailComm, and DocuComm. Division work is outlined in several sections of Minnesota Statutes: Chapter 14 (***State Register***); 16B.47 (DocuComm) 16B.49 (MailComm); 16B.50 (PrintComm) and 16B.51 & 52 (Minnesota's Bookstore).

Activity at a Glance

- Minnesota's Bookstore will serve more than 70,000 customers during FY 2003.
- MailComm will generate nearly $1 million in postage savings during FY 2003 though its automation services.
- PrintComm will continue to demonstrate its commitment to the environment through participation in the *Great Printers* project – 90% of printing will be on paper with a 30% minimum of post- consumer waste during FY 2003.

Population Served

- State government
- Local units of government
- General public (Minnesota's Bookstore)

Services Provided

PrintComm (predominant customers are state agencies) provides a variety of graphic services to Minnesota government.

Minnesota's Bookstore (predominant customers are the general public) provides services to the general public and state agencies through

1. The Minnesota's Bookstore – a centralized publishing house for state agency-produced products located in the Ford Building near the State Capitol;
2. The State of Minnesota Mailing List Service – a centralized production and distribution outlet for the sale of selected state public licensing data to a national customer base; and
3. The ***State Register*** and the ***Solicitation Announcements***.

MailComm provides a mailing service including metering and processing of all outgoing federal mail for agencies within the boundaries of St. Paul. This unit also provides inter-office services to all state agencies within St. Paul and has the responsibility for distributing the federal mail for the Capitol Complex. MailComm also provides addressing and inserting services (Internal Service Fund – predominant customers are state agencies) resulting in reduced postage costs to state agencies. During FY 2002, MailComm helped generate nearly $1 million in postage savings through in-house bar coding and ink-jet addressing.

DocuComm (predominant customers are state agencies) provides document management services to state agencies and local units of government. These services include conversion of paper records to microfilm or compact disk, secure warehouse storage, retrievals of files and electronic back-ups, conversion of microfilm or electronic data to compact disk, and production of computer output microfilm.

Historical Perspective

State agencies are generally not required to use state operations for printing, addressing, inserting, and records management. Because of this, the division places great emphasis on customer service, timeliness, turnaround, quality, and competitive pricing. There is one exception – state agencies within the boundaries of St. Paul are required to use MailComm's mail handling and processing services for outgoing mail. This centralized operation allows small and large agencies to collectively achieve postage savings through the use of MailComm's bar-coding and ink-jet addressing equipment and also helps to realize operational efficiencies such as staffing, equipment, and space.

Key Measures

The division's measurable objectives include:

⇒ Maintaining printing prices that are at least 5% below private-sector pricing averages. A pricing study completed during FY 2000 showed PrintComm was, on average, 35.9% below the market on smaller jobs and

27.75% below the market on larger jobs. A supplemental study completed during FY 2002 showed PrintComm quick-copying pricing to be lower than the average of eight private-sector vendors in 13 of 19 categories.

⇒ Producing at least 90% of printing work on paper with a 30% minimum of post-consumer waste. For FY 2002, the actual figure was 95%.

⇒ Processing 95% of First Class mail within 24 hours. For FY 2002, the actual figure was 95.3%.

Activity Funding

Virtually all funding for the Communications Media Division comes from the products and services it sells to its customers and operates through internal service and enterprise funds -- the only General Fund appropriation in FY 2003 is to operate the mail delivery portion of MailComm. Total *full-time equivalents (FTEs)* in the division are 69 as of 7-01-02.

The Communications Media Division does not have a *General Fund loan* or any *proposed investment in technology or equipment of $100,000 or more.*

PrintComm is projected to generate annual revenue of approximately $4.9 million during FY 2003 from state agencies and local units of government. The number of *FTEs* within PrintComm is 35.5.

Operating Losses/Increases in Retained Earnings: FY 2002 retained earnings decreased by $751,000 because of an operating loss sustained during the fiscal year due to sales that did not meet projections. This loss was due to declining revenues associated with the state employee strike and budget shortfall and general economic conditions of the printing industry in Minnesota. PrintComm is projected to improve its retained earnings position by $42,000 during FY 2003.

History of Rate Changes:

Fiscal Year	1998	1999	2000	2001	2002	2003
Change	0.00%	1.60%	0.30%	0.20%	1.60%	1.00%

Impact of Rate Changes:
Assuming the same volume and mix of goods/services as used in FY 2002, PrintComm's five largest customers (Human Services; Administration; Children, Families & Learning; Revenue; and the Attorney General) will pay virtually no more in FY 2003.

Minnesota's Bookstore is projected to generate annual revenue of approximately $230,000 for the ***State Register*** during FY 2003. The revenue is generated from state agencies publishing material as well as subscribers. Minnesota's Bookstore and the Mailing List Service are projected to generate approximately $2 million in revenue annually. Most of this revenue is from the general public. The number of *FTEs* within Minnesota's Bookstore is 12.5.

Operating Losses/Increases in Retained Earnings: FY 2002 retained earnings decreased by $31,000 due to a ***State Register*** operating loss sustained during the fiscal year. Minnesota's Bookstore is projected to improve its retained earnings position by $67,000 during FY 2003.

History of Rate Changes (State Register):

Fiscal Year	1998	1999	2000	2001	2002	2003
Change	6.00%	22.51%	0.00%	0.00%	4.92%	5.97%

Impact of Rate Changes:
Assuming the same volume and mix of goods/services as used in FY 2002, the **State Register's** largest customers (Labor & Industry, Pollution Control Agency, Health, Human Services, and Administration) will pay virtually no more in FY 2003 since the overall increase in revenue from the rate changes is only $12,000.

MailComm is projected to generate annual revenue of approximately $760,000 during FY 2003 from state agencies and local units of government. The number of *FTEs* within MailComm is 15.

Operating Losses/Increases in Retained Earnings: FY 2002 retained earnings increased by $62,000 due to increased revenues along with reductions in expenses during the fiscal year. MailComm is projected to reduce its retained earnings position by $2,000 during FY 2003.

History of Rate Changes:

Fiscal Year	1998	1999	2000	2001	2002	2003
Change	4.00%	2.40%	2.30%	0.90%	7.70%	5.90%

Impact of Rate Changes:
The increase in the FY 2003 rate is mostly due to the increase in the postage surcharge, which is a large percentage increase with a small dollar impact. Assuming the same volume and mix of goods/services as used in FY 2002, MailComm's five largest customers (Public Safety, Human Services, Revenue, Public Employee Retirement Association, and Minnesota State Retirement Association) will pay virtually no more in FY 2003. These largest customers also receive larger volume discounts, which help offset the increase in rates.

DocuComm is projected to generate annual revenue of approximately $1.3 million during FY 2003 from state agencies and local units of government. The number of FTEs within DocuComm is six.

Operating Losses/Increases in Retained Earnings: FY 2002 retained earnings decreased by $113,000 due to an operating loss sustained during the fiscal year. This loss was due to declining revenues associated with the state employee strike and budget shortfall. DocuComm is projected to improve its retained earnings position by $21,000 during FY 2003.

History of Rate Changes:

Fiscal Year	1998	1999	2000	2001	2002	2003
Change	3.01%	2.10	(0.012%)	3.00%	(5.29%)	(4.13%)

Impact of Rate Changes:
Assuming the same volume and mix of goods/services as used in FY 2002, DocuComm's five largest customers (Administration, Human Services, Attorney General, Revenue, and Secretary of State) will pay approximately the same or slightly lower in FY 2003.

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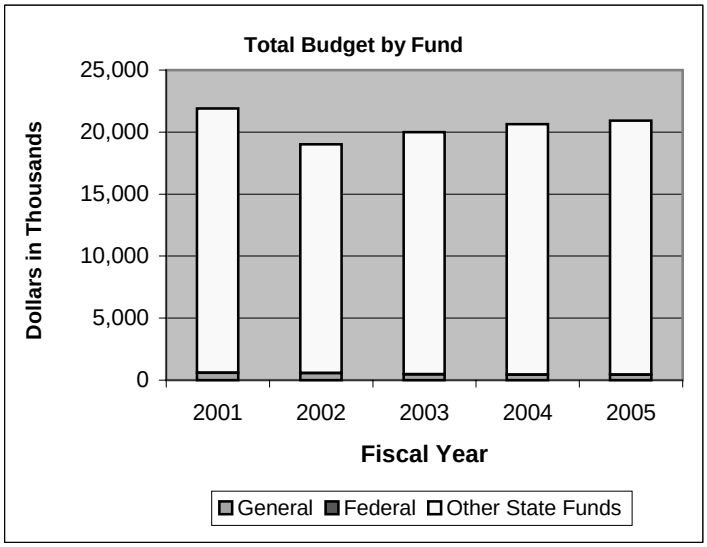
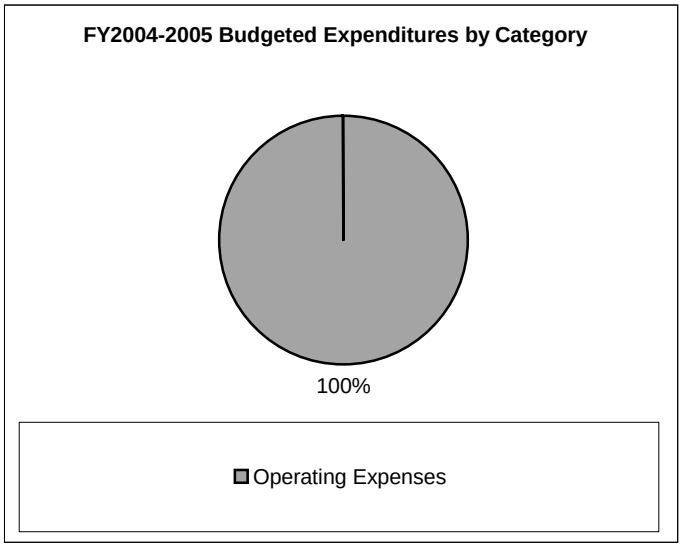
ADMINISTRATION DEPT
Program: OPERATIONS MANAGEMENT BUREAU
Activity: COMMUNICATIONS MEDIA

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	555	558	472	443	443	886
Statutory Appropriations						
General	44	0	0	0	0	0
Miscellaneous Agency	10,224	9,559	11,000	11,000	11,000	22,000
Documents And Publications	2,306	1,873	1,949	1,980	2,061	4,041
Micrographics	1,295	1,336	1,284	1,359	1,380	2,739
State Printer	6,710	4,928	4,599	5,122	5,286	10,408
Central Mailing	760	765	701	738	766	1,504
Total	**21,894**	**19,019**	**20,005**	**20,642**	**20,936**	**41,578**
Expenditures by Category						
Operating Expenses	21,894	19,019	20,005	20,642	20,936	41,578
Total	**21,894**	**19,019**	**20,005**	**20,642**	**20,936**	**41,578**
Revenue by Type and Fund						
Non Dedicated						
General	57	49	0	0	0	0
Subtotal Non Dedicated	57	49	0	0	0	0
Dedicated						
Miscellaneous Agency	10,189	9,760	11,000	11,000	11,000	22,000
Documents And Publications	2,308	1,912	1,986	2,009	2,069	4,078
Micrographics	1,373	1,206	1,314	1,401	1,401	2,802
State Printer	5,846	4,472	4,981	5,130	5,284	10,414
Central Mailing	782	786	767	807	802	1,609
Subtotal Dedicated	20,498	18,136	20,048	20,347	20,556	40,903
Total Revenue	**20,555**	**18,185**	**20,048**	**20,347**	**20,556**	**40,903**
Full-Time Equivalents (FTE)	**84.9**	**74.6**	**70.4**	**71.0**	**71.0**	

Program Description

M. S. 16E requires the Office of Technology (OT) to provide leadership and direction for state information and communications technology policy. The office's mission is to ensure that the state's use of information technology improves Minnesota's businesses, schools, communities, and the lives of the state's citizens.

Population Served

OT serves those who interact and do business with the state – citizens, businesses, educators, government entities, vendors, and employees – and the agencies that serve them.

Services Provided

The Office of Technology provides an array of core complimentary services designed to lead state government in a unified direction. Major services include:

Program at a Glance

- Manages North Star state web portal and electronic services.
- Reviews and sets priorities for $192 million in submitted information technology (IT) project proposals in 2002-2003 biennial state budget process.
- Provided project management methodology training to 10 state agencies and provided consulting services for 30 projects.
- Serves as the steward for the statewide "Enterprise Architecture" – the technology blueprint for the state.
- Created public/private partnerships to help set priorities, screen vendors, identify new technologies, and aggregate technology purchases for state agencies and educational institutions. The Minnesota Software licensing aggregate purchase project saved the state $209,000 over standard contract pricing.

A Common Statewide Architecture

OT leads an inter-agency effort to create an enterprise technical architecture for state government:

⇒ Minnesota Enterprise Architecture: This architecture provides the blueprint for state technology infrastructure, outlining the principles, practices, and standards for developing and delivering consistent information systems across state agencies. This is an iterative process that has been reported in corporate settings to save as much as 15% in overall information technology (IT) costs.

⇒ Research from a January 2002 study showed that "…focus group participants do not know (or care) which level of government provides a service or information, they simply want to be able to easily access it." North Star is that access point to over 250 state entities and is accessed by over one million visitors per month. Electronic government, through its services, improves and strengthens relationships between citizens and their government. With the release of the new North Star portal, Minnesotans will realize a significant change in communications from their state government. When compared with the costs for developing web portals in other states including Michigan and California, OT effectively saved Minnesota upwards of $26 million on the transformation effort of North Star.

Planning Practices and Procedures

OT provides IT planning and project management tools to all agencies to help the state set priorities and to increase the accountability of individual projects.

⇒ Strategic Information Resource Management Planning (SIRMP): OT manages this benchmark planning tool for state agencies. OT's SIRMP review, is an integral component in the development of the state's budget for IT-related projects.

⇒ Request For Proposal (RFP) approval: OT reviews all agency IT RFP's over $100,000.

⇒ The Enterprise Project Management Office (PMO): Industry-standard project management procedures are required for all funded state IT projects. OT provides project management planning tools, templates, oversight, and consulting services to agency projects, and offers a training academy.

⇒ Master Roster and Master Contract programs: The Master Roster is a list of vendors pre-approved to provide project-related services. The Master Contract program provides agencies with a wide variety of external skill sets to augment their internal resources. OT recently increased the number of participating vendors available to provide services to state agencies by 75% in one year.

Collaborative Leadership

OT provides leadership in developing collaborative, public/private partnerships that foster statewide solutions to common and strategic technology issues.

⇒ The Technology Enterprise Board: The board advises the legislature, the governor, and others regarding statewide IT and telecommunications architecture and strategic plans.

⇒ Education and Community Initiatives: OT leads policy discussions and forums on emerging technologies; provides public information on technology issues for K-12 and higher education; and facilitates aggregated buying programs. In the first three months of operation beginning June 2002, K-12 volume purchase projects saved Minnesota schools $735,000 over standard state contract pricing.

Historical Perspective

OT has moved from its historically more policy-based unit to one that combines enterprise-wide strategies, standards, and training with a system of checks and balances. The result is a more service and results oriented agency that provides leadership and direction for government agencies, increases accountability for stakeholders, and enables wise IT investment on an enterprise level. By emphasizing a collaborative process, OT ensures that the state's vision and strategies serve all units of government while encouraging participation and buy-in.

Key Measures

As a result of OT's work, state agencies maximize their services and minimize resources by aligning to the defined standards, products, and procedures; the state benefits from an environment of interoperability, collaboration, and leveraging of complimentary services; and the state's citizens and business partners find government services closer, more accountable, and more convenient than ever before. Key performances measures include:

- an average of 1,198 monthly hits on North Star in 2002, up from 808 in 2000;
- provided 116 online secure financial transactions electronically in 2002 and provided 3,608 non-financial online services;
- in 2002, Minnesota was ranked 77.8 (the number one state was rated 88.9) and ranked eight in the Digital State Survey, compared to a rating of 84.78 in 2001 and a ranking of 22;
- Brown University gave Minnesota an overall E-Government ranking of 37 in 2002, compared to 32 in 2001; and
- Governing Magazine Performance Project 2001 gave Minnesota a grade of B.

Program Funding

This activity is funded primarily through General Fund appropriations. State government Special Revenue Funds also fund this activity.

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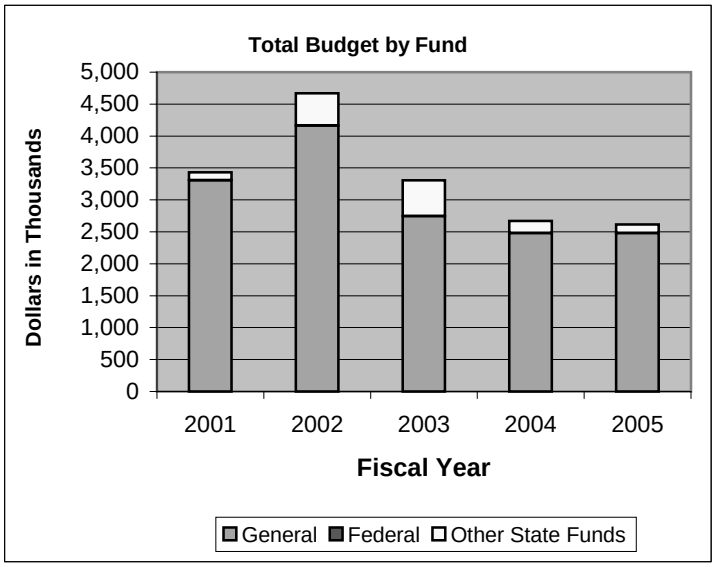
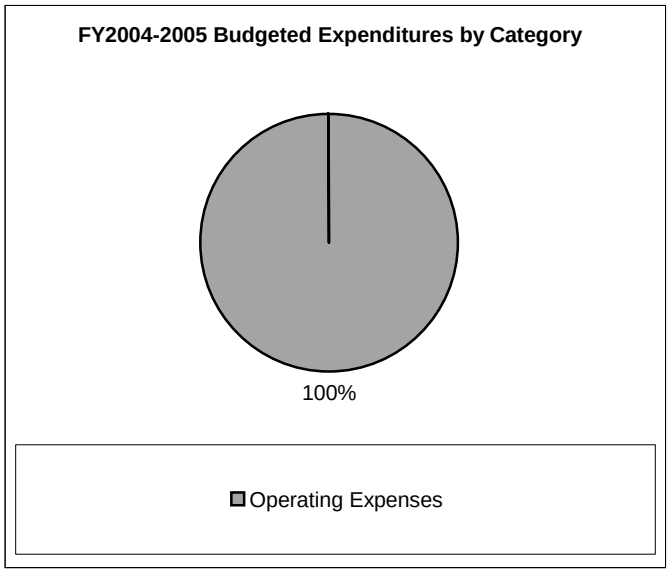
http://www.ot.state.mn.us
http://www.ot.state.mn.us/sirmp (OT's Strategic Information Resource Management Plan [SIRMP])





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,307	4,165	2,745	2,479	2,479	4,958
Statutory Appropriations						
Special Revenue	127	317	561	190	135	325
Miscellaneous Agency	0	186	0	0	0	0
Total	**3,434**	**4,668**	**3,306**	**2,669**	**2,614**	**5,283**
Expenditures by Category						
Operating Expenses	3,434	4,548	3,306	2,652	2,614	5,266
Local Assistance	0	120	0	17	0	17
Total	**3,434**	**4,668**	**3,306**	**2,669**	**2,614**	**5,283**
Expenditures by Activity						
Office Of Technology	3,434	4,668	3,306	2,669	2,614	5,283
Total	**3,434**	**4,668**	**3,306**	**2,669**	**2,614**	**5,283**
Revenue by Type and Fund						
Non Dedicated						
General	0	2	0	0	0	0
Subtotal Non Dedicated	0	2	0	0	0	0
Dedicated						
Special Revenue	125	148	127	171	135	306
Miscellaneous Agency	0	186	0	0	0	0
Subtotal Dedicated	125	334	127	171	135	306
Total Revenue	**125**	**336**	**127**	**171**	**135**	**306**
Full-Time Equivalents (FTE)	**18.2**	**24.7**	**23.3**	**20.1**	**20.1**	

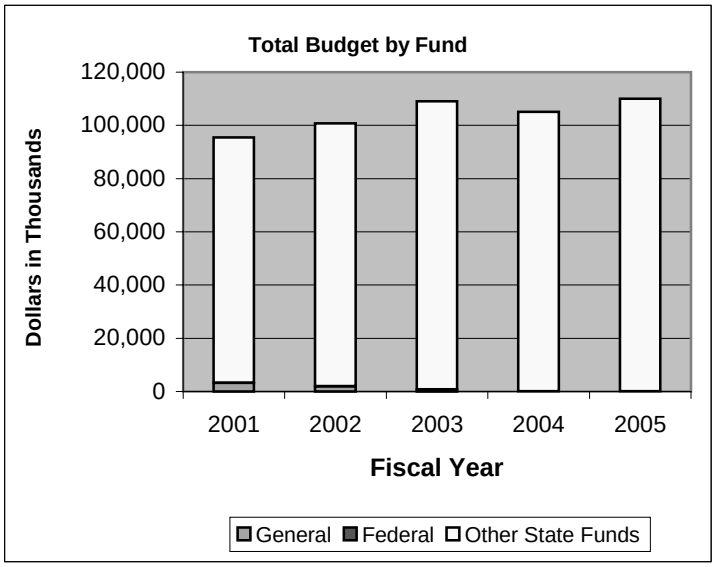
Program Description

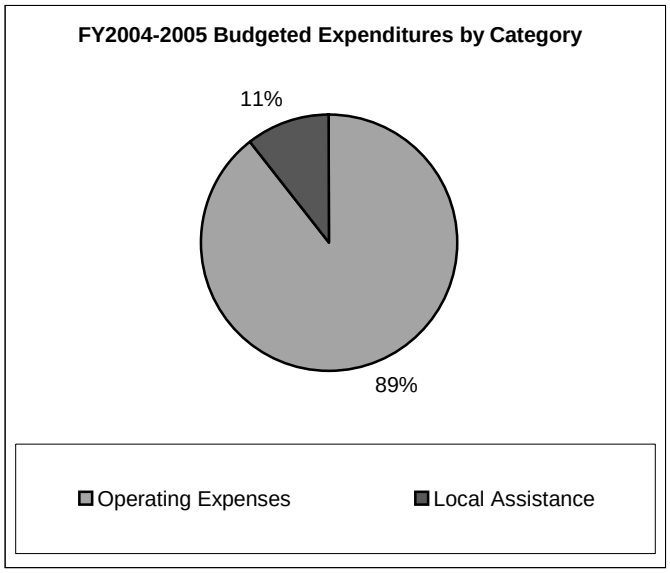
The purpose of the InterTechnologies Group (ITG) is to provide data processing and telecommunications services to other state agencies and public sector entities. The mission is to serve Minnesota's public sector by delivering value-added information technology services through a shared infrastructure.

Budget Activities Included:

⇒ Computer Services
⇒ Telecom Services
⇒ InterTech – Other Services
⇒ 911 Emergency Services

Further detail on each of these Budget Activities is included in subsequent pages of this budget document.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	3,287	1,874	724	0	0	0
Statutory Appropriations						
State Government Special Revenue	17,724	17,202	23,746	22,641	26,042	48,683
Intertechnologies	74,460	81,640	84,563	82,456	83,979	166,435
Total	**95,471**	**100,716**	**109,033**	**105,097**	**110,021**	**215,118**
Expenditures by Category						
Operating Expenses	87,428	91,725	99,987	95,230	97,049	192,279
Local Assistance	7,859	8,289	9,046	9,867	12,972	22,839
Other Financial Transactions	184	702	0	0	0	0
Total	**95,471**	**100,716**	**109,033**	**105,097**	**110,021**	**215,118**
Expenditures by Activity						
Computer Services	34,553	38,381	43,519	41,233	42,197	83,430
Telecom Services	39,907	43,259	41,044	41,223	41,782	83,005
Itg Other Services	3,287	1,874	724	0	0	0
911 Emergency Services	17,724	17,202	23,746	22,641	26,042	48,683
Total	**95,471**	**100,716**	**109,033**	**105,097**	**110,021**	**215,118**
Revenue by Type and Fund						
Non Dedicated						
General	2	0	0	0	0	0
Subtotal Non Dedicated	2	0	0	0	0	0
Dedicated						
State Government Special Revenue	15,791	16,573	21,622	23,257	25,181	48,438
Intertechnologies	76,367	73,243	83,219	80,581	82,528	163,109
Subtotal Dedicated	92,158	89,816	104,841	103,838	107,709	211,547
Total Revenue	**92,160**	**89,816**	**104,841**	**103,838**	**107,709**	**211,547**
Full-Time Equivalents (FTE)	**298.7**	**309.2**	**321.4**	**291.1**	**291.1**	

Activity Description

Computer Services are provided by InterTech and used by public sector entities for central and distributed data processing. This activity is described in M.S. 16B.466; *"integrate and operate the state's centralized computer facilities to serve the needs of state government."*

Population Served

Computer Services serves public sector state agencies central and distributed data processing needs including: computing, disk and tape storage, printing, data security, electronic mail, data entry, and computer-output-to-microfilm.

Activity at a Glance

InterTech Computer Services provides for state agency data storage and central processing:

- 1,352,000 online transactions processed per day;
- 73,584,000 web pages served per year;
- 12,000,000 feet of printed output per month;
- identified and prevented 22,200 hacker attempts in FY 2002; and
- identified and eradicated 137,273 viruses in 2001 and 2002.

Following is a list of InterTech's Computer Services largest customers and their applications:

Department of Human Services: PRISM (the Child Support System) and MAXIS (the eligibility determination system for AFDC (Aid for Dependent Children), food stamps, Medicaid, and other social service programs) in all 87 Minnesota counties.

Departments of Finance and Employee Relations: Statewide procurement/accounting system (MAPS) and human resources/payroll system (SEMA4).

Department of Revenue: Income tax returns and refund checks, state sales tax, and property tax records and processing.

Department of Public Safety: Criminal Justice Information System (CJIS), which is used by state, city, county, and municipal police departments and sheriffs, correctional institutions, Department of Natural Resources, and others, with ties to the FBI and other national law enforcement systems.

Department of Transportation: Computer-assisted design (CAD) applications, and the department's PROFS (electronic mail) system.

Services Provided

In supporting customers' central and distributed data processing needs, InterTech provides a variety of services:

Z-Server Services: The primary products offered in this line of service include central processing unit (CPU) batch and customer information and control system (CICS) online transactions that are run on large Z servers (System/390 systems), disk and tape storage, and input/output services. Also included are applications operating interface support, production control and scheduling, security, disaster recovery, database design and administration, and technical support of system software and equipment.

Server Management Services: The primary products offered in this service line include NT storage, Administrator, and Domino Administrator Services. Also included are services such as Web Hoteling, Minnesota eCampus Course Hosting, Domino Server Hosting, WorkSpace Minnesota, WebSphere, and Server Co-Location.

Data Entry Service: This service provides the keying of data into machine-readable form to support requirements for central or distributed computer processing.

IT Risk Mitigation Services: This service is offered to reduce security and other information technology (IT) related risks. The primary products offered in this service include Common Web Authentication Framework, Encryption Activity, Business Impact Analysis, and IT Disaster Recovery Planning.

Key Measures

InterTech actively pursues strategies to be a competitive provider of computing, telecommunication, and related services with the understanding that state agencies may pursue other service providers. To determine InterTech's competitive position, InterTech contracted with a nationally recognized outside performance measurement company, Gartner Measurement Group, to measure its performance compared to other technology providers and to measure customer satisfaction with its services.

Gartner conducted assessments of InterTech's Computing Services for FY 1998, FY 1999, and FY 2000-01. In these analyses, InterTech ranked among the top most efficient companies in Gartner's total database. InterTech's Computing Services has provided a year-to-date mainframe availability of 99.7%. In addition, services delivered against business system requirements shows that for the S/390 technology InterTech has done an outstanding job of matching services to customer application requirements scoring a perfect 1.0 for effectiveness.

Activity Funding

Computer Services' finances are managed through the InterTech Internal Service Fund. Annual rates are established for services, and customer agencies are charged fees for services delivered. Expenses for personnel, hardware, software, etc., are paid for with Internal Service Fund payments. At the end of each fiscal year, the accounting objective of the fund is to break even.

InterTech Computer Services had 184.94 *full-time equivalents* as of 7-1-02.

General Fund Loans: Computer Services does not have a loan from the General Fund. InterTech does not anticipate a need for a General Fund loan during the next biennium.

Proposed Investments in Technology or Equipment of $100,000 or more: InterTech purchases capital equipment to support customer applications. Master lease funding is utilized for the capitalized asset purchases. Computer Services equipment such as mainframe, disk, and tape equipment is depreciated over three years; all other equipment is depreciated over four years. The depreciated portion of the total cost is incorporated into usage rates.

During FY 2004-05 processing will continue to grow from existing applications' transaction increases. PRISM and MAXIS continue to grow faster than expected. SEMA4 has begun an upgrade approved by the 1999 legislature that is projected to add 12% increased CPU workload. Growth in storage requirements will come from across the entire customer base. InterTech will continue a "just-in-time" strategy to provide storage when needed but not maintain an excess. Print volumes continue to decline as online viewing becomes more prevalent; thus, no significant upgrades to printers are anticipated.

Anticipated equipment purchases greater than $100,000 needed to meet these customer application capacity needs include:

- additional processing capacity of 200 millions of instructions per second (MIPS) in both FY 2004 and FY 2005 at a cost of $500,000 each year;
- $100,000 in FY 2004 for the connection device, Enterprise System Connection (ESCON); and
- $1,000,000 in FY 2004 for uninterrupted power service (UPS) battery replacement systems.

Operating Losses/Increases in Retained Earnings: During FY 1994, Computer Services and Telecom Services Internal Service Funds were merged into one fund. Retained earnings are managed at the InterTech level and are managed according to federal requirements. These requirements state that the retained earnings balance cannot exceed two months of operating expenses. The federal government does not recognize depreciation as an operating expense in its calculation. In FY 2002, depreciation expense for Computer Services was $3.6 million.

InterTech's budget goal is to break even by the end of each fiscal year. However, if customer usage is higher/lower than forecasts, increases/decreases in retained earnings occur. Over the years, Computer Services' products have exceeded budget forecasts, causing increases in retained earnings. The earnings above guidelines have been refunded to InterTech's customers.

Computer Services Retained Earnings decreased by $2.0 million from FY 2001 to FY 2002. The primary reason for this decrease was a payment to the federal government.

History of Rates:

Fiscal Year	1998	1999	2000	2001	2002	2003
Change	0%	(8%)	(9%)	(8%)	(13%)	(4%)

Historically, major Computer Services rates, except for print, have continued to decrease. This is primarily due to increases in customer usage and decreases in equipment costs.

Impact of Rate Changes:
While most Computer Services' rates continue to decrease, total cost to customers increases as customer usage increases. Customers whose usage remains stable receive the overall benefit of lower rates. The five largest customers are departments of Human Services, Finance, Economic Security, Public Safety, and Revenue.

Contact

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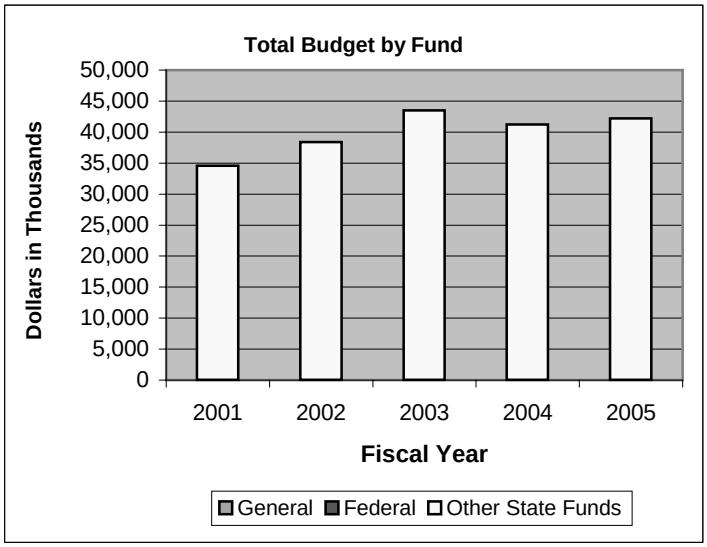
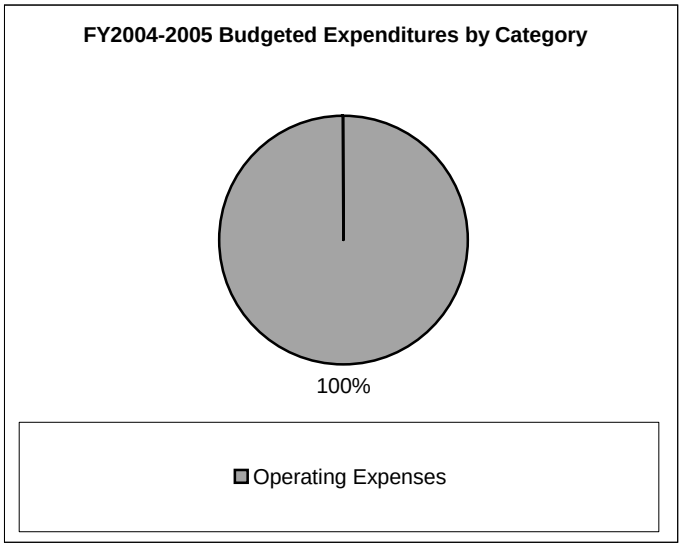
http://www.mainserver.state.mn.us/intertech/390_z_server.html





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Statutory Appropriations						
Intertechnologies	34,553	38,381	43,519	41,233	42,197	83,430
Total	**34,553**	**38,381**	**43,519**	**41,233**	**42,197**	**83,430**
Expenditures by Category						
Operating Expenses	34,369	37,679	43,519	41,233	42,197	83,430
Other Financial Transactions	184	702	0	0	0	0
Total	**34,553**	**38,381**	**43,519**	**41,233**	**42,197**	**83,430**
Revenue by Type and Fund						
Dedicated						
Intertechnologies	41,596	35,769	38,693	36,018	37,006	73,024
Subtotal Dedicated	41,596	35,769	38,693	36,018	37,006	73,024
Total Revenue	**41,596**	**35,769**	**38,693**	**36,018**	**37,006**	**73,024**
Full-Time Equivalents (FTE)	**202.4**	**207.7**	**218.6**	**195.8**	**195.8**	

Activity Description

InterTech's Telecommunications Services connect public entities throughout Minnesota by transporting voice, data, and video transmissions over a shared network infrastructure. This activity is described in M.S. 16B.46: *" … shall supervise and control all state telecommunication facilities and services-"* and M.S. 16B.465 *"… has the responsibility for planning, development, and operations of the state information infrastructure in order to provide cost-effective telecommunication transmission services."*

Activity at a Glance

- InterTech provides voice, data, and video telecommunications services for public entities, utilizing owned and operated hubs connected by circuits leased from private sector vendors.
- InterTech serves over 100 state agencies and boards, over 125 counties and municipalities, all of the MnSCU and U of M campuses, and hundreds of schools and libraries.
- The integrated statewide data network employs more than 850 routers.

Population Served

InterTech's largest Telecommunication Services users are: Minnesota State Colleges and Universities (MnSCU), the University of Minnesota (U of M), the departments of Human Services, Public Safety, Transportation, Economic Security, Corrections, and Natural Resources, and hundreds of Minnesota school districts and public libraries.

Services Provided

The objective of the InterTechnologies Group (ITG) is to provide its customers telecommunication services that are secure and reliable at competitive rates. InterTech aggregates the needs of the public sector and negotiates favorable contracts with telephone providers and carriers to obtain volume discounts that lower costs to all users. Telecommunications Services aggregates and integrates usage to ensure efficient utilization of available capacities.

Voice: The voice product line includes local service, long distance, and enhanced voice services. The primary products for local service include Centrex, business lines, special circuits, and foreign language interpretation services. Long distance includes switched, dedicated, toll-free and 900 services, calling cards, and audio conferencing. Enhanced voice offers voice mailboxes, call processing applications, central office-based automatic call distribution (CO-ACD), and integrated services digital network (ISDN) service.

Data Network Services: The data network services product line consists of a suite of hardware, bandwidth, and Internet services that provide customers with wide area network solutions tailored to their data connectivity and computer applications requirements. Data services are provisioned over a secure and reliable leased-line network known as MNet. Network services include a range of leased-line and dial-up access services using internet protocol (IP) and asynchronous transfer mode (ATM) digital network connections to MNet; reliable and secure wide area bandwidth; 24x7x365 network monitoring and management; customer assistance for network design; and community router service access to state-run applications between state and local governments as well as shared access to the Internet.

Video Wide Area Network Services: The video network services product line offers a suite of video conference services and resources to enable interactive services on the same wide area network supporting data services. Services focus on integrating counties, agencies, schools, and higher education on a common, standards-based two-way interactive video network to enable cross-organizational real-time multimedia communications. The network supports over 10,000 video events annually that improve public service delivery in many ways. Interactive video conferencing boosts productivity, expands educational opportunities, speeds decision making, and reduces travel time and expenses. Service solutions include a common web-based conference scheduling service, multipoint video conference bridging, user training, interactive site information, and video conferencing support. In addition to two-way interactive video, web-based IP audio/video streaming services are also available to deliver live and recorded audio/video content available for viewing across the Internet.

Key Measures

InterTech actively pursues strategies to be a competitive provider of computing, telecommunication, and related services with the understanding that state agencies may pursue other service providers. To determine its competitive position, InterTech contracted with a nationally recognized outside performance measurement company, The Gartner Measurement Group, to measure InterTech's performance compared to other telecom service providers and to measure customer satisfaction with its services.

The Gartner Measurement Group reviewed three distinct areas of Telecommunications Services in FY 2001: Wide Area Data Network, Long Distance Network, and the statewide Centrex and Voice Mail Service. The cost-efficiency rating of the Wide Area Data Network is among the top 10% of organizations studied by Gartner. InterTech's actual cost to maintain the data network is 51% less than the peer group average of similar organizations would spend to support the same workload. The overall cost-per-minute for both outbound and inbound long distance calls is 20% less than that of the peer group average. The cost per Centrex phone station, including voice mail, is 45% less than the peer group average. The cost per software moves, adds, and changes to support Centrex phone stations is 28% less than the peer group average. InterTech plans an updated study for the fiscal year ending 6-30-02.

In FY 2002, the data network availability was 99.9%, and video sessions exceeded 97% on-time start.

Activity Funding

Telecommunications Services' finances are managed through the InterTech Internal Service Fund. Annually, InterTech establishes rates for services, and then InterTech charges customers for services delivered. Internal Service Fund payments cover the expenses for personnel, communications, hardware, etc. At the end of each fiscal year, the accounting objective of the Internal Service Fund is to break even.

InterTech Telecommunications Services had 111.48 *full-time equivalents* as of 7-01-02.

General Fund Loans: Telecommunication Services does not have a loan from the General Fund. InterTech does not anticipate a need for a General Fund loan during the next biennium.

InterTech purchases capital voice, data, and video network equipment to support customer applications and then depreciates the equipment over four years with the depreciation expense incorporated into the rates. Individual pieces of network equipment normally cost less than $100,000. However, in aggregate, InterTech anticipates spending $4.0 million during FY 2004-05 with depreciation (rate) impact of $250,000 in FY 2004 and $750,000 in FY 2005.

During FY 2004-05, InterTech does not plan any significant capital purchases for local, enhanced, and long distance voice services. However, the changing state of voice technologies is requiring InterTech to re-examine and reposition the portfolio of voice services offered by InterTech. This may result in new or eliminated services during FY 2004-05. ITG is aware of the current volatility in the telecom sector and closely monitors the changing situations on behalf of its customers. InterTech anticipates continued growth in the data and video network areas.

Proposed Investments in Technology and Equipment of $100,000 or more:

- $750,000 for upgrade of routers required to provide quality of service for H.323 video;
- $550,000 for 200 upgrades of 2500-Series routers to 2600-Series routers required to provide quality of service for H.323 video; 2500-Series routers do not provide this feature;
- $500,000 for optical fiber for backbone connections;
- $275,000 for 200 channel service units/digital service units (CSU/DSUs) that will be used at new network sites due to general network expansion and the upgrade of 56 kb to T1 sites;
- $250,000 for routers for new customers related to the new CSU/DSUs;
- $300,000 for bridging H.323 to H320, using 1 Accord MCU (multipoint control unit) to provide a bridging and multi-point conferencing service to both types of video customers;

- $150,000 for 8540 and 8510 switches for additional hubs and mini-hubs required by general network expansion;
- $100,000 for optical fiber repeaters for backbone connection; and
- $200,000 for core router additions related to 8540 switches and general network expansion.

Operating Losses/Increases in Retained Earnings: During FY 1994, Computer Services and Telecom Services revolving funds were merged into one fund. InterTech manages retained earnings according to federal requirements. These requirements state that the retained earnings balance cannot exceed two months of operating expenses. The federal government does not recognize depreciation as an operating expense in this calculation. In FY 2002, depreciation expense for Telecom Services was $1.9 million.

Telecom Services has not contributed to InterTech's overall retained earnings balance.

History of Rate Changes:

Fiscal Year	1998	1999	2000	2001	2002	2003
Change	1%	1%	(2%)	2%	0%	(5%)

The market within the telecommunications industry, particularly for local and long distance services, is becoming increasingly competitive and complex, which puts additional pressure on InterTech's rate structure. InterTech's local telephone service and voice mail rates have continued to remain highly competitive with industry standards for similar business enterprise services. Long distance rates have continued to decrease. Rates for the integrated statewide data network have been flat or decreased.

Factors that contribute to rate changes include FCC-mandated fees and new vendor contracts. Rates are also impacted by service network complexity, bandwidth, and number of locations.

Impact of Rate Changes:
Customers whose usage remains stable receive the overall benefit of lower rates in FY 2003 by paying less. The five largest customers are MnSCU, and the departments of Human Services, Public Safety, Transportation, and Economic Security.

Contact

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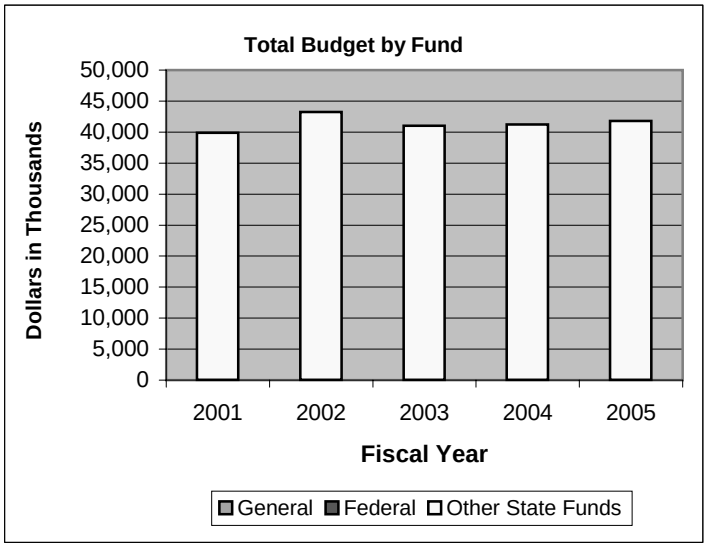
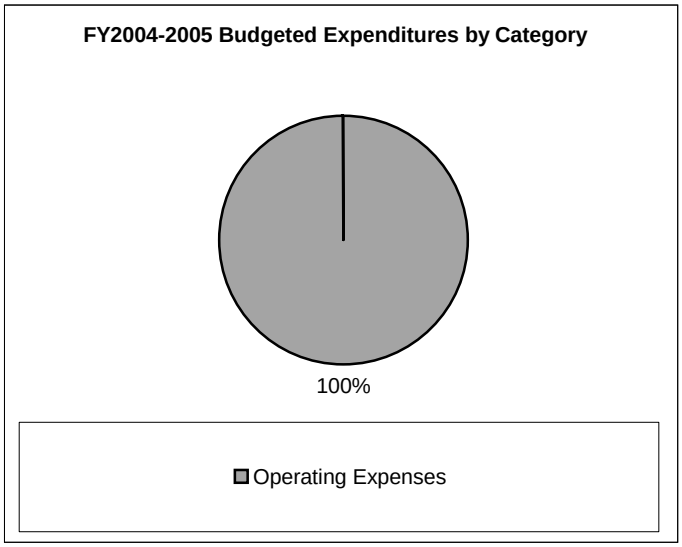
http://www.mainserver.state.mn.us/intertech/voice_services.html





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Intertechnologies	39,907	43,259	41,044	41,223	41,782	83,005
Total	**39,907**	**43,259**	**41,044**	**41,223**	**41,782**	**83,005**
Expenditures by Category						
Operating Expenses	39,907	43,259	41,044	41,223	41,782	83,005
Total	**39,907**	**43,259**	**41,044**	**41,223**	**41,782**	**83,005**
Revenue by Type and Fund						
Dedicated						
Intertechnologies	34,771	37,474	44,526	44,563	45,522	90,085
Subtotal Dedicated	34,771	37,474	44,526	44,563	45,522	90,085
Total Revenue	**34,771**	**37,474**	**44,526**	**44,563**	**45,522**	**90,085**
Full-Time Equivalents (FTE)	**83.9**	**88.6**	**97.8**	**91.3**	**91.3**	

Activity Description
InterTech's Communication Center provides support and maintenance of the state of Minnesota's telephone directory database.

Population Served
General Fund services delivered by InterTech are used by public sector agencies, public and private K-12 and higher education institutions, local governments, libraries, and citizens.

Services Provided
The current funding is to support and maintain the telephone directory database of governmental organizations, locations, and telephone numbers through specialized database software and hardware. The current telephone directory database that is being maintained supports all the hierarchal relationship of an agency both in the metro and outstate Minnesota (blue pages) and outstate Minnesota state agency pages.

Electronic Government Services – Security Infrastructure - The implementation of Electronic Government Services (EGS) requires a common security infrastructure that will allow both government and citizen access to data currently stored on the state of Minnesota's shared mainframe computers and servers.

Electronic Government Services – Directory Services Technology - Directory Services defines the "what" in "what systems are available to different EGS users." Directory Services focuses on the data-specific aspects of EGS: the application of technology to identify individuals, ensure that they are authorized, verify their digital identity, direct them to the information required, and secure the information transferred during a transaction.

Key Measures
Maintain telephone directory hierarchal database for metro and outstate agencies.

Electronic Government Services accomplishments:

- Conducted security assessments that identified potential computer exposures and defined corrective actions to mitigate or eliminate exposures.
- Implemented multiple zones of firewall and intrusion detection systems technology on the S/390, LAN and WAN environments to increase the number of safeguards and level of security assurance.
- Implemented firewall and Intrusion Detection System technology for the Department of Trade & Economic Development and the Office of Technology (OT) hardware (North Star) housed at the data center to provide an additional layer of defense.

Electronic Government Services accomplishments:

- State of Readiness for the New Millennium: The project researched, reviewed and implemented virus prevention software for Directory Services during December 1999. This was part of the due diligence action for Y2K to safeguard the state e-mail environment. This proved to be a prudent and effective safeguard. This anti-virus software has identified, eradicated, and prevented 75,089 viruses from entering the state of Minnesota's e-mail environment during calendar year 2001.
- Common Authentication Framework for EGS Application Initiatives: This project included technical and business process discussions with potential technology providers in an effort to align the state's business and technical requirements with commercially available solutions. The project concluded with the selection, development and pilot deployment of common authentication services software as part of the state's EGS directory services infrastructure. Based upon the requirements defined, procurement and deployment of the solution began in the winter of 2001 for selected applications. InterTechnologies Group (ITG) is currently working with the Department of Human Services and OT to deliver this common authentication for their technology systems.
- EGS White Pages*:* ITG delivered a searchable database of all state employees, accessible through the North Star portal, and completed the "white pages" enhancement project. ITG built an ongoing process that allows technology to assist agencies with improving the accuracy of the data in SEMA4 and

eliminates manual updating previously required to create the printed phone directory. Staff collapsed the old manual updates of two sources into a single automated update of the SEMA4 system in April of 2001.

Activity Funding

The Communication Center is managed through the General Fund. A General Fund appropriation of $1,400,000 was received in FY 2000 and made available until 6-30-03 for the EGS – Security Infrastructure. A General Fund appropriation of $2,075,000 was received in FY 2000 and made available until 6-30-03 for the EGS – Directory Services Technology.

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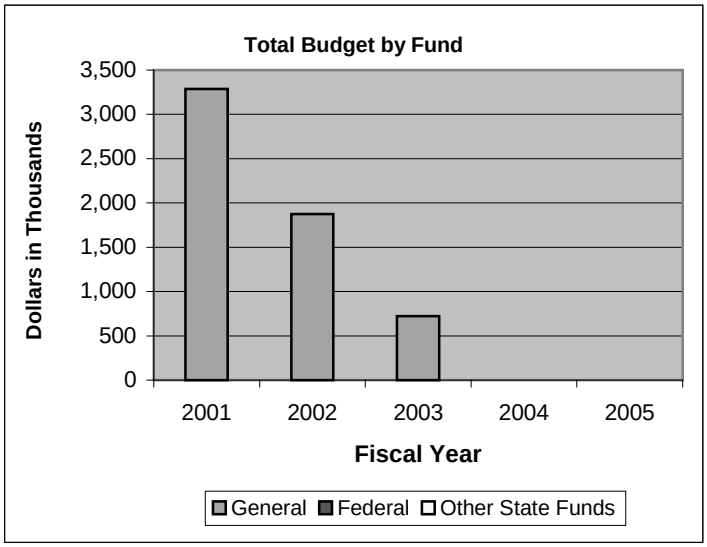
http://www.mainserver.state.mn.us/intertech/

ADMINISTRATION DEPT
Program: INTERTECHNOLOGIES GROUP
Activity: ITG OTHER SERVICES

Fiscal Report



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,287	1,874	724	0	0	0
Total	**3,287**	**1,874**	**724**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	3,287	1,874	724	0	0	0
Total	**3,287**	**1,874**	**724**	**0**	**0**	**0**
Revenue by Type and Fund						
Non Dedicated						
General	2	0	0	0	0	0
Subtotal Non Dedicated	2	0	0	0	0	0
Total Revenue	**2**	**0**	**0**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**9.2**	**9.0**	**1.0**	**0.0**	**0.0**	

Activity Description

The Minnesota Statewide 9-1-1 Program within the Department of Administration (1) oversees 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) administers grant funds for 9-1-1 Public Safety Answering Points (PSAPs) in accordance with M.S. 403.113; and (5) distributes funds to the Metropolitan Radio Board in accordance with M.S. 473.901.

Activity 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;
- State Patrol answers about 30% of the wireless 9-1-1 calls in Minnesota; and
- 9-1-1 calls are answered at 119 PSAPs.

Population Served

The universal emergency 9-1-1 number is available throughout the state of Minnesota, even in the few border exchanges where callers draw dial tone from an adjoining state. Enhanced 9-1-1, with Automatic Location Identification (specific location of landline callers), covers over 90% 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) is available from five wireless carriers in the Minneapolis-Saint Paul Twin Cities seven-county metropolitan area and from six wireless carriers in 49 counties in Greater Minnesota. Phase I service is not yet available in the other 31 counties pending county cell site selection decisions and wireless carrier readiness. Phase I is necessary to support FCC Phase II service (callers location in latitude and longitude).

Services Provided

For budget purposes 9-1-1 costs can be viewed as several related activities required by M.S. 403.11, 403.113, and 473.901:

About 58% 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. The State Patrol answers about 30% of the wireless 9-1-1 calls in Minnesota.

About 40% of the costs are to fund grants to Public Safety Answering Points and the Metropolitan Radio 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 (currently 10 cents per month per access line).

⇒ Metropolitan Radio Board Grant Costs - A portion of the Metropolitan Radio Board budget is funded by the 9-1-1 Special Revenue fund (up to four cents of the fee per line).

About 2% of the costs fund salaries for four full-time equivalent positions and administrative expenses.

All Incumbent Local Exchange Carriers (ILECs) and nine existing wireless carriers are integrated into the 9-1-1 systems. The competitive local exchange carriers and new wireless carriers as market newcomers require connections to 9-1-1 networks as their networks expand and mature. Work continues to provide at least wireless Phase I Enhanced 9-1-1 (Currently in 56 counties) to all 87 counties and to move to Phase II in all 87 counties.

Key Measures

⇒ Phase I Enhanced Wireless 9-1-1 service is available from five out of the seven wireless carriers in the Twin Cities seven-county metropolitan area and from six out of the 20 wireless carriers among 49 of the 80 counties in Greater Minnesota.

⇒ Eighty-one PSAPs (plus 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. There were 77 PSAPs with ANI/ALI in December 2001.

⇒ Twenty PSAPs have tandem selective router Enhanced 9-1-1 with ANI/LLI, where 9-1-1 calls are sent to PSAPs by a selective router switch. There were 22 PSAPs with ANI/LLI in December 2001.

⇒ Of the 109 local PSAPs, eight (operated by seven counties and the University of Minnesota) have Direct Automatic Number Identification/Local Location Identification (ANI/LLI), where calls are connected directly to the PSAP with callback number, and the location of the caller is determined from a local database. There were 10 PSAPs with Direct ANI/LLI in December 2001.

Activity Funding

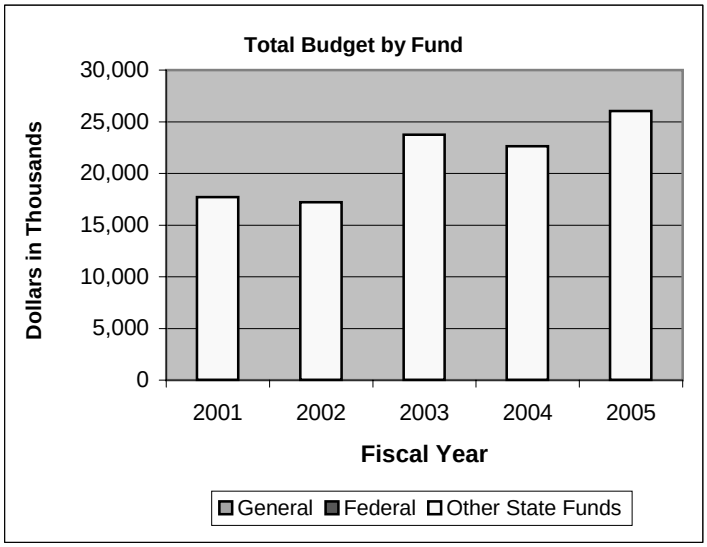
This activity is funded though a subscriber fee in the state government Special Revenue Fund. Funds are collected through a monthly statewide subscriber fee that is not less than eight cents nor more than 33 cents per month on each customer access line, including cellular and other nonwire access services. The commissioner of Administration sets the amount of the subscriber fee (currently 33 cents) with the approval of the commissioner of Finance. M.S. 403.11 requires the commissioner to transfer an amount equal to two cents a month from the 9-1-1 fee assessed on wireless telecommunications services to the commissioner of Public Safety to offset State Patrol's wireless 9-1-1 costs. M.S. 473.901 requires the commissioner to send up to four cents of the 9-1-1 fee to the Metropolitan Radio Board. M.S. 403.113 authorizes the commissioner to dedicate part of the 9-1-1 fee amount to be sent as Enhanced 9-1-1 grants to agencies operating PSAPs.

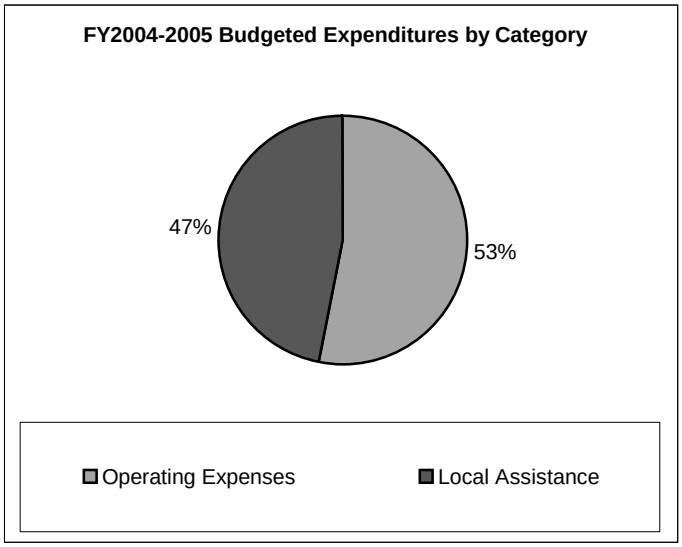
Contact

Jim Beutelspacher, State 9-1-1 Program Manager, (651) 296-7104, jim.beutelspacher@state.mn.us
http://www.911.state.mn.us

ADMINISTRATION DEPT
Program: INTERTECHNOLOGIES GROUP
Activity: 911 EMERGENCY SERVICES

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
State Government Special Revenue	17,724	17,202	23,746	22,641	26,042	48,683
Total	**17,724**	**17,202**	**23,746**	**22,641**	**26,042**	**48,683**
Expenditures by Category						
Operating Expenses	9,865	8,913	14,700	12,774	13,070	25,844
Local Assistance	7,859	8,289	9,046	9,867	12,972	22,839
Total	**17,724**	**17,202**	**23,746**	**22,641**	**26,042**	**48,683**
Revenue by Type and Fund						
Dedicated						
State Government Special Revenue	15,791	16,573	21,622	23,257	25,181	48,438
Subtotal Dedicated	15,791	16,573	21,622	23,257	25,181	48,438
Total Revenue	**15,791**	**16,573**	**21,622**	**23,257**	**25,181**	**48,438**
Full-Time Equivalents (FTE)	**3.2**	**3.9**	**4.0**	**4.0**	**4.0**	

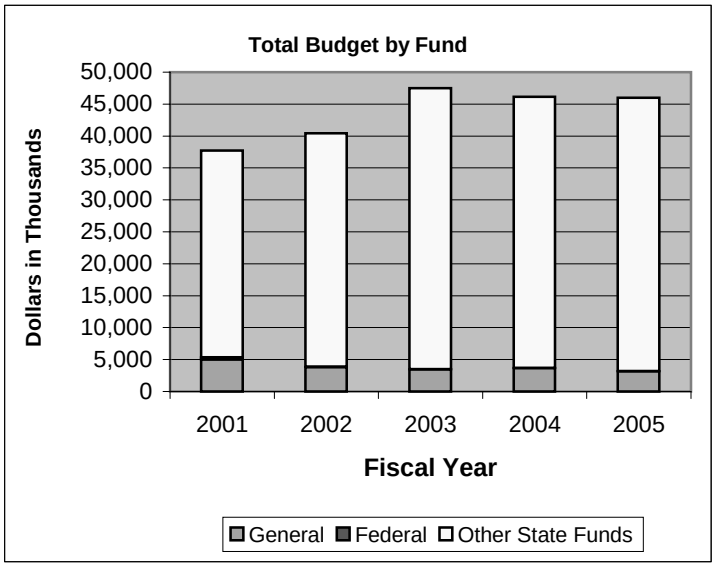
Program Description

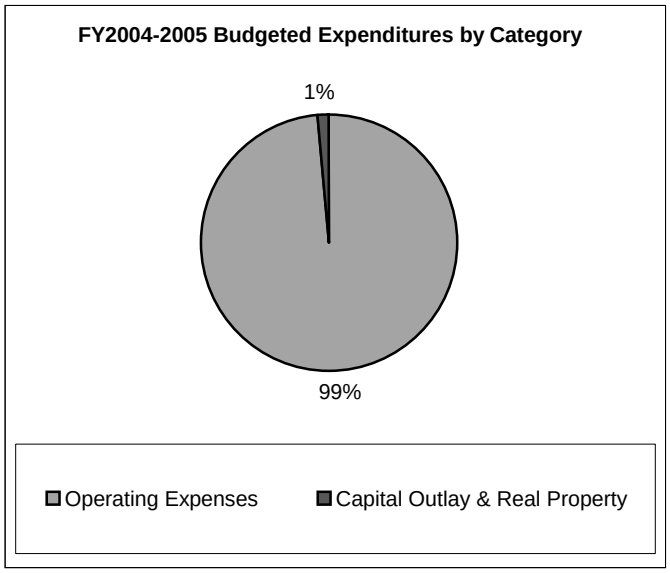
The purpose of the Facilities Management Bureau (FMB) is to manage some of the land and buildings owned or leased by the state. Through a participatory strategic planning process, agency long-term capital needs are identified and prioritized, with the overall goals of providing high quality, healthy, cost-effective, and serviceable facilities.

Budget Activities Included:

⇒ Real Estate Management
⇒ Plant Management
⇒ Building Codes & Standards
⇒ Building Construction

Further detail on each of these Budget Activities is included in subsequent pages of this budget document.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,990	3,803	3,453	3,653	3,153	6,806
Statutory Appropriations						
State Government Special Revenue	4,619	5,694	6,446	6,640	6,839	13,479
Special Revenue	2,775	4,514	11,536	10,181	10,047	20,228
Federal	306	50	7	0	0	0
Miscellaneous Agency	211	172	100	100	103	203
Gift	36	66	8	21	29	50
Plant Management	24,791	26,155	25,920	25,551	25,800	51,351
Total	**37,728**	**40,454**	**47,470**	**46,146**	**45,971**	**92,117**
Expenditures by Category						
Operating Expenses	35,899	39,865	46,832	45,512	45,333	90,845
Capital Outlay & Real Property	1,756	584	638	634	638	1,272
Payments To Individuals	0	5	0	0	0	0
Other Financial Transactions	73	0	0	0	0	0
Total	**37,728**	**40,454**	**47,470**	**46,146**	**45,971**	**92,117**
Expenditures by Activity						
Real Estate Management	423	406	431	887	387	1,274
Plant Management	29,189	32,072	37,453	36,197	36,315	72,512
Building Codes & Standards	4,619	5,694	6,446	6,640	6,839	13,479
Building Construction	3,497	2,282	3,140	2,422	2,430	4,852
Total	**37,728**	**40,454**	**47,470**	**46,146**	**45,971**	**92,117**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	250	86	118	120	120	240
Subtotal Non Dedicated	250	86	118	120	120	240
Dedicated						
State Government Special Revenue	6,436	5,419	5,700	6,000	6,000	12,000
Special Revenue	2,651	3,338	2,832	2,525	2,535	5,060
Federal	93	0	0	0	0	0
Miscellaneous Agency	200	173	100	100	103	203
Gift	33	76	3	3	2	5
Plant Management	38,412	40,927	38,209	41,106	41,398	82,504
Subtotal Dedicated	47,825	49,933	46,844	49,734	50,038	99,772
Total Revenue	**48,075**	**50,019**	**46,962**	**49,854**	**50,158**	**100,012**
Full-Time Equivalents (FTE)	**318.1**	**320.6**	**349.0**	**330.7**	**326.2**	

Activity Description

This activity exists to provide real estate services to state agencies statewide that result in obtaining quality, efficient, and cost-effective property that meets the state's needs; and selling state surplus property in a manner that maximizes a return to the state of Minnesota. Real Estate services are provided in accordance with M.S. 16B.24, M.S. 16B.25, M.S. 16B.26, M.S. 16B.31, M.S. 16A.28 and M.S. 94.

Activity at a Glance

The Real Estate Management Division:

- maintains a total of 961 leases of nonstate-owned and state-owned real property;
- currently leases four million useable square feet on nonstate-state owned space and other real property at an annual cost of $62.9 million;
- leases 1.5 million useable square feet of state-owned space under the custodial control of the Department of Administration to state agencies; and
- executes approximately 73% of all leases for nonstate-owned space and 27% of all leases for state-owned space to state agencies through the Department of Administration.

Population Served

The activity provides direct real estate services to approximately 160 state agencies, divisions, boards, councils, and work units. Indirectly, the public using state programs is served in the spaces provided to agencies conducting their operations and providing the services. Properties and spaces are provided for offices, workforce centers, residential facilities, emergency services, training, environmental services, laboratory testing, probation offices, driver vehicle services, health programs, licensing centers, and public records.

Services Provided

The activity:

- identifies state-owned and nonstate-owned real property that efficiently and functionally meets agency space needs;
- negotiates and drafts leases of state-owned and nonstate-owned real property to house state agencies in quality spaces at the most economical rent;
- provides space programming and monitoring of leasehold improvement construction in compliance with terms and conditions of leases;
- manages leases to assure compliance with terms and conditions including resolving day-to-day issues that may arise;
- provides relocation assistance including budgeting, capital budget requests, managing budgets, processing relocation requests, and coordination;
- generates revenue by leasing state-owned property temporarily not needed for state use, such as antenna space on communications towers;
- oversees building project financial analysis;
- assists agencies in site selections and oversees the due diligence process (appraisals, surveys, inspections, environmental assessments, and geo-technical reports);
- negotiates acquisition of required property;
- develops strategic plans for the disposition of state surplus real property that maximizes return to the state including obtaining appraisals, coordinating re-use studies, and working with stakeholders (i.e., agencies relinquishing property, local units of government, Minnesota Historical Society, and neighborhood associations) on relevant issues;
- develops and issues easements and permits, and transfers custodial control of property between agencies; and
- maintains databases of leases, floor plans, space management inventories, and state-owned land inventories for internal and external use.

Historical Perspective

In general, life cycle cost analyses on owning and leasing real estate have shown that it is more economical to own than lease facilities. Case-by-case life cycle cost analyses of owning and leasing facilities have been

historically used and will continue to be used to determine the most economic manner of providing space for state agencies.

Consolidation and co-location of agencies has been and continues to be a priority. The result of these efforts has been to conserve resources by sharing space, equipment, and staff. Consolidation and co-location also offer the public the ability to obtain products and services and to conduct more than one transaction at a visible, accessible, easily identifiable location. Consolidation and co-location also facilitate transportation pools that lead to conserving resources, better accessibility, reducing pollution, and controlling parking development costs.

There has been an increase in nonstate-owned space leased from 2.1 million square feet in 1988 to four million square feet in 2002.

Key Measures

1. Measure: Attain at least 4% savings on negotiated transactions through reduced rental cost.

Performance	**FY 2001**	**FY 2002**
Percentage	10.5%	9%
Dollar Savings	$391,461	$1,240,256

2. Measure: Maintain an 85% or better customer satisfaction rating

Performance	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Percentage	86%	88%	86%	94%	98%	96%

The primary issue raised in customer surveys is the time it takes to complete transactions. Real estate negotiations and transactions have become more complex due to issues involving accessibility, code compliance, indoor air quality, hazardous materials, and risk management. Agencies expect services to include project management to ensure that spaces are delivered in accordance with lease terms and conditions.

Activity Funding

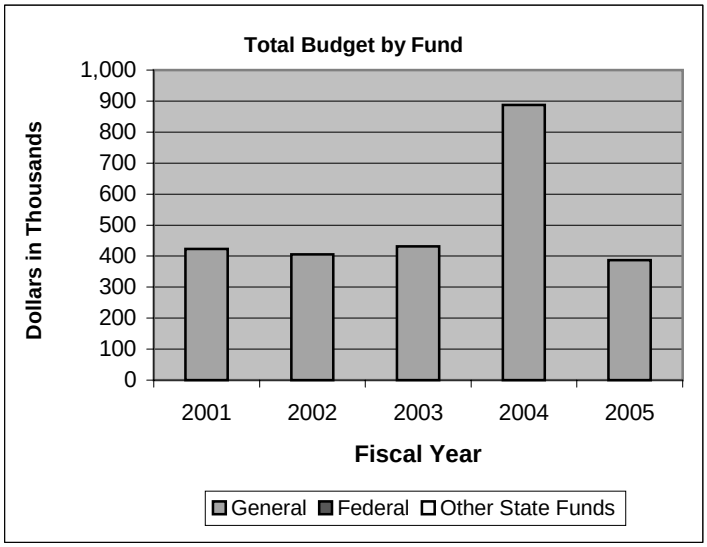
This activity is funded through a General Fund appropriation.

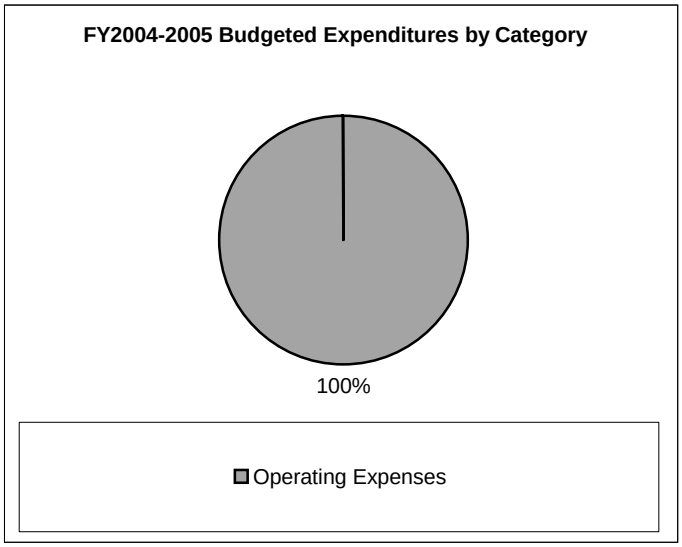
Contact

Bev Kroiss, Director, (651) 296-1896; Bev.Kroiss@state.mn.us

ADMINISTRATION DEPT
Program: FACILITIES MANAGEMENT
Activity: REAL ESTATE MANAGEMENT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	423	406	431	887	387	1,274
Total	**423**	**406**	**431**	**887**	**387**	**1,274**
Expenditures by Category						
Operating Expenses	423	406	431	887	387	1,274
Total	**423**	**406**	**431**	**887**	**387**	**1,274**
Revenue by Type and Fund						
Non Dedicated						
General	1	0	0	0	0	0
Subtotal Non Dedicated	1	0	0	0	0	0
Total Revenue	**1**	**0**	**0**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**3.1**	**2.8**	**2.9**	**2.5**	**2.5**	

Activity Description

Plant Management (PMD) delivers consistent, quality services to ensure cost-effective, clean, safe, and environmentally sound buildings, grounds, and operations in accordance with M.S. 16B.24, 16B.32, 16C.14, 16B.58 and 115A.15.

Population Served

The majority of PMD's customers are state agencies and the legislature. Non-state agency customers include visitors and event participants, as well as:

- organizations leasing space or needing parking; and
- federal, regional, and local units of government needing resource recovery.

Activity at a Glance

Plant Management maintains:

- 3.7 million gross square feet;
- 22 buildings;
- 21 monuments/memorials;
- 38 parking facilities;
- 2,159 tons of material recycled in FY 2002; and
- 40 million gross square feet served by Energy Management.

Services Provided

Services provided by PMD include:

- housekeeping, engineering, building management, refuse removal, grounds maintenance, snow removal, trade and repair services, and environmental and fire/life/safety systems;
- maintenance of ceremonial grounds, monuments, and memorials as a showplace for all Capitol Complex tenants, visitors, and Minnesota citizens;
- operating the State Recycling Center to prepare recyclables for market and administering the State Government Resource Recovery Program providing waste reduction and recycling assistance and education;
- conducting energy efficiency improvements and retrofit projects in state-owned buildings;
- implementing public buildings benchmarking project pursuant to M.S. 16B.325, Minnesota Session Laws 2001, article 1, chapter 212, section 3 and amended by Minnesota Session Laws 2002, chapter 398, section 8;
- moving, equipment rental, and delivery services; and
- maintaining and managing parking facilities and contracts and providing alternative transportation services.

Historical Perspective

PMD has developed a prioritized Asset Preservation Program for facilities under Administration's custodial control. The overall goal of this program is that all facilities are operated, repaired, and maintained in a cost-effective manner to ensure the integrity of the facilities and provide a safe and comfortable environment for building tenants. Failure to continue to address deferred maintenance will cause serious structural damage, deterioration, and reduction in the life expectancy of the buildings.

Through a change in legislation in 1997, a segregated Facility Repair/Replacement account was established to enable Capitol Asset Preservation and Replacement Account/Americans with Disabilities Act (CAPRA/ADA) bond interest and building depreciation collected through the rental rates to fund major projects. For FY 1998-2001, $1.6 million was transferred. In addition, 1999 legislation that went into effect on 7-1-01, required all building depreciation collected through the rental rates for bonded projects to be transferred to this Facility Repair/Replacement account. Receipts are estimated at $13 million each biennium. With the exception of CAPRA/ADA, bond interest costs incorporated in lease rates would continue to be transferred to the General Fund. Beginning in FY 2002, the Facility Repair/Replacement account assists PMD in planning and budgeting for future cyclical repairs and replacements that extend the useful life of the facilities and reduce the reliance on the capital budget process. The policy objective of the law is that preventive maintenance and planned, coordinated repair and replacements are significantly less expensive than emergency repairs or full replacement of facilities.

Key Measures

Service delivery accomplishments include the following:

- leases preserved facilities and supported a quality environment for building tenants through building tours, facility condition audits, and computer-assisted facilities management program;
- Resource Recovery Program continued to exceed the 60% recycling goal in the Capitol Complex in FY 2001 and FY 2002 as required by M.S. 115A.15, even though there was a 4% reduction in discards recycled in the Capitol Complex between FY 2001 and FY 2002; the reduction occurred because agencies shipped fewer recyclables due to waste reduction activities, the potential government shutdown, the state strike, and the fourth quarter announcement that the State Recycling Center's services were being reduced due to General Fund budget reductions;
- Energy Management saved state agencies $717,729 in FY 2001 and $168,573 in FY 2002 through negotiated natural gas pricing and savings by burning fuel oil versus natural gas;
- Energy Management implemented a contract between the utility and the correctional facility at Rush City to provide distributed generation and load curtailment which saved Corrections $201,635 in FY 2002; and
- Energy Management completed state agency energy retrofit projects in FY 2001 of 451,501 square feet resulting in annual savings of $80,588 and in FY 2002 of 310,671 square feet resulting in annual savings of $60,947 before loan payments.

Activity Funding

PMD's Internal Service Fund (ISF) is made up of three activities: Leases, Repair and Other Jobs, and Materials Transfer. The predominant customers are state agencies located in custodial control buildings that pay for space through lease rental rates. The goal of the ISF is to set rates as close to break-even as possible, while maintaining a two-month working capital. Expenditures include salaries/benefits, utilities, operating expenses, bond interest, and building depreciation.

The *full-time equivalents* as of 7-1-02 were 237.97 for Leases, 12.35 for Materials Transfer, and 2.66 for Repair and Other Jobs.

PMD does not have a loan from the General Fund nor proposed investment in technology or equipment of $100,000 or more.

Operating Losses/ Increases in Retained Earnings:
Retained earnings for the Lease activity increased in FY 2001 and FY 2002 because of the inability to fill positions due to wage disparities and the state hiring freeze. In addition, there are fluctuations in the lease rate-setting process as rates are established during the biennial budget process (i.e., one to two years in advance).

Retained earnings for the Repair and Other Jobs activity decreased in FY 2001 and are projected to decrease in FY 2002 based on planned losses due to positive retained earnings.

Retained earnings for the Materials Transfer activity increased in FY 2001 due to the delayed purchase of a new truck. Retained earnings for Materials Transfer are projected to decrease in FY 2002 due to reduced services by its largest customers as a result of the state budget shortfall; in addition, resulting staff reductions has lead to less flexibility to meet customer needs.

History of Rate Changes:

Fiscal Year	1998	1999	2000	2001	2002	2003
Leases	5.20%	1.60%	9.34%	0.66%	4.54%	2.96%
Repair and Other Jobs	1.83%	7.83%	10.10%	0.00%	1.90%	2.26%
Materials Transfer	22.32%	3.27%	0.49%	0.27%	0.31%	4.70%

Factors contributing to the change in Lease activity rates include increased bond interest and building depreciation due to major construction, and repair and replacement projects.

Factors contributing to the change in Repair and Other Jobs rates include small size of activity and continued return of positive retained earnings.

Factors contributing to the change in Materials Transfer rates include small size of activity and reduction in requested customer services.

Impact of Rate Changes:
Assuming the same volume and mix of goods/services as used in FY 2002, the five largest Lease customers will pay approximately 2% more. The five largest customers are the Minnesota Historical Society, the Minnesota Supreme Court, and the departments of Revenue, Transportation, and Administration,

Assuming the same volume and mix of goods/services as used in FY 2002, the five largest Repair and Other Jobs customers will pay approximately 2% more in FY 2003. The five largest customers are the departments of Administration, Health, and Military Affairs, the Revisor of Statutes, and the legislature.

Assuming the same volume and mix of goods/services as used in FY 2002, the five largest Materials Transfer customers will pay approximately 3% more in FY 2003. The five largest customers are the departments of Administration, Human Services, Commerce, and Children, Families and Learning, and the Secretary of State.

In addition to the ISF, this activity is funded by a General Fund appropriation and revenue from several fees. Planned changes in the financing of parking facilities related to the Capitol Complex may have a significant impact on parking rates.

Contact

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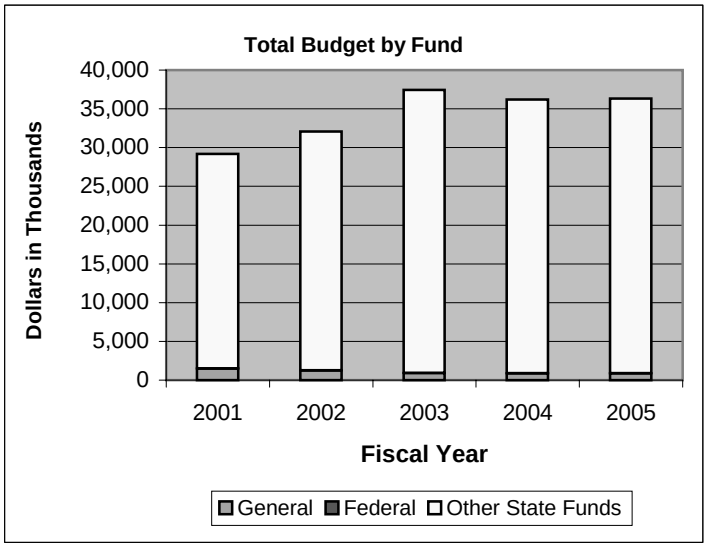
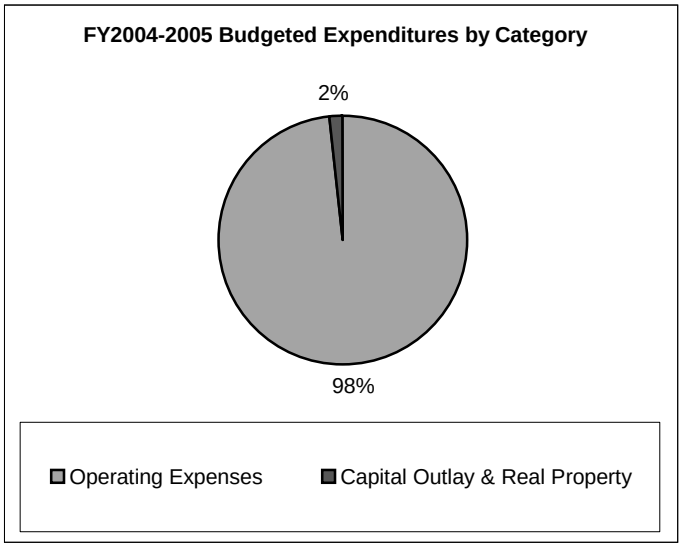
http://www.admin.state.mn.us/divisions.html

ADMINISTRATION DEPT
Program: FACILITIES MANAGEMENT
Activity: PLANT MANAGEMENT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,494	1,254	920	865	865	1,730
Statutory Appropriations						
Special Revenue	2,693	4,491	10,513	9,681	9,547	19,228
Miscellaneous Agency	211	172	100	100	103	203
Plant Management	24,791	26,155	25,920	25,551	25,800	51,351
Total	**29,189**	**32,072**	**37,453**	**36,197**	**36,315**	**72,512**
Expenditures by Category						
Operating Expenses	27,643	31,577	36,823	35,563	35,677	71,240
Capital Outlay & Real Property	1,546	490	630	634	638	1,272
Payments To Individuals	0	5	0	0	0	0
Total	**29,189**	**32,072**	**37,453**	**36,197**	**36,315**	**72,512**
Revenue by Type and Fund						
Non Dedicated						
General	249	86	118	120	120	240
Subtotal Non Dedicated	249	86	118	120	120	240
Dedicated						
Special Revenue	2,651	2,369	2,324	2,025	2,035	4,060
Miscellaneous Agency	200	173	100	100	103	203
Plant Management	38,412	40,927	38,209	41,106	41,398	82,504
Subtotal Dedicated	41,263	43,469	40,633	43,231	43,536	86,767
Total Revenue	**41,512**	**43,555**	**40,751**	**43,351**	**43,656**	**87,007**
Full-Time Equivalents (FTE)	**243.8**	**247.6**	**264.7**	**254.4**	**250.2**	

Activity Description

The division adopts the State Building Code, which sets minimum construction standards for building, mechanical, elevator, energy, accessibility, and manufactured structures to ensure the health, safety, and security of building occupants in accordance with M.S. 16B.59-.76 and M.S 327B.01-12. The division administers the entire code in state-owned, state-funded, and state-licensed buildings, and school district projects over $100,000, and administers manufactured structures statewide and elevators across the state except in Minneapolis and St. Paul. It also provides administrative assistance to all communities administering the State Building Code, including assistance during natural disasters such as the floods in Roseau or tornadoes in St. Peter and Granite Falls.

Activity at a Glance

- Investigative Section received 270 written complaints requiring formal investigations.
- Plan Review Section reviewed 299 plans for state-owned and state-licensed buildings with construction value of $430,524,298.
- Education/Certification Section provided 80 seminars for municipal building officials, architects, engineers, and builders.
- Elevator Safety Section received 949 requests for permits and conducted 1,268 elevator inspections across the state.
- Manufactured Structures Section received 101 written complaints requiring formal investigation.

Population Served

The division provides interpretations on the adopted codes, gives information regarding building materials, and consults with municipal officials, design professionals, building contractors, and the general public on all types of projects throughout the state. Approximately 465 jurisdictions administer the State Building Code.

The State Building Code is administered in cities, townships, and counties where adopted throughout the state.

Services Provided

Education and Certification Section - This section assists division clientele in interpreting and applying the State Building Code. It also provides certification, training, and educational seminars for building officials, the design profession, and the construction industry.

Information, Rules, and Administrative Services Section - This section distributes information about administration of the State Building Code, updates the State Building Code through the Administrative Procedure Act, and amends specific sections to address legislation and geographic needs. This past year the division has maintained nine advisory committees made up of members of the construction industry to assist in updating the State Building Code with the latest model codes and assisted in providing state and local input into the national model code change process. The Administrative Services unit works with the Department of Commerce, Enforcement Division, for code-related issues, provides reviews of municipal building code departments throughout the state for compliance with the State Building Code, and investigates building code complaints.

Plan Review and Regional Services Section - This section reviews construction documents and does site inspections to ensure conformance with requirements of the State Building Code for buildings paid for by the state, public school district buildings, and buildings that are licensed by other state agencies, such as health care facilities and correctional facilities. Regional officials represent the division, assist municipalities, do inspections, and monitor contract inspectors from six locations geographically located throughout the state.

Manufactured Structures Section - This section regulates manufactured housing (mobile homes) and prefabricated buildings. It answers consumer inquiries and complaints regarding manufactured homes and prefabricated structures and provides training and educational seminars for building officials, manufacturers, dealers, and installers. It licenses manufactured home manufacturers and dealers and performs plant and dealer lot inspections.

Elevator Safety Section - This section reviews, permits, and inspects all new or altered elevators, escalators, and related transportation devices. It provides for inspection and investigation of reported accidents involving elevators and related transportation devices.

Disaster Assistance - The division provides assistance to local jurisdictions in times of natural disasters. After consultation with the local officials, division staff respond to the communities by providing services they need to manage health and safety inspections during the disaster and administrative services needed to help in the recovering process. Services may include technical assistance, coordination of volunteers to conduct safety inspection and damage assessment, and onsite assistance with administrative procedures.

Historical Perspective

The laws of 1971 established the Minnesota State Building Code. The purpose was to provide uniform minimum standards for life safety and welfare of the public for buildings constructed in the state.

Effective 7-1-72, the Minnesota State Building Code superseded all municipal building codes. Before then, municipalities could apply any construction standards they chose to adopt. The net effect was 200-plus municipal construction standards in effect in the state. Designers, contractors, and material suppliers were confronted with different requirements when they worked in different municipalities.

The Minnesota State Building Code was initially, and continues to be, based on national model codes. State amendments to the national model codes have been incorporated to reflect legislative issues and geography.

Key Measures

Education Seminars

The division provides training and educational seminars to municipal officials, design professionals, state agencies, and contractors. The seminar programs have increased from 32 to 80 in the past year. Consistency and uniformity of construction and inspections are believed to be improved with expanded educational seminars, thus requiring fewer corrections in the field.

Seminar satisfaction ratings have remained consistently above the target performance goal of 85% with actual averages of 91% for the last two years.

Plan Review

The division is required by statute to review submitted construction plans within 30 days. The Building Codes & Standards Division's (BCSD) goal is to have them reviewed within 21 days. With plan reviewers' expertise needed to assist in code adoption and education, the 21-day goal was met 70% of the time with the remaining 30% done within 30 days.

Administrative Services

One of the responsibilities of the Administrative Services section is to provide consumer complaint assistance relating to municipal enforcement or contractor noncompliance.

Over the past year the division's target/goal for responding to formal complaints requiring an investigation of improper enforcement of the code at the local level or construction-related complaints referred to the division by the Department of Commerce, Contractor Licensing Section is to respond to all formal complaints within one week and set up on-site meetings if needed within two weeks. Of 43 files received by the section this past quarter, 98% were responded to within one week, and 98% site visits were scheduled.

Activity Funding

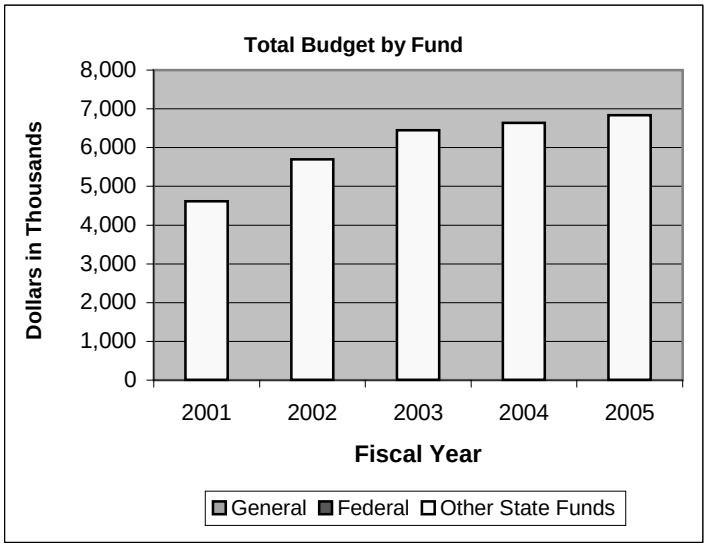
The Building Codes & Standards Division (BCSD) is funded by two main sources: a state surcharge fee, which is charged on every building permit issued by municipalities administering the State Building Code, and by construction permit and plan review fees for building, mechanical, accessibility, elevator, and manufactured structures.

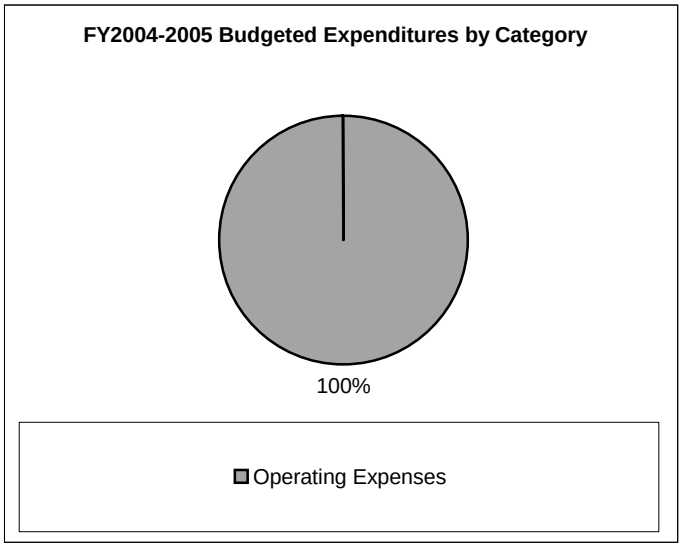
These fees are fee-for service (user fees) paid by contractors, manufacturers, building owners, design professionals, and homeowners who benefit from the division's services that provide the following: adoption of a State Building Code providing uniform minimum construction standard for building projects across the state;

training and assistance to the construction industry and municipal officials for uniform and consistent application of these standards; and review of construction plans and site inspection of state-owned or state-licensed projects and mechanical, accessibility, elevator, and manufactured structures.

Contact

Tom Joachim, State Building Official, (651) 296-7037, tom.joachim@state.mn.us
www.state.mn.us/ebranch/admin/buildingcodes





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
State Government Special Revenue	4,619	5,694	6,446	6,640	6,839	13,479
Total	**4,619**	**5,694**	**6,446**	**6,640**	**6,839**	**13,479**
Expenditures by Category						
Operating Expenses	4,619	5,694	6,446	6,640	6,839	13,479
Total	**4,619**	**5,694**	**6,446**	**6,640**	**6,839**	**13,479**
Revenue by Type and Fund						
Dedicated						
State Government Special Revenue	6,436	5,419	5,700	6,000	6,000	12,000
Subtotal Dedicated	6,436	5,419	5,700	6,000	6,000	12,000
Total Revenue	**6,436**	**5,419**	**5,700**	**6,000**	**6,000**	**12,000**
Full-Time Equivalents (FTE)	**43.1**	**47.9**	**58.1**	**55.1**	**55.1**	

Activity Description

The Division of State Building Construction (DSBC) delivers professional architectural, engineering, and construction resources designed to improve the physical facilities of Minnesota government in accordance with: M.S. 115A.15, 16A.632, 16B.05, 16B.24, 16B.27, 16B.30, 16B.305, 16B.31, 16B.32, 16B.33, 16B.335, 16B.35, and 16C.14.

Population Served

DSBC customers are state agencies having custodial control over facilities, and the occupants and visitors to those facilities.

Activity at a Glance

DSBC provides planning, design and construction services:

- for over 20 state agencies;
- for almost 4,000 state buildings;
- for over 450 active remodeling/repair projects, and several major new buildings, all of which require the processing of over 300 pay requests and 100 contracts monthly; and
- for 200 hazardous materials surveys and over 200 abatement projects annually.

Services Provided

Services provided by DSBC include:

- building design and construction project management, including contract administration, predesign, designer selection and oversight, and construction administration for new, remodeling, and asset preservation building projects;
- managing Capitol Asset Preservation and Replacement Account;
- managing hazardous materials surveys and abatement projects;
- assisting state agencies with Capital Budget Review preparation and provide Administration's review comments;
- managing predesign process;
- providing statewide facilities management (Facility Condition Audit);
- providing staff support for State Designer Selection Board;
- providing staff support for Governor's Residential Council; and
- developing Building Design Guidelines with consultant checklist.

Historical Perspective

DSBC provides a centralized resource where state agencies can obtain comprehensive and consistent architectural, engineering, facility management, and hazardous building materials management services to support agency facility needs. The process of building design and construction has become increasingly more complex from both a systems and technology standpoint as well as from the users' performance expectations. Increased technology and regulatory needs, including safety codes, building codes, health regulations, indoor air quality, sustainability, and environmental regulations also come into play. DSBC continues to work toward integration of all these items so that project scope, cost, and schedule requirements are met in a consistent and high quality manner. Toward this end, they have developed a consultant procedure manual, standardize forms, project initiation procedures, design criteria, and related information, all of which is posted on the DSBC web site (see address below).

Key Measures

FY02 service delivery accomplishments include:

- completion of a predesign supporting the co-location of Health and Agriculture; project delivery for $140 million for new facility is on schedule;
- completion of a predesign for Human Services; project delivery for $100 million for new facility is on schedule;
- construction on schedule for new $60 million Bureau of Criminal Apprehension (BCA) building in St. Paul; completion in fall 2003;
- minimizing construction change orders (supplemental agreements) to 5% maximum over bid was met (on work scope within our control);
- minimizing design time on projects (to allow earlier start date for construction notice to proceed) was met on over 50% of our projects;

- minimizing time to secure consultant services by implementing five year design roster, creating master request for proposals, modifying flowchart, and currently in process of revising methods for contract preparation ; and
- developing Design Guidelines to ensure quality and consistent standards for state facilities.

Activity Funding

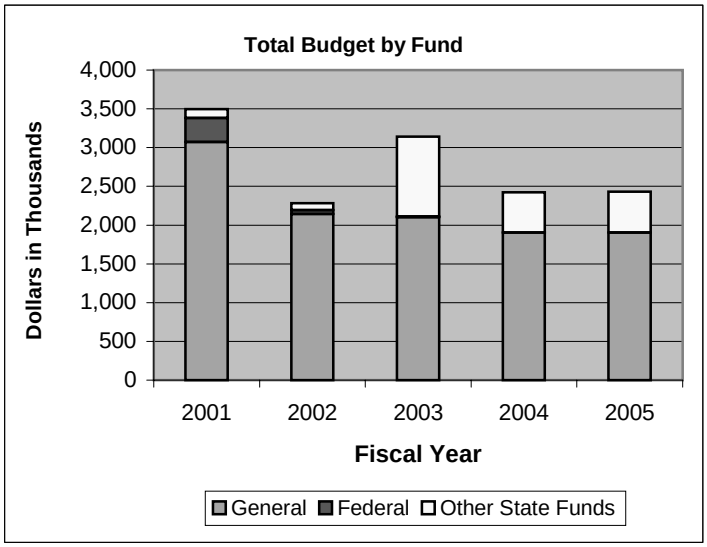
The Division of State Building Construction receives operating funds from a General Fund appropriation. Funding for projects that DSBC manages is from general obligation bonds, General Funds, federal funds, matching grants, and gift funds.

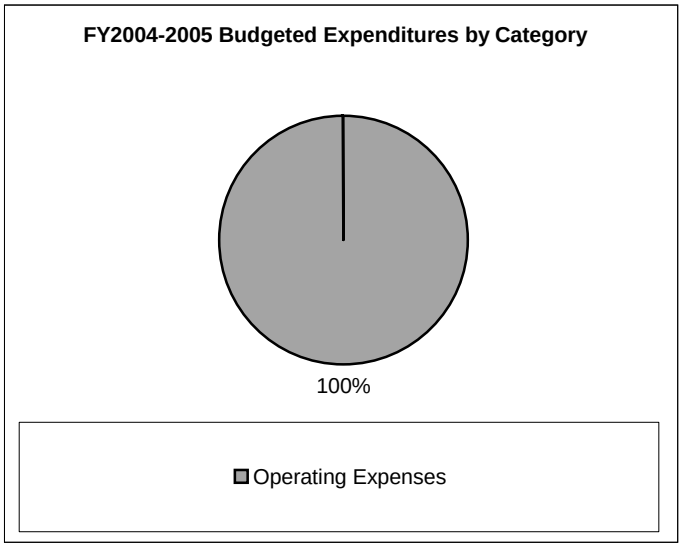
Contact

Heidi Myers, Director, (651) 296-4645, Heidi.myers@state.mn.us
http://www.dsbc.admin.state.mn.us.

ADMINISTRATION DEPT
Program: FACILITIES MANAGEMENT
Activity: BUILDING CONSTRUCTION

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,073	2,143	2,102	1,901	1,901	3,802
Statutory Appropriations						
Special Revenue	82	23	1,023	500	500	1,000
Federal	306	50	7	0	0	0
Gift	36	66	8	21	29	50
Total	**3,497**	**2,282**	**3,140**	**2,422**	**2,430**	**4,852**
Expenditures by Category						
Operating Expenses	3,214	2,188	3,132	2,422	2,430	4,852
Capital Outlay & Real Property	210	94	8	0	0	0
Other Financial Transactions	73	0	0	0	0	0
Total	**3,497**	**2,282**	**3,140**	**2,422**	**2,430**	**4,852**
Revenue by Type and Fund						
Dedicated						
Special Revenue	0	969	508	500	500	1,000
Federal	93	0	0	0	0	0
Gift	33	76	3	3	2	5
Subtotal Dedicated	126	1,045	511	503	502	1,005
Total Revenue	**126**	**1,045**	**511**	**503**	**502**	**1,005**
Full-Time Equivalents (FTE)	**28.1**	**22.3**	**23.3**	**18.7**	**18.4**	

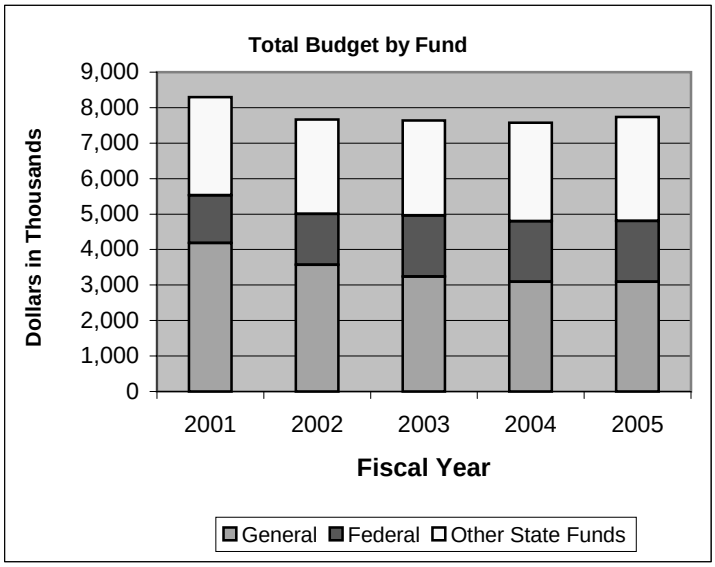
Program Description

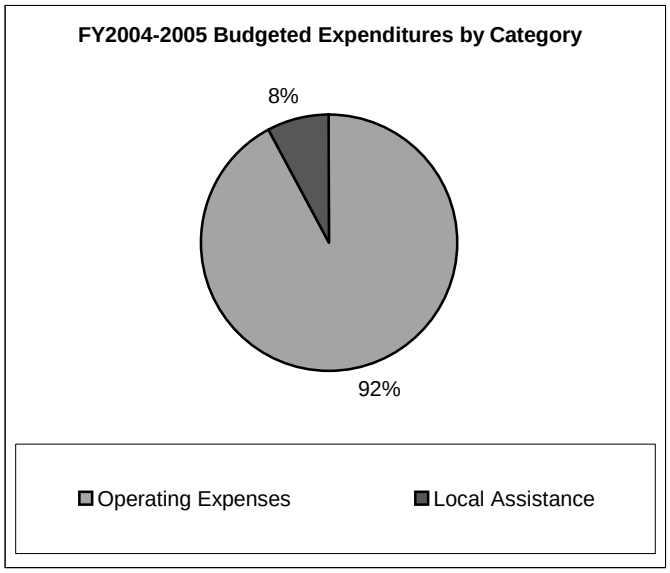
The purpose of the Management Services Bureau is to provide internal leadership to the agency in legislative, communications, administrative, and interagency support functions, as well as several specialized services including fiscal support to small agencies and public affairs responsibilities. In addition, statewide leadership is provided in many areas in conjunction with the diverse operating divisions of the agency.

Budget Activities Included:

- ⇒ Administrative Management
- ⇒ Financial Management & Reporting
- ⇒ Human Resources
- ⇒ Management Analysis
- ⇒ Information Policy Analysis
- ⇒ Office of the State Archaeologist
- ⇒ Developmental Disabilities Council
- ⇒ System of Technology to Achieve Results (STAR)

Further detail on each of these Budget Activities is included in subsequent pages of this budget document





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,187	3,575	3,239	3,092	3,092	6,184
Statutory Appropriations						
Special Revenue	1,690	1,667	1,625	1,686	1,775	3,461
Federal	1,343	1,427	1,719	1,705	1,717	3,422
Gift	0	13	8	4	3	7
Management Analysis	1,078	984	1,051	1,091	1,151	2,242
Total	**8,298**	**7,666**	**7,642**	**7,578**	**7,738**	**15,316**
Expenditures by Category						
Operating Expenses	7,575	7,257	6,994	6,978	7,138	14,116
Local Assistance	723	408	648	600	600	1,200
Other Financial Transactions	0	1	0	0	0	0
Total	**8,298**	**7,666**	**7,642**	**7,578**	**7,738**	**15,316**
Expenditures by Activity						
Admin Management	652	635	624	460	460	920
Financial Mgmt & Reporting	2,457	2,510	2,528	2,778	2,867	5,645
Human Resources	493	473	485	475	475	950
Management Analysis	1,710	1,630	1,548	1,458	1,518	2,976
Info Policy Analysis	796	511	458	425	425	850
State Archeologist	272	206	204	200	199	399
Developmental Disabilities Co	1,115	1,148	1,276	1,320	1,320	2,640
Star Program	803	553	519	462	474	936
Total	**8,298**	**7,666**	**7,642**	**7,578**	**7,738**	**15,316**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	3	1	1	1	1	2
Subtotal Non Dedicated	3	1	1	1	1	2
Dedicated						
Special Revenue	1,916	1,879	1,307	1,499	1,725	3,224
Federal	1,353	1,467	1,669	1,705	1,717	3,422
Gift	0	3	3	3	3	6
Management Analysis	1,086	1,061	1,050	1,091	1,150	2,241
Subtotal Dedicated	4,355	4,410	4,029	4,298	4,595	8,893
Total Revenue	**4,358**	**4,411**	**4,030**	**4,299**	**4,596**	**8,895**
Full-Time Equivalents (FTE)	**83.9**	**77.4**	**74.4**	**70.7**	**69.7**	

Activity Description

This activity provides both agency and statewide executive leadership and management support. The mission of the Department of Administration is to improve the quality and productivity of Minnesota government. The agency's vision is to be a leader in providing high-quality products and services to customers and to be an employer of choice for its employees.

Activity at a Glance

Admin Management is responsible for

- creating, communicating, and maintaining the agency strategic plan; and
- measuring quarterly performance results as reported by all internal divisions.

Population Served

Services and support are provided to all state agencies, councils, boards and offices, and the public.

Services Provided

The office has overall management responsibility of the agency. The commissioner of administration is the state chief information officer, and as such, provides technology leadership to the state. In addition, the Public Affairs unit coordinates the legislative and communications functions of the agency.

Key Measures

The Department of Administration has made customer satisfaction a major department-wide goal. There are 32 divisions within the agency that are working to devise meaningful measures of customer satisfaction to be used in improving the quality of services. Criteria have been developed to evaluate the extent to which all of these areas are tracking and measuring customer satisfaction.

Currently, nearly half of these areas are tracking customer satisfaction. By October 2002, 70% will be measuring customer satisfaction, and by March 2003, all areas are expected to have customer satisfaction measures in place. A customer satisfaction goal of 80% or higher is the minimum standard for divisions.

Employee satisfaction is also tracked. The current objective is to bring all performance reviews up to date by June 2003. This responds to employee concerns regarding regular contact with, and feedback from, supervisors.

Activity Funding

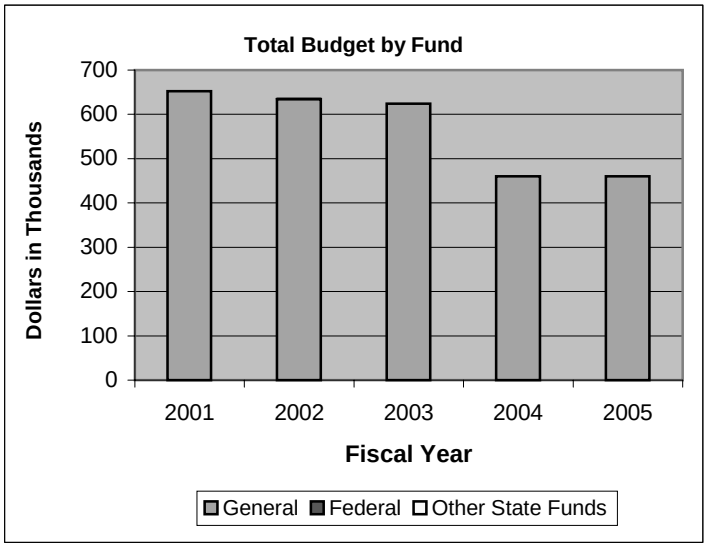
This activity is funded through a General Fund appropriation.

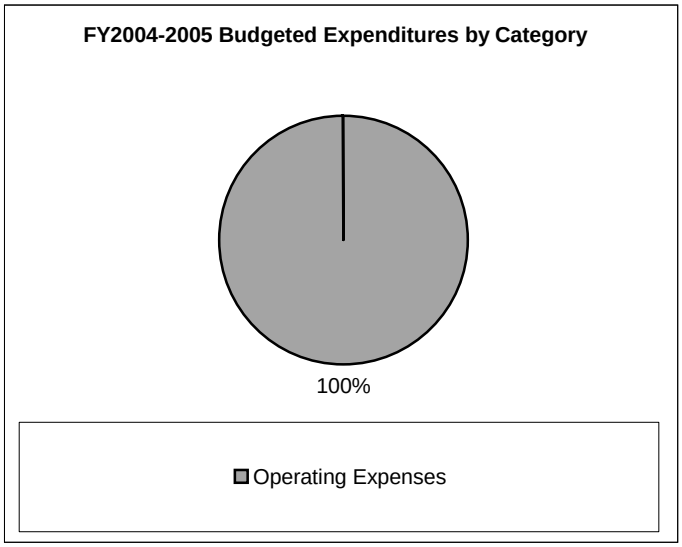
Contact

Larry Freund, Financial Management Director, (651) 296-5857, Larry.Freund@state.mn.us
http://www.admin.state.mn.us/

ADMINISTRATION DEPT
Program: MANAGEMENT SERVICES
Activity: ADMIN MANAGEMENT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	652	634	624	460	460	920
Statutory Appropriations						
Special Revenue	0	1	0	0	0	0
Total	**652**	**635**	**624**	**460**	**460**	**920**
Expenditures by Category						
Operating Expenses	652	634	624	460	460	920
Other Financial Transactions	0	1	0	0	0	0
Total	**652**	**635**	**624**	**460**	**460**	**920**
Full-Time Equivalents (FTE)	**5.4**	**5.5**	**5.3**	**3.3**	**3.3**	

Activity Description

The mission of the Financial Management and Reporting Division (FMR) is to provide and promote financial management to the Department of Administration (Admin) and associated boards and councils.

Population Served

Financial services, information, and transactions are provided to all divisions within the agency, six boards and councils, the Department of Finance, the Legislative Auditors, the legislature, and vendors.

Activity at a Glance

- FMR administers overall FY 2002-03 biennial agency budget in excess of $460 million.
- FMR aids nearly 40 bureaus, divisions, agencies, boards, and offices in all types of financial matters.
- All FY 2001 financial statements received clean independent auditors' opinions.
- Ninety monthly, quarterly, and annual financial statements for business units produced per year.

Services Provided

Services provided include all aspects of budgeting, accounting, internal auditing, transaction processing, financial reporting and analysis, and performance management consultation and reporting. FMR staff act as liaisons and financial consultants for Admin's operating divisions and the other customers. This activity strives to provide timely financial services and support while conforming to Generally Accepted Accounting Principles (GAAP). This facilitates the effective management of available resources as governed by laws, policies, and procedures of the accounting profession, and state and federal governments.

Key Measures

Agency Prompt Payment: M.S. 16A.124 requires state agencies to pay valid obligations to vendors within the vendor's early payment discount period, or in the absence of a stated period, within 30 days following receipt of the invoice for the completed delivery of the product or service.

Fiscal Year	2000	2001	2002	2003 (est.)
Prompt Payment goal: 97%	97.53%	98.08%	97.16%	98.00%
Number of payment transactions:	48,528	44,633	41,848	40,500

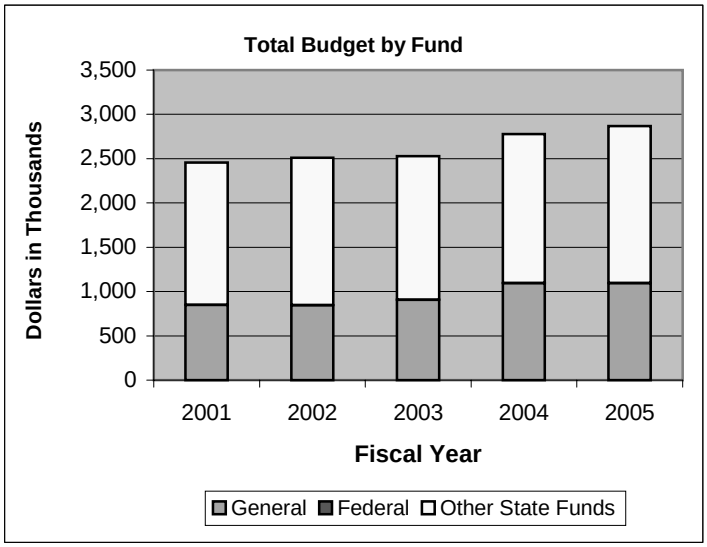
Activity Funding

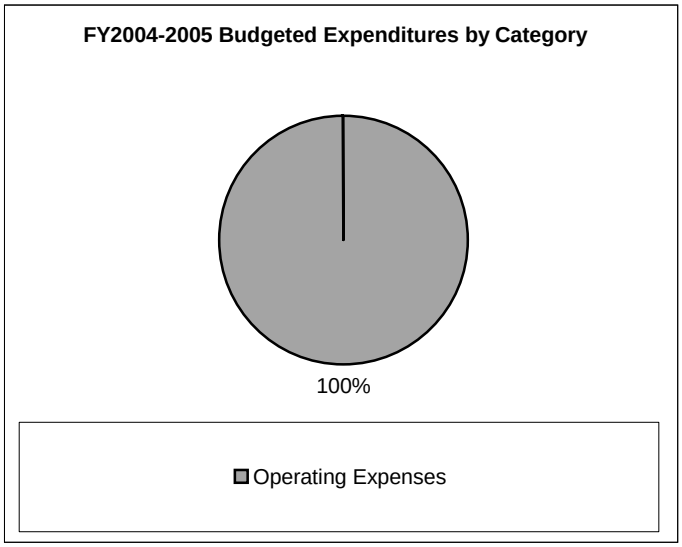
This activity is funded through a General Fund appropriation.

This activity also manages the agency internal allocation account. This account was established in FY 1998 to better manage certain costs that are distributed throughout all, or part of the agency. Allocations include agency-wide expenses such as a training coordinator and an internal auditor, and bureau or function-specific expenses such as an assistant commissioner and LAN support. Costs are allocated to activities based on budget, staffing, or user statistics.

Contact

Larry Freund, Financial Management Director, (651) 296-5857, Larry.Freund@state.mn.us
http://www.admin.state.mn.us/





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	848	844	905	1,095	1,095	2,190
Statutory Appropriations						
Special Revenue	1,609	1,666	1,623	1,683	1,772	3,455
Total	**2,457**	**2,510**	**2,528**	**2,778**	**2,867**	**5,645**
Expenditures by Category						
Operating Expenses	2,457	2,510	2,528	2,778	2,867	5,645
Total	**2,457**	**2,510**	**2,528**	**2,778**	**2,867**	**5,645**
Revenue by Type and Fund						
Non Dedicated						
General	2	0	0	0	0	0
Subtotal Non Dedicated	2	0	0	0	0	0
Dedicated						
Special Revenue	1,821	1,878	1,306	1,496	1,722	3,218
Subtotal Dedicated	1,821	1,878	1,306	1,496	1,722	3,218
Total Revenue	**1,823**	**1,878**	**1,306**	**1,496**	**1,722**	**3,218**
Full-Time Equivalents (FTE)	**31.7**	**29.7**	**29.2**	**30.2**	**30.2**	

Activity Description

The Human Resources Division provides human resources services to the employees, prospective employees, and management of the Department of Administration (Admin) by actively recruiting, hiring, developing, and retaining a productive, diverse, and highly competent workforce. The division's work is subject to compliance with federal and state law as well as internal policies and procedures.

Activity at a Glance

- 200 employee hires/transfers per fiscal year.
- 40 labor grievances per fiscal year resolved prior to arbitration.
- 60% of employees provided onsite or offsite training per fiscal year.

Population Served

The Human Resources Division serves 850 employees of Admin as well as 16 additional employees of the Council on Asian/Pacific Minnesotans, the Council on Black Minnesotans, the Chicano/Latino Affairs Council, and the Ombudsman for Families.

Services Provided

The Human Resources Division provides the following services:

- recruitment and staffing;
- fringe benefits enrollment and administration;
- labor contract administration/employee relations;
- employee training and development;
- performance management and wage/compensation administration;
- Worker's Compensation, Occupational Safety and Health Administration (OSHA) compliance, and general safety/wellness program administration;
- Affirmative Action/ADA (Americans with Disabilities Act) and Family Medical Leave Act (FMLA) oversight and administration; and
- consultation on human resources management issues.

Key Measures

Human Resources strives to continue the current 100% customer satisfaction rate related to the variety of services provided above. Each service provider within the division solicits feedback on services rendered through an automated internal customer survey. Each service provider is charged with maintaining satisfactory statistics both as an individual contributor and as a member of the Human Resources team.

An additional performance management measure includes ensuring that all Admin employees' performance appraisals are current and that each agency employee has an annual review. Managers and supervisors in non-compliance with this measure will not receive their own performance increase. Target date for full compliance is 6-30-03.

A third performance measure includes continuing to hire, train, and promote any and all employees with respect to the Affirmative Action goals of the department's plan. Over the past two years, the department's hiring statistics reflect 100% compliance with affirmative action goals. The Human Resource division intends to continue this measurement into the biennium with the intention of retaining 100% compliance.

Activity Funding

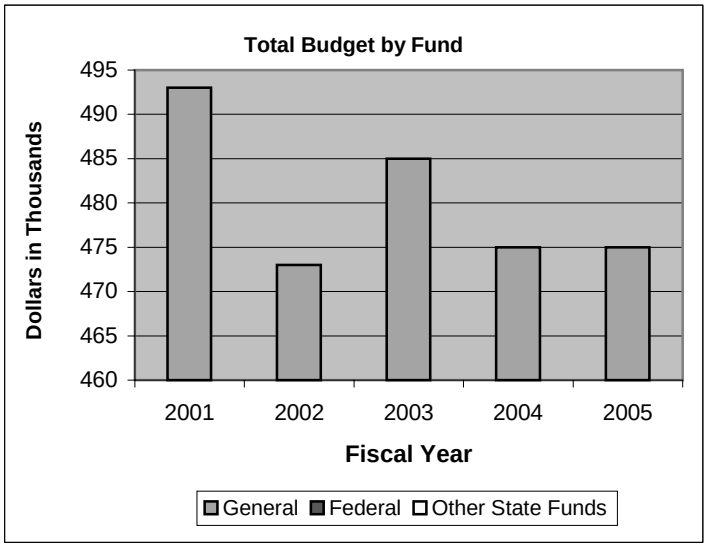
This activity is funded through a General Fund appropriation.

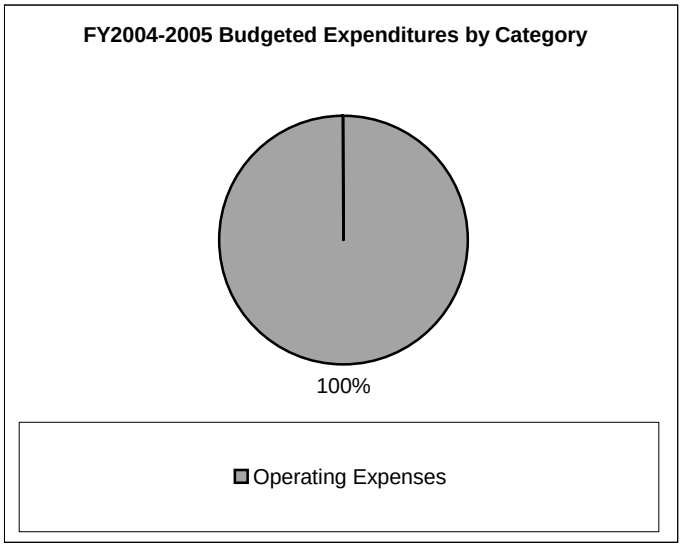
Contact

Deborah Tomczyk, Director, (651) 296-2885, Deborah.Tomczyk@state.mn.us
www.admin.state.mn.us.

ADMINISTRATION DEPT
Program: MANAGEMENT SERVICES
Activity: HUMAN RESOURCES

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	493	473	485	475	475	950
Total	**493**	**473**	**485**	**475**	**475**	**950**
Expenditures by Category						
Operating Expenses	493	473	485	475	475	950
Total	**493**	**473**	**485**	**475**	**475**	**950**
Revenue by Type and Fund						
Non Dedicated						
General	1	1	1	1	1	2
Subtotal Non Dedicated	1	1	1	1	1	2
Full-Time Equivalents (FTE)	**6.7**	**7.5**	**6.9**	**7.0**	**6.0**	

Activity Description

The Management Analysis Division (MAD) is the state of Minnesota's management consulting organization. MAD offers a wide range of consulting services to state and local governments and higher education in accordance with M.S.16B.36. MAD consultants have worked on hundreds of projects with all agencies, many boards, units of local government, and higher education.

Activity at a Glance

The Management Analysis Division:

- provides consulting to state agencies, the legislature, local governments, the University of Minnesota, Minnesota State Colleges and Universities (MnSCU), and public K-12 institutions;
- averages 120 engagements per year; and
- provides consulting services at up to 50% less than comparable external providers.

Population Served

MAD provides management consultation to state agencies, the governor, the legislature, higher education, and local and federal governments. The division's services are available to all public sector organizations on a fee-for-service basis. The direct recipients are public sector managers and executives; however, the ultimate beneficiaries are the state agencies and other public entities, and the end users whose services are impacted by the improvements.

Services Provided

MAD's consulting services include organizational improvement, analysis, performance measurement, service quality improvement, customer relations, facilitation, organization, evaluation, and development, strategic planning, process flow or process mapping, process redesign, legislative studies, grant writing, surveys, transition services, contingency planning, and other executive branch coordination activities.

Clients see improvements such as increased productivity, clearer direction, better working relationships, additional grant income, better data for decision making, or increased cooperation with stakeholders and partners.

Historical Perspective

MAD began consulting activities in 1985. Since that time, the requests for services have become increasingly complex and reflect the funding, societal, and policy pressures on public entities. Budget pressures and public expectations have increased the necessity for accountability, streamlining, and cooperation.

MAD's consulting business began with seven engagements in 1985. It has expanded to 137 engagements in FY 2002. Over the five fiscal years from FY 1998 through FY 2002, the number of projects per year averaged 134. The division worked on four legislative projects in FY 2002. The average for the past five fiscal years is three. MAD reported 1,360 hours on legislative engagements in FY 2002, equivalent to 13% of all hours reported on internal service fund projects in the year.

Key Measures

MAD's key measure is customer satisfaction. As consultants and analysts, MAD staff provide analysis, facilitation, consultation, and technical assistance to address client needs. The degree to which those needs are satisfied is a key measure. Some work is quantifiable. For example, grant writing efforts in the past two years have yielded the state an estimated $3.3 million. Other efforts – such as getting diverse and competing stakeholders to come to consensus – are not as easily quantified but are immeasurably important to the clients. MAD's goal is to achieve at least 80% satisfaction; actual result this fiscal year will be 95% or higher.

Activity Funding

Funding is two-thirds from Internal Service Fund revenues from consulting and analytical projects, and one-third from a General Fund appropriation. The General Fund covers activities such as: regulatory mandates (Cost Benefit Analysis on transportation projects and testimony on topics as requested by the legislature); cross-agency management improvement projects (staffing or participating on task forces on performance management; providing managerial training; addressing emerging needs such as downsizing with one-on-one coaching for

managers and training co-facilitated with the Employee Assistance Program); and work on behalf of the state as a whole (conducting contingency planning for state operations; establishing a gubernatorial transition office).

Internal service fund information:
MAD has 16 *full-time* equivalents as of 7-1-02.

There are no loans from the General Fund, or proposed investments in technology or equipment of $100,000 or more.

Operating Losses/Increases in Retained Earnings:
Retained earnings estimated increase from FY 2001 to FY 2002 returns the division to the recommended minimum retained earnings level equal to two months operating funds. This return was possible due to fiscal management that allows the internal service fund to react to anticipated gaps in service demand due to budget shortfalls experienced by client agencies.

History of Rate Changes:

Fiscal Year	1998	1999	2000	2001	2002	2003
Hourly Rate	$80	$85	$85	$95	$98	$98
Change	2.6%	6.25%	0%	11.8%	3.2%	0%

Impact of Rate Changes:
Rates did not increase for FY 2003; the rate of $98 has been stable since July 2001. Services remain available at the previous rate so there is no impact on client agencies. The five largest customers in FY 2002 were the departments of Administration, Economic Security, Human Services, Public Safety, and Children, Families and Learning.

Contact

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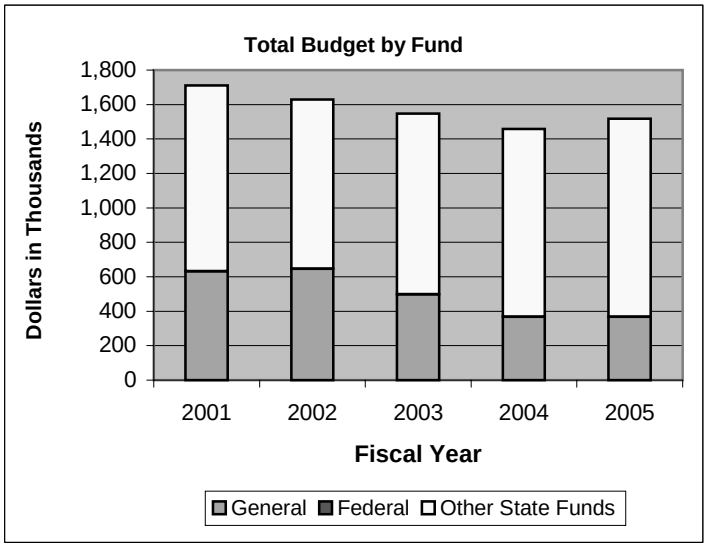
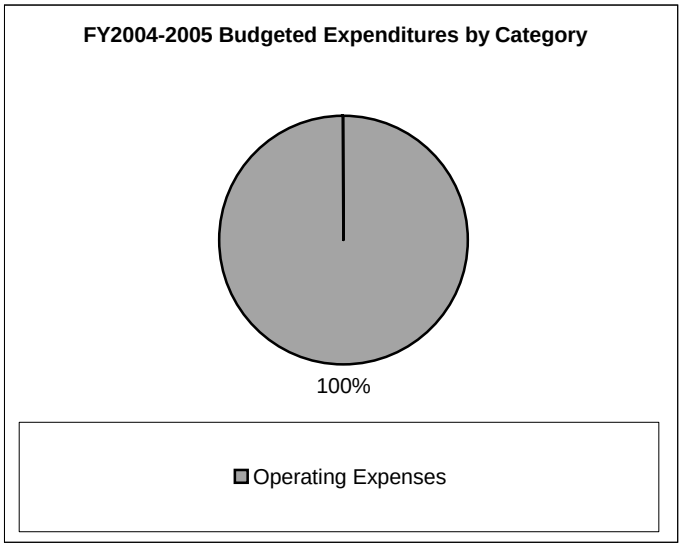
http://www.admin.state.mn.us/mad

ADMINISTRATION DEPT
Program: MANAGEMENT SERVICES
Activity: MANAGEMENT ANALYSIS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	632	646	497	367	367	734
Statutory Appropriations						
Management Analysis	1,078	984	1,051	1,091	1,151	2,242
Total	**1,710**	**1,630**	**1,548**	**1,458**	**1,518**	**2,976**
Expenditures by Category						
Operating Expenses	1,710	1,630	1,548	1,458	1,518	2,976
Total	**1,710**	**1,630**	**1,548**	**1,458**	**1,518**	**2,976**
Revenue by Type and Fund						
Dedicated						
Management Analysis	1,086	1,061	1,050	1,091	1,150	2,241
Subtotal Dedicated	1,086	1,061	1,050	1,091	1,150	2,241
Total Revenue	**1,086**	**1,061**	**1,050**	**1,091**	**1,150**	**2,241**
Full-Time Equivalents (FTE)	**20.9**	**18.5**	**16.4**	**14.9**	**14.9**	

Activity Description

The Information Policy Analysis Division (IPAD) is where government entities, private sector organizations, the legislature, and citizens come for answers to data practices questions; consultation on data practices issues; help with public policy development; assistance in understanding and complying with complex legislation regulating information; dispute resolution services as it relates to data practices appeals; and assistance in exercising rights regarding access to information, protecting privacy, and challenging inaccurate or incomplete information.

Both the Minnesota Legislature and the federal government have either enacted statutes or promulgated extensive rules that deal with a variety of information related issues. These statutes and rules include, among others, the Minnesota Government Data Practices Act, the federal Family Educational Rights and Privacy Act and related rules, M.S. 144.335 (the health records statute), the federal Health Insurance Portability and Accountability Act of 1996 and related privacy rules, the federal Freedom of Information and Privacy Acts, and the Minnesota Records Management Act. Historically, the executive branch and the legislature informally agreed that it made sense that expertise concerning those and other related laws should be available at no charge to both government entities and citizens. As a General Fund activity, IPAD offers that expertise to government entities and citizens through a variety of functions and services.

Activity at a Glance

On average, over the last five years, IPAD has annually:

- issued 66 advisory opinions;
- answered 3,609 phone* inquiries from government entities;
- dealt with phone* questions or requests for assistance from 2,532 citizens; and
- provided 1,448 phone* consultations to private and public attorneys.

In 2002, IPAD's web site had 9,279 visits.

*IPAD also receives inquiries by paper mail, e-mail, and personal contact.

Population Served

IPAD serves personnel of state and local government entities, private citizens, private sector organizations, public and private attorneys, and the legislature.

Services Provided

IPAD provides the following major types of services to the population served: answering questions about rights and requirements of various information laws; consulting on difficult information policy issues; providing staff services to the commissioner of Administration in performing statutory duties that include issuing advisory opinions, acting on appeals to challenges to government data, acting on applications for temporary classification of data and requests to make new uses of data, and establishing and operating a statewide records management program; preparing and distributing training, model compliance, and informational materials; developing, updating, and operating a publicly accessible web site that contains all advisory opinions and all informational materials prepared by the division; offering training to state and local government entities; offering information sessions to citizens; providing training materials to enable government entities to do their own training; assisting citizens with answers to their inquires and advice on how to exercise their rights; and working with the legislature, citizens, private sector groups, and state and local government agencies on the development of new information policy laws and changes to existing laws.

Historical Perspective

The Minnesota Government Data Practices Act began in 1974. Since that time, M.S. Chapter 13 has grown and has seen many revisions and additions as the data practices debate continues. Issues of information policy, such as data privacy, fair information practices, and the unauthorized destruction of the records of accounting and other organizations, continue to receive widespread discussion. Statewide responsibility for establishing and maintaining the infrastructure that assists government entities and the public in dealing with these issues has been assigned to the commissioner of administration and in turn to IPAD.

Key Measures

Timeliness of responses from IPAD to clientele is critical to effectively serving the clientele. In line with that objective IPAD has used the following performance measure for several years.

Eighty-five percent of all phone and e-mail inquiries and requests for assistance will be responded to no later than the end of the next business day.

Historically, IPAD has met this goal in every year since 1998.

Beginning in the fall of 2003, IPAD will apply this response goal to all inquiries, including those received by paper mail and e-mail.

Activity Funding

This activity is funded through a General Fund appropriation.

Contact

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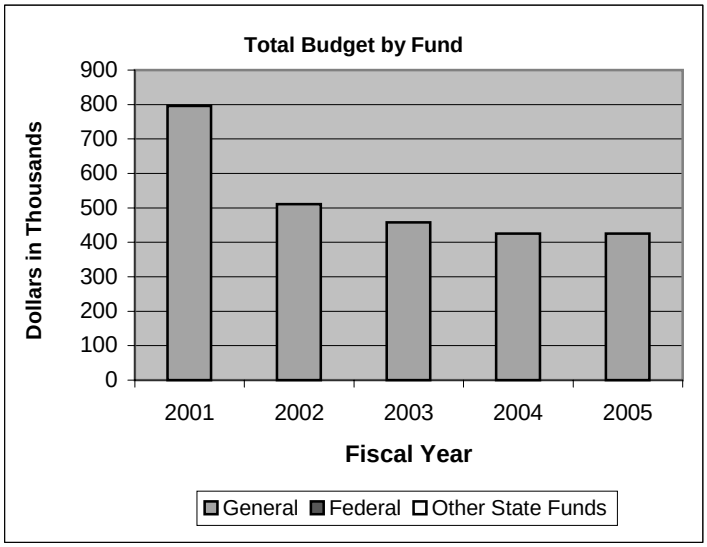
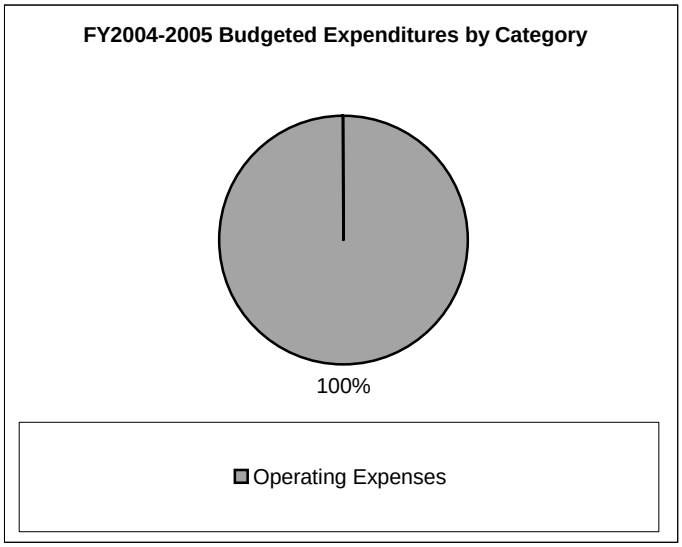
www.ipad.state.mn.us

ADMINISTRATION DEPT
Program: MANAGEMENT SERVICES
Activity: INFO POLICY ANALYSIS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	796	511	458	425	425	850
Total	**796**	**511**	**458**	**425**	**425**	**850**
Expenditures by Category						
Operating Expenses	796	511	458	425	425	850
Total	**796**	**511**	**458**	**425**	**425**	**850**
Full-Time Equivalents (FTE)	**8.1**	**6.1**	**5.8**	**4.8**	**4.8**	

Activity Description

The Office of the State Archaeologist (OSA) manages the state's archaeological resources, including sites and data, on behalf of the citizens of Minnesota, under provisions of M.S. 138.31-138.42 (the *Field Archaeology Act*) and M.S. 307.08 (section of the *Private Cemeteries Act*). In addition to extensive federal legislation addressing cultural heritage resource management, other state statutes, including M.S. 86A (the *Outdoor Recreation Act*) and M.S. 116B (the *Minnesota Environmental Rights Act*), also speak to issues of archaeological resource management.

Activity at a Glance

Key activity statistics related to OSA program activities (most recent year's data) include:

- 282 reviewed/licensed archaeological projects
- 281 evaluated/accepted site data forms
- 59 burial site investigation cases

OSA review processes under these statutes are critical to controlling public and private development costs, which derive in part from federal, state, and local mandates. The laws require the identification, evaluation, and protection of archaeological (including burial) and other heritage resources.

Held annually each spring, Minnesota Archaeology Week is a key component of the OSA's public participation and education programming. The OSA assumes the lead role in organizing, coordinating, and promoting this statewide series of events that celebrate Minnesota's archaeological and historic heritage. In 2002, 5,279 individuals attended Minnesota Archaeology Week.

Population Served

OSA clients include, but are not limited to: local, state, and federal agencies; representatives of Minnesota's tribal communities; builders and development associations; cultural resource management firms; county historical societies; private homeowners; professional and avocational archaeologists; local heritage preservation commissions; educators and school districts; and other public and private agencies and individuals.

Services Provided

Major service categories include: *data management; consultation; licensing and project review*; *compliance and enforcement; research;* and *information dissemination.* Both integrated and interdependent, these program services function as a whole. As an example, the scheduling, cost, and progress of both public and private development projects depend on accurate and timely consultative services, which in turn require comprehensive data management and research capabilities.

Historical Perspective

OSA and the *Field Archaeology Act* were created by the legislature in 1963. In May of 1996, Executive Order (reorganization order no. 175), established OSA as a division within the Department of Administration.

Recent studies by the Management Analysis Division and the Office of the Legislative Auditor explored alternative funding options for the OSA. The Office of the Legislative Auditor's April 2001 OSA program evaluation report concluded that *"... the Office of the State Archaeologist should continue to receive its funding primarily from a General Fund appropriation, (and) the Legislature should direct the office to determine the feasibility of charging fees to supplement its budget."* In the March 2002 assessment of the feasibility of supplementing OSA's budget with fee-for-service funds, the Management Analysis Division of the Department of Administration concluded that *"... a fee-for-service model does not appear to be in the best interest of the Office of the State Archaeologist or the state."*

Key Measures

Turnaround time for project review and issuance of Field Archaeology licenses: target is "within 10 days" of receipt of application and related support materials (note: OSA response time is not sole variable in determining turnaround time). The goal is consistently met. Actual turnaround time for FY 2002 was 100%.

Turnaround time for review/correction of site data forms and issuance of Smithsonian Site Designation Numbers (SSDN): target is "within seven days" of receipt of correctly completed site forms. Actual average turnaround time for FY 2002 was 100%.

Perhaps the most comprehensive measure of OSA's performance is described in the Office of the Legislative Auditor's recent OSA program evaluation report, which thoroughly documents the base of support for OSA program activities.

Activity Funding

The program operates through a General Fund appropriation.

Contact

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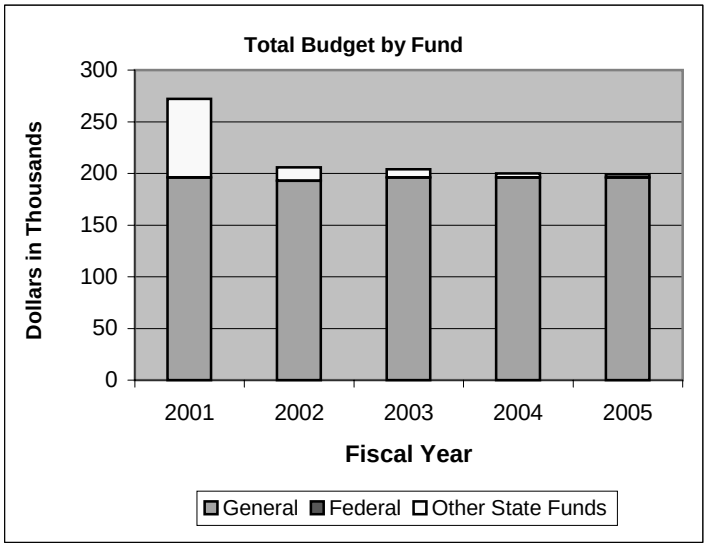
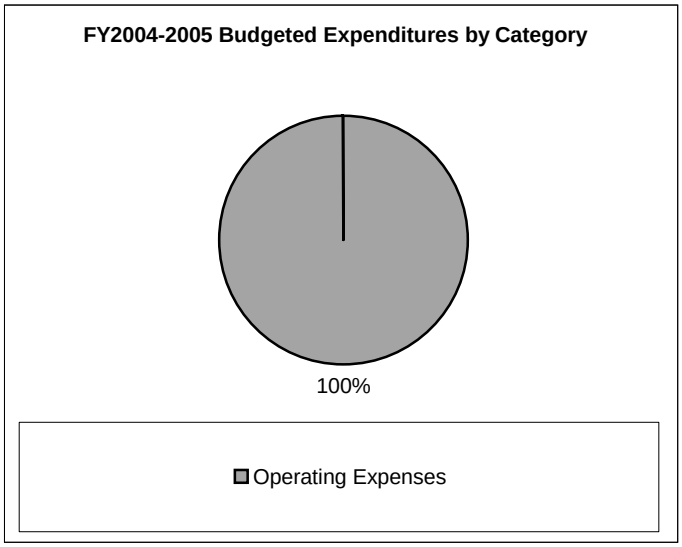
Mark Dudzik, State Archaeologist, (612) 725-2411, Mark.Dudzik@state.mn.us
www.admin.state.mn.us/osa/

ADMINISTRATION DEPT
Program: MANAGEMENT SERVICES
Activity: STATE ARCHEOLOGIST

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	196	193	196	196	196	392
Statutory Appropriations						
Special Revenue	76	0	0	0	0	0
Gift	0	13	8	4	3	7
Total	**272**	**206**	**204**	**200**	**199**	**399**
Expenditures by Category						
Operating Expenses	272	206	204	200	199	399
Total	**272**	**206**	**204**	**200**	**199**	**399**
Revenue by Type and Fund						
Dedicated						
Special Revenue	91	0	0	0	0	0
Gift	0	3	3	3	3	6
Subtotal Dedicated	91	3	3	3	3	6
Total Revenue	**91**	**3**	**3**	**3**	**3**	**6**
Full-Time Equivalents (FTE)	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	

Activity Description

The Governor's Council on Developmental Disabilities (GCDD), authorized under the Developmental Disabilities Assistance and Bill of Rights Act (DD Act)(P.L. 106-402) works to assure that people with developmental disabilities, and their families, receive the necessary support/services to increase their independence, productivity, self-determination, integration, and inclusion in the community (IPSII).

Population Served

The GCDD's primary customer group is comprised of people with developmental disabilities, who make up about 1.13% of the state's population or about 55,370 individuals, and their families. The other two customer groups are service providers and employers.

Activity at a Glance

- More than 9,000 Minnesota's Partners in Policymaking® program graduates nationally/ internationally since 1987; includes more than 550 graduates of Minnesota's program.
- In the past funding year:
  - ⇒ -A total of 82 Partners graduates participated in four advanced leadership training workshops.
  - ⇒ -A total of 1,050 participants in five leadership training conferences.
- A total of 21,954 publications disseminated (nine months); evaluation scores average 9.3 out of 10.0.

Services Provided

The GCDD is not a direct service provider. GCDD's business is information, education, and training for knowledge building, skills development, and attitude changes that lead to the IPSII results through three broad strategies – Partners in Policymaking®, Communications and Training, and Customer Focus and Quality Improvement.

At least 70% of the federal funds that GCDD receives each year are awarded primarily as grants to nonprofit organizations to carry out the following related sub strategies:

Partners in Policymaking®

⇒ Basic Partners Program: Competency/value based leadership training program for adults with disabilities and parents of young children with developmental disabilities; teaches how to develop positive partnerships with elected officials for systems change.

⇒ Partners Graduate Workshops: Advanced leadership training on topics such as negotiation and communication skills.

⇒ Longitudinal studies: Surveys conducted to track long-term results of Minnesota Partners graduates.

⇒ Cultural outreach programs: Outreach, basic leadership skills training, intro to concepts of the Partners program in the African American, American Indian, and Hispanic communities; expansion to Asian American community in 2003.

⇒ Partners for Employers: E-learning course on employment with tracks for people with disabilities and family members.

⇒ Self-Advocacy: Direct funding of a Minnesota self-advocacy organization to establish new self-advocacy groups and provide leadership training for self-advocates.

Communications and Training

⇒ Publications: Education/resource materials on best practices available to general public.

⇒ Electronic Government Services: Conversion of products and services to a web-based format; updating of GCDD web site; conversion of the Partners program to e-learning.

⇒ Training Conferences: Co-sponsorship funds awarded to agencies/organizations to support leadership training conferences.

Customer Focus and Quality Improvement

⇒ Customer Research: Determine customer needs, expectations, requirements on issues such as abuse/neglect, employer hiring practices, oral health care.

⇒ Application of Baldrige Framework: Increase knowledge, understanding, application of Baldrige to GCDD's business.

The GCDD does not regulate activities nor set or enforce standards.

Historical Perspective

In the 1970s, the GCDD provided demonstration grants that funded diagnostic clinics, early intervention, self-advocacy, group homes, day programs, and regional planning councils.

In the 1980s, the GCDD provided demonstration grants for respite care, case management, employment, regional planning councils, and deinstitutionalization studies.

In the 1990s, the GCDD provided grants for youth leadership, Partners in Policymaking®, cultural outreach, and publications.

Key Measures

The GCDD tracks and reports the results of three performance measures, compared with a targeted goal, on its Quarterly Operations Report to the Department of Administration:

- ⇒ 30/60/90 day action plans: The targeted goal is 95% on time or early completion of work activities. FY 2002 actual was 100%.
- ⇒ Cycle time of publication orders: The targeted goal is 90% of all publication orders filled within three days of the request. The industry standard for fulfillment is three days. FY 2002 actual was 93%.
- ⇒ Quality of publications: The targeted goal is 8.5 (scale of 1 to 10; 10 = highest). FY 2002 actual was 9.3.

Performance measures for the next fiscal year are established by the GCDD, identified in Requests for Proposals, and contained in GCDD's supplier contracts. Performance goals are tracked for each fiscal year for each supplier, and over time, through dashboards, IPSII measures, customer satisfaction, cycle time for reporting, progress meetings that correspond with quarterly reporting deadlines, mid-year performance reviews, and supplier final reports.

Activity Funding

The GCDD's annual allocation is part of a Congressional appropriation for the U.S. Department of Health and Human Services. The FFY 2002 allocation totaled $1,025,295. The anticipated allocation for FFY 2003 is $1,020,449. This federal allocation requires a 25% non-federal match, which is acquired through a General Fund appropriation and in-kind contributions. The GCDD has received additional federal funds for family support.

The GCDD's planning and budgeting processes are directly connected for grant activities (70% of budget) and administrative spending (30% of budget). Budget allocations for grant activities begin with the three broad strategies and related sub strategies in our Five-Year State Plan. These are translated into an annual plan, specific grant activities, a preallocations memo, allocation recommendations, and GCDD approval. This process is repeated on an annual basis.

Contact

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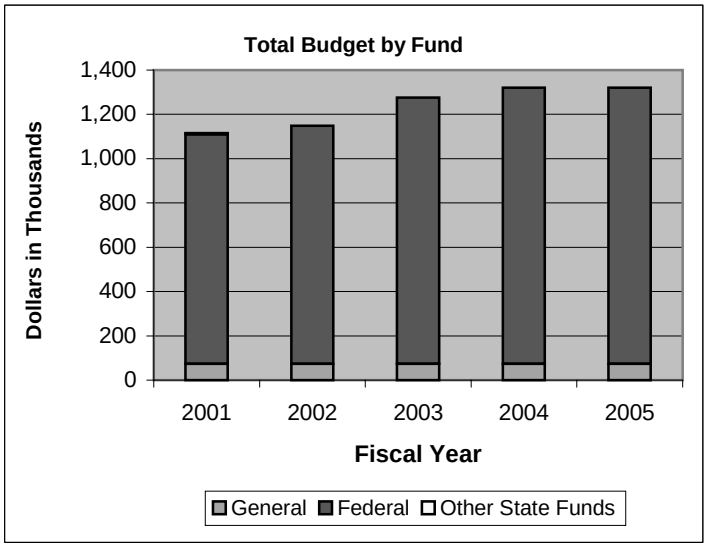
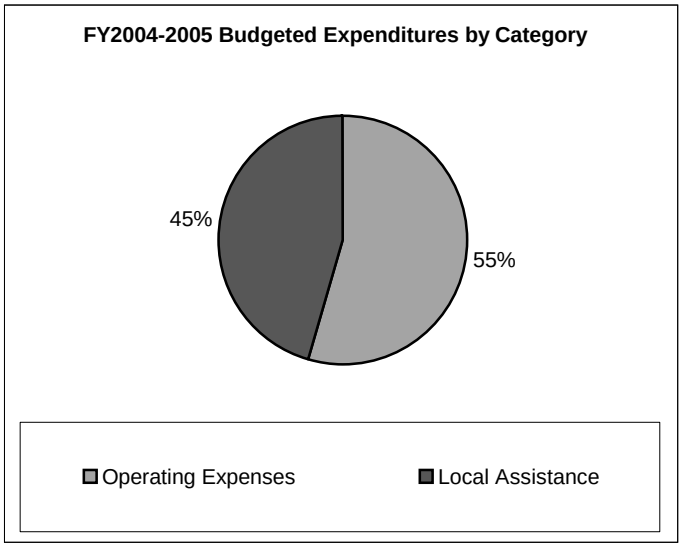
www.mnddc.org or www.mncdd.org.

ADMINISTRATION DEPT
Program: MANAGEMENT SERVICES
Activity: DEVELOPMENTAL DISABILITIES CO

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	74	74	74	74	74	148
Statutory Appropriations						
Special Revenue	5	0	0	0	0	0
Federal	1,036	1,074	1,202	1,246	1,246	2,492
Total	**1,115**	**1,148**	**1,276**	**1,320**	**1,320**	**2,640**
Expenditures by Category						
Operating Expenses	652	891	676	720	720	1,440
Local Assistance	463	257	600	600	600	1,200
Total	**1,115**	**1,148**	**1,276**	**1,320**	**1,320**	**2,640**
Revenue by Type and Fund						
Dedicated						
Federal	1,036	1,074	1,202	1,246	1,246	2,492
Subtotal Dedicated	1,036	1,074	1,202	1,246	1,246	2,492
Total Revenue	**1,036**	**1,074**	**1,202**	**1,246**	**1,246**	**2,492**
Full-Time Equivalents (FTE)	**3.5**	**3.8**	**3.0**	**3.0**	**3.0**	

Activity Description

The System of Technology to Achieve Results (STAR) program was established in 1989 as Minnesota's Federal Tech Act Project to plan and coordinate assistive technology (AT) information and services for the citizens of Minnesota with disabilities. The STAR Program serves as an advocate for federal and state assistive technology policy and legislation, builds assistive technology capacity in state government, and helps assure statewide assistive technology services for individuals with disabilities throughout the state.

Activity at a Glance

- Build Assistive Technology (AT) capacity throughout the state of Minnesota.
- An advocate for federal and state AT policy and legislation.
- Help assure access to statewide AT services.

An assistive technology device is any piece of equipment that is used to increase, maintain, or improve the functional abilities of a person with a disability.

Population Served

Minnesota has a disability rate of about 15%, or approximately 745,844 residents. Currently, over half of seniors 65 years old and older have a disability. These individuals need some assistance in performing daily activities or participating in community life. STAR conducts activities relating to the availability and benefits of assistive technology devices and services for these populations.

Services Provided

The STAR Program works at the state and national levels on legislation and policy for assistive technology. It informs and advocates for AT through training, information, and referral. STAR works closely with Minnesotans with disabilities and providers to develop a statewide network of resources related to technology assistance.

STAR works diligently to build collaborative relationships in the AT community. STAR, along with its nonprofit arm, is working with rural partners to assure statewide coverage of services. In addition, STAR works with state agencies and others in serving as a central clearinghouse for AT information, assessment, and application.

Historical Perspective

The STAR Program was established in 1989, and was identified as Minnesota's Tech Act Project. Working with the Governor's Advisory Council on Technology for People with Disabilities, the STAR Program worked closely with consumers to develop a statewide network of resources related to technology assistance.

STAR's accomplishments over the past 13 years include:

- distribution of over 100,000 copies of the *Directory of Funding Resources for Assistive Technology* (now in its fifth edition);
- completed over 1,000 training sessions, presentations, and displays on AT throughout the state;
- developed and distributed over 3,000 copies of *Guidelines for Assistive Technology in Post-secondary Settings;*
- served as a national model for states developing their own Tech Act sites;
- continued distribution of a quarterly newsletter (circulation of 8,000) to inform individuals and organizations of assistive technology news, opportunities and events;
- served as the state government's source for training and information regarding web site accessibility, as required by federal law (to date STAR has trained over 300 state webmasters);
- developed and implemented two statewide conferences on using assistive technology to assist individuals with disabilities move from dependency to self-sufficiency through employment;
- funded protection and advocacy services for individuals with disabilities who try to acquire assistive technology;
- developed and supported a statewide program of AT Networks (ATN) encompassing all of rural Minnesota working to increase out-state capacity to deliver assistive technology services;

- initiated outreach work and financial support to seven councils and organizations reaching over 12,000 individuals representing the communities of color in Minnesota;
- provided information on assistive technology and referral to sources requesting help averaging over 5,000 calls each year from throughout the STAR network;
- launched the Minnesota Assistive Technology Loan Network (MATLN), a program for short-term loan of AT devices; and
- provided funding for start-up programs, demonstration sites, laboratories, and projects working to serve the AT needs of Minnesotan's with disabilities.

Key Measures

⇒ Advocate for federal and state AT policy and legislation:
- conduct a consumer-based analysis of barriers to AT;

⇒ Assure statewide AT services and access to funding sources:
- distribute, on average, 1,000 STAR Funding Directories per month
- distribute a quarterly newsletter, *Constellations*, circulation 8,000
- maintain an informational and interactive web site that identifies solutions to AT needs; and

⇒ Build AT capacity in state government:
- conduct four training sessions for state webmasters on 508 accessibility requirements.

Activity Funding

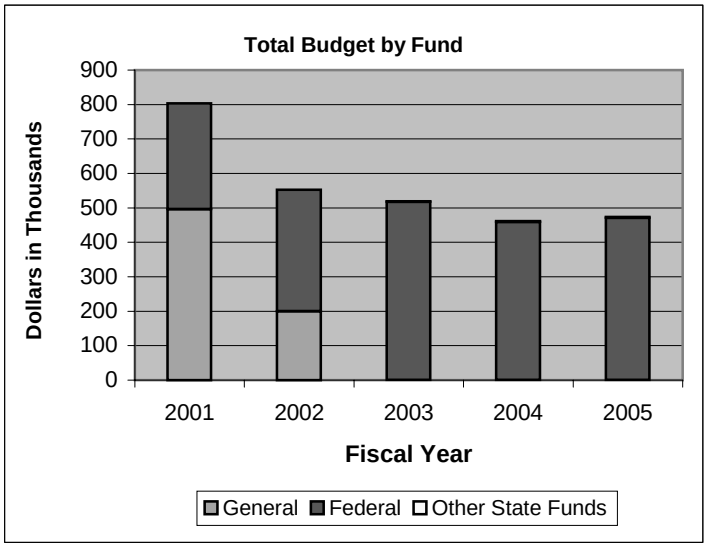
Funding for the STAR Program is obtained from the Department of Education, National Institute on Disability and Rehabilitation Research, under the Assistive Technology Act of 1998 – P.L. 105-394. Federal funding is $379,533 per fiscal year. STAR does not receive a General Fund appropriation.

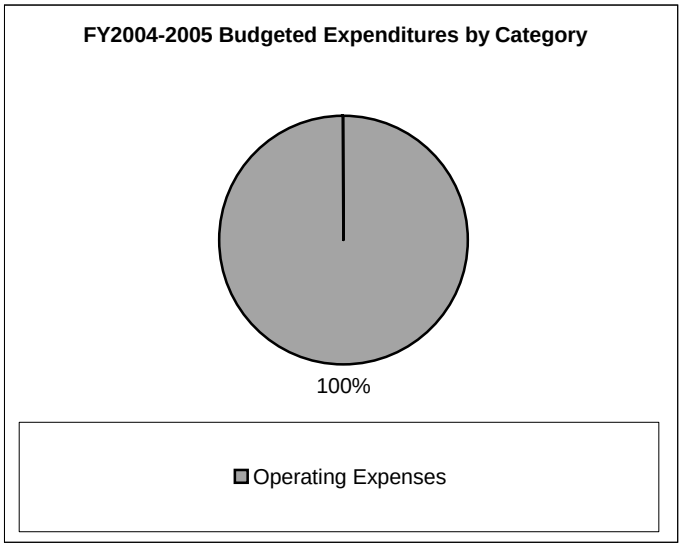
Contact

Mary Brogdon, Director, (651) 296-2771, TTY (Metro) (651) 296-9478, (Non-metro) 800 657-3895,
star.program@state.mn.us
www.admin.state.mn.us/assistivetechnology/

ADMINISTRATION DEPT
Program: MANAGEMENT SERVICES
Activity: STAR PROGRAM

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	496	200	0	0	0	0
Statutory Appropriations						
Special Revenue	0	0	2	3	3	6
Federal	307	353	517	459	471	930
Total	**803**	**553**	**519**	**462**	**474**	**936**
Expenditures by Category						
Operating Expenses	543	402	471	462	474	936
Local Assistance	260	151	48	0	0	0
Total	**803**	**553**	**519**	**462**	**474**	**936**
Revenue by Type and Fund						
Dedicated						
Special Revenue	4	1	1	3	3	6
Federal	317	393	467	459	471	930
Subtotal Dedicated	321	394	468	462	474	936
Total Revenue	**321**	**394**	**468**	**462**	**474**	**936**
Full-Time Equivalents (FTE)	**5.6**	**4.3**	**5.8**	**5.5**	**5.5**	

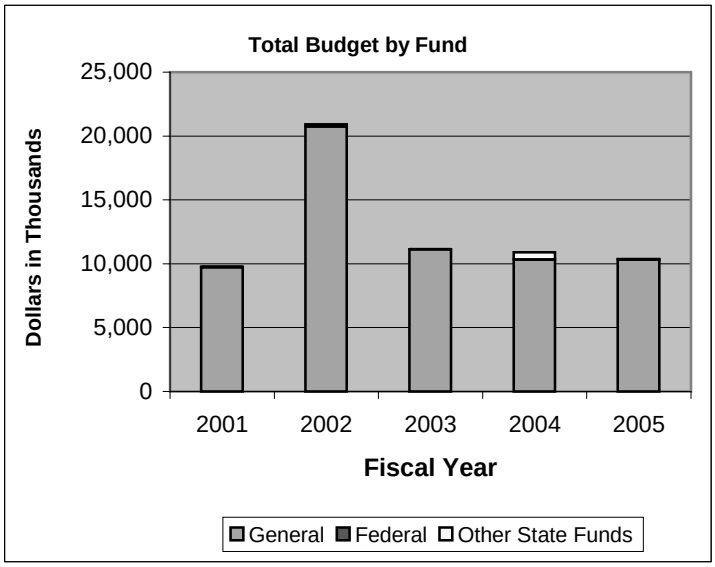
Program Description

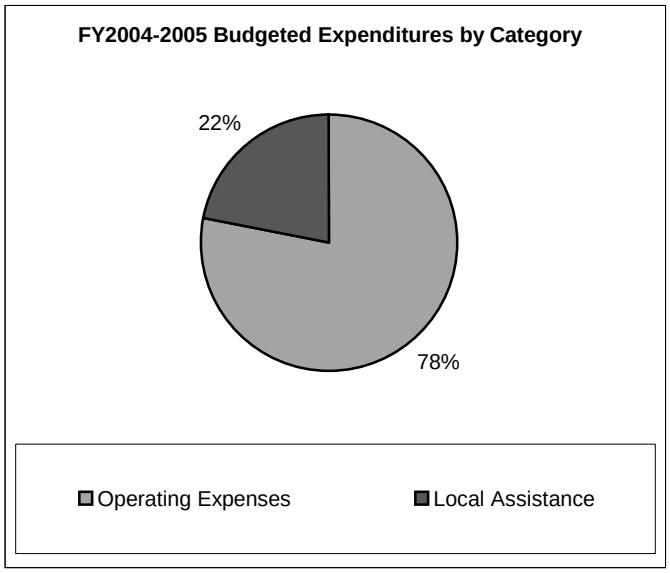
The purpose of the Fiscal Agent Program is to meet the administrative needs of the grant and other monies Administration (Admin) receives on behalf of multiple stakeholders. These funds are typically appropriated by the legislature for special projects. Admin distributes these funds to recipients, based on laws, statutes, policies, and procedures.

Budget Activities Included:

- Misc. Grants/Studies/Other
- Public Broadcasting
- In-Lieu of Rent

Further detail on each of these Budget Activities is included in subsequent pages of this budget document.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	9,729	20,731	11,116	10,328	10,328	20,656
Special Revenue	0	0	0	519	0	519
Statutory Appropriations						
State Government Special Revenue	0	180	0	0	0	0
Gift	44	13	22	52	32	84
Total	**9,773**	**20,924**	**11,138**	**10,899**	**10,360**	**21,259**
Expenditures by Category						
Operating Expenses	7,277	8,190	8,284	8,300	8,280	16,580
Local Assistance	2,496	12,734	2,854	2,599	2,080	4,679
Total	**9,773**	**20,924**	**11,138**	**10,899**	**10,360**	**21,259**
Expenditures by Activity						
Misc Grants/Studies/Other	310	1,160	1,081	571	32	603
Public Broadcasting	2,735	12,180	2,213	2,440	2,440	4,880
In Lieu Of Rent	6,728	7,584	7,844	7,888	7,888	15,776
Total	**9,773**	**20,924**	**11,138**	**10,899**	**10,360**	**21,259**
Revenue by Type and Fund						
Dedicated						
State Government Special Revenue	501	2	1	1	1	2
Gift	30	12	16	50	30	80
Subtotal Dedicated	531	14	17	51	31	82
Total Revenue	**531**	**14**	**17**	**51**	**31**	**82**

Activity Description
This activity has been established to administer certain grants and other monies the agency receives through legislative appropriations.

Population Served
Various grant recipients are served based on specific legislative intent.

Activity at a Glance

- The Minnesota State Band has 65 volunteer members, who conduct about 10 performances annually.
- Two current LCMR Project grants.
- Eleven Construction Grants to Political Sub-Divisions currently in process.

Services Provided
Each of the activities within this activity are established and operated under specific state legislation. Emphasis is placed on fulfilling the intent of the specific legislation, which varies considerably with each activity. Processes are established and maintained to process financial transactions, track information, and report in various formats the information required and desired by various audiences. Contracts and agreements are an integral function of this activity. Administration (Admin) receives no operating funds for the administration of these grants and studies.

Minnesota State Band
The Minnesota State Band is a volunteer band performing events free and open to the public. The band has received state funding in the form of grants or appropriations since it's founding in 1898. Since 1979, this grant has been contained in the budget of Admin. The current annual $2,000 General Fund grant has accounted for approximately 41% of the band's operating budget over the past three years. These funds are used for travel, postage, music, and other operational costs of the band.

LCMR Project Grants
Based on M.S. 4.071, "Oil overcharge money" received by the state as a result of litigation or settlements of alleged violations of federal petroleum pricing regulations, is used for projects recommended by the Legislative Commission on Minnesota Resources (LCMR), and appropriated by the legislature. Admin has been administering grants through this program since 1988. Current projects include: Improving Air Quality by Using Biodiesel Generators/University of Minnesota ($90,000), and Accelerated Technology Transfer for Starch-Based Plastics/University of Minnesota ($90,000).

Construction Grants to Political Sub-Divisions
The legislature appropriates state funding to Admin for grants to local governments for a variety of capital projects. Funding may be approved through the state bonding bill or other state appropriation bills, in the form of bond proceeds or General Fund appropriations. Capital projects are subject to requirements of the Minnesota Constitution, state statutes, language contained in the appropriation bill, and state accounting policies. Recent construction grants include: Children's Museum Rooftop Perspectives/City of St. Paul ($500,000); Mash-Ka-Wisen Treatment Center/Minnesota Indian Primary Residential Treatment Center ($300,000); Gillette Children's Hospital/Ramsey County ($7,000,000); and Bayport Storm Sewer/City of Bayport ($2,680,000).

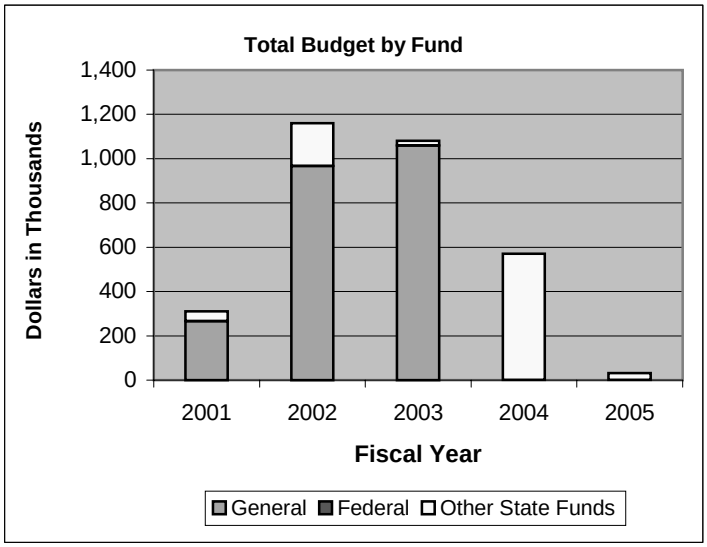
Governors Residence Council Gift Fund
Based on M.S. 16B.27, the council develops an overall restoration plan for the governor's residence and surrounding grounds and approves alterations in the existing structure. The council may solicit and accept donated money to maintain and improve the quality of furnishings for the public areas of the building. The Governor's Residence Council was established in 1980. Over the past two years, $40,000 has been donated to the council, and expenditures have included piano restoration, furniture, interior furnishings, and artwork.

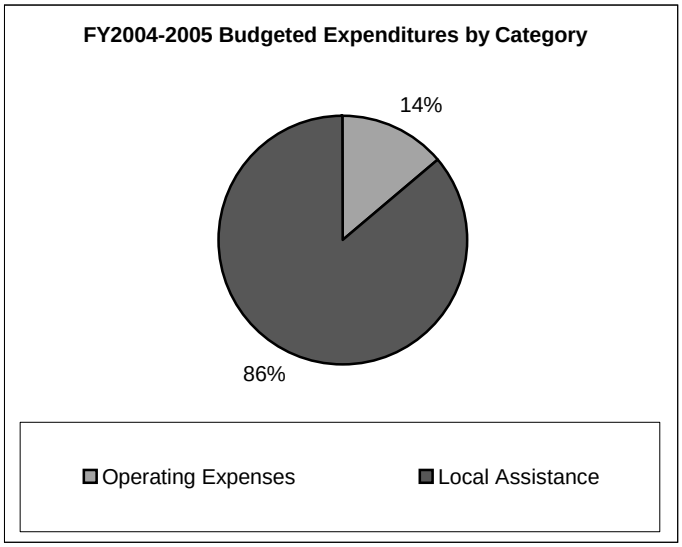
Activity Funding
This activity is funded through a mix of state, gift, oil overcharge, and bonded funds.

Contact
Larry Freund, Financial Management Director, (651) 296-5857, Larry.Freund@state.mn.us

ADMINISTRATION DEPT
Program: FISCAL AGENT
Activity: MISC GRANTS/STUDIES/OTHER

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	266	967	1,059	0	0	0
Special Revenue	0	0	0	519	0	519
Statutory Appropriations						
State Government Special Revenue	0	180	0	0	0	0
Gift	44	13	22	52	32	84
Total	**310**	**1,160**	**1,081**	**571**	**32**	**603**
Expenditures by Category						
Operating Expenses	48	209	22	52	32	84
Local Assistance	262	951	1,059	519	0	519
Total	**310**	**1,160**	**1,081**	**571**	**32**	**603**
Revenue by Type and Fund						
Dedicated						
State Government Special Revenue	501	2	1	1	1	2
Gift	30	12	16	50	30	80
Subtotal Dedicated	531	14	17	51	31	82
Total Revenue	**531**	**14**	**17**	**51**	**31**	**82**

Activity Description

Public broadcasting is the grant administration program carried out for the legislature under specific appropriation language and M.S.129D.11-16. The program oversees this grant authority, disbursing funds in accordance with legislative appropriations and direction, and ensures compliance with all statutory requirements and criteria.

Population Served

Television viewers and radio listeners throughout Minnesota are served by this activity.

Services Provided

Activity at a Glance

- 1,032,000 people per week view programming of the Minnesota Public Television Association.
- 396,300 people listen one or more times per week to AMPERS radio stations.
- 706,000 people listen weekly to the radio programming broadcast by MPR stations.
- 600,000 cabled households in the seven-county metro area.
- Twin Cities legislative programming viewership between 3,000–4,000 daily, with peaks as high as 15,000.

Public Television

State funds are used by six recipient stations to sustain their ability to serve as a major community resource providing educational, cultural, economic development, public affairs, and children's programming to the public, governmental agencies, nonprofit organizations, business corporations, and educational facilities. State grants are made in a direct and matching basis, consistent with the criteria established in M.S. 129D.11-16. Public Television signals cover approximately 98% of the state. State grants provide between three, and 21% of the individual stations operating budget.

The legislature appropriated $7,800,000 in FY 2002 from the General Fund for grants to noncommercial television stations to assist with conversion to a digital broadcast signal as mandated by the federal government.

Public Radio

State funds are used to support 12 public radio (AMPERS) stations that serve Minnesota residents through radio programming that is noncommercial, cultural, informational, ethnic, and educational in nature. It is programming designed to appeal to audiences not generally served by commercial broadcasters. Operational and equipment grants are made pursuant to criteria listed in M.S. 192D.11-16. The AMPERS stations cover approximately 95% of the population, and 80% of the geography of the state. State grants provide between two and 60% of the individual stations' total annual budget.

State funds are appropriated for an equipment grant to Minnesota Public Radio (MPR), a network of 31 stations providing local, regional, national, and international news and information programming, and classical music programming to listeners throughout the state and region. These state funds represent approximately 12% of MPR's FY 2002-03 capital budget.

Twin Cities Regional Cable Channel

State funds are used to provide grant-in-aid to Twin Cities Regional Cable Channel, Inc., a nonprofit organization operating the Metro Cable Network. These state funds provide for approximately 5% of the Metro Cable Network operating budget. The network appears on Channel 6 on all metropolitan area cable systems presenting a wide range of programs about issues and activities of regional interest and significance as mandated by state statutes and designated by the Minnesota Cable Communications Board in 1985.

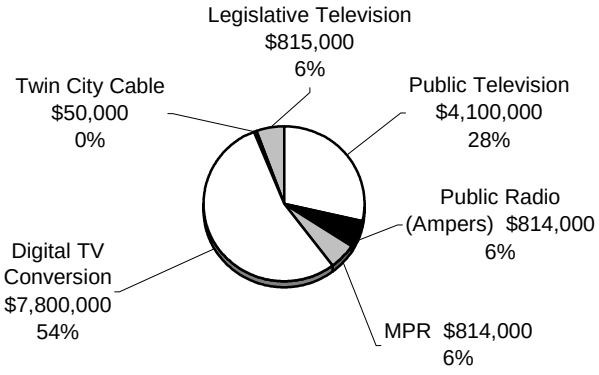
Legislative Television

An additional appropriation is included in Public Broadcasting for Legislative Television. Funding is in the form of a grant for public information television transmissions of legislative activities. Senate Media Services and House Television programming raises public awareness of state issues, legislative activities, and state capitol events. Programming consists of live and taped coverage of senate and house floor sessions, select committee hearings, issue-oriented press conferences, public affairs programming, short documentaries, and civic-education programs. For the 2002 – 2003 legislative sessions, up to 3,298 hours of programming will be broadcast through two separate agreements. The legislature oversees this grant.

Activity Funding

This activity is funded through a General Fund appropriation.

Funding by Grant
FY 2002-03 (Total: $14.4 million)
Data as of 7/31/02

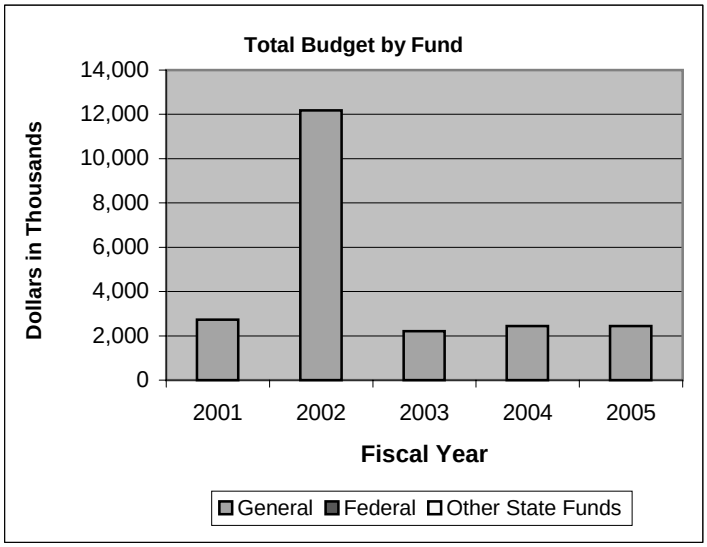


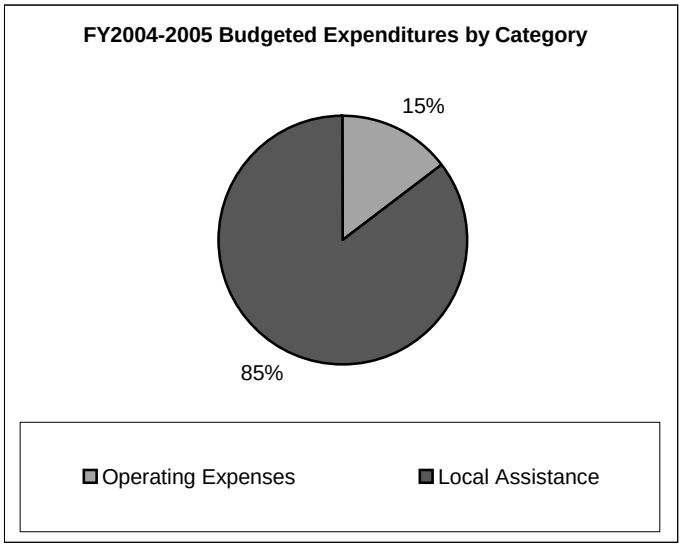
Contact

Larry Freund, Financial Management Director, (651) 296-5857, Larry.Freund@state.mn.us
http://www.admin.state.mn.us/

ADMINISTRATION DEPT
Program: FISCAL AGENT
Activity: PUBLIC BROADCASTING

Fiscal Report





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	2,735	12,180	2,213	2,440	2,440	4,880
Total	**2,735**	**12,180**	**2,213**	**2,440**	**2,440**	**4,880**
Expenditures by Category						
Operating Expenses	501	397	418	360	360	720
Local Assistance	2,234	11,783	1,795	2,080	2,080	4,160
Total	**2,735**	**12,180**	**2,213**	**2,440**	**2,440**	**4,880**

Activity Description

This activity serves as a pass-through account for legislative General Fund appropriations for areas that do not enter into a lease agreement with Plant Management:

- Ceremonial Space – includes space in the Capitol Building such as the Rotunda, the Governor's Residence, the ceremonial grounds, and monuments/memorials in the Capitol area;
- Services for the Blind – space occupied by blind vending operators in the buildings (seven sites) under Plant Management Division's custodial control (M.S. 248.07, subd. 7); and
- Rent Waived – space occupied in the Capitol, State Office Building, and Veterans Services Building by the House of Representatives, Senate, Revisor of Statutes, Legislative Reference Library, and congressionally chartered veterans' organizations (M.S. 197.55 to 197.58).

Activity at a Glance

- 350,728 square feet of space maintained.
- 18 monuments and memorials maintained.

Population Served

Services and support are provided to the legislature and constituents, Services for the Blind vending operators, congressionally chartered veterans' organizations, and visitors.

Services Provided

Services provided include janitorial, maintenance, repair, trades, engineering, grounds, and utilities for the buildings and grounds mentioned above. The following is the breakdown of space (350,728 total square feet) serviced under this activity:

- Ceremonial Space – 34,060 square feet
- Services for the Blind – 9,297 square feet
- Rent Waived – 307,371 square feet

Activity Funding

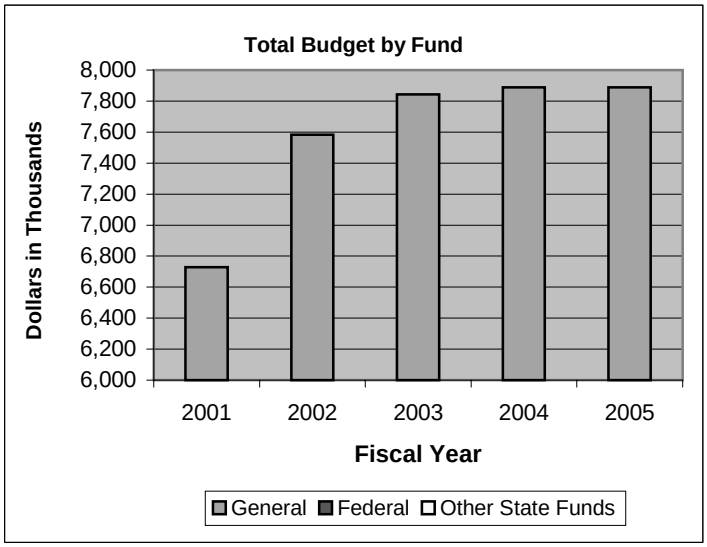
This activity is funded through a General fund appropriation.

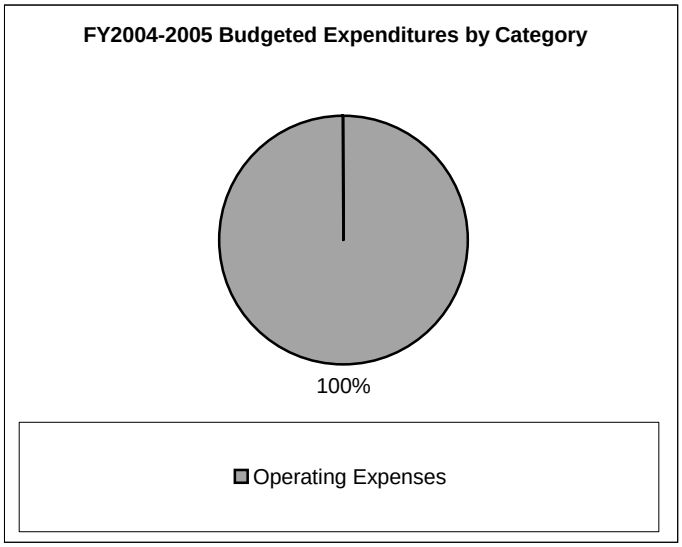
Contact

Lenora Madigan, Director, (651) 296-9898, Lenora.madigan@state.mn.us
http://www.admin.state.mn.us/divisions.html

ADMINISTRATION DEPT
Program: FISCAL AGENT
Activity: IN LIEU OF RENT

Fiscal Report





Dollars in Thousands						
	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	6,728	7,584	7,844	7,888	7,888	15,776
Total	**6,728**	**7,584**	**7,844**	**7,888**	**7,888**	**15,776**

Expenditures by Category						
Operating Expenses	6,728	7,584	7,844	7,888	7,888	15,776
Total	**6,728**	**7,584**	**7,844**	**7,888**	**7,888**	**15,776**

Dollars in Thousands	OPERATIONS DATA				
Budget Activity Summary	**ACTUAL FY 2001**	**ACTUAL FY 2002**	**PROJECTED FY 2003**	**PROJECTED FY 2004**	**PROJECTED FY 2005**
OPERATING REVENUES:					
NET SALES	7,745.0	8,462.6	10,512.3	11,563.5	12,720.0
LESS: COST OF SALES					
GROSS PROFIT ON SALES	7,745.0	8,462.6	10,512.3	11,563.5	12,720.0
OTHER REVENUE					
NET REVENUES	**7,745.0**	**8,462.6**	**10,512.3**	**11,563.5**	**12,720.0**
LESS: OPERATING EXPENSES:					
CLAIMS	4,017.4	4,388.1	6,340.9	6,250.0	6,562.5
SALARIES	554.6	597.2	731.9	768.5	806.9
SUPPLIES & EXPENSES	2,017.5	2,739.6	3,741.8	4,200.0	4,300.0
INDIRECT COSTS	53.4	80.0	82.0	85.0	90.0
AMORTIZATION & DEPRECIATION	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	**6,642.9**	**7,804.9**	**10,896.6**	**11,303.5**	**11,759.4**
OPERATING INCOME (LOSS)	**1,102.1**	**657.7**	**(384.3)**	**260.0**	**960.6**
NON-OPERATING REVENUES (EXPENSES)	(380.4)	(713.5)	536.5	500.0	(250.0)
NET INCOME (LOSS)	721.7	(55.8)	152.2	760.0	710.6
BEGINNING RETAINED EARNINGS	5,002.6	5,726.3	5,670.5	5,822.7	6,582.7
PRIOR PERIOD ADJUSTMENT	2.0	0.0	0.0	0.0	0.0
ENDING RETAINED EARNINGS	5,726.3	5,670.5	5,822.7	6,582.7	7,293.3
RATE INCREASE/(DECREASE):	12.21%	1.46%	27.10%	3.00%	3.00%
FTE	7.9	8.0	9.6	10.0	10.0

Expenditure Reconciliation to BBS		
Operating Expenses	11303.5	11759.4
Less amortization & depreciation (non-cash)	0.0	0.0
Plus dividend expense paid in same FY as declared	0.0	899.0
Total cash payments	11303.5	12658.4
BBS Amounts - Financing by Fund		
Risk Management	11,303.0	12,658.0
Receipt Reconciliation to BBS		
Net Revenues	11,563.5	12,720.0
Interest Income from Non-operating revenue/expenses	500.0	649.0
Total cash receipts	12,063.5	13,369.0
BBS Amounts - Revenue Collected		
Risk Management	12,064.0	13,369.0

	FINANCIAL DATA		
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003
ASSETS:			
CURRENT ASSETS:			
CASH	12,330.1	16,105.4	14,105.0
OTHER CURRENT ASSETS	2,994.0	12,856.8	5,257.2
TOTAL CURRENT ASSETS	**15,324.1**	**28,962.2**	**19,362.2**
NON-CURRENT ASSETS:	0.0	0.0	0.0
TOTAL ASSETS	**15,324.1**	**28,962.2**	**19,362.2**
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
MASTER LEASE - CURRENT	0.0	0.0	0.0
OTHER CURRENT LIABILITIES	9,572.9	23,258.9	13,504.1
TOTAL CURRENT LIABILITIES	**9,572.9**	**23,258.9**	**13,504.1**
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
OTHER NON-CURRENT LIABILITIES	24.9	32.8	35.4
TOTAL NON-CURRENT LIABILITIES	**24.9**	**32.8**	**35.4**
TOTAL LIABILITIES	**9,597.8**	**23,291.7**	**13,539.5**
FUND EQUITY:			
CONTRIBUTED CAPITAL-GENERAL FUND	0.0	0.0	0.0
RETAINED EARNINGS	5,726.3	5,670.5	5,822.7
TOTAL FUND EQUITY	**5,726.3**	**5,670.5**	**5,822.7**
TOTAL LIABILITIES & FUND EQUITY	**15,324.1**	**28,962.2**	**19,362.2**

ADMINISTRATION DEPT
Program: OPERATIONS MANAGEMENT BUREAU
Activity: Cooperative Purchasing

Internal Service Fund
Financial Statement

Dollars in Thousands

	OPERATIONS DATA				
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003	PROJECTED FY 2004	PROJECTED FY 2005
OPERATING REVENUES:					
NET SALES	4,316.3	3,181.6	3,757.0	4,244.9	4,342.1
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0
GROSS PROFIT ON SALES	4,316.3	3,181.6	3,757.0	4,244.9	4,342.1
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0
NET REVENUES	**4,316.3**	**3,181.6**	**3,757.0**	**4,244.9**	**4,342.1**
LESS: OPERATING EXPENSES:					
SALARIES	701.4	852.4	1,022.0	1,085.0	1,275.0
SUPPLIES & EXPENSES	488.7	481.6	566.4	550.0	575.0
INDIRECT COSTS	32.3	41.2	29.7	32.0	33.0
AMORTIZATION & DEPRECIATION	2.1	4.2	1.0	3.0	3.0
TOTAL OPERATING EXPENSES	**1,224.4**	**1,379.3**	**1,619.1**	**1,670.0**	**1,886.0**
OPERATING INCOME (LOSS)	3,091.9	1,802.3	2,137.9	2,574.9	2,456.1
NON-OPERATING REVENUES (EXPENSES)	(3,069.2)	(3,108.1)	(2,185.0)	(2,400.0)	(2,500.0)
NET INCOME (LOSS)	22.7	(1,305.8)	(47.1)	174.9	(43.9)
BEGINNING RETAINED EARNINGS	1,861.5	1,917.4	611.1	564.0	738.8
PRIOR PERIOD ADJUSTMENT	33.3	(0.6)	0.0	0.0	0.0
ENDING RETAINED EARNINGS	1,917.4	611.1	564.0	738.8	694.9
RATE INCREASE/(DECREASE):	0.00%	0.00%	0.00%	0.00%	0.00%
FTE	10.7	11.6	14.1	14.1	14.1

Expenditure Reconciliation to BBS		
Operating Expenses	1,670.0	1,886.0
Less amortization & depreciation (non cash)	(3.0)	(3.0)
Plus cash payment of previous year's rebate in Non-operating revenues/expense	2,185.0	2,400.0
Total cash payments	3,852.0	4,283.0
BBS Amounts - Financing by Fund		
Materials Distribution (Portion of amount of fiscal page is for Surplus)	3,852	4,283
Receipt Reconciliation to BBS		
Net Sales	4,244.9	4,342.1
Total cash receipts	4,244.9	4,342.1
BBS Amounts - Revenue Collected		
Materials Distribution (Portion of amount on fiscal page is for Surplus)	4,245	4,342

Internal Service Fund
Financial Statement

	FINANCIAL DATA		
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2001
ASSETS:			
CURRENT ASSETS:			
CASH	3,256.7	3,310.1	3,283.2
OTHER CURRENT ASSETS	1,973.9	729.0	765.5
TOTAL CURRENT ASSETS	**5,230.5**	**4,039.2**	**4,048.7**
NON-CURRENT ASSETS:	12.5	7.8	7.0
TOTAL ASSETS	**5,243.0**	**4,047.0**	**4,055.7**
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
MASTER LEASE- CURRENT	0.0	0.0	0.0
OTHER CURRENT LIABILITIES	3,303.2	3,391.9	3,445.7
TOTAL CURRENT LIABILITIES	**3,303.2**	**3,391.9**	**3,445.7**
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
OTHER NON-CURRENT LIABILITIES	22.4	44.0	46.0
TOTAL NON-CURRENT LIABILITIES	**22.4**	**44.0**	**46.0**
TOTAL LIABILITIES	**3,325.6**	**3,435.9**	**3,491.7**
FUND EQUITY:			
CONTRIBUTED CAPITAL-GENERAL FUND	0.0	0.0	0.0
RETAINED EARNINGS	1,917.4	611.1	564.0
TOTAL FUND EQUITY	**1,917.4**	**611.1**	**564.0**
TOTAL LIABILITIES & FUND EQUITY	**5,243.0**	**4,047.0**	**4,055.7**

Dollars in Thousands	OPERATIONS DATA				
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003	PROJECTED FY 2004	PROJECTED FY 2005
OPERATING REVENUES:					
NET SALES	1,123.8	1,188.5	1,154.7	1,175.0	1,200.0
LESS: COST OF SALES	370.1	303.6	306.0	350.0	365.0
GROSS PROFIT ON SALES	753.7	884.9	848.7	825.0	835.0
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0
NET REVENUES	**753.7**	**884.9**	**848.7**	**825.0**	**835.0**
LESS: OPERATING EXPENSES:					
SALARIES	434.7	380.6	379.0	404.0	423.1
SUPPLIES & EXPENSES	276.4	275.8	333.0	343.0	367.1
INDIRECT COSTS	23.7	19.2	19.5	20.1	20.7
AMORTIZATION & DEPRECIATION	20.1	20.1	19.7	15.9	17.9
TOTAL OPERATING EXPENSES	**754.8**	**695.7**	**751.2**	**783.0**	**828.8**
OPERATING INCOME (LOSS)	**(1.1)**	**189.2**	**97.5**	**42.0**	**6.2**
NON-OPERATING REVENUES (EXPENSES)	0.4	(1.2)	0.0	0.0	0.0
NET INCOME (LOSS)	(0.7)	188.0	97.5	42.0	6.2
BEGINNING RETAINED EARNINGS	260.4	259.7	396.5	494.0	536.0
PRIOR PERIOD ADJUSTMENT	0.0	(51.2)	0.0	0.0	0.0
ENDING RETAINED EARNINGS	259.7	396.5	494.0	536.0	542.2
RATE INCREASE/(DECREASE):	6.37%	0.00%	0.00%	3.00%	3.00%
FTE	7.5	7.2	6.3	6.66	6.66

Expenditure Reconciliation to BBS		
Operating Expenses	783.0	828.8
Less amortization & depreciation (non cash)	(15.9)	(17.9)
Plus Interest expenses from Non-operating revenue/expenses	0.0	0.0
Plus purchase of items for resale (cost of goods sold)	350.0	365.0
Total cash payments	1,117.1	1,175.9
BBS Amounts - Financing by Fund		
Materials Distribution (Portion of amount on fiscal page is for Coop)	1,117	1,176

Receipt Reconciliation to BBS		
Net Sales	1,175.0	1,200.0
BBS Amounts - Revenue Collected		
Materials Distribution (Portion of amount on fiscal page is for Coop)	1,175	1,200

NOTE:Rates are charged on warehousing of other agencies materials which represent only 8% of total Sales.

	FINANCIAL DATA		
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003
ASSETS:			
CURRENT ASSETS:			
CASH	446.1	494.9	610.1
OTHER CURRENT ASSETS	95.9	150.7	150.0
TOTAL CURRENT ASSETS	**542.0**	**645.6**	**760.1**
NON-CURRENT ASSETS:	125.1	107.0	95.1
TOTAL ASSETS	**667.1**	**752.6**	**855.2**
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
MASTER LEASE- CURRENT	0.0	0.0	0.0
OTHER CURRENT LIABILITIES	96.8	47.8	49.0
TOTAL CURRENT LIABILITIES	**96.8**	**47.8**	**49.0**
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
OTHER NON-CURRENT LIABILITIES	36.4	34.1	38.0
TOTAL NON-CURRENT LIABILITIES	**36.4**	**34.1**	**38.0**
TOTAL LIABILITIES	**133.2**	**81.9**	**87.0**
FUND EQUITY:			
CONTRIBUTED CAPITAL-GENERAL FUND	274.2	274.2	274.2
RETAINED EARNINGS	259.7	396.5	494.0
TOTAL FUND EQUITY	**533.9**	**670.7**	**768.2**
TOTAL LIABILITIES & FUND EQUITY	**667.1**	**752.6**	**855.2**

Dollars in Thousands	OPERATIONS DATA				
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003	PROJECTED FY 2004	PROJECTED FY 2005
OPERATING REVENUES:					
NET SALES	8,458.7	7,677.6	7,902.1	7,902.1	7,902.1
LESS: COST OF SALES	6,739.9	6,132.2	6,282.6	6,282.6	6,282.6
GROSS PROFIT ON SALES	1,718.8	1,545.4	1,619.5	1,619.5	1,619.5
OTHER REVENUE	0.0	0.0	0.0		
NET REVENUES	**1,718.8**	**1,545.4**	**1,619.5**	**1,619.5**	**1,619.5**
LESS: OPERATING EXPENSES:					
SALARIES	629.6	672.2	692.8	740.0	782.2
SUPPLIES & EXPENSES	703.4	636.5	662.9	662.9	662.9
INDIRECT COSTS	223.0	205.7	210.9	210.9	210.9
AMORTIZATION & DEPRECIATION	5.3	0.7	6.6	6.6	6.6
TOTAL OPERATING EXPENSES	**1,561.3**	**1,515.1**	**1,573.2**	**1,620.4**	**1,662.6**
OPERATING INCOME (LOSS)	157.5	30.3	46.3	(0.9)	(43.1)
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0	0.0
NET INCOME (LOSS)	157.5	30.3	46.3	(0.9)	(43.1)
BEGINNING RETAINED EARNINGS	702.1	859.6	889.9	936.2	935.3
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0
ENDING RETAINED EARNINGS	859.6	889.9	936.2	935.3	892.2
RATE INCREASE/(DECREASE):	0.00%	0.00	0.00%	0.00%	0.00%
FTE	12.6	12.4	12.7	12.65	12.65

Expenditure Reconciliation to BBS		
Operating Expenses	1,620.4	1,662.6
Less amortization & depreciation (non cash)	(6.6)	(6.6)
Plus Interest expenses from Non-operating revenue/expenses	0.0	0.0
Plus purchase of items for resale (cost of goods sold)	6,282.6	6,282.6
Total cash payments	7,896.4	7,938.6
BBS Amounts - Financing by Fund		
MMD Central Stores	7,897	7,939
Receipt Reconciliation to BBS		
Net Sales	7,902.1	7,902.1
BBS Amounts - Revenue Collected		
MMD Central Stores	7,902	7,902

Internal Service Fund
Financial Statement

FINANCIAL DATA	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003
ASSETS:			
CURRENT ASSETS:			
CASH	440.2	754.6	792.2
OTHER CURRENT ASSETS	1,569.3	1,277.7	1,316.0
TOTAL CURRENT ASSETS	2,009.5	2,032.3	2,108.2
NON-CURRENT ASSETS:	0.3	6.6	6.6
TOTAL ASSETS	2,009.8	2,038.9	2,114.8
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
MASTER LEASE- CURRENT	0.0	0.0	0.0
OTHER CURRENT LIABILITIES	406.7	396.1	423.8
TOTAL CURRENT LIABILITIES	406.7	396.1	423.8
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
OTHER NON-CURRENT LIABILITIES	52.6	61.9	63.8
TOTAL NON-CURRENT LIABILITIES	52.6	61.9	63.8
TOTAL LIABILITIES	459.3	458.0	487.6
FUND EQUITY:			
CONTRIBUTED CAPITAL-GENERAL FUND	691.0	691.0	691.0
RETAINED EARNINGS	859.5	889.9	936.2
TOTAL FUND EQUITY	1,550.5	1,580.9	1,627.2
TOTAL LIABILITIES & FUND EQUITY	2,009.8	2,038.9	2,114.8

ADMINISTRATION DEPT
Program: OPERATIONS MANAGEMENT BUREAU
Activity: Travel Management

Internal Service Fund
Financial Statement

Dollars in Thousands	OPERATIONS DATA				
Budget Activity Summary	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003	PROJECTED FY 2004	PROJECTED FY 2005
OPERATING REVENUES:					
NET SALES	10,396.4	11,759.6	12,268.0	13,050.5	13,883.4
LESS: COST OF SALES					
GROSS PROFIT ON SALES	10,396.4	11,759.6	12,268.0	13,050.5	13,883.4
OTHER REVENUE					
NET REVENUES	**10,396.4**	**11,759.6**	**12,268.0**	**13,050.5**	**13,883.4**
LESS: OPERATING EXPENSES:					
SALARIES	1,084.2	998.5	906.0	1,020.0	1,075.0
SUPPLIES & EXPENSES	4,570.0	4,454.8	4,735.1	4,900.9	5,072.4
INDIRECT COSTS	373.8	308.2	315.9	326.9	338.4
AMORTIZATION & DEPRECIATION	5,000.7	5,980.0	5,857.8	6,062.8	6,275.0
TOTAL OPERATING EXPENSES	**11,028.7**	**11,741.5**	**11,814.8**	**12,310.6**	**12,760.8**
OPERATING INCOME (LOSS)	**(632.3)**	**18.1**	**453.2**	**739.9**	**1,122.6**
NON-OPERATING REVENUES (EXPENSES)	(124.2)	(333.3)	(308.5)	(282.7)	(193.2)
NET INCOME (LOSS)	(756.5)	(315.2)	144.7	457.2	929.4
BEGINNING RETAINED EARNINGS	879.6	225.2	(90.0)	54.7	511.9
PRIOR PERIOD ADJUSTMENT	102.1	0.0	0.0	0.0	0.0
ENDING RETAINED EARNINGS	225.2	(90.0)	54.7	511.9	1,441.3
RATE INCREASE/(DECREASE):	4.90%	6.00%	7.10%	6.00%	6.00%
FTE	22.1	19.2	17.1	18.1	18.1

Expenditure Reconciliation to BBS		
Operating Expenses	12,310.6	12,760.8
Less amortization & depreciation (non cash)	(6,062.8)	(6,275.0)
Plus interest expense from non-operating andpurchase of vehicles	6,857.0	6,807.0
Total cash payments	13,104.8	13,292.8
BBS Amounts - Financing by Fund		
Travel Management	13,104	13,292
Receipt Reconciliation to BBS		
Net Revenues	13,050.5	13,883.4
Interest Income from Non operating revenue/expenses	697.0	697.0
Sale of used vehicles, motor pool fuel -expenditure reduction	1,110.0	1,110.0
	14,857.5	15,690.4
BBS Amounts - Revenue Collected		
Travel Management	14,857.0	15,690.0

Note:Non-operating revenue/expenses also includes gains on sale of used vehicles (non-cash item).

	FINANCIAL DATA		
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003
ASSETS:			
CURRENT ASSETS:			
CASH	781.1	488.9	675.1
OTHER CURRENT ASSETS	1,147.2	1,221.3	1,225.0
TOTAL CURRENT ASSETS	**1,928.3**	**1,710.2**	**1,900.1**
NON-CURRENT ASSETS:	22,648.1	20,789.9	18,900.0
TOTAL ASSETS	**24,576.4**	**22,500.1**	**20,800.1**
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT	5,080.0	5,600.0	4,500.0
MASTER LEASE- CURRENT	7,417.3	8,691.3	8,300.0
OTHER CURRENT LIABILITIES	911.9	764.0	710.2
TOTAL CURRENT LIABILITIES	**13,409.2**	**15,055.3**	**13,510.2**
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
MASTER LEASE - NON-CURRENT	10,397.3	6,987.1	6,686.1
OTHER NON-CURRENT LIABILITIES	42.7	45.7	47.1
TOTAL NON-CURRENT LIABILITIES	**10,440.0**	**7,032.8**	**6,733.2**
TOTAL LIABILITIES	**23,849.2**	**22,088.1**	**20,243.4**
FUND EQUITY:			
CONTRIBUTED CAPITAL-GENERAL FUND	502.0	502.0	502.0
RETAINED EARNINGS	225.2	(90.0)	54.7
TOTAL FUND EQUITY	**727.2**	**412.0**	**556.7**
TOTAL LIABILITIES & FUND EQUITY	**24,576.4**	**22,500.1**	**20,800.1**

ADMINISTRATION DEPT
Program: OPERATIONS MANAGEMENT BUREAU
Activity: Communications Media – PrintComm

Internal Service Fund
Financial Statement

Dollars in Thousands	OPERATIONS DATA				
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003	PROJECTED FY 2004	PROJECTED FY 2005
OPERATING REVENUES:					
NET SALES	5,705.4	4,577.1	4,981.0	5,130.0	5,283.9
LESS: COST OF SALES	5,267.1	4,508.9	4,152.7	4,276.9	4,405.2
GROSS PROFIT ON SALES	438.3	68.2	828.3	853.1	878.7
OTHER REVENUE					
NET REVENUES	**438.3**	**68.2**	**828.3**	**853.1**	**878.7**
LESS: OPERATING EXPENSES:					
SALARIES	423.2	453.1	453.1	464.5	490.3
SUPPLIES & EXPENSES	190.9	161.7	166.8	171.8	177.0
INDIRECT COSTS	190.5	149.8	149.8	154.3	158.9
AMORTIZATION & DEPRECIATION	18.0	9.6	3.4	0.7	0.0
TOTAL OPERATING EXPENSES	**822.6**	**774.2**	**773.1**	**791.3**	**826.2**
OPERATING INCOME (LOSS)	(384.3)	(706.0)	55.2	61.8	52.5
NON-OPERATING REVENUES (EXPENSES)	20.4	(18.3)	(13.5)	(8.9)	(5.4)
NET INCOME (LOSS)	(363.9)	(724.3)	41.7	52.9	47.1
BEGINNING RETAINED EARNINGS	342.6	(21.3)	(745.6)	(703.9)	(651.0)
CAPITAL CONTRIBUTIONS	0.0	0.0	0.0	0.0	0.0
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0
ENDING RETAINED EARNINGS	(21.3)	(745.6)	(703.9)	(651.0)	(603.9)
RATE INCREASE/(DECREASE):	0.20%	1.60%	1.00%	3.00%	3.00%
FTE	42.4	39.3	36	37.2	37.2
Expenditure Reconciliation to BBS					
Operating Expenses				791.3	826.2
Less amortization & depreciation (non cash)				(0.7)	0.0
Plus items purchased for resale (cost of goods sold)				4,276.9	4,405.2
				55	55
Total cash payments				**5,122.5**	**5,286.4**
BBS Amounts - Financing by Fund					
State Printer				5,122	5,286
Receipt Reconciliation to BBS					
Net Sales				5,130.0	5,283.9
Total cash receipts				5,130.0	5,283.9
BBS Amounts - Revenue Collected					
State Printer				5,130	5,284

	FINANCIAL DATA		
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003
ASSETS:			
CURRENT ASSETS:			
CASH	405.5	0.0	125.2
OTHER CURRENT ASSETS	541.4	339.5	350.5
TOTAL CURRENT ASSETS	**946.9**	**339.5**	**475.7**
NON-CURRENT ASSETS:	1,723.2	1,308.5	978.7
TOTAL ASSETS	**2,670.1**	**1,648.0**	**1,454.4**
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
MASTER LEASE- CURRENT	0.0	0.0	0.0
OTHER CURRENT LIABILITIES	1,123.6	904.3	662.7
TOTAL CURRENT LIABILITIES	**1,123.6**	**904.3**	**662.7**
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
OTHER NON-CURRENT LIABILITIES	127.8	124.3	130.6
TOTAL NON-CURRENT LIABILITIES	**127.8**	**124.3**	**130.6**
TOTAL LIABILITIES	**1,251.4**	**1,028.6**	**793.3**
FUND EQUITY:			
CONTRIBUTED CAPITAL	1,440.0	1,365.0	1,365.0
RETAINED EARNINGS	(21.3)	(745.6)	(703.9)
TOTAL FUND EQUITY	**1,418.7**	**619.4**	**661.1**
TOTAL LIABILITIES & FUND EQUITY	**2,670.1**	**1,648.0**	**1,454.4**

ADMINISTRATION DEPT
Program: OPERATIONS MANAGEMENT BUREAU
Activity: Communications Media – MN Bookstore

Internal Service Fund
Financial Statement

Dollars in Thousands	OPERATIONS DATA				
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003	PROJECTED FY 2004	PROJECTED FY 2005
OPERATING REVENUES:					
NET SALES	2,045.3	1,859.6	1,950.6	2,009.0	2,069.0
LESS: COST OF SALES	677.6	608.9	539.4	555.5	572.0
GROSS PROFIT ON SALES	1,367.7	1,250.7	1,411.2	1,453.5	1,497.0
OTHER REVENUE	44.0	0.0	0.0	0.0	0.0
NET REVENUES	**1,411.7**	**1,250.7**	**1,411.2**	**1,453.5**	**1,497.0**
LESS: OPERATING EXPENSES:					
SALARIES	724.9	744.0	775.3	763.8	804.0
SUPPLIES & EXPENSES	491.9	464.5	505.2	520.4	536.0
INDIRECT COSTS	74.2	64.8	65.2	67.2	69.2
AMORTIZATION & DEPRECIATION	19.5	8.1	8.0	5.9	0.5
TOTAL OPERATING EXPENSES	**1,310.5**	**1,281.4**	**1,353.7**	**1,357.3**	**1,409.7**
OPERATING INCOME (LOSS)	**101.2**	**(30.7)**	**57.5**	**96.2**	**87.3**
NON-OPERATING REVENUES (EXPENSES) (Unusual)	0.0	0.0	0.0	0.0	0.0
NET INCOME (LOSS)	101.2	(30.7)	57.5	96.2	87.3
BEGINNING RETAINED EARNINGS	1,159.2	1,260.4	1,229.7	1,287.2	1,383.4
PRIOR PERIOD ADJUSTMENT	0.0	0.0	0.0	0.0	0.0
ENDING RETAINED EARNINGS	1,260.4	1,229.7	1,287.2	1,383.4	1,470.7

FOOTNOTES TO STATEMENTS:
Statements inclide both the Bookstore and the State Register.
Rate change percentages are for the State Register only.

RATE INCREASE/(DECREASE):	0.00%	4.92%	5.97%	5.00%	5.00%
FTE	14.1	13.9	12.8	12.7	12.7

Expenditure Reconciliation to BBS		
Operating Expenses	1,357.3	1,409.7
Less amortization & depreciation (non cash)	(5.9)	(0.5)
Plus purchase of items for resale (cost of goods sold)	555.5	572.0
Plus purchase of additional inventory	73.0	80.0
Total cash payments	1,979.9	2,061.2
BBS Amounts - Financing by Fund		
Documents and Publications	1,980	2,061
Receipt Reconciliation to BBS		
Net Sales	2,009.0	2,069.0
BBS Amounts - Revenue Collected		
Documents and Publications	2,009	2,069

	FINANCIAL DATA		
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003
ASSETS:			
CURRENT ASSETS:			
CASH	737.9	970.2	1,263.7
OTHER CURRENT ASSETS	1,292.5	897.9	676.0
TOTAL CURRENT ASSETS	**2,030.4**	**1,868.1**	**1,939.7**
NON-CURRENT ASSETS:	21.9	13.8	5.8
TOTAL ASSETS	**2,052.3**	**1,881.9**	**1,945.5**
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
MASTER LEASE- CURRENT	0.0	0.0	0.0
OTHER CURRENT LIABILITIES	248.2	105.7	108.8
TOTAL CURRENT LIABILITIES	**248.2**	**105.7**	**108.8**
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
OTHER NON-CURRENT LIABILITIES	48.7	51.5	54.5
TOTAL NON-CURRENT LIABILITIES	**48.7**	**51.5**	**54.5**
TOTAL LIABILITIES	**296.9**	**157.2**	**163.3**
FUND EQUITY:			
CONTRIBUTED CAPITAL	495.0	495.0	495.0
RETAINED EARNINGS	1,260.4	1,229.7	1,287.2
TOTAL FUND EQUITY	**1,755.4**	**1,724.7**	**1,782.2**
TOTAL LIABILITIES & FUND EQUITY	**2,052.3**	**1,881.9**	**1,945.5**

Dollars in Thousands	OPERATIONS DATA				
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003	PROJECTED FY 2004	PROJECTED FY 2005
OPERATING REVENUES:					
NET SALES	766.5	783.2	762.2	802.2	802.2
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0
GROSS PROFIT ON SALES	766.5	783.2	762.2	802.2	802.2
OTHER REVENUE					
NET REVENUES	**766.5**	**783.2**	**762.2**	**802.2**	**802.2**
LESS: OPERATING EXPENSES:					
SALARIES	334.5	308.1	336.3	382.4	403.1
SUPPLIES & EXPENSES	310.7	320.6	340.2	325.2	335.0
INDIRECT COSTS	35.1	25.6	26.3	27.1	27.9
AMORTIZATION & DEPRECIATION	65.2	64.6	64.3	64.3	24.0
TOTAL OPERATING EXPENSES	**745.5**	**718.9**	**767.1**	**799.0**	**790.0**
OPERATING INCOME (LOSS)	21.0	64.3	(4.9)	3.2	12.2
NON-OPERATING REVENUES (EXPENSES)	(12.6)	(2.6)	2.6	1.6	0.0
NET INCOME (LOSS)	8.4	61.7	(2.3)	4.8	12.2
BEGINNING RETAINED EARNINGS	108.5	108.9	170.6	168.3	173.1
PRIOR PERIOD ADJUSTMENT	(8.0)	0.0	0.0	0.0	0.0
ENDING RETAINED EARNINGS	108.9	170.6	168.3	173.1	185.3
RATE INCREASE/(DECREASE):	0.90%	7.70%	5.90%	6.25%	6.25%
FTE	7	6	7.1	7.13	7.13

Expenditure Reconciliation to BBS		
Operating Expenses	799.0	790.0
Less amortization & depreciation (non cash)	(64.3)	(24.0)
Plus interest expenses from Non-operating revenue/expenses and equipment purchase	4.0	0.0
Total cash payments	738.7	766.0
BBS Amounts - Financing by Fund		
Central Mailing	738	766
Receipt Reconciliation to BBS		
Net Sales	802.2	802.2
Plus interest revenue from Non-operating revenue/expenses	5.0	0.0
Total cash receipts	807.2	802.2
BBS Amounts - Revenue Collected		
Central Mailing	807	802

	FINANCIAL DATA		
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003
ASSETS:			
CURRENT ASSETS:			
CASH	133.2	226.2	199.4
OTHER CURRENT ASSETS	72.1	66.6	70.0
TOTAL CURRENT ASSETS	**205.3**	**292.8**	**269.4**
NON-CURRENT ASSETS:	231.3	169.1	104.8
TOTAL ASSETS	**436.6**	**461.9**	**374.2**
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
MASTER LEASE- CURRENT	63.0	89.7	60.7
OTHER CURRENT LIABILITIES	85.3	57.2	60.0
TOTAL CURRENT LIABILITIES	**148.3**	**146.9**	**120.7**
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
MASTER LEASE - NON-CURRENT	92.5	60.7	0.0
OTHER NON-CURRENT LIABILITIES	19.7	16.5	18.0
TOTAL NON-CURRENT LIABILITIES	**112.2**	**77.2**	**18.0**
TOTAL LIABILITIES	**260.5**	**224.1**	**138.7**
FUND EQUITY:			
CONTRIBUTED CAPITAL	67.2	67.2	67.2
RETAINED EARNINGS	108.9	170.6	168.3
TOTAL FUND EQUITY	176.1	237.8	235.5
TOTAL LIABILITIES & FUND EQUITY	436.6	461.9	374.2

Dollars in Thousands	OPERATIONS DATA				
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003	PROJECTED FY 2004	PROJECTED FY 2005
OPERATING REVENUES:					
NET SALES	1,340.7	1,225.1	1,313.7	1,400.0	1,400.0
LESS: COST OF SALES	267.9	590.0	652.0	900.0	900.0
GROSS PROFIT ON SALES	1,072.8	635.1	661.7	500.0	500.0
OTHER REVENUE					
NET REVENUES	**1,072.8**	**635.1**	**661.7**	**500.0**	**500.0**
LESS: OPERATING EXPENSES:					
SALARIES	532.8	308.1	248.3	319.9	336.7
SUPPLIES & EXPENSES	405.1	314.2	327.3	86.2	88.8
INDIRECT COSTS	60.4	48.8	50.1	51.6	53.2
AMORTIZATION & DEPRECIATION	59.2	49.3	14.4	1.5	0.0
TOTAL OPERATING EXPENSES	**1,057.5**	**720.4**	**640.1**	**459.2**	**478.7**
OPERATING INCOME (LOSS)	15.3	(85.3)	21.6	40.8	21.3
NON-OPERATING REVENUES (EXPENSES)	2.9	(11.8)	(0.6)	0.0	0.0
NET INCOME (LOSS)	18.2	(97.1)	21.0	40.8	21.3
BEGINNING RETAINED EARNINGS	54.6	72.8	(25.9)	(4.9)	35.9
PRIOR PERIOD ADJUSTMENT	0.0	(1.6)	0.0		
ENDING RETAINED EARNINGS	72.8	(25.9)	(4.9)	35.9	57.2
RATE INCREASE/(DECREASE):	3.00%	-5.29%	-4.13%	3.00%	3.00%
FTE	12.2	6.5	6.5	6.41	6.41

Expenditure Reconciliation to BBS		
Operating Expenses	459.2	478.7
Less amortization & depreciation (non cash)	(1.5)	0.0
Plus Interest and other expenses from Non-operating revenue/expenses	0.0	0.0
Plus purchase of items for resale	900.0	900.0
Plus expenditure reimbursed as revenue	1.0	1.0
Total cash payments	1,358.7	1,379.7
BBS Amounts - Financing by Fund		
Micrographics	1,359	1,380
Receipt Reconciliation to BBS		
Net Sales	1,400.0	1,400.0
Plus reimbursement for expenditure reduction	1.0	1.0
	1,401.0	1,401.0
BBS Amounts - Revenue Collected		
Micrographics	1,401	1,401

	FINANCIAL DATA		
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003
ASSETS:			
CURRENT ASSETS:			
CASH	265.1	209.8	220.9
OTHER CURRENT ASSETS	138.2	125.1	128.0
TOTAL CURRENT ASSETS	**403.3**	**334.9**	**348.9**
NON-CURRENT ASSETS:	75.7	16.6	2.2
TOTAL ASSETS	**479.0**	**351.5**	**351.1**
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
MASTER LEASE- CURRENT	51.0	22.0	0.0
OTHER CURRENT LIABILITIES	72.0	99.8	100.0
TOTAL CURRENT LIABILITIES	**123.0**	**121.8**	**100.0**
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
MASTER LEASE - NON-CURRENT	22.0	0.0	0.0
OTHER NON-CURRENT LIABILITIES	16.2	10.6	11.0
TOTAL NON-CURRENT LIABILITIES	**38.2**	**10.6**	**11.0**
TOTAL LIABILITIES	**161.2**	**132.4**	**111.0**
FUND EQUITY:			
CONTRIBUTED CAPITAL	245.0	245.0	245.0
RETAINED EARNINGS	72.8	(25.9)	(4.9)
TOTAL FUND EQUITY	**317.8**	**219.1**	**240.1**
TOTAL LIABILITIES & FUND EQUITY	**479.0**	**351.5**	**351.1**

Dollars in Thousands	OPERATIONS DATA				
	ACTUAL FY 2001	ACTUAL FY 2002	PROJECTED FY 2003	PROJECTED FY 2004	PROJECTED FY 2005
OPERATING REVENUES:					
NET SALES	80,062.9	79,180.2	82,691.7	84,006.4	85,925.0
LESS: COST OF SALES					
GROSS PROFIT ON SALES	80,062.9	79,180.2	82,691.7	84,006.4	85,925.0
OTHER REVENUE	123.0	68.5	82.0	82.0	82.0
NET REVENUES	**80,185.9**	**79,248.7**	**82,773.7**	**84,088.4**	**86,007.0**
LESS: OPERATING EXPENSES:					
SALARIES	19,511.7	21,615.1	23,248.6	25,162.9	26,793.3
SUPPLIES & EXPENSES	47,975.0	50,601.5	53,254.0	52,374.8	52,374.7
INDIRECT COSTS	1,013.8	1,146.3	1,174.5	1,209.7	1,246.0
AMORTIZATION & DEPRECIATION	6,489.6	5,513.4	4,991.0	5,241.0	5,493.0
TOTAL OPERATING EXPENSES	**74,990.1**	**78,876.3**	**82,668.1**	**83,988.4**	**85,907.0**
OPERATING INCOME (LOSS)	5,195.8	372.4	105.6	100.0	100.0
NON-OPERATING REVENUES (EXPENSES)	(5,194.7)	(1723.3)	(105.6)	(100.0)	(100.0)
UNUSUAL ITEM (Fixed Asset Threshold)	(76.6)				
NET INCOME (LOSS)	(75.5)	(1,350.9)	(0.0)	(0.0)	0.0
BEGINNING RETAINED EARNINGS	9,883.6	10,103.1	8,168.0	8,168.0	8,168.0
PRIOR PERIOD ADJUSTMENT	295.0	(584.2)	0.0	0.0	0.0
ENDING RETAINED EARNINGS	10,103.1	8,168.0	8,168.0	8,168.0	8,168.0
RATE INCREASE/(DECREASE):	0.00%	(1.00%)	(1.00%)	(1.00%)	(1.00%)
FTE	286.3	296.3	322.4	322.6	322.6

Expenditure Reconciliation to BBS		
Operating Expenses	83988.4	85907.0
Less amortization & depreciation (non cash)	(5241.0)	(5493.0)
Plus interest expenses from Non-operating revenue/expenses	608.0	636.0
Plus equipment purchases and master lease payments	7116.0	6944.0
Total cash payments	86471.4	87994.0
BBS Amounts - Financing by Fund		
Computer Services	44628.0	45592.0
Telecomm Services	41843.0	42402.0
Total BBS payments	86471.0	87994.0
Receipt Reconciliation to BBS		
Net Revenues	84006.4	85925.0
Plus Interest revenue from Non-operating revenue/expenses	508.0	536.0
Other Revenue	82.0	82.0
Total cash receipts	84596.4	86543.0
BBS Amounts - Revenue Collected		
Computer Services	39413.0	40401.0
Telecomm Services	45183.0	46142.0
Total BBS receipts	84596.0	86543.0

	Financial Data		
	ACTUAL FY 2001	ACTUAL FY 2002	PROJECTED FY 2003
ASSETS:			
CURRENT ASSETS:			
CASH	12,231.3	4,662.3	9,417.1
OTHER CURRENT ASSETS	11,799.0	13,632.5	13,374.0
TOTAL CURRENT ASSETS	**24,030.3**	**18,294.8**	**22,791.1**
NON-CURRENT ASSETS:	10,398.0	9,480.6	10,566.4
TOTAL ASSETS	**34,428.3**	**27,775.4**	**33,357.5**
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
MASTER LEASE- CURRENT	5,434.9	4,329.1	3,681.0
OTHER CURRENT LIABILITIES	9,944.1	5,492.2	11,692.9
TOTAL CURRENT LIABILITIES	**15,379.0**	**9,821.3**	**15,373.9**
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
MASTER LEASE - NON-CURRENT	5,693.8	6,049.6	6,563.6
OTHER NON-CURRENT LIABILITIES	904.4	1,388.5	904.0
TOTAL NON-CURRENT LIABILITIES	**6,598.2**	**7,438.1**	**7,467.6**
TOTAL LIABILITIES	**21,977.2**	**17,259.4**	**22,841.5**
FUND EQUITY:			
CONTRIBUTED CAPITAL-GENERAL FUND	2,348.0	2,348.0	2,348.0
RETAINED EARNINGS	10,103.1	8,168.0	8,168.0
TOTAL FUND EQUITY	**12,451.1**	**10,516.0**	**10,516.0**
TOTAL LIABILITIES & FUND EQUITY	**34,428.3**	**27,775.4**	**33,357.5**

Dollars in Thousands

	OPERATIONS DATA				
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003	PROJECTED FY 2004	PROJECTED FY 2005
OPERATING REVENUES:					
NET SALES	37,596.3	40,190.2	37,762.8	43,710.6	43,992.0
LESS: COST OF SALES					
GROSS PROFIT ON SALES	37,596.3	40,190.2	37,762.8	43,710.6	43,992.0
OTHER REVENUE	345.9	466.2	447.2	491.1	502.9
NET REVENUES	**37,942.2**	**40,656.4**	**38,210.0**	**44,201.7**	**44,494.9**
LESS: OPERATING EXPENSES:					
SALARIES	10,165.7	10,949.8	12,458.8	13,528.4	13,898.1
SUPPLIES & EXPENSES	12,310.3	13,090.0	12,444.6	14,067.7	14,038.1
INDIRECT COSTS	897.3	692.1	728.0	773.6	773.6
AMORTIZATION & DEPRECIATION	497.8	370.0	288.2	277.6	186.9
TOTAL OPERATING EXPENSES	**23,871.1**	**25,101.8**	**25,919.6**	**28,647.3**	**28,896.7**
OPERATING INCOME (LOSS)	14,071.1	15,554.5	12,290.4	15,554.4	15,598.2
NON-OPERATING REVENUES (EXPENSES)	(13,573.2)	(14,440.8)	(13,972.2)	(15,272.2)	(15,234.1)
NET INCOME (LOSS)	497.9	1,113.7	(1,681.8)	282.2	364.1
BEGINNING RETAINED EARNINGS	5,604.1	6,136.8	7,331.7	5,649.9	5,932.2
PRIOR PERIOD ADJUSTMENT	34.7	81.2	0.0	0.0	0.0
ENDING RETAINED EARNINGS	6,136.8	7,331.7	5,649.9	5,932.2	6,296.3
RATE INCREASE/(DECREASE):					
Leases	0.66%	4.54%	2.96%	0.56%	0.44%
Materials Transfer	0.27%	0.31%	4.70%	8.00%	8.00%
ROJ	0.00%	0.00%	2.26%	5.00%	5.00%
FTE	215.8	221.6	239.1	262	262

Expenditure Reconciliation to BBS		
Operating Expenses	28,647.3	28,896.7
Less amortization & depreciation (non cash)	(277.6)	(186.9)
Plus fixed assets	277	187
Total cash payments	28,646.7	28,896.8
BBS Amounts - Financing by Fund		
Plant Management	28,647	28,896
Receipt Reconciliation to BBS		
Net Sales	43,710.6	43,992.0
Plus Other Revenue	491.1	502.9
Total cash receipts	44,201.7	44,494.9
BBS Amounts - Revenue Collected		
Plant Management	44,202	44,494

Note:The Non-operating revenues/ expenses relate to building depreciation and bond interested which are transferred out.

ADMINISTRATION DEPT
Program: FACILITIES MANAGEMENT BUREAU
Activity: Plant Management

Internal Service Fund
Financial Statement

	FINANCIAL DATA		
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003
ASSETS:			
CURRENT ASSETS:			
CASH	7,720.7	7,112.7	5,510.5
OTHER CURRENT ASSETS	931.3	2,738.5	2,738.5
TOTAL CURRENT ASSETS	**8,652.0**	**9,851.2**	**8,249.0**
NON-CURRENT ASSETS:	1,557.7	1,305.5	1,029.5
TOTAL ASSETS	**10,209.7**	**11,156.7**	**9,278.5**
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT			
MASTER LEASE- CURRENT	91.8	60.2	15.6
OTHER CURRENT LIABILITIES	2,514.4	2,405.4	2,329.3
TOTAL CURRENT LIABILITIES	**2,606.2**	**2,465.6**	**2,344.9**
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NONCURRENT			
MASTER LEASE - NON-CURRENT	75.8	15.6	0.0
OTHER NON-CURRENT LIABILITIES	726.6	679.5	619.4
TOTAL NON-CURRENT LIABILITIES	**802.4**	**695.1**	**619.4**
TOTAL LIABILITIES	**3,408.6**	**3,160.7**	**2,964.3**
FUND EQUITY:			
CONTRIBUTED CAPITAL	664.3	664.3	664.3
RETAINED EARNINGS	6,136.8	7,331.7	5,649.9
TOTAL FUND EQUITY	**6,801.1**	**7,996.0**	**6,314.2**
TOTAL LIABILITIES & FUND EQUITY	**10,209.7**	**11,156.7**	**9,278.5**

Dollars in Thousands

	OPERATIONS DATA				
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003	PROJECTED FY 2004	PROJECTED FY 2005
OPERATING REVENUES:					
NET SALES	1,131.8	1,081.2	1,050.0	1,091.2	1,150.5
LESS: COST OF SALES	0.0	0.0	0.0	0.0	0.0
GROSS PROFIT ON SALES	1,131.8	1,081.2	1,050.0	1,091.2	1,150.5
OTHER REVENUE	0.0	0.0	0.0	0.0	0.0
NET REVENUES	1,131.8	1,081.2	1,050.0	1,091.2	1,150.5
LESS: OPERATING EXPENSES:					
SALARIES	890.0	736.3	860.2	925.6	970.7
SUPPLIES & EXPENSES	151.3	152.1	127.5	119.6	132.4
INDIRECT COSTS	41.2	44.9	46.0	46.0	47.4
AMORTIZATION & DEPRECIATION	0.9	1.0	0.0	0.0	0.0
TOTAL OPERATING EXPENSES	1,083.4	934.3	1,033.7	1,091.2	1,150.5
OPERATING INCOME (LOSS)	48.4	146.9	16.3	0.0	0.0
NON-OPERATING REVENUES (EXPENSES)	0.0	0.0	0.0	0.0	0.0
NET INCOME (LOSS)	48.4	146.9	16.3	0.0	0.0
BEGINNING RETAINED EARNINGS	61.9	110.3	257.5	273.8	273.8
PRIOR PERIOD ADJUSTMENT	0.0	0.3	0.0	0.0	0.0
ENDING RETAINED EARNINGS	110.3	257.5	273.8	273.8	273.8
RATE INCREASE/(DECREASE):	12.00%	3.00%	0.00%	3.00%	3.00%
FTE	13.3	10.7	10.8	10.5	10.5

Expenditure Reconciliation to BBS

Operating Expenses	1,091.2	1,150.5
Less amortization & depreciation (non cash)	0.0	0.0
Total cash payments	1,091.2	1,150.5
BBS Amounts - Financing by Fund		
Management Analysis	1,091	1,151

Receipt Reconciliation to BBS

Net Revenues	1,091.2	1,150.5
Interest Income from Non operating revenue/expenses	0.0	0.0
Total cash receipts	1,091.2	1,150.5
BBS Amounts - Revenue Collected		
Management Analysis	1,091	1,150

	FINANCIAL DATA		
	ACTUAL FY 2001	ACTUAL FY 2002	ESTIMATED FY 2003
ASSETS:			
CURRENT ASSETS:			
CASH	53.5	187.2	203.4
OTHER CURRENT ASSETS	176.7	151.4	151.4
TOTAL CURRENT ASSETS	**230.2**	**338.6**	**354.8**
NON-CURRENT ASSETS:	0.5		
TOTAL ASSETS	**230.7**	**338.6**	**354.8**
LIABILITIES & FUND EQUITY:			
LIABILITIES:			
CURRENT LIABILITIES:			
DUE GENERAL FUND - CURRENT	0.0	0.0	0.0
MASTER LEASE - CURRENT	0.0	0.0	0.0
OTHER CURRENT LIABILITIES	82.6	50.0	47.0
TOTAL CURRENT LIABILITIES	**82.6**	**50.0**	**47.0**
NON-CURRENT LIABILITIES:			
DUE GENERAL FUND - NON-CURRENT	0.0	0.0	0.0
MASTER LEASE - NON-CURRENT	0.0	0.0	0.0
OTHER NON-CURRENT LIABILITIES	37.8	31.1	34.0
TOTAL NON-CURRENT LIABILITIES	**37.8**	**31.1**	**34.0**
TOTAL LIABILITIES	**120.4**	**81.1**	**81.0**
FUND EQUITY:			
CONTRIBUTED CAPITAL-GENERAL FUND	0.0	0.0	0.0
RETAINED EARNINGS	110.3	257.5	273.8
TOTAL FUND EQUITY	**110.3**	**257.5**	**273.8**
TOTAL LIABILITIES & FUND EQUITY	**230.7**	**338.6**	**354.8**

Department of Administration

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February 18, 2003

The 2003 Minnesota Legislature:

After a thorough review and analysis of the activities of this diverse agency, I am pleased to submit the Department of Administration's (Admin) FY 2004-05 budget. The recommended biennial budget for this agency is $472 million, with the general fund portion amounting to slightly more than 9% of this total. As our agency mission indicates, we will use this funding to continue to improve the quality and productivity of Minnesota government, while absorbing an overall $20 million budget reduction.

The Department of Administration is comprised of five bureaus, 23 operating divisions, and nearly 890 employees. Responsibilities range from statewide leadership in developing electronic government services, purchasing and procurement of state goods and services, and computer/telecommunications services, to maintaining and operating state buildings and infrastructure, vehicle fleet management services, and recycling and resource management. Our customers include state agencies, constitutional offices, political subdivisions, the legislature, government employees, and citizens of the state.

During the budgeting process, each division evaluated their service and product offerings in relation to customer and employee needs and the projected budget deficit. This evaluation fits into the Admin vision to be a leader in providing high-quality products and services to customers, and an employer of choice. The resulting budget focuses the agency on the principles of:

- leadership for state government
- promoting and fostering efficiencies, and
- service first.

A few of the key initiatives we will emphasize include:

E-Government Plan – An effort is underway to develop a statement of direction and action plan for Electronic Government Services in Minnesota. The expected rewards brought by exploring and acting on process improvement and automation opportunities within every phase of service delivery in the state enterprise are demonstrable cost reductions and notable service improvements for citizens, governments, and businesses. The paper presents research, which will provide the compelling actual experiences of those who have revolutionized organizations, optimizing both cost structures and service delivery through leverage, automation, and integration. Further, the document will propose immediate action that can be taken to see immediate results. The Electronic Government Services document will be available in the March/April timeframe.

State Contracting Changes – The Office of the Legislative Auditor (OLA) and the Management Analysis Division (MAD) both provided recent feedback on statewide professional-technical contracting practices. In response to those findings, the department is implementing an action plan to include:

⇒ A focus on accountability via identification of appropriate data points, collection of performance data, analysis and feedback regarding performance to agencies along with a defined appeals process when issues arise that are not easily resolved

⇒ An emphasis on education by developing a brochure for agency heads that outline contracting requirements and their obligations in the contracting process; continuing our implementation of a contract management academy that will enhance post-award contract management, and improving Admin's internal training and monitoring tools to assure consistency.

⇒ A review of statutory changes that will clarify and enhance the contracting process.

Competitive Sourcing/Shared Services – We are developing recommendations for a suggested approach for the state in considering competitive sourcing or shared services, with the objectives of saving taxpayer dollars, increasing operating efficiencies, allowing organization to focus on core functions, and identifying improved ways to do business.

The Admin budget is derived from various funding sources, including

⇒ The general fund (legislatively appropriated – 9.1%)
⇒ Special revenue funds (fee based – 18.4%)
⇒ Federal and gift funds (.7%)
⇒ Agency funds (pass-through – 4.7%), and
⇒ Internal service/enterprise funds (fee based – 67.1%).
⇒ Virtually all areas of the agency will be impacted by the budget decisions being made either by direct budget reductions, or by changes in business sales volume.

In the general fund:

⇒ Reductions were taken in all bureaus amounting to a 15% reduction of operating expenses in the amount of $1,963,000 for each year of the biennium. Each division evaluated their core functions and will manage the reductions through various service level reductions or eliminations, staffing reductions estimated at approximately 20.8 FTE, and operating expense reductions.
⇒ Public Broadcasting Grants are reduced by $757,000 (24%),
⇒ The Minnesota State Band grant is reduced by $2,000 (100%)
⇒ These reductions amount to an overall general fund budget decrease of $2,722,000 (11.3%) per year.

The Department of Administration provides several aggregated support services for state agencies. To assist agencies in their efforts to control costs the department is proposing significant expense reductions in the InterTechnologies Group and Plant Management internal service funds.

The InterTechnologies Group Internal Service Fund:

⇒ Expenses and revenues will be reduced by $4,015,000 per year. This represents a 15% reduction of the activities operating budget, or an overall budget reduction of 5%. Core activities were examined and the focus was to maintain these activities to greatest extent possible.
⇒ The plan includes a reduction of approximately 36 FTE technical positions and a corresponding reduction in technology support services for customers. InterTech's priorities will be to maintain timely emergency response times to resolve state system problems and network outages while continuing to provide assistance to agencies attempting to control information systems operating expenses.

The Plant Management Leases Division's Internal Service Fund:

⇒ Expenses and revenue will be reduced by $3,096,000 per year. This represents a 15% deduction of the activities operating budget, or an overall budget reduction of 7%. Core activities were examined and the focus was to maintain these activities as much as possible.
⇒ The proposed reduction results in a reduction of janitorial, maintenance, trades, and groundskeeping service levels for the 3.7 million square feet in 22 facilities managed by the activity. There is an estimated reduction of 28.3 FTE included in this proposal.

Overall, these budget reductions involve an elimination of 85 positions, approximately 10% of department staff. Some service levels will decline, but we believe we can maintain our core functions at this level of funding.

The budget recommendations focus on new ways to operate during these challenging times. We welcome the opportunity to review them in more detail in the future.

Sincerely,

Brian J. Lamb
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	44,632	443,236	487,868
Biennial Appropriations	2,188	0	2,188
Legislatively Mandated Base	2,642	-526	2,116
Transfers Between Agencies	-1,100	-684	-1,784
Adjusted Base Funding	48,362	442,026	490,388
Change Items			
Admin Budget Reduction Plan	-3,926	-249	-4,175
Admin Grant Budget Reductions	-1,518	0	-1,518
Intertechnologies Group - Budget Reduct	0	-8,030	-8,030
LCMR Recommendations	0	519	519
Plant Mgmt Leases - Budget Reduction	0	-6,192	-6,192
Relocation Funding	500	0	500
Transfer In CAAPB Functions	524	0	524
Governor's Recommendations	43,942	428,074	472,016
Biennial Change, 2002-03 to 2004-05	-17,764	18,079	315
Percent Change	-29%	4%	0%

Brief Explanation Of Budget Decisions:

⇒ Under current law, the base for Public Broadcasting is available in either year, and in FY 2002-03 it was spent in the first year. The $2.188 million "Biennial Appropriations" base adjustment was used to bring the FY 2004-05 funding level to the base appropriated level.

⇒ The Laws of 2001 provided $2.180 million to increase the base funding in FY 2004-05 of the Office of Technology and other agencies. A transfer of $1.080 million will be made from this appropriation to Administration's Office of Technology to increase base funding for technology analyst positions. A transfer of $600,000 will be made from this appropriation to the Department of Revenue for operational costs related to the income tax re-engineering project. In addition, $500,000 will be transferred for Small Agency Infrastructure (SAI) projects to the Capitol Area Architectural and Planning Board, the Architecture and Engineering Board, the Campaign Finance and Public Disclosure Board, the Mediation Services Bureau, the Minnesota Racing Commission, the Sentencing Guidelines Commission, the Department of Veterans Affairs, and the Lawful Gambling Control Board, as reflected in each agency's budget.

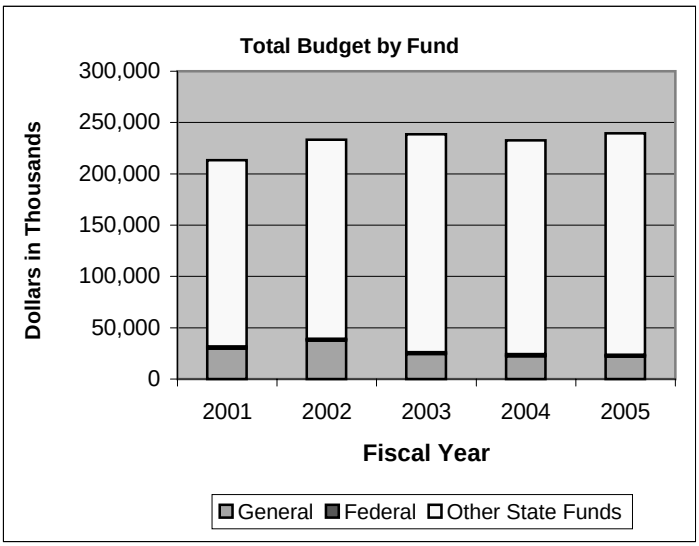
⇒ Legislatively mandated base funding levels for the biennium result in a net partial restoration of $462,000 to the agency's base. The Governor recommends eliminating this restoration through the change item reductions.

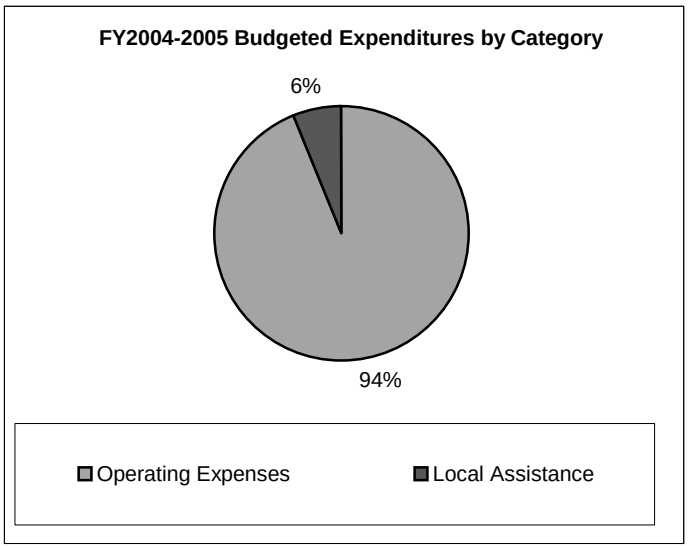
(Note: General Funds in the above table include appropriations for legislative in-lieu of rent and grants for Public Broadcasting.)

Revenue Summary:

- ⇒ Market conditions impact the agency's revenue collections. The construction market directly affects building code revenue, and the number of telephones in use dictates 9-1-1 revenues. Parking revenues are dependent upon the number of employees and the availability of parking spaces.
- ⇒ Federal funding is expected to increase slightly.
- ⇒ The Governor recommends a reduction in expenditures in Plant Management Leases and the InterTechnologies Group, which will result in a corresponding reduction in revenue.

	FY 2004-05 Revenues ($000s)		
	General Fund	**Other Funds**	**Total**
FY 2004-05 Current Law Revenues	242	458,992	459,234
Change Items			
Intertechnologies Group – Budget Reduction	0	(8,030)	(8,030)
Facilities Mgt Div – Plant Mgmt – Budget Reduction	0	(6,192)	(6,192)
Mgmt Services – Admin Budget Reduction Plan	0	(249)	(249)
FY 2004-05 Total Revenues	242	444,521	444,763
Biennial Change 2002-03 to 2004-05	(51)	30,599	30,548
Percent Change	(17%)	7%	7%





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	29,621	37,491	24,215	22,221	21,721	43,942
Special Revenue	0	0	0	519	0	519
Statutory Appropriations						
General	44	0	0	0	0	0
State Government Special Revenue	22,343	23,076	30,192	29,281	32,881	62,162
Special Revenue	4,883	6,684	13,859	12,193	12,093	24,286
Federal	1,704	1,477	1,726	1,705	1,717	3,422
Risk Management	7,034	9,586	10,898	11,303	12,658	23,961
Miscellaneous Agency	10,435	9,917	11,100	11,100	11,103	22,203
Gift	155	131	38	77	64	141
Plant Management	24,791	26,155	25,920	25,551	25,800	51,351
Documents And Publications	2,306	1,873	1,949	1,980	2,061	4,041
Micrographics	1,295	1,336	1,284	1,359	1,380	2,739
Management Analysis	1,078	984	1,051	1,091	1,151	2,242
Central Motor Pool	13,060	14,021	12,862	13,104	13,292	26,396
State Printer	6,710	4,928	4,599	5,122	5,286	10,408
Central Stores	8,319	7,651	7,869	7,897	7,939	15,836
Materials Distribution	4,272	5,415	5,745	4,969	5,459	10,428
Intertechnologies	74,460	81,640	84,563	82,456	83,979	166,435
Central Mailing	760	765	701	738	766	1,504
Total	**213,270**	**233,130**	**238,571**	**232,666**	**239,350**	**472,016**

Expenditures by Category						
Operating Expenses	198,076	207,198	222,385	216,764	220,660	437,424
Capital Outlay & Real Property	1,756	584	638	634	638	1,272
Payments To Individuals	0	5	0	0	0	0
Local Assistance	11,078	21,551	12,548	13,083	15,652	28,735
Other Financial Transactions	2,360	3,792	3,000	2,185	2,400	4,585
Total	**213,270**	**233,130**	**238,571**	**232,666**	**239,350**	**472,016**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Program	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Operations Management Bureau	58,566	58,702	59,982	60,277	62,646	122,923
Office Of Technology	3,434	4,668	3,306	2,669	2,614	5,283
Intertechnologies Group	95,471	100,716	109,033	105,097	110,021	215,118
Facilities Management	37,728	40,454	47,470	46,146	45,971	92,117
Management Services	8,298	7,666	7,642	7,578	7,738	15,316
Fiscal Agent	9,773	20,924	11,138	10,899	10,360	21,259
Total	**213,270**	**233,130**	**238,571**	**232,666**	**239,350**	**472,016**
Revenue by Type and Fund						
Non Dedicated						
General	332	174	119	121	121	242
Subtotal Non Dedicated	332	174	119	121	121	242
Dedicated						
State Government Special Revenue	22,728	21,994	27,323	29,258	31,182	60,440
Special Revenue	4,938	5,494	4,402	4,331	4,531	8,862
Federal	1,472	1,467	1,669	1,705	1,717	3,422
Risk Management	8,532	9,037	11,049	12,064	13,369	25,433
Miscellaneous Agency	10,389	10,119	11,100	11,100	11,103	22,203
Gift	152	115	22	56	35	91
Plant Management	38,412	40,927	38,209	41,106	41,398	82,504
Documents And Publications	2,308	1,912	1,986	2,009	2,069	4,078
Micrographics	1,373	1,206	1,314	1,401	1,401	2,802
Management Analysis	1,086	1,061	1,050	1,091	1,150	2,241
Central Motor Pool	12,181	13,478	14,572	14,857	15,690	30,547
State Printer	5,846	4,472	4,981	5,130	5,284	10,414
Central Stores	8,498	7,706	7,902	7,902	7,902	15,804
Materials Distribution	4,732	5,655	5,685	5,420	5,542	10,962
Intertechnologies	76,367	73,243	83,219	80,581	82,528	163,109
Central Mailing	782	786	767	807	802	1,609
Subtotal Dedicated	199,796	198,672	215,250	218,818	225,703	444,521
Total Revenue	**200,128**	**198,846**	**215,369**	**218,939**	**225,824**	**444,763**
Full-Time Equivalents (FTE)	**912.5**	**901.5**	**927.4**	**872.4**	**866.9**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($1,963)	($1,963)	($1,963)	($1,963)
Revenues	0	0	0	0
Other Fund				
Expenditures	(120)	(129)	(129)	(129)
Revenues	(120)	(129)	(129)	(129)
Net Fiscal Impact	($1,963)	($1,963)	($1,963)	($1,963)

Recommendation

The Governor recommends a General Fund budget of $11.131 million each year to fund the current operations of the Department of Administration (Admin) in the FY 2004-05 biennium. The budget incorporates a reduction of $1.963 million each year, which equates to a 15 percent reduction. Each division has evaluated their core functions and will manage the changes through various service level reductions or eliminations, staffing decreases estimated at approximately 20.8 full-time equivalents, and operating expense reductions. The resulting budget would focus on new ways to operate the department's core functions.

Background

Fifteen divisions within Admin's five bureaus receive General Fund appropriations, representing less than 10% of the overall agency budget. These divisions provide a wide range of services to state agencies, and for the internal management of Admin**.**

Operations Management Bureau

- Materials Management – acquires goods and services and disposes of state surplus property using methods that ensure the best value for the taxpayers' dollars and conform to the standards of public procurement. Activities include overseeing $1.2 billion in annual state government purchasing, and reviewing over 2,500 professional/technical contracts per year.
- MailComm – provides a mailing service including metering and processing of all outgoing federal mail for agencies within the boundaries of St. Paul. This unit also provides inter-office mail services to all state agencies within St. Paul and has the responsibility for distributing the federal mail for the Capital Complex. In FY 2002, MailComm generated nearly $1 million in postage savings through its automation services.

Office of Technology

- OT – provides leadership and direction for state information and communications technology. The mission is to ensure that the state's use of information technology improves Minnesota's businesses, schools, communities, and the lives of the state's citizens. Activities include managing the North Star web portal and electronic services, and serving as steward for the statewide "Enterprise Architecture" (technology blueprint for the state).

InterTechnologies Group

- Communications Center – provides support and maintenance of the state of Minnesota's telephone directory database.

Facilities Management Bureau

- Real Estate Management – provides real estate services to state agencies that result in obtaining quality, efficient, and cost-effective property that meets the state's needs. Activities include selling state surplus property, and maintaining a total of 961 leases of state-owned and non-state owned real property.
- Plant Management-Energy Management – conducts energy efficiency improvements and retrofit projects in 40 million gross square feet of state-owned buildings.
- Plant Management/Resource Recovery – operates the State Recycling Center to prepare recyclables for market and administers the State Government Resource recovery Program providing waste reduction and recycling assistance and education. In FY 2002, 2,159 tons of material was recycled.

- Division of State Building Construction – delivers professional architectural, engineering, and construction resources designed to improve the physical facilities of Minnesota government. Activities include providing planning, design and construction services to over 20 state agencies in almost 4,000 state buildings.

Management Services Bureau

- Admin, Financial and Human Resource Management – provides internal leadership to the agency in legislative, communications, administrative, financial, and human resources. Provides specialized financial and human resources support to several Boards and Councils. In addition, statewide leadership is provided in many areas in conjunction with the diverse divisions of the agency.
- Management Analysis – is the state of Minnesota's internal management consulting organization. General Fund activities include regulatory mandates (cost benefit analysis projects), cross-agency management improvement projects (staffing, performance management, managerial training), and work on behalf of the state (contingency planning, establishing a gubernatorial transition office). This activity receives about one-third of its funding through a general fund appropriation.
- Information Policy Analysis – provides government and private sector entities with answers to questions, and consultation on data practices issues. On an annual average, this activity issues 66 advisory opinions, answers 3,600 phone inquiries from government entities, and 2,532 phone contacts from citizens.
- The Office of the State Archaeologist – manages the state's archaeological resources, including sites and data, on behalf of the citizens of Minnesota. Activities include review/license archaeological projects, evaluate/accept site data forms, and investigate burial site cases.
- The Governor's Council on Developmental Disabilities – authorized under the Federal Developmental Disabilities Assistance and Bill of Right Act works to assure that people with developmental disabilities, and their families, receive the necessary support/services to increase their independence, productivity, self-determination, integration, and inclusion in the community. A small General Fund appropriation is used as part of the state match to secure over $1 million in federal funds.

Relationship to Base Budget

This proposal represents a 15% base level reduction to the Admin general fund operating budget.

Key Measures

"Service First" to Minnesota and its citizens is the goal of Admin. This is accomplished through providing high-quality facilities, services, and infrastructure that will assist each agency in achieving its organizational and strategic goals. Reductions would occur in all areas of the agency. Budget reductions would impact service levels to both internal and external customers. In general, functions would be eliminated, or the workload of remaining staff will increase, therefore impacting response times. A reduction in funding would negatively impact the ability to satisfy customer needs on an on-going basis.

Alternatives Considered

The agency has reviewed all functions and operations and the proposed reductions were identified to have the least impact on core activities.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($759)	($759)	($759)	($759)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($759)	($759)	($759)	($759)

Recommendation

The Governor recommends a General Fund appropriation of $2.44 million each year for Public Broadcasting grants. The Governor also recommends elimination of the $2,000 annual line item for the Minnesota State Band. He recommends that these entities seek efficiencies in their operations or secure additional private, non-state funding for continued operation.

Background

Public broadcasting is the grant administration program carried out for the legislature under specific appropriation language and M.S.129D.11-16. The program oversees this grant authority, disbursing funds in accordance with legislative appropriations and direction, and ensures compliance with all statutory requirements and criteria.

Public Television:
State funds are used by six recipient stations to sustain their ability to serve as a major community resource providing educational, cultural, economic development, public affairs, and children's programming to the public, governmental agencies, nonprofit organizations, business corporations, and educational facilities. State grants are made in a direct and matching basis, consistent with the criteria established in M.S. 129D.11-16. Public Television signals cover approximately 98% of the state.

Public Radio:
State funds are used to support 12 public radio (AMPERS) stations that serve Minnesota residents through radio programming that is noncommercial, cultural, informational, ethnic, and educational in nature. It is programming designed to appeal to audiences not generally served by commercial broadcasters. Operational and equipment grants are made pursuant to criteria listed in M.S. 192D.11-16. The AMPERS stations cover approximately 95% of the population, and 80% of the geography of the state. State grants provide between two, and 60% of the individual stations total annual budget.

State funds are appropriated for an equipment grant to Minnesota Public Radio (MPR), a network of 31 stations providing local, regional, national, and international news, information programming, and classical music programming to listeners throughout the state and region. These state funds represent approximately 12% of MPR's FY 2002-03 capital budget.

Twin Cities Regional Cable Channel:
State funds are used to provide grant-in-aid to Twin Cities Regional Cable Channel, Inc., a nonprofit organization operating the Metro Cable Network. These funds provide for approximately 5% of the Metro Cable Network operating budget. The network appears on Channel 6 on all metropolitan area cable systems presenting a wide range of programs about issues and activities of regional interest and significance as mandated by state statutes and designated by the Minnesota Cable Communications Board in 1985.

Legislative Television:
An additional appropriation is included in Public Broadcasting for Legislative Television. Funding is in the form of a grant for public information television transmissions of legislative activities. Senate Media Services and House Television programming raises public awareness of state issues, legislative activities, and state capitol events. Programming consists of live and taped coverage of senate and house floor sessions, select committee hearings, issue-oriented press conferences, public affairs programming, short documentaries, and civic-education

programs. For the 2002-2003 Legislative sessions, up to 3,298 hours of programming will be broadcast through two separate agreements. The legislature oversees this grant.

The Minnesota State Band:
The Minnesota State Band is a volunteer band performing events free and open to the public. The band has received state funding since its founding in 1898. The band has about 65 volunteer members and conducts about 10 public performances annually. These funds are used for travel, postage, music, equipment repair and replacement, and other operational costs of the band.

Relationship to Base Budget

This recommendation represents an overall 24% reduction in the grants to Public Broadcasting. The current FY 2004 annual base budget for these grants is $3.197 million. The annual reduction would be allocated as follows:

♦ Public Television	less 25%	($492,000)
♦ Public Radio-AMPERS	less 15%	($59,000)
♦ Public Radio-MPR	less 35%	($137,000)
♦ Twin City Cable	less 25%	($6,000)
♦ Legislative Television	less 15%	($63,000)

This proposal would eliminate state funding for the Minnesota State Band. In FY 2002-03 they were appropriated $2,000 in state funds each year.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	($4,015)	($4,015)	($4,015)	($4,015)
Revenues	($4,015)	($4,015)	($4,015)	($4,015)
Net Fiscal Impact	0	0	0	0

Recommendation
The Governor recommends a reduction to the InterTechnologies Group (InterTech) expenses of $4.015 million each year of FY 2004-05 biennium for the Intertechnologies internal Services Revolving Fund. The reductions would translate into decreases in some of the rates charged to state government customers. The Governor's goal is to relieve some of the fiscal pressures agencies will face with reduced operating budgets during the biennium.

Background
The purpose of InterTech is to provide data processing and telecommunications services to state agencies and public sector entities. The mission is to serve Minnesota's public sector by delivering value-added information technology services through a shared infrastructure. The budget activities affected by the reduction(s) illustrated will be in the service areas of: Computer Services, Telecommunication Services, and IT Risk Mitigation Services. Please see the InterTech Web Site at http://www.itg.state.mn.us/index.html for more information about these services.

Relationship to Base Budget
This recommendation represents a 15% reduction in controllable/variable costs for the InterTechnologies Group. Overall, these reductions would result in an approximate 5% reduction in expenditures given constant use patterns. We would look for new ways to accomplish objectives through process review and improvement. We would work with customers regarding their requirements in order to best respond to their service needs.

Key Measures
The recommended reduction would result in a loss of technical expertise (36 full-time equivalents total) and support technologies resulting in reduced services for customers. Specifically, InterTech's data processing and telecommunications services would be reduced and response times to resolve state system problems and network outages would be increased. There are 20 full-time equivalents (FTEs) related to these functions. The impact of the recommended reduction includes:

- division would need to identify alternate methods of covering 24/7 requirements and critical system needs;
- alternate production schedules for customers in areas such as print and mainframe processing (there may be delays in issuing warrants and unemployment checks if these jobs are scheduled during off-peak hours);
- some reduction in technical assistance and support for customers;
- reevaluation of scheduled maintenance and load testing requirements;
- extended replacement schedules for equipment and upgrades which may create a reliance on existing equipment and technology, and increased maintenance and repair costs;
- increase in response time to customers for inquiries or questions on service or billing; and
- longer response times for internal LAN problems.

In order to reduce expenses, InterTech identified several technology solutions that are not currently supported by customer revenue. The division would examine these over time to determine how best to support these in the future. These solutions are part of InterTech's response to the state IT community's requests to implement new services and products that support the state's overall technology direction. This portion of the recommendation includes a reduction of 16 FTEs.

Alternatives Considered
InterTech considered across the board cuts but this approach was abandoned, as it would not allow the bureau to continue its core business functions.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	519	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	519	0	0	0

Recommendation

The Governor has recommended the elimination of the dedicated funding for the Future Resources Fund. The Governor is not making specific recommendations on LCMR projects at this point, but intends to provide a statement of the administration's priorities for Environmental Trust Fund projects at a later time.

Background

The Legislative Commission on Minnesota Resources (LCRM) has recommended funding for a Community Energy Development Program to be appropriated to the Department of Administration for transfer to the Department of Commerce to assist communities in identifying cost-effective energy projects and developing locally-owned wind energy projects through local wind resource assessment and financial assistance. The proposal would be financed with $281,000 from the Future Resources Fund and $519,000 from Oil Overcharge monies.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	($3,096)	($3,096)	($3,096)	($3,096)
Revenues	($3,096)	($3,096)	($3,096)	($3,096)
Net Fiscal Impact	0	0	0	0

Recommendation
The Governor recommends a budget for Plant Management Division (PMD) of $25.551 million in FY 2004 and $25.8 million in FY 2005 from the Plant Management Internal Services Fund. These amounts correspond to a reduction in lease expenses and revenue of $3.096 million in each year of biennium, or a 7% reduction. The decrease would translate to a reduction in lease rates charged to state agencies located in PMD-managed buildings. The Governor's goal is to relieve some of the fiscal pressures agencies will face with reduced operating budgets during the biennium

Background
PMD is responsible for 3.7 million gross square feet in 22 facilities. This includes the 20 facilities under PMD's custodial control as well as the Minnesota History Center and the Retirement Systems Building. PMD provides housekeeping, engineering, refuse removal, trades, building management, grounds management, snow removal, and environmental, life, safety and security systems for buildings, grounds, monuments/memorials, cafeterias, and tunnels.

PMD would focus its work on the highest priority services, including those that relate to the health, safety and security of occupants and guests to PMD-managed buildings. PMD would reduce some services beginning in FY 2004 including:

- elimination of 24-plus full-time equivalents (FTEs) including janitorial, maintenance engineers, trades, groundskeepers, support, supervisors, and management personnel;
- reduction of lower priority building, janitorial, and grounds repairs and maintenance; and
- elimination of the cafeteria subsidy, which may result in the closure of some of the Capitol Complex cafeterias.

In addition, PMD anticipates that some agencies may reduce their lease space due to budget reductions, resulting in reduced lease revenues. Depending on where the vacant space is located and the amount of square footage that is vacant, some closures or partial closures might be considered.

Relationship to Base Budget
This proposal represents a 15% reduction in controllable/variable costs in Plant Management operations. These reductions will generate an overall 7% reduction in revenue and expenses.

Key Measures
The reduction in lease rates charged to tenants would vary by building according to each facility's specific age, financing, and maintenance requirements. Reduction of staff in the division would impact PMD's ability to respond to customer requests in a timely manner. Maintenance would be deferred and reduced, which carries the risk of impacting the internal and external conditions of the buildings and related equipment as well as visual public appeal.

Alternatives Considered
The department considered a reduction in depreciation expenses, which would reduce the Facility Repair and Replacement account. However, decreased available funds in this account would require that critical facility repairs be delayed or not completed, including the Veteran Services Building renovation, Capitol Building exhaust

work, Centennial Building air handler replacement, Judicial Center exterior caulking, State Office Building elevator upgrades (freight and Revisor), and replacement of humidification boilers.

The department also considered reducing building hours and changing building temperatures. Although these actions would result in decreased utility expenses and the state would capture short-term savings, there would also be a significant impact on occupant and visitor comfort as well as long-term implications related to reduced indoor air quality. And, changes in indoor air quality can significantly impact the physical condition of a building. Reducing the hours of building operations would require that lighting, heating, ventilating, and air conditioning systems are shut down. PMD concluded such changes in operations would create significant hardships for state agencies, state employees, and the legislature.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$500	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$500	0	0	0

Recommendation
The Governor recommends a $500,000 General Fund appropriation to the Department of Administration for state agency relocation expenses associated with reduced space needs, economizing the use of current state facilities, minimizing lease costs to meet reduced budgets, and structural reorganizations.

Background
As a result of downsizing agency budgets and the reorganization of a number of state programs, Admin anticipates that many departments and boards will be reducing and changing their space requirements and otherwise seeking to reduce their lease costs. However, in order to realize the related savings and economize the space needs of the state as a whole, many organizations will be required to move to different locations. The costs of these moves are not budgeted within agency base budgets and are generally requested centrally by the Department of Administration.

The cost of relocating usually includes the following items: furniture and equipment transportation and reinstallation; de-installation and reinstallation of telecommunications, technology and wiring; and furniture purchases and retrofits to new spaces. The cost may also include rent differential, which is the estimated difference between the cost an agency is currently paying and the rent it will be paying in a new location through the end of the biennium. It may also include the cost of lease revenue lost by Admin's Plant Management Division (PMD) during the period in which an agency has not yet moved into a PMD-managed space due to construction or retrofitting.

Relationship to Base Budget
Agency base appropriations do not include any costs for relocations. During the 2002 session, the legislature provided the Department of Administration with one-time funding of $1.5 million from the General Fund, to fund several specific relocation projects, including:

- $590,000 for moving tenants from the Veterans Services Building during asbestos abatement construction;
- $389,700 for moving the Bureau of Criminal Apprehension (BCA) to its new location on Maryland and Prosperity in St. Paul;
- $457,500 for merging locations of the Departments of Trade and Economic Development (DTED) and Economic Security; and
- $40,000 for moving the Star and Information Policy Analysis divisions to more economical spaces within Admin.

Alternatives Considered
If this recommendation is not funded, agencies would either (1) stay in and pay for unneeded and/or expensive space, thereby reducing program services to accommodate the lease costs, or (2) give up part of their current space, which would leave pockets of unleased footage. Because much of the costs to operate buildings would not decrease in proportion to the pockets of vacant space, the costs to remaining tenants would be increased.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$262	$262	$262	$262
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$262	$262	$262	$262

Recommendation
The Governor recommends transferring administration of the Capitol Area Architecture and Planning Board (CAAPB) to the Department of Administration with an appropriation of $262,000 each year. This is a reduction of $130,000 from the previous biennium.

Background
In an effort to seek efficiencies while maintaining core services, the Capitol Area Architecture and Planning Board would become a responsibility of the commissioner of Administration. The Department of Administration currently provides some support services to the board, and many of the board's authorities have functional relationships with the divisions of State Building Construction and Plant Management within Administration.

Relationship to Base Budget
The appropriation to be transferred to the Department of Administration would be 80% of the funding appropriated in FY 2002-03 (see change item under CAAPB).

Statutory Change: M.S. 15.50

Agency Purpose

The Agricultural Utilization Research Institute (AURI) was created by the legislature in M.S. 1160.09. AURI efforts are focused on developing and increasing value added processing opportunities on a statewide basis. This is accomplished by providing applied scientific assistance in the development of new products and expanded uses for Minnesota agricultural commodities. Assistance is usually provided at the very early stages of product or process development and focuses on feasibility issues. AURI services assist producers and processors to make better decisions about allocating scarce resources.

Mission: To identify new markets and expand existing markets for agricultural commodities, ingredients and products, and to develop new uses or value improvements for Minnesota agricultural commodities.

At A Glance

- In the 1990's combined ag and value added sales increased by 24%; AURI programs helped support and sustain continued growth and development of value added processing.
- AURI services were delivered to over 400 projects statewide in the past biennium.
- Presented over 40 producer/processor information sessions, examples include: biodiesel, wheat/barley ethanol, oilseeds, meat processing and food safety.

Core Challenges in Operating Environment:

- Low commodity prices and high transportation costs necessitate a strategy to support value added processing opportunities at the point of production.
- Increasing demand for feasibility and product development information for value added processing initiatives.
- Ever-changing markets, technologies and food safety issues that force rural Minnesota-based processors and agricultural enterprises to keep pace, or not survive.

Core Functions

The Agricultural Utilization Research Institute provides technical and applied scientific services to individuals and organizations that are developing value added businesses across Minnesota. Core functions include:

- providing technical and feasibility assistance, laboratory and pilot plant services in support of the development of the value-added processing capacity in Minnesota;
- acting as the applied research and development service for small and medium-sized commodity processors; and
- promoting, educating and informing agricultural stakeholders about the risks and rewards of participating in value added processing

Operations

AURI services assist a variety of clients including producers, producer groups (e.g. cooperatives), small & medium sized commodity processors, and entrepreneurs. AURI field office staff assists with project development activities, while laboratory and pilot plant staff support the technical elements of project development. Pilot plant and lab activities assist clients with feasibility, testing, analysis and product scale-up activities. AURI's operations and facilities are statewide in scope and include:

- Crookston: field office; pilot plant processing facility; product development lab; state administrative headquarters
- Marshall: field office; fats & oils lab; analytic and process labs; meats lab
- Morris: field office
- Waseca: field office; co-products utilization lab and pilot plant
- St. Paul: helps link markets and businesses with rural clients and serves as a liaison to other organizations

Program Areas

Client services include laboratory operations such as analytical, process, meats, fats and oils labs, as well as pilot plant operations. This also includes project development activities, as well as development grants for projects.

Industry initiatives focus on broad impact areas and include biodiesel research, ethanol co-products projects, agricultural energy & side stream research, and other feasibility projects that have the potential to impact a large number of producers.

Pesticide Reduction Options (PRO) Program supports research and demonstration grants in development of on-farm pesticide reduction strategies.

Hybrid poplar represents research and industry development activities for short rotation woody crops.
Administrative services provide human resources and administrative support for the organization.

Key Measures

In the past two years AURI has assisted with the development of value added projects which have resulted in more producers being able to evaluate and participate in processing projects; enhanced the investment potential in new or existing processing facilities; and has led to increased job opportunities in the state. **Key indicator examples include:**

- over 14,000 producers impacted through assistance with project feasibility assessment and information;
- early-stage project feasibility and assessment services resulting in a combined infrastructure investment potential of over **$**100 Million; and
- nearly 300 value added processing jobs from AURI project development and technical services activities, as reported directly from client estimates.

Budget

The budget for FY 2002-03 biennium is $8.59 million. Organizational staff includes 29.5 full-time equivalent staff. Of the total funding for the biennium, $7.2 million comes from the General Fund, which includes operating funds as well as the hybrid poplar funding. In addition, $200,000 in funding for the Pesticide Reduction Options program comes from an agricultural fund account. Loan repayments of $144,000*, commercialization repayments & interest of $542,000*, and collaboration & match of $330,000* account for the balance.
*Estimated for biennium.

Contact

AURI State Office
Owen Hall Annex, UM-Crookston
P.O. Box 599
Crookston, Minnesota 56716-0599
(800) 279-5010
(218) 281-7600
Edgar Olson, Executive Director

The AURI web site, at www.auri.org, provides information on programs, research & contacts in the organization.

State of Minnesota
Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 296-5900
Fax: (651) 296-8685
TTY: 1-800-627-3529

February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Environment, Natural Resources, and Agriculture omnibus bill. These agencies collectively administer $129 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $28 million (18%) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to protect our water quality, reduce soil erosion, protect the health of our domestic livestock, educate citizens on environmental issues, and help farmers find ways to compete in the world market.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Examples of reductions in this area include a 20% average reduction in agency administrative costs, and $13 million in reductions to grant programs.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

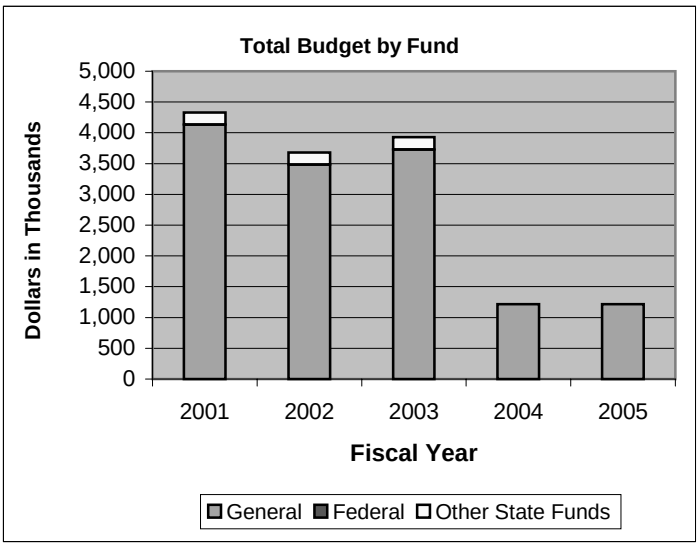
Sincerely,

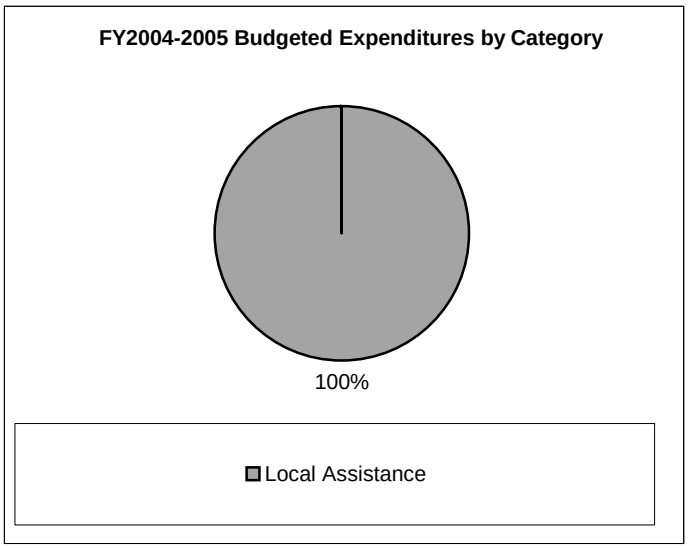
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	7,458	400	7,858
Legislatively Mandated Base	-24	0	-24
Adjusted Base Funding	7,434	400	7,834
Change Items			
Budget Reduction	-5,000	-400	-5,400
Governor's Recommendations	2,434	0	2,434
Biennial Change, 2002-03 to 2004-05	-4,775	-400	-5,175
Percent Change	-66%	-100%	-68%

Brief Description of Budget Changes:

The base is legislatively mandated to be $7,434,000 for the FY 2004-05 biennium.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	4,130	3,480	3,729	1,217	1,217	2,434
Agriculture Fund	200	200	200	0	0	0
Total	**4,330**	**3,680**	**3,929**	**1,217**	**1,217**	**2,434**
Expenditures by Category						
Local Assistance	4,330	3,680	3,929	1,217	1,217	2,434
Total	**4,330**	**3,680**	**3,929**	**1,217**	**1,217**	**2,434**
Expenditures by Program						
Ag Utilization Research Inst	4,330	3,680	3,929	1,217	1,217	2,434
Total	**4,330**	**3,680**	**3,929**	**1,217**	**1,217**	**2,434**

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($2,500)	($2,500)	($2,500)	($2,500)
Revenues	0	0	0	0
Other Fund				
Expenditures	(200)	(200)	(200)	(200)
Revenues	0	0	0	0
Net Fiscal Impact	($2,700)	($2,700)	($2,700)	($2,700)

Recommendation
The Governor recommends a reduction of $2,500,000 for FY 2004 and $2,500,00 for FY 2005 to the budget of the Agricultural Utilization Research Institute (AURI). The Governor further recommends that the administrative and operational functions of AURI be consolidated with the Department of Agriculture in order to continue critical services while reducing administrative costs.

Background
Five areas would primarily be affected by these reductions. These areas include reductions in organizational initiatives, project grant activities, hybrid poplar, salaries/benefits and administrative costs.

A transfer of $200,000 per year from the Department of Agriculture for pesticide use reduction programs would also be eliminated.

Relationship to Base Budget
The recommendation represents a 67% reduction to the base budget.

Alternatives Considered
None.

Statutory Change: MS 116O.09

Agency Purpose

The mission of the Minnesota Department of Agriculture (MDA) is to work toward a diverse agricultural industry that is profitable and environmentally sound; to protect public health and safety regarding food and agricultural products; and to ensure orderly commerce in agriculture and food products.

From the farm to your family, the MDA ensures that Minnesota agricultural products used in production or available for consumption meet or exceed regulatory standards. These standards are set by state and federal laws that ensure the quality of products and the safety of food. The MDA also helps sustain and enhance the economic and environmental conditions of the agricultural sector in a number of ways. Since Minnesota produces more food and agricultural products than its citizens can consume, it must focus on marketing strategies that encourage exports to other states and countries. The MDA plays a lead role in helping the state's farmers and agricultural businesses build trade relationships with potential customers in other states and countries.

At A Glance

Why is agriculture vital to 21st century Minnesota? In addition to providing us with the world's most abundant and wholesome food supply, agriculture remains a cornerstone industry.

- Agriculture and its related industries account for nearly 20% of all Minnesota jobs
- Two-thirds of all agricultural jobs are off-farm, in processing, distribution, supply, and service sectors
- Every ag production job helps create another 3 jobs in other sectors
- The dairy sector alone employs more Minnesotans than Northwest Airlines, 3M and Target Corporation combined
- Exports of farm products bring in more than $2 billion to the state each year
- Every dollar in agricultural and food export generates another $2.5 in economic activities in other economic sectors
- More than half of the state's total land area is farmland

Core Functions

The Protection Services Program provides regulatory oversight for agricultural products from the farm to retail stores. Many of these regulatory activities touch consumers' everyday lives. For example, the MDA protects consumers by inspecting food and dairy products, dairy farms, food processing facilities, grocery stores, and even food stands at the Minnesota State Fair. The MDA also regulates, inspects and analyzes animal feed, fertilizers and pesticides; it performs laboratory analysis on food products; and inspects grain and fresh produce moving into or out of Minnesota. The MDA helps protect the environment by monitoring surface and ground water for possible contaminants and by preventing the establishment of destructive tree and plant pests such as gypsy moth and Japanese beetle.

The Agricultural Marketing and Development Services Program helps sustain and enhance farmers' economic and environmental well-being through a number of services. The program develops and tests new farming practices that help minimize environmental impacts, educates farmers about these practices and encourages their implementation with education and technical assistance. It gives farmers updated information on plant pests during the growing season, helping them determine how and when to take action to protect their crops. The program also helps the state's agricultural community expand existing markets and develop new markets for Minnesota agricultural products. This includes developing international trade opportunities, offering educational programs on risk management, and encouraging value-added activities.

The Administration and Financial Assistance Program provides leadership and administrative support to the agency, gathers important statistical information for the farm sector, and offers financial assistance to producers. This program provides overall leadership and coordination of agency efforts. It coordinates communication with internal and external stakeholders including farmers, media, and other government bodies. It provides fiscal oversight to the department and provides important information on employment and benefits to employees. Producers use the statistical information gathered by our joint federal/state division of Ag Statistics to learn about important trends in their industry. The publications provide valuable information on crop conditions, production statistics, and forwards information on Minnesota agriculture to the U.S. Department of Agriculture (USDA). Producers and rural lenders benefit from the Rural Finance Authority loan programs. These loans help beginning farmers get started and they help producers upgrade existing production facilities.

Operations

The department's main office is at 90 West Plato Boulevard, in St. Paul. However, since most of the regulatory and promotion services we provide require face to face contact with our farmers, producers, and consumers, almost half of our staff is scattered throughout the state in the areas they serve. Our inspectors are responsible for on-site inspections of facilities. These inspections ensure that the agricultural products and processes meet applicable standards for quality and integrity. For example, the fertilizer we use on our lawns must meet quality standards just as the fertilizer used in production agriculture. The pesticides we use in our homes are regulated just as those used by farmers. Milk in inspected at many points, from the farm to the milk plant to our supermarkets. Sustainable agricultural practices, such as biological control of weeds and pests, benefit not only the farmers but the shoppers in the urban shopping malls.

In addition to ensuring the safety and integrity of products, the department helps farmers and agribusinesses market those products in an increasingly competitive global marketplace. The MDA encourages value-added activities and the development of new domestic markets for existing ag products, and it works with other state offices to stimulate international exports of Minnesota-grown agricultural products. This is done to help keep Minnesota's agricultural community competitive in the world marketplace.

Budget

During this biennium, Ethanol Producer Payments was moved to a separate program. This is an open appropriation.

Expenditures were from the following funds:

Public Facilities Authority monies are used for Ag Best Management Practices (Ag BMPS's) loans.
General Fund monies are direct appropriations for regulatory, promotion, development, and administrative functions. Fees for these functions are deposited to the General Fund.
Special Revenue & Ag Fund accounts for these funds are established in statutes, fees are dedicated into each account within the fund. Duties performed are dictated by statute.
Federal monies are federal dollars received by MDA through grants or federal contracts.
Environmental fund provides monies for responsibilities relating to agricultural chemicals, declared emergencies, orphan sites and the Agriculture Voluntary Investigation and Cleanup Program (AgVIC).
Rural Finance Administration fund is for specific loans administered by the Rural Finance Authority, part of the Ag Finance Division.
Miscellaneous Agency fund contains monies from lease purchase agreements (usually laboratory equipment).
Gift Fund contains gift funds from organizations given to the department for specific purposes.

For the biennium 2004-05, MDA is requesting authority to reorganize the following responsibilities into different programs.

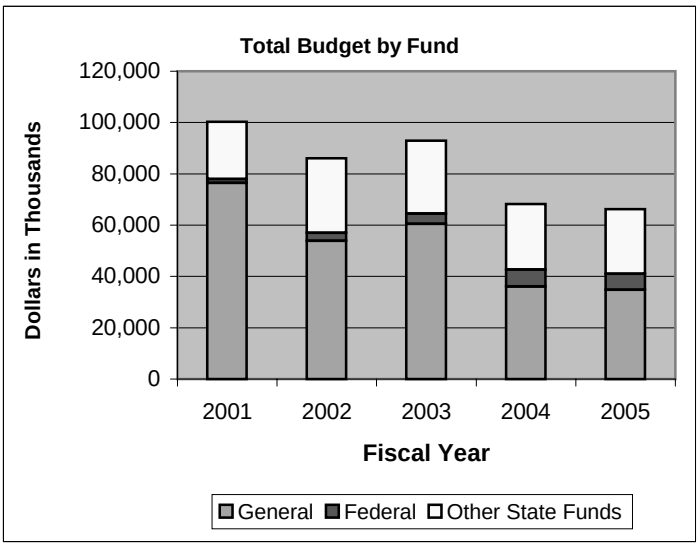
- ⇒ Dairy Profitability and Enhancement (Dairy Diagnostics) will move from Program 01--Dairy & Food Inspection Division into Program 06--Grants & Claims Section.
- ⇒ Meat Inspection will move from Program 01--Dairy & Food Inspection Division to Program 02--Ag Marketing Services Division.

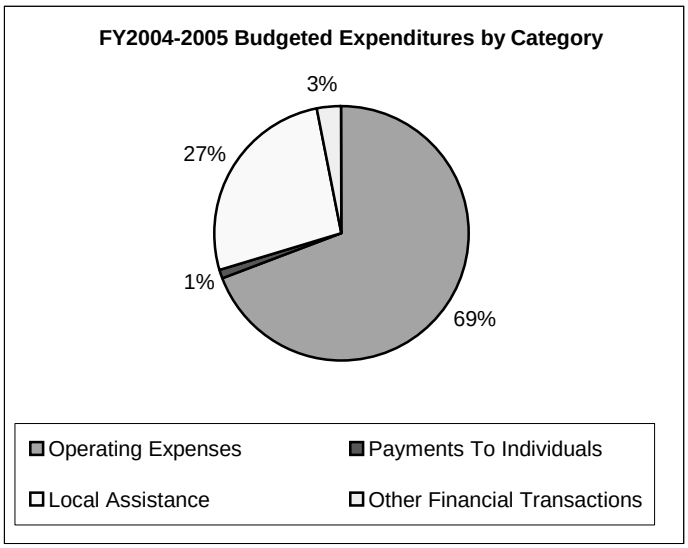
Contact

For additional policy information, please contact Amy Sobieski at (651) 296-2880, for more budget details, please contact Becky Leschner at (651) 215-5770.

MDA's website is www.mda.state.mn.us Our web site contains additional information on each of the divisions in the agency, licensing information, food recalls information, and more.

For information on how this agency measures whether it is meeting its statewide goals, please refer to www.departmentresults.state.mn.us





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Carry Forward						
General	0	0	0	66	0	66
Direct Appropriations						
Environment & Natural Resource	225	120	189	0	0	0
General	41,924	20,146	25,024	18,275	18,275	36,550
Minnesota Resources	61	48	138	0	0	0
Environmental	338	347	353	353	353	706
Open Appropriations						
General	34,559	33,681	35,456	17,663	16,484	34,147
Statutory Appropriations						
Public Facilities Authority	0	6,208	2,555	1,240	1,077	2,317
General	10	0	0	0	0	0
Special Revenue	3,635	2,954	3,447	3,237	3,254	6,491
Agriculture Fund	17,635	18,916	19,904	20,011	19,728	39,739
Federal	1,467	3,220	3,974	6,666	6,308	12,974
Environmental	345	256	1,313	500	500	1,000
Rural Finance Administration	0	0	411	250	300	550
Miscellaneous Agency	0	0	2	2	2	4
Gift	33	122	136	6	3	9
Total	**100,232**	**86,018**	**92,902**	**68,269**	**66,284**	**134,553**

Expenditures by Category						
Operating Expenses	61,933	41,479	50,118	46,678	46,414	93,092
Capital Outlay & Real Property	29	0	2	2	0	2
Payments To Individuals	479	657	690	689	673	1,362
Local Assistance	37,344	36,865	38,356	18,644	17,365	36,009
Other Financial Transactions	447	7,017	3,736	2,256	1,832	4,088
Total	**100,232**	**86,018**	**92,902**	**68,269**	**66,284**	**134,553**

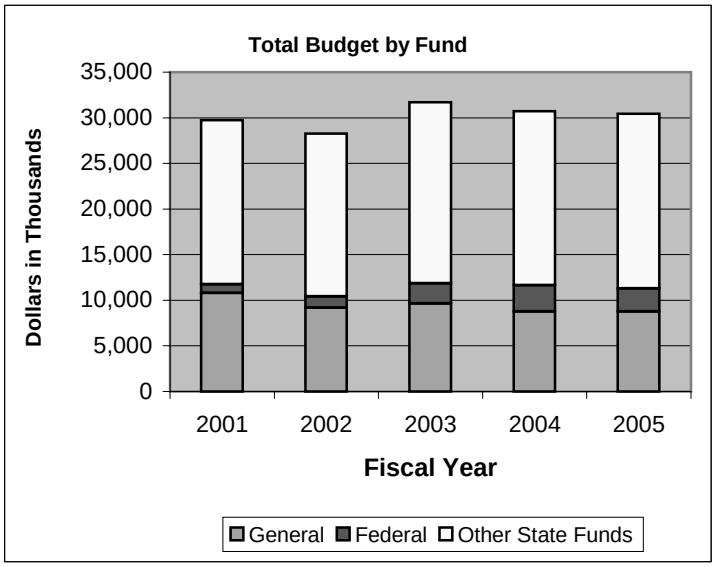
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Program	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Protection Services	29,733	28,255	31,718	30,734	30,427	61,161
Ag Marketing And Development	8,624	7,222	9,328	7,433	7,409	14,842
Admin & Financial Assist	27,316	16,860	16,400	12,439	11,964	24,403
Ethanol Producer Payments	34,559	33,681	35,456	17,663	16,484	34,147
Total	**100,232**	**86,018**	**92,902**	**68,269**	**66,284**	**134,553**
Revenue by Type and Fund						
Non Dedicated						
General	1,643	4,462	3,499	3,409	3,246	6,655
Minnesota Resources	1	0	0	0	0	0
Cambridge Deposit Fund	2,773	0	0	0	0	0
Subtotal Non Dedicated	4,417	4,462	3,499	3,409	3,246	6,655
Dedicated						
Public Facilities Authority	0	38	1,401	1,526	1,663	3,189
Special Revenue	3,526	3,167	3,017	3,130	3,159	6,289
Agriculture Fund	17,320	18,318	17,897	19,305	19,247	38,552
Federal	1,970	4,507	3,795	7,045	6,674	13,719
Environmental	118	0	0	0	0	0
Rural Finance Administration	9,389	13,831	10,838	12,522	14,557	27,079
Miscellaneous Agency	-2	0	2	2	2	4
Gift	158	39	41	3	3	6
Subtotal Dedicated	32,479	39,900	36,991	43,533	45,305	88,838
Total Revenue	**36,896**	**44,362**	**40,490**	**46,942**	**48,551**	**95,493**
Full-Time Equivalents (FTE)	**470.7**	**458.9**	**458.4**	**456.9**	**456.4**	

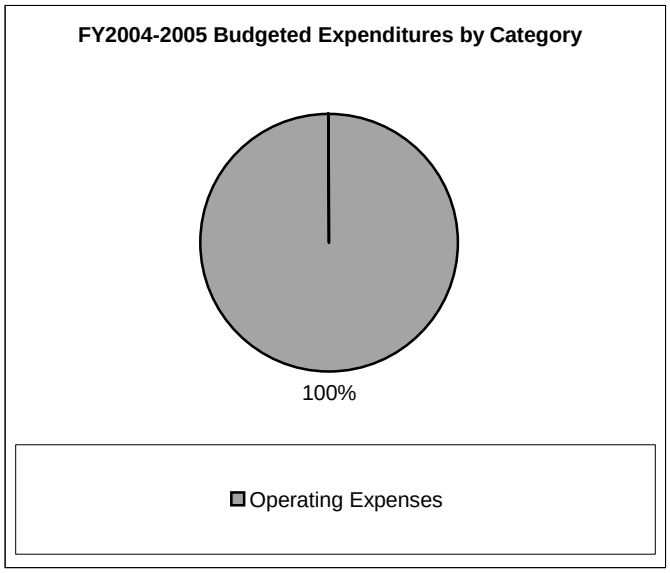
Program Description

The purpose of the Protection Services Program is to protect the state's citizens and environment by ensuring the quality, integrity, and safety of agricultural and horticultural products that are produced and used in Minnesota.

Budget Activities Included:

⇒ Agronomy and Plant Protection
⇒ Dairy and Food Inspection
⇒ Laboratory Services
⇒ Grain and Produce Inspection





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	10,781	9,189	9,635	8,785	8,785	17,570
Minnesota Resources	50	0	0	0	0	0
Environmental	338	347	353	353	353	706
Statutory Appropriations						
General	10	0	0	0	0	0
Special Revenue	859	34	158	6	6	12
Agriculture Fund	16,382	17,217	18,043	18,232	18,259	36,491
Federal	964	1,210	2,213	2,855	2,521	5,376
Environmental	345	256	1,313	500	500	1,000
Gift	4	2	3	3	3	6
Total	**29,733**	**28,255**	**31,718**	**30,734**	**30,427**	**61,161**
Expenditures by Category						
Operating Expenses	29,640	28,159	31,617	30,633	30,352	60,985
Local Assistance	17	14	26	26	0	26
Other Financial Transactions	76	82	75	75	75	150
Total	**29,733**	**28,255**	**31,718**	**30,734**	**30,427**	**61,161**
Expenditures by Activity						
Agronomy And Plant Protection	12,757	12,100	14,412	13,499	13,162	26,661
Dairy And Food Inspection	6,117	5,442	6,116	6,552	6,582	13,134
Laboratory Services	5,002	4,884	5,399	5,005	5,005	10,010
Grain & Produce Inspection	5,857	5,829	5,791	5,678	5,678	11,356
Total	**29,733**	**28,255**	**31,718**	**30,734**	**30,427**	**61,161**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	4	2,630	2,501	2,666	2,666	5,332
Cambridge Deposit Fund	2,626	0	0	0	0	0
Subtotal Non Dedicated	2,630	2,630	2,501	2,666	2,666	5,332
Dedicated						
Special Revenue	305	57	6	6	6	12
Agriculture Fund	16,235	17,085	16,608	18,035	18,006	36,041
Federal	1,484	1,899	2,300	2,715	2,366	5,081
Environmental	118	0	0	0	0	0
Gift	5	2	3	3	3	6
Subtotal Dedicated	18,147	19,043	18,917	20,759	20,381	41,140
Total Revenue	**20,777**	**21,673**	**21,418**	**23,425**	**23,047**	**46,472**
Full-Time Equivalents (FTE)	**319.7**	**308.3**	**301.7**	**306.6**	**306.6**	

Activity Description

Agronomy and Plant Protection (APPD) regulates pesticides, fertilizers, seed, commercial feed, noxious weeds, nursery stock, exotic pests, and agricultural export certification. This encourages fair competition, quality assurance for consumers, environmental and human health protection, and quality assurances for plant and grain exports.

Population Served

All citizens of the state, producers, and agricultural industries benefit from APPD activities. APPD activities directly affect agriculture, and the protection of land and water resources affects all within the state. Also, a significant amount of the regulated activities occur in urban areas. In addition, the division works directly with other states and countries to facilitate global trade through regulatory and export certification programs.

Activity at a Glance

- Collected 179,027 pounds of waste pesticides
- Issued 30,000 pesticide licenses or certificates
- Permitted 1,186 chemigation sites
- Registered 11,000 pesticide products
- Set 15,342 gypsy moth traps
- Collected approximately 900 pesticide, water quality samples
- Provided $2,624,785 in ag-chemical cleanup reimbursement
- Permitted 600 ag chemical storage sites
- Certified 38 manure testing laboratories
- Issued 3,196 export documents
- Responded to 304 agricultural incidents such as chemical spills

Services Provided

APPD has broadly diverse responsibilities in three broad categories:

- traditional farm input regulation;
- environmental regulation; and
- plant and plant pest regulation.

Regulatory strategies in all areas include education, training, monitoring, licensing, permitting, and promotion of voluntary practices along with inspection, investigation, and enforcement actions.

The traditional mission of the division has been to ensure that seed, fertilizer, commercial feed, and other farm inputs were properly labeled and met legal criteria. This provided fair competition for the industry and guaranteed product quality for farmers and consumers. This mission is still important, but there is an increasing emphasis on product use and sale in urban areas and all tasks have become increasingly complex. For example, urban lawn and garden fertilizer has come under increasing scrutiny; more regulatory attention has focused on the pet food product quality; and the threat of Bovine Spongiform Encephalopathy (BSE), or “mad cow” disease requires more complex inspections at feed manufacturing facilities.

The division conducts a variety of fixed facility inspections for pesticides, fertilizers, seed, feed, and plant pests. Products are registered; individuals, companies, nursery stock and export products are certified, licensed or permitted. Education and compliance workshops update and communicate legal requirements or voluntary practices to clientele. Water quality and invasive species are extensively monitored. When necessary the division also directly protects Minnesota natural resources through the control of pests such as gypsy moth. The division also administers remediation and response to agricultural chemical incidents utilizing state superfund or an industry-supported reimbursement program. Additionally, the division facilitates property transfers by the oversight of environment site assessments.

Historical Perspective

Since the mid 1980’s environmental concerns regarding pesticides and fertilizers have greatly increased. The revision of the Minnesota Pesticide Control Law in 1987 and the passage of the Comprehensive Groundwater Protection Act of 1989 resulted in significant and broad new responsibilities for the division. Programs such as waste pesticide collection, emergency response, superfund, ag chemical cleanup reimbursement, water quality monitoring, and increased applicator licensing and certification of applicators added not only a heavy workload but a changed focus to the services provided by the division. These programs also require highly technical and scientifically based regulatory action.

In 1996, plant protection regulatory responsibilities were transferred to the division. Nursery inspection, plant pest monitoring and management, and export certification require very different services and technical capabilities. With increased global trade, these programs must address new pests from other parts of the world, high demand for services to expedite the shipment of Minnesota plant products and the regulation of a rapidly expanding nursery industry. Staff entomologists, plant pathologists, and horticulturalists are increasingly challenged to protect Minnesota's industries and natural resources by monitoring for and combating plant pests such as gypsy moths and karnal bunt, as well as conducting field inspections and certifying the pest-free status of shipments of a wide variety of products for foreign markets.

Increasing demands on the division's programs coupled with flat or decreasing funding in special services accounts and general funds are resulting in difficult project prioritization and reduced services. Programs such as Agriculture Chemical Response and Reimbursement Account (ACRAA) reimbursement program, waste pesticide collections, and ground and surface water monitoring programs, and BSE inspections are nationally recognized for their effectiveness and innovation. In addition, biological pests are increasing in prevalence due to recent expansion of global and interstate trade and to biological factors beyond Minnesota's control.

Key Measures

Performance measures used to evaluate effectiveness are:

- The division will develop real-time electronic data sharing capability by making forms and databases available through the internet to interested parties and regulated clientele.

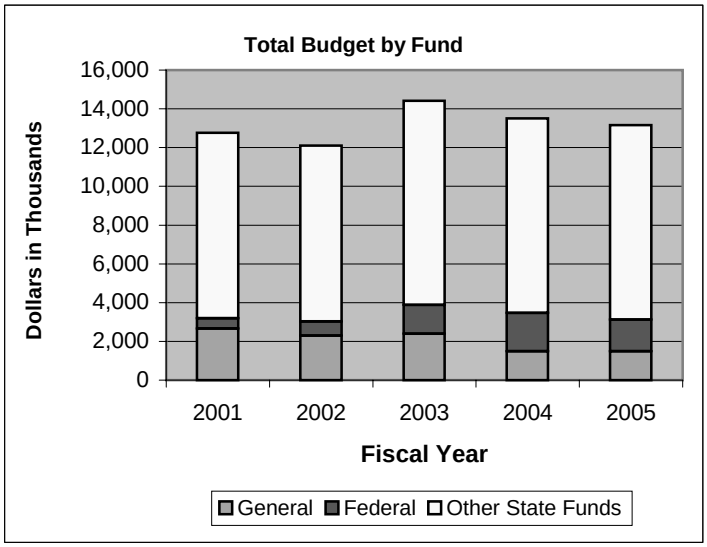
Contact

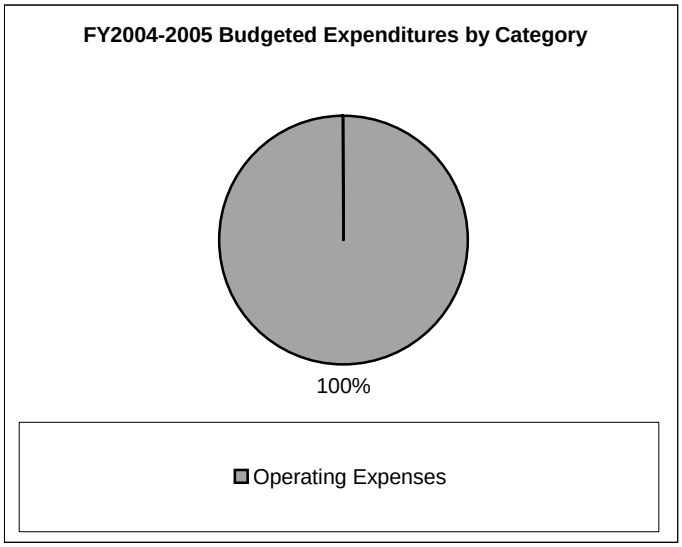
For additional information on this activity, please contact Greg Buzicky, Division Director, at (651) 296-5639 or Greg.Buzicky@state.mn.us

Information on programs and staff can be found at the MDA web site.

AGRICULTURE DEPT
Program: PROTECTION SERVICES
Activity: AGRONOMY AND PLANT PROTECTION

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,641	2,289	2,393	1,485	1,485	2,970
Environmental	338	347	353	353	353	706
Statutory Appropriations						
General	10	0	0	0	0	0
Special Revenue	728	32	152	0	0	0
Agriculture Fund	8,162	8,443	8,711	9,170	9,179	18,349
Federal	529	731	1,487	1,988	1,642	3,630
Environmental	345	256	1,313	500	500	1,000
Gift	4	2	3	3	3	6
Total	**12,757**	**12,100**	**14,412**	**13,499**	**13,162**	**26,661**
Expenditures by Category						
Operating Expenses	12,664	12,016	14,311	13,398	13,087	26,485
Local Assistance	17	14	26	26	0	26
Other Financial Transactions	76	70	75	75	75	150
Total	**12,757**	**12,100**	**14,412**	**13,499**	**13,162**	**26,661**
Revenue by Type and Fund						
Non Dedicated						
General	4	562	598	55	55	110
Cambridge Deposit Fund	578	0	0	0	0	0
Subtotal Non Dedicated	582	562	598	55	55	110
Dedicated						
Special Revenue	146	50	0	0	0	0
Agriculture Fund	9,544	9,844	9,154	10,344	10,374	20,718
Federal	449	803	1,469	1,974	1,613	3,587
Environmental	118	0	0	0	0	0
Gift	5	2	3	3	3	6
Subtotal Dedicated	10,262	10,699	10,626	12,321	11,990	24,311
Total Revenue	**10,844**	**11,261**	**11,224**	**12,376**	**12,045**	**24,421**

Dollars in Thousands	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Full-Time Equivalents (FTE)	**118.1**	**109.2**	**98.8**	**99.8**	**99.8**	

Activity Description

Dairy and Food Inspection works to ensure that the food and dairy products Minnesotans consume are safe and wholesome. This is accomplished through regulatory inspections and enforcement, surveillance sampling, special investigations, consumer protection, and educational outreach. The goal of these food safety programs is to prevent the sale or consumption of adulterated food and dairy products and to heighten awareness of proper biosecurity and food safety practices.

Activity at a Glance

- Inspected 6,788 dairy farms, 427 bulk milk trucks, 1,345 haulers, and 57 plants
- Inspected 1,697 food processing plants, 6,225 retail food stores, and 105 mobile concessions
- 3,718 dairy samples taken (average 4.5 tests per sample)
- 1,878 food samples taken (average 2.4 tests per sample)
- Issued 895 Certificates of Free Sale for export
- Leveraged resources with other inspection agencies: 15 partnerships, 2 contracts and 4 grants

Population Served

The entire population of Minnesota, as well as visitors and tourists and those outside Minnesota who consume dairy and food products produced, processed, prepared or sold in the state benefit from the service provided by these food protection programs. Minnesota businesses that export food and dairy products benefit from certificates of free sale issued by the Minnesota Department of Agriculture (MDA) as well.

Services Provided

Dairy inspectors routinely inspect and take samples from dairy farms, processing plants, and bulk milk trucks to make sure all milk and dairy products are produced and handled safely. Inspectors also test pasteurizer equipment for proper operation, certify bulk milk hauler-samples, review labels for accuracy, work with farmstead cheese processors, and provide information to dairy farmers and processors to help keep them current with the latest laws and regulations. Milk survey officers check that the dairy industry, milk laboratories, and the Dairy Program comply with the federal Pasteurized Milk Ordinance, allowing Minnesota dairy products to be shipped in interstate commerce.

Food inspectors conduct routine and follow-up inspections at food manufacturing/processing plants, canneries, warehouses, salvage operations, concession stands and retail food stores. They also conduct regulatory and surveillance food sampling to determine food safety trends and emerging pathogens and conduct inspections under contract with the U.S. Food and Drug Administration (FDA). Inspectors investigate complaints, conduct final inspections of new and remodeled facilities, and work with local health departments to ensure uniform inspection procedures across the state. In addition, they investigate food borne illness outbreaks to determine the cause, remedy the problem, and prevent similar problems in the future. They also work with the industry and the public on food recalls originating in Minnesota or elsewhere and work to verify that recalled products have been removed from sale. The inspectors respond to emergencies such as floods, fires, truck rollovers, and other emergencies where food is involved to determine if the food is safe and wholesome, and to prevent damaged and contaminated goods from reaching the public.

The Compliance Section supports the dairy and food inspection programs in law enforcement and compliance activities. Compliance officers conduct special projects and investigations, work with delegated local health agencies, review plans for newly constructed and remodeled facilities, and train inspectors, industry, and consumers on the latest food safety issues. Many of the projects and training efforts are developed in partnership with the Minnesota Department of Health (MDH), University of Minnesota (U of M), local health agencies and representatives of the food or dairy industry. The Compliance Section, with division management, also develops legislation and regulations to safeguard our food system.

Historical Perspective

The food and dairy programs are moving toward a risk-based inspection program, which allocates scarce resources to facilities that have a higher risk or potential of causing food borne illness. While ordinary operations still have oversight, more complex, high-risk operations processing or preparing foods often involved in food

borne outbreaks receive more frequent inspections and, in many cases, assistance in developing and following Hazard Analysis Critical Control Point (HACCP) plans to address problems before they occur.

Food and dairy inspection has become a more complicated and expensive business. A food and dairy industry that is becoming more mechanized and computerized with more complex, engineered foods requires well-equipped, highly trained overseers. A global food supply with challenging import and export standards, lower detection limits for contaminants, and new concerns about antibiotics, pesticide residues and emerging pathogens makes a close working relationship with a state-of-the-art laboratory essential. Efficient inspection programs demand the best computer and information technology. Electronic inspections, access to summary data from anywhere in the state, and prompt electronic analysis of data are vital components of an effective program in the electronic age.

Finally, the terrorist events of last September 11th have added an entire new consideration for increased security, planning, and emergency response in case of a terrorist attack on our food supply. Food and dairy businesses, especially medium-sized and small businesses that don't have the resources themselves, look to the department for guidance in preparing for and responding to such events.

Key Measures

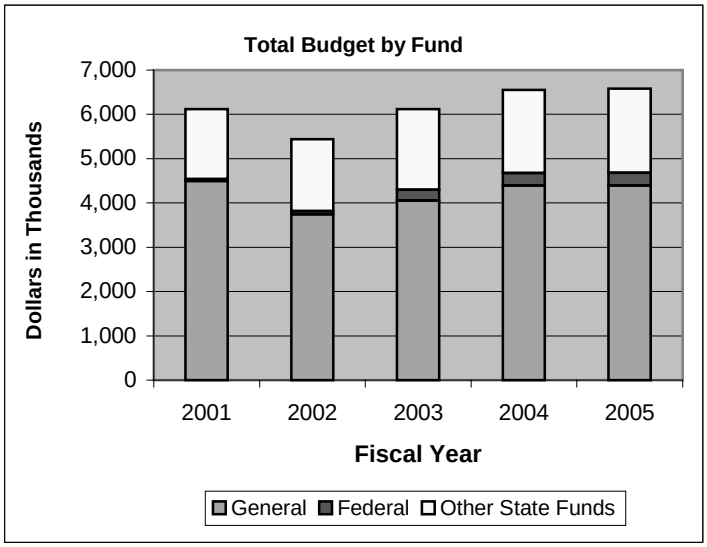
Performance measures used to evaluate effectiveness are:

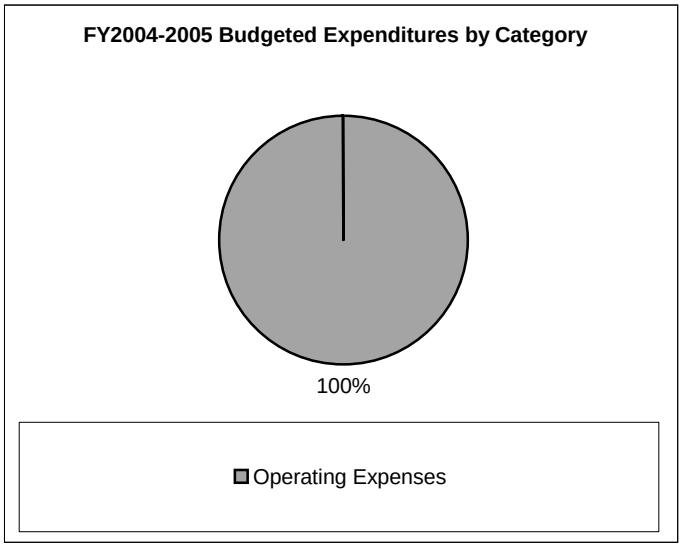
- ⇒ Total number of inspections completed versus total number of inspections required (according to risk categories). For example, high, medium, and low risk of causing foodborne illness.
- ⇒ Total number of dairy and food samples collected with average number of tests done on each sample.
- ⇒ Number of partnerships, agreements, and grants initiated or continued to leverage resources.

Contact

For additional information on this activity, please contact Shirley Bohm, Division Director, at (651) 296-1590 or Shirley.Bohm@state.mn.us

Additional information about dairy and food inspection activities are also available on the MDA's web site and the Dairy and Food Inspection Information/Complaint desk at (651) 296-1592.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,491	3,740	4,052	4,391	4,391	8,782
Minnesota Resources	50	0	0	0	0	0
Statutory Appropriations						
Special Revenue	122	2	6	6	6	12
Agriculture Fund	1,405	1,626	1,812	1,875	1,893	3,768
Federal	49	74	246	280	292	572
Total	**6,117**	**5,442**	**6,116**	**6,552**	**6,582**	**13,134**
Expenditures by Category						
Operating Expenses	6,117	5,430	6,116	6,552	6,582	13,134
Other Financial Transactions	0	12	0	0	0	0
Total	**6,117**	**5,442**	**6,116**	**6,552**	**6,582**	**13,134**
Revenue by Type and Fund						
Non Dedicated						
General	0	2,068	1,903	2,611	2,611	5,222
Cambridge Deposit Fund	2,048	0	0	0	0	0
Subtotal Non Dedicated	2,048	2,068	1,903	2,611	2,611	5,222
Dedicated						
Special Revenue	159	7	6	6	6	12
Agriculture Fund	1,401	1,811	1,820	2,057	1,998	4,055
Federal	590	690	244	279	291	570
Subtotal Dedicated	2,150	2,508	2,070	2,342	2,295	4,637
Total Revenue	**4,198**	**4,576**	**3,973**	**4,953**	**4,906**	**9,859**
Full-Time Equivalents (FTE)	**76.6**	**69.2**	**74.9**	**82.0**	**82.0**	

Activity Description

Laboratory Services Division (Lab) provides analytical support and data that is critical to the protection of Minnesota's food supply, agricultural industry, and environment. Analysis results must be legally defensible in case regulatory action is taken.

Population Served

The laboratory protects all Minnesota citizens and those who use Minnesota agriculture or agricultural products by working to ensure a safe, secure food supply and to protect the environment from misuse of agricultural chemicals. Through partnerships, we serve the entire nation as we work with other states and federal agencies to identify and address problems of national concern and work to ensure the wholesomeness of Minnesota's food exports.

Activity at a Glance

The Laboratory Services Division consists of a number of analytical units providing diverse analytical services to help ensure food safety/security while protecting the agriculture industry and our environment. These units include:

- Microbiology Analysis
- Food/Dairy Chemical Analysis
- Agronomy Analysis
- Environmental Analysis
- Seed and Plant Analysis
- Laboratory Operations
- Quality Assurance

Services Provided

Laboratory Services performs chemical, microbiological, and physical analyses of food, dairy products, beverages, water, fertilizer, lime, feed, seed, plant material, pesticides, pesticide residues, and grain. These tests support inspection and enforcement activities of the Minnesota Department of Agriculture's (MDA) regulatory divisions. We also determine products' quality and conformance to state and federal laws and regulations, to provide legally defensible evidence in legal proceedings against violators.

Our mission includes routine analyses to ensure that products meet legally mandated quality standards, such as analyzing a fertilizer to see if it is contaminated by heavy metals (i.e. arsenic or lead). It also provides for forensic analysis to identify unknown agents in a suspect product. Beyond that, our lab's special analytical testing gives the department rapid and accurate data needed to respond promptly and effectively to environmental and food-borne crises, such as E. coli contaminated ground beef and pesticide residues in produce. The Lab develops and maintains new analytical capabilities as new problems or questions arise within the feed, food, and agrochemical industry. We also consult on analytical issues with inspectors, managers, private analytical laboratories, and regulated industries.

In addition to our services to MDA's regulatory programs, the Lab provides analyses for the U.S. Department of Agriculture (USDA), the Food and Drug Administration (FDA), the Environmental Protection Agency (EPA), and other federal and state agencies. It also administers a laboratory certification program for private and commercial testing laboratories as required by law.

Historical Perspective

Laboratory Services has served Minnesotans since 1887. The lab's first duty was to oversee our state's dairy industry. Over the years our services have grown to include seed quality analysis and ever more complicated analytical services such as microbiological, chemical and plant analysis of seed, feed, food, and dairy products. The 1989 groundwater protection legislation created a special need to expand the lab's analytical capabilities and technology to include testing for a vast array of pesticides and other agricultural chemicals. In 1995, the MDA integrated the Minnesota Department of Natural Resources (DNR) analytical services into MDA's operations. This allowed the DNR to close two laboratories while still providing their programs the quality data required for decision-making. In 1999, the closure of the FDA Minneapolis lab led to the first ever location of federal FDA staff in a state facility bringing additional expertise and partnerships to the laboratory. The newly funded lab facilities co-located with the Minnesota Health Department's (MDH) laboratory will help expand this unique partnership, and give Minnesota the capacity to better address emerging food security concerns and threats of terrorism.

The laboratory will face growing pressures and challenges to address the significant changes occurring in analytical technology, laboratory information systems, ISO accreditation requirements, and laboratory safety and security concerns.

Key Measures

Performance measures used to evaluate effectiveness are:

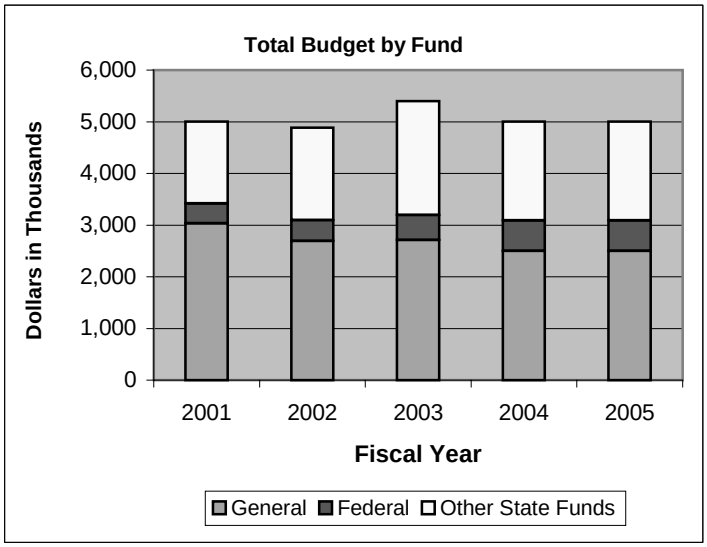
- provide end users ready access to laboratory data through the new Laboratory Information Management system, so that analysts, decision makers, and interested individuals get the information they need.
- Percent of required real time Analytical Quality Control available to analysts in the laboratory.
- Minimize effort and resources when identifing analytical methods and trends in food safety and security through participation in the new ECam and E-LexNet data and method indexes.
- Percent of defined priority food safety and security agents reported to the new federal ElexNet system.

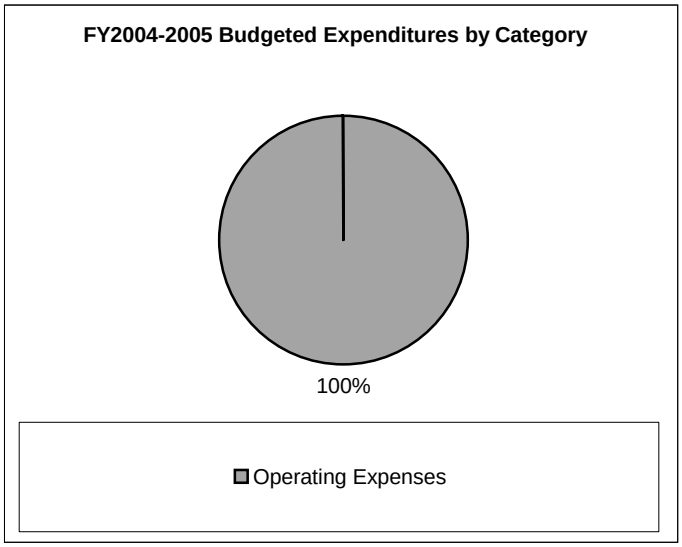
Contact

For additional information on this activity, please contact William Krueger, Division Director, at (651) 296-1572 or William.Krueger@state.mn.us

AGRICULTURE DEPT
Program: PROTECTION SERVICES
Activity: LABORATORY SERVICES

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,035	2,693	2,713	2,501	2,501	5,002
Statutory Appropriations						
Special Revenue	9	0	0	0	0	0
Agriculture Fund	1,572	1,786	2,206	1,917	1,917	3,834
Federal	386	405	480	587	587	1,174
Total	**5,002**	**4,884**	**5,399**	**5,005**	**5,005**	**10,010**
Expenditures by Category						
Operating Expenses	5,002	4,884	5,399	5,005	5,005	10,010
Total	**5,002**	**4,884**	**5,399**	**5,005**	**5,005**	**10,010**
Revenue by Type and Fund						
Dedicated						
Agriculture Fund	69	129	346	346	346	692
Federal	445	406	587	462	462	924
Subtotal Dedicated	514	535	933	808	808	1,616
Total Revenue	514	535	933	808	808	1,616
Full-Time Equivalents (FTE)	**42.6**	**47.4**	**46.2**	**43.8**	**43.8**	

Activity Description

The Grain and Produce activity has three program areas:

- Grain inspections and sampling analysis;
- Fruit and Vegetable inspections services; and
- Certified Seed Potato inspection services.

The inspection services provided are a combination of voluntary and mandatory activities to ensure fair marketing and appropriate end use of the product. This facilitates fair pricing of healthy produce and grain products. It also is used by clients to determine conformance with contract specifications of quantity and quality, which promotes fair trade practices.

Population Served

Grain Inspection:

- consumers around the world;
- elevators;
- exporters;
- processors;
- livestock feeders and grain farmers; and
- trading firms and those involved in the grain trade and transportation industry throughout the U.S. and its customers worldwide.

Fruit and Vegetable Inspection:

- consumers;
- produce brokers;
- wholesalers;
- processors;
- retailers; and
- exporters.

Certified Seed Potato Inspection:

- seed potato growers;
- processors and wholesalers of any kind, whether in or out of the state;
- consumers; and
- potato producers.

Activity at a Glance

Grain Inspection:

- More than 77,000 inspections in FY 2001 of officially sampled and inspected grain equaling 468 million bushels. This does not count grain presented for submitted or commercial inspections or other weighing and tests. By comparison 1.2 billion bushels of corn, soybeans, wheat, and barley were grown in Minnesota in 2001.

Produce Inspection:

- Staff are licensed to inspect 85 different fruits and vegetables
- 43 million pounds of produce inspected in FY 2002
- 603 million pounds of potatoes at processing plants and 9 million pounds of table stock potatoes

Minnesota Certified Seed Potato:

- 9,330 acres enrolled in program with an estimated value of seed crops up to $20,000,000
- 45 million pounds of certified seed potatoes given shipping point inspections

Services Provided

The Grain Inspection program provides neutral-party, accurate, repeatable, rapid quantity and quality determinations on grains. This service is provided under agreements with the U.S. Department of Agriculture's (USDA) Federal Grain Inspection Service. Services facilitate the marketing, storage and use of grain as well as promoting fair and competitive trade. The provision of these consistent professional weighing, sampling, testing, and grading services allows voluntary domestic and mandatory export customers the ability to trade with certainty of grain quality and quantity.

The Fruit and Vegetable program provides an unbiased third-party opinion on the quality and quantity of produce, ensuring that both are fairly reflected in the price to consumers. It allows shippers and receivers to operate in a fair market, with commodities that further ripen during shipment. Inspections occur at wholesale and delivery

points, at the producer's sites for shipping point, and at the processing plants to determine market value and end use potential.

The Certified Seed Potato program markets, inspections, and tests seed potato lots to determine adherence to disease tolerance levels, freedom from certain diseases, and varietal purity of 75 different varieties of potatoes. It also provides recognition and increases market share by promoting the quality of the Minnesota Seed Potatoes.

Historical Perspective

Grain inspection revenue fluctuates with the level of commodity exports. The table below reflects Minnesota exports for the past three crop years.

	September – August		
Commodity	**2000-01**	**2001-02**	**2002-03**
	Million Bushels	**Million Bushels**	**Million Bushels**
Corn	490	440	620
Soybeans	923	971	922
Wheat	32	22	10

Adding to the volatility of the program is the increasing demand for services in sampling and inspecting 110 rail car shuttle trains with a 12-15 hour completion requirement.

Seed Potato acreage enrolled in the Certified Seed Potato Program has fluctuated over the last five years. Acreage enrolled has gone from a high of 14,712 acres in 1998, to a low of only 9,030 acres in 2001. Current acreage is 10,135 acres.

Key Measures

Performance measures used to evaluate effectiveness are:

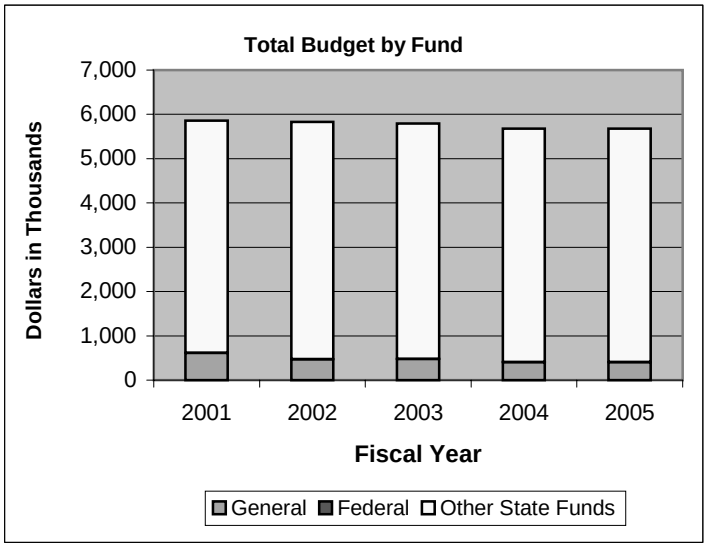
- Fruit and Vegetable Inspection provides inspection services within six hours of request or on-line as requested at processing facilities.
- Grain Inspection provides services within six hours of customer request.

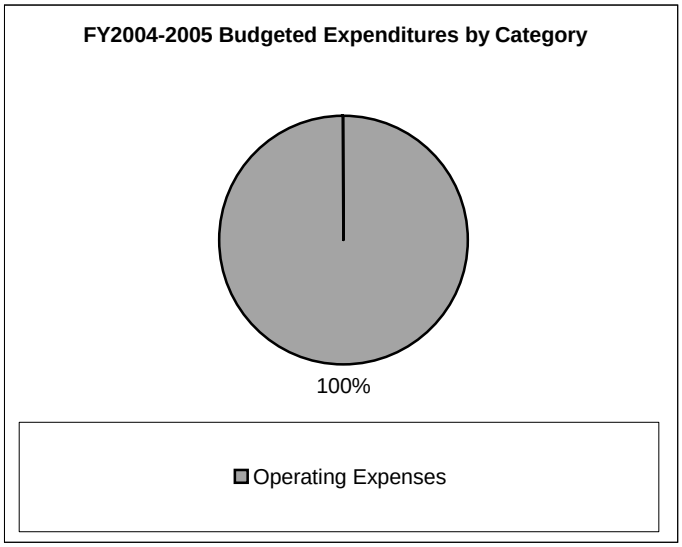
Contact

For additional information on this activity, please contact Dale Heimermann, Division Director, at (612) 341-7190 or Dale.Heimermann@state.mn.us

AGRICULTURE DEPT
Program: PROTECTION SERVICES
Activity: GRAIN & PRODUCE INSPECTION

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	614	467	477	408	408	816
Statutory Appropriations						
Agriculture Fund	5,243	5,362	5,314	5,270	5,270	10,540
Total	**5,857**	**5,829**	**5,791**	**5,678**	**5,678**	**11,356**
Expenditures by Category						
Operating Expenses	5,857	5,829	5,791	5,678	5,678	11,356
Total	**5,857**	**5,829**	**5,791**	**5,678**	**5,678**	**11,356**
Revenue by Type and Fund						
Dedicated						
Agriculture Fund	5,221	5,301	5,288	5,288	5,288	10,576
Subtotal Dedicated	5,221	5,301	5,288	5,288	5,288	10,576
Total Revenue	5,221	5,301	5,288	5,288	5,288	10,576
Full-Time Equivalents (FTE)	**82.4**	**82.5**	**81.8**	**81.0**	**81.0**	

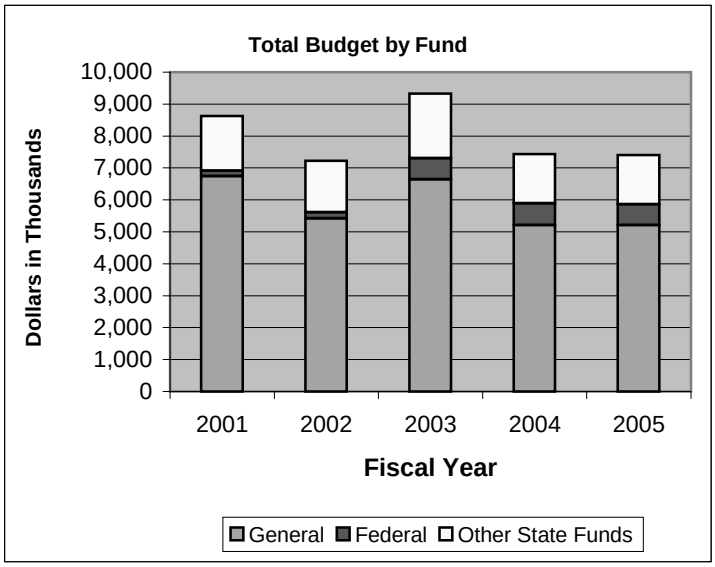
Program Description

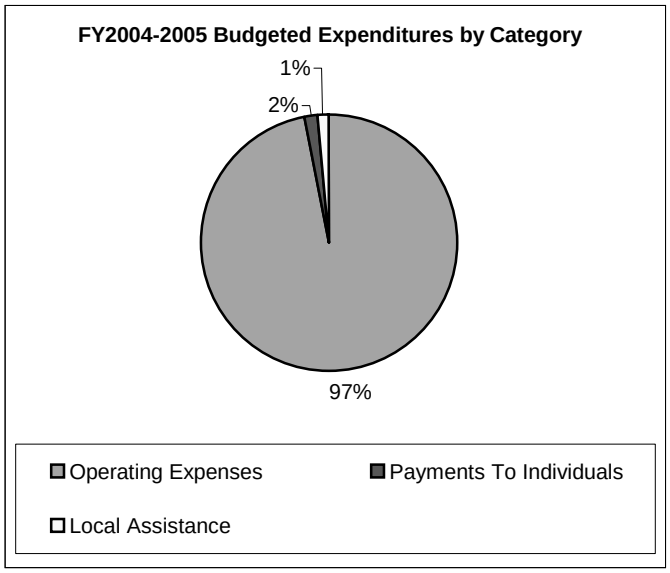
The purpose of the Ag Marketing and Development Program is to bolster our agricultural sector's economic and environmental health by providing quality marketing services, technical resources, and economic stimulus.

Budget Activities Included:

⇒ Ag Marketing Services

⇒ Resources Management and Development





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
Environment & Natural Resource	225	120	189	0	0	0
General	6,739	5,417	6,644	5,209	5,209	10,418
Minnesota Resources	11	48	138	0	0	0
Statutory Appropriations						
Special Revenue	198	184	277	270	270	540
Agriculture Fund	1,248	1,181	1,356	1,274	1,274	2,548
Federal	174	197	659	680	656	1,336
Gift	29	75	65	0	0	0
Total	**8,624**	**7,222**	**9,328**	**7,433**	**7,409**	**14,842**

Expenditures by Category						
Operating Expenses	7,858	6,675	8,442	7,198	7,182	14,380
Capital Outlay & Real Property	29	0	0	0	0	0
Payments To Individuals	0	36	285	137	137	274
Local Assistance	737	511	601	98	90	188
Total	**8,624**	**7,222**	**9,328**	**7,433**	**7,409**	**14,842**

Expenditures by Activity						
Ag Marketing Services	4,081	4,145	5,301	4,436	4,442	8,878
Resources Mgmt & Development	4,307	2,909	3,700	2,997	2,967	5,964
Agri Resources Management	236	168	327	0	0	0
Total	**8,624**	**7,222**	**9,328**	**7,433**	**7,409**	**14,842**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	2	203	202	202	202	404
Minnesota Resources	1	0	0	0	0	0
Cambridge Deposit Fund	120	0	0	0	0	0
Subtotal Non Dedicated	123	203	202	202	202	404
Dedicated						
Special Revenue	117	176	195	233	233	466
Agriculture Fund	1,058	1,207	1,225	1,231	1,231	2,462
Federal	154	71	1,124	1,201	1,177	2,378
Gift	87	29	7	0	0	0
Subtotal Dedicated	1,416	1,483	2,551	2,665	2,641	5,306
Total Revenue	**1,539**	**1,686**	**2,753**	**2,867**	**2,843**	**5,710**
Full-Time Equivalents (FTE)	**78.4**	**80.3**	**85.8**	**82.0**	**81.5**	

Activity Description

Agricultural Marketing Services (AMS) assists in the orderly marketing of Minnesota's agricultural commodities and products; promotes Minnesota agricultural products in domestic and international markets; furnishes information and economic analyses related to marketing opportunities; provides promotional, informational and other marketing services for agricultural producers, processors, consumers, and others involved in the marketing process; and protects producers through programs related to the licensing, bonding, and certification in the sale and storage of agricultural products.

Included in AMS is the State Meat Inspection program which provides on-site inspection services at processing plants to the meat and poultry industry.

Activity at a Glance

This activity has three major functions:

- Help producers and agribusinesses add value to agricultural products by helping them find and capitalize on marketing opportunities.
- Protect producers of agricultural products by licensing, bonding, and auditing of persons and companies that buy grain, livestock and wholesale produce; registering and inspecting honeybee colonies; and accurately weighing of livestock.
- Provides State Meat Inspection program services, which allows producers and processors to direct market their product within the state of Minnesota.

Population Served

AMS serves grain, livestock, vegetable, fruit, poultry, dairy producers, agri-businesses, manufacturers, processors, distributors, retailers, and exporters by protecting and promoting Minnesota agriculture. Consumers and end users benefit from the introduction and promotion of Minnesota agricultural products.

Currently the Meat Inspection Program has 60 processing plants under inspection. These processing plants plus the meat and poultry processors and livestock producers in Minnesota benefit from this program.

Services Provided

AMS helps diversify agriculture in Minnesota by promoting:

- Minnesota-Certified and Identity-Preserved Products, so producers can maximize their profits by differentiating what they produce from commonly produced commodity products.
- Risk Management and Dairy Options Pilot Program, so producers can protect themselves from market volatility.
- Dairy and Livestock development, so the state can maintain productivity in animal agriculture and maintain a diverse agricultural economy.
- Renewable fuel production and use, so Minnesota grain can help reduce air pollution and dependence on imported fossil fuels.
- Farmers markets, so producers can maximize their profits in the sale of fresh farm produce.
- Minnesota-Grown labeled products, so consumers can buy produce 2,000 miles fresher.

AMS protects producers by licensing, bonding, inspecting, and auditing:

- grain buyers and grain storage elevators;
- livestock dealers, markets and agents; and
- wholesale produce dealers.

AMS serves beekeepers by inspecting bee colonies to allow interstate shipment and bee colony inspections that track the health of Minnesota's honeybee population.

AMS helps commodity growers by overseeing the operations of the state's 12 commodity promotion and research councils.

The State Meat Inspection program provides on-site inspections during processing to 60 small- to medium-sized processing facilities. This program allows product to be sold at wholesale and retail in the state of Minnesota.

Historical Perspective

As farmers' productivity has outpaced Minnesota's population, the need for effective marketing and adding value has also increased. The globalization and consolidation of agriculture means that family farmers and local agri-businesses need help to sell their quality products locally, nationally, and internationally, and prosper in a changing economy. We help Minnesota consumers and producers connect locally through the Minnesota Grown program and connect Minnesota producers and agri-businesses with the world through trade missions and international cooperation. Licensing, bonding, and auditing programs are more important than ever when sellers and buyers are no longer neighbors but strangers. Producers in a changing landscape receive education on their rights under Minnesota and federal law, and Minnesota Certified Farm Risk Management Consultants help producers make fully informed business decisions.

In January 1999, the State Meat Inspection program started with one processing plant. That plant produced 100 pounds of inspected product during that first month. The 60 plants presently operating under state inspection produce more than 500,000 of product each month and slaughter more than 2,000 head of livestock. This creates more than $40 million in of meat sales per year.

Key Measures

Performance measures used to evaluate effectiveness are:

⇒ Ensure the orderly marketing of agricultural products through the licensing, bonding, and auditing of grain elevators, grain buyers, wholesale produce dealers, and livestock dealers.

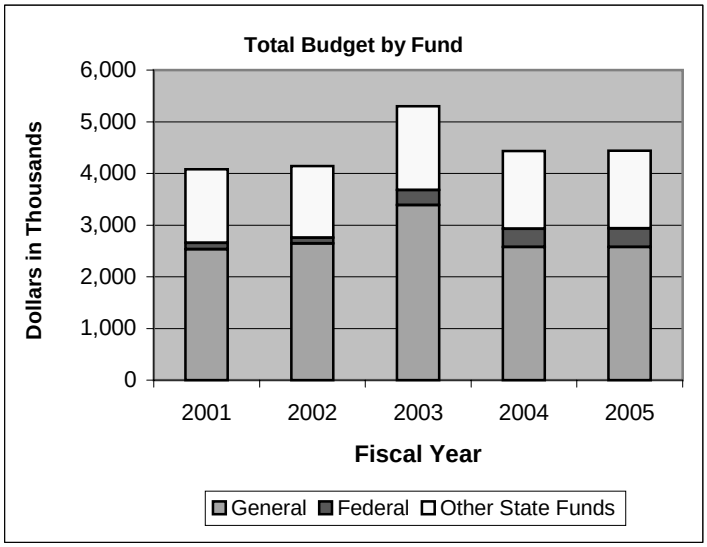
⇒ New or expanding domestic and international markets are identified, analyzed, and developed.

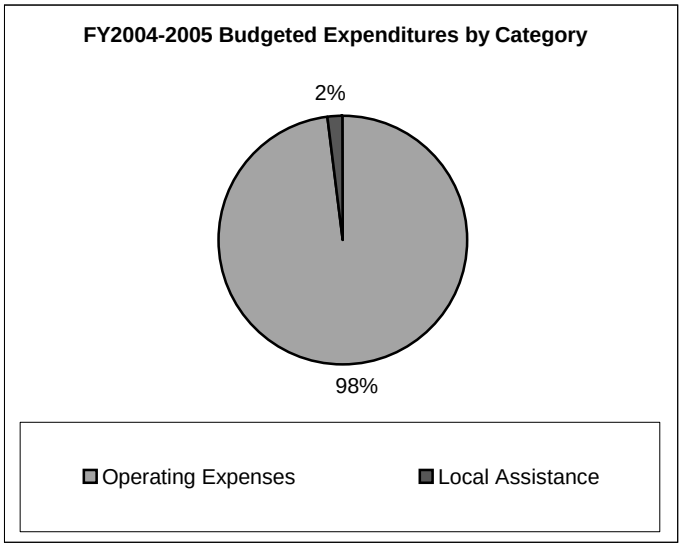
⇒ Verify the wholesomeness of product processed under Minnesota State Meat Inspection program to ensure it meets and/or exceeds U.S. Department of Agriculture standards for meat processed for sale and sold wholesale.

Contact

For additional information on this activity, please contact Kurt Markham, Division Director, at (651) 296-6382 or Kurt.Markham@state.mn.us

Minnesota Grown Directory www.mda.state.mn.us/mngrown/directory
MinnCert Program – www.mda.state.mn.us/minncert
Minnesota Dairy L - www.mda.state.mn.us/dairyl
Ag in the Classroom - www.mda.state.mn.us/maitc
Apiary information - www.mda.state.mn.us/apiary
Grain Elevator & Buyer licensing fact sheet - www.mda.state.mn.us/grain/grainfaq
Wholesale Produce Dealer licensing information- www.mda.state.mn.us/wholedeal





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,531	2,642	3,386	2,577	2,577	5,154
Statutory Appropriations						
Special Revenue	150	131	233	233	233	466
Agriculture Fund	1,248	1,181	1,356	1,274	1,274	2,548
Federal	123	116	294	352	358	710
Gift	29	75	32	0	0	0
Total	**4,081**	**4,145**	**5,301**	**4,436**	**4,442**	**8,878**
Expenditures by Category						
Operating Expenses	3,822	3,915	5,074	4,340	4,354	8,694
Local Assistance	259	230	227	96	88	184
Total	**4,081**	**4,145**	**5,301**	**4,436**	**4,442**	**8,878**
Revenue by Type and Fund						
Non Dedicated						
General	0	203	202	202	202	404
Minnesota Resources	1	0	0	0	0	0
Cambridge Deposit Fund	120	0	0	0	0	0
Subtotal Non Dedicated	121	203	202	202	202	404
Dedicated						
Special Revenue	103	156	190	233	233	466
Agriculture Fund	1,058	1,207	1,225	1,231	1,231	2,462
Federal	15	23	816	873	879	1,752
Gift	87	3	0	0	0	0
Subtotal Dedicated	1,263	1,389	2,231	2,337	2,343	4,680
Total Revenue	**1,384**	**1,592**	**2,433**	**2,539**	**2,545**	**5,084**
Full-Time Equivalents (FTE)	**43.4**	**46.5**	**53.5**	**51.7**	**51.2**	

Activity Description

Resources Management and Development supports the development of an agricultural industry that is profitable and environmentally sound by assisting producers with resource management and protection, conducting on-farm research, developing and transferring information and technology; and providing pest management and diversification options.

Population Served

Resources Management and Development primarily serves producers, and indirectly serves agricultural professionals, processors, suppliers and the general public. We work closely with researchers, local governments and state, local and federal environmental or developmental agencies to develop partnerships to address issues or opportunities.

Activity at a Glance

- Respond to producer and stakeholder information needs regarding environmental compliance, pest management, organic certification, and other issues.
- Administer a $52 million Ag BMP Loan Program.
- Enter into research partnerships to evaluate feasibility, cost and environment benefit of practices or technologies.
- Disseminate weekly pest field data directly to all growers and agricultural professionals.
- With partners, maintain and harvest 1,600 insectaries for leafy spurge control agents.
- Provide planning assistance to local units of government on land use planning and agricultural development.

Services Provided

Services include the following:

⇒ Reach out and inform producers and other stakeholders about new production methods, techniques, and options through forums, conferences, publications, and web sites.

⇒ Organize research and development partnerships with producers, researchers and others to address environmental protection measures, overcome production barriers and create opportunities.

⇒ Provide financial and technical assistance to producers to make investments in environmental protection.

⇒ Sponsor on-farm demonstrations and pilot projects to evaluate and transfer information and technology.

⇒ Identify pest infestations and provide biological control and integrated pest management (IPM) strategies.

⇒ Assist local governments and producers with rural planning and land management.

⇒ Provide information to producers on diversification options, including participation in value-added organizations.

Historical Perspective

The Resources Management and Development division administers or supports several state laws that affect resources management and development. These include the:

- Environmental Policy Act (environmental review);
- Agricultural Land Preservation and Conservation;
- Sustainable Agriculture and Integrated Pest Management (including biological control);
- Agricultural Diversification;
- Feedlot and Manure Management Advisory Committee;
- Agricultural Best Management Practices (BMP) Loan Program; and
- Organic Production and Certification.

Some trends affecting the division's clientele and mission include:

- state and federal environmental policy on feedlots, non-point source pollution, pesticide use, and conservation;
- growing opportunities for new industrial and commercial uses of agricultural products, such as energy;
- growing consumer demand for organic, natural, and eco-labeled food products;
- demand from small and medium-sized producers for sound diversification options with which to integrate operations, including participation in value-added organizations;
- ongoing decline in Minnesota's livestock production, particularly in dairy;
- loss of agriculturally related businesses in rural Minnesota;

- rising consumer expectations about environmental and food quality, and
- globalization of agriculture and the resulting need to be cost competitive.

Key Measures

Performance measures used to evaluate effectiveness are:

⇒ Conduct up to 50 site-specific demonstration projects to evaluate the feasibility of on-farm implementation of practices or technology on production, environmental protection, or pest management.

⇒ Fund about 2,000 agricultural practices that protect or enhance water quality while keeping producers economically viable, such as feedlot upgrades, conservation tillage, or structural erosion control.

⇒ Publish weekly pest reports during the growing season to inform growers of pest infestations with economic significance so that they can implement effective and environmentally sound control measures.

Contact

For information regarding the division's overall mission and programs, agricultural development issues, and assistance to cooperatives, please contact Gerald F. Heil, Division Director at (651) 296-1486 or Gerald.Heil@state.mn.us

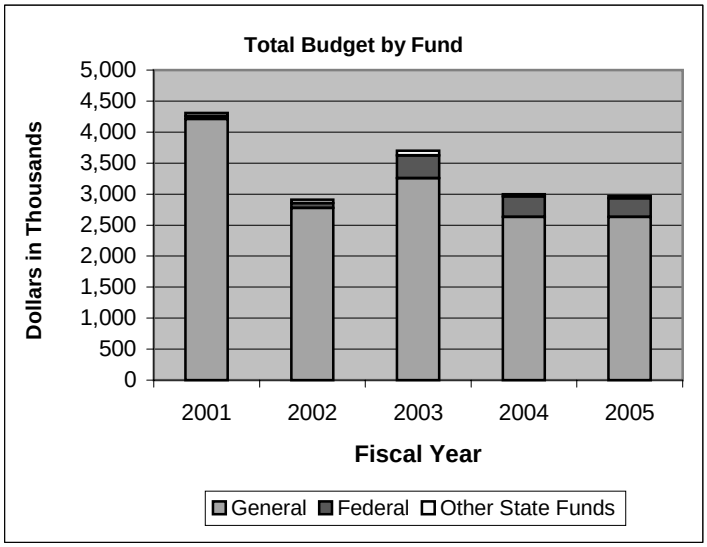
For information regarding information on Ag BMP loans, environmental review, agricultural land preservation, and animal agricultural issues, please contact Paul Burns, Assistant Director at (651) 296-1488 or Paul.Burns@state.mn.us

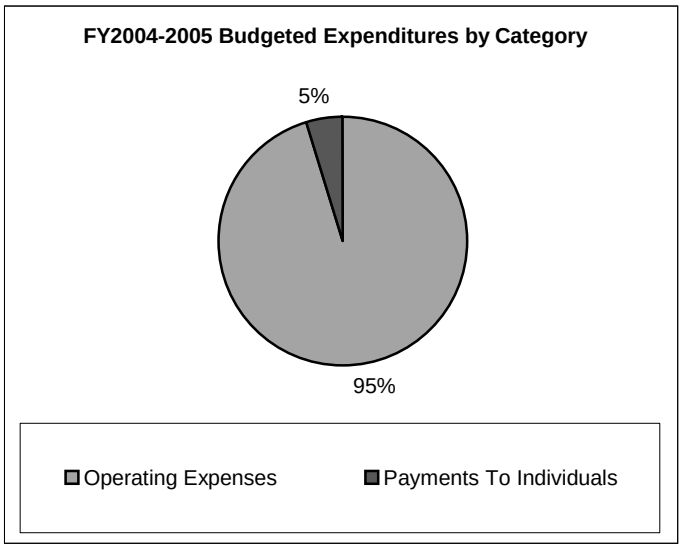
For information regarding information on sustainable agriculture, integrated pest management, pest surveys and organic programs, please contact Mary Hanks, supervisor, Sustainable Agriculture, IPM, and Biological Control at (651) 296-1277 or Mary.Hanks@state.mn.us

Division Web Site: www.mda.state.mn.us/agdev

AGRICULTURE DEPT
Program: AG MARKETING AND DEVELOPMENT
Activity: RESOURCES MGMT & DEVELOPMENT

Fiscal Report





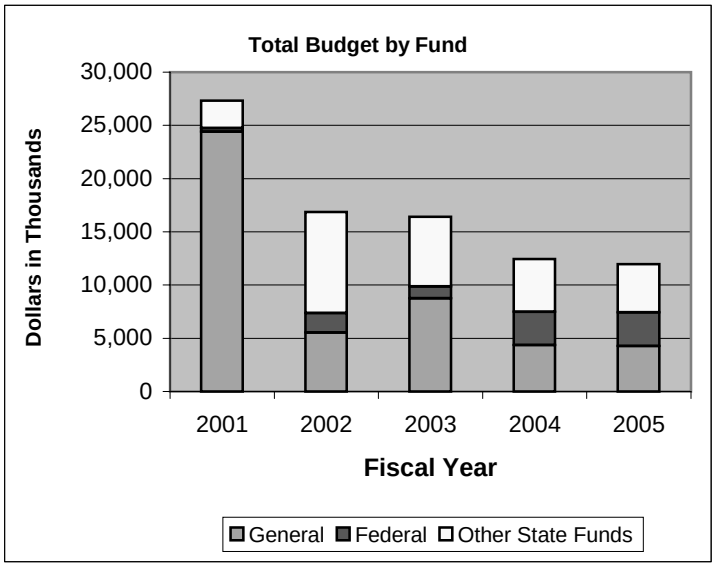
Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	4,208	2,775	3,258	2,632	2,632	5,264
Statutory Appropriations						
Special Revenue	48	53	44	37	37	74
Federal	51	81	365	328	298	626
Gift	0	0	33	0	0	0
Total	**4,307**	**2,909**	**3,700**	**2,997**	**2,967**	**5,964**
Expenditures by Category						
Operating Expenses	3,962	2,618	3,194	2,858	2,828	5,686
Capital Outlay & Real Property	29	0	0	0	0	0
Payments To Individuals	0	36	285	137	137	274
Local Assistance	316	255	221	2	2	4
Total	**4,307**	**2,909**	**3,700**	**2,997**	**2,967**	**5,964**
Revenue by Type and Fund						
Non Dedicated						
General	2	0	0	0	0	0
Subtotal Non Dedicated	2	0	0	0	0	0
Dedicated						
Special Revenue	14	20	5	0	0	0
Federal	139	48	308	328	298	626
Gift	0	26	7	0	0	0
Subtotal Dedicated	153	94	320	328	298	626
Total Revenue	**155**	**94**	**320**	**328**	**298**	**626**
Full-Time Equivalents (FTE)	**34.2**	**32.4**	**31.9**	**29.9**	**29.9**	

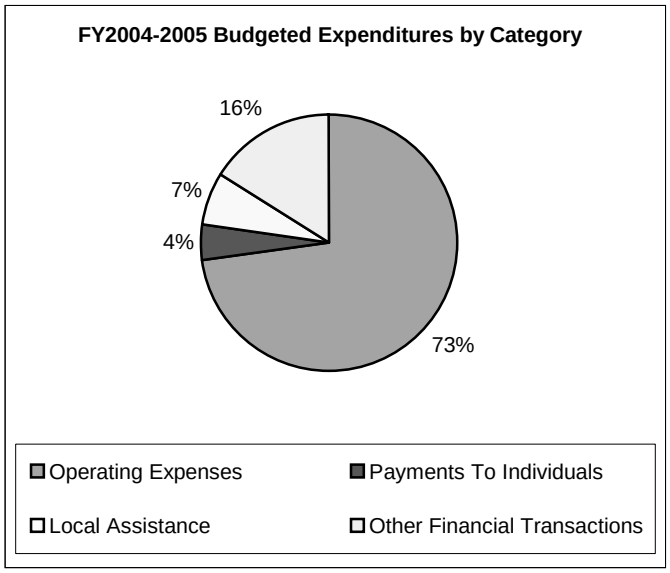
Program Description

The purpose of the Administration and Financial Assistance Program is to provide leadership and direction to the functions of the agency, and to provide Minnesota agriculture with financial assistance.

Budget Activities Included:

⇒ Grants and Claims
⇒ Rural Financing
⇒ Administrative Services





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Carry Forward						
General	0	0	0	66	0	66
Direct Appropriations						
General	24,404	5,540	8,745	4,281	4,281	8,562
Statutory Appropriations						
Public Facilities Authority	0	6,208	2,555	1,240	1,077	2,317
Special Revenue	2,578	2,736	3,012	2,961	2,978	5,939
Agriculture Fund	5	518	505	505	195	700
Federal	329	1,813	1,102	3,131	3,131	6,262
Rural Finance Administration	0	0	411	250	300	550
Miscellaneous Agency	0	0	2	2	2	4
Gift	0	45	68	3	0	3
Total	**27,316**	**16,860**	**16,400**	**12,439**	**11,964**	**24,403**
Expenditures by Category						
Operating Expenses	24,435	6,645	10,059	8,847	8,880	17,727
Capital Outlay & Real Property	0	0	2	2	0	2
Payments To Individuals	479	621	405	552	536	1,088
Local Assistance	2,031	2,659	2,273	857	791	1,648
Other Financial Transactions	371	6,935	3,661	2,181	1,757	3,938
Total	**27,316**	**16,860**	**16,400**	**12,439**	**11,964**	**24,403**
Expenditures by Activity						
Grants And Claims	20,180	3,830	6,166	1,691	1,688	3,379
Rural Financing	950	7,476	4,271	2,653	2,169	4,822
Administrative Services	6,186	5,554	5,963	8,095	8,107	16,202
Total	**27,316**	**16,860**	**16,400**	**12,439**	**11,964**	**24,403**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	1,637	1,629	796	541	378	919
Cambridge Deposit Fund	27	0	0	0	0	0
Subtotal Non Dedicated	1,664	1,629	796	541	378	919
Dedicated						
Public Facilities Authority	0	38	1,401	1,526	1,663	3,189
Special Revenue	3,104	2,934	2,816	2,891	2,920	5,811
Agriculture Fund	27	26	64	39	10	49
Federal	332	2,537	371	3,129	3,131	6,260
Rural Finance Administration	9,389	13,831	10,838	12,522	14,557	27,079
Miscellaneous Agency	-2	0	2	2	2	4
Gift	66	8	31	0	0	0
Subtotal Dedicated	12,916	19,374	15,523	20,109	22,283	42,392
Total Revenue	**14,580**	**21,003**	**16,319**	**20,650**	**22,661**	**43,311**
Full-Time Equivalents (FTE)	**72.6**	**70.3**	**70.9**	**68.3**	**68.3**	

Activity Description

Farm Advocates provide one-on-one assistance for Minnesota farmers who face crisis due to a natural disaster or financial problems. Farm Advocates understand the needs of agricultural families. They are trained and experienced to deal with agricultural lending practices, mediation, lender negotiation, farm programs, crisis counseling and disaster programs, and to recognize the need for legal and social services.

Farmers' Market Nutrition Programs (FMNP) promote farmers' markets and improve the diets of low-income children, pregnant women, and seniors. The program aims to increase direct sales of locally grown produce and encourage consumption of fresh produce among low-income and nutritionally at-risk people.

The Dairy Development Profitability and Enhancement program is a grant program to assist dairy producers in the enhancement of their operations. This is accomplished through grants to dairy producers across the state in collaboration with local representatives of the University of Minnesota (U of M), Minnesota State Colleges and Universities (MnSCU), and industry. There are currently seven regional teams involved in assisting producers including Sustainable Farming Association.

Activity at a Glance

Farm Advocates Program

- Offer one-on-one assistance to farmers
- Offer expertise and referral services to farmers facing adversity due to a natural disaster or financial programs.
- Assisted 366 families in FY 2002

Farmers Market Nutritional Programs

- Number of authorized farmers' market vendors: 335
- Number of FMNP-WIC recipients: 42,000
- Number of FMNP senior recipients: 2,765

Dairy Development Profitability and Enhancement Program

- 1,200 farms served to date
- Teams consistently produce a four to one return on grant funds
- 49 business planning grants closed in FY 2002

Population Served

Farm Advocates assist farmers who are entering negotiations with a lender, liquidating assets of the farming operation, seeking financial assistance, and/or are receiving an adverse decision from a state or federal agency.

Farmers' Market Nutrition Program helps program vendors (farmers who sell at local farmers' markets) and program recipients (low-income, nutritionally at-risk pregnant or post partum women, children under the age of five, and low-income seniors).

Dairy Development Profitability and Enhancement program provides assistance to dairy producers of Minnesota who wish to improve their management skills and their operations through a grant program funding local teams. Local teams are composed of U of M Extension and MnSCU employees as well as local veterinarians, feed nutritionists and financial lenders. Through this cooperative effort producers have been able to eliminate bottlenecks on their operations and accomplish business and family goals.

Services Provided

Key farm advocate services include: financial planning; lender negotiations; farm program advice; referrals for legal services; and referrals for Social and Human Services.

FMNP issues checks to FMNP-WIC recipients through the local WIC (Women, Infant and Children) agencies that can only be redeemed at authorized farmers' markets for locally grown, fresh, unprocessed fruits and vegetables. Seniors receive checks from the agencies that distribute NAPS (Nutrition Assistance Program for Seniors) commodities. The department authorizes markets and vendors to accept the checks and investigates to ensure that vendors comply with program requirements and redeem checks only for eligible items.

The Dairy Development Profitability and Enhancement program has two facets: Dairy Enhancement Team Grants and Dairy Business Planning Grants.

The Dairy Development Profitability and Enhancement Teams work one-on-one with producers to help them achieve greater profitability, productivity, and efficiency. This grant is available to all dairy producers, but the program prioritizes small to medium-sized producers.

The Dairy Business Planning Grant provides a 50% cost share, up to $5,000 per producer, of the cost of completing a business plan. Options explored by these producers have included on-farm processing, expansion, transferring the farm to the next generation, and environmental upgrades.

Historical Perspective

The Farm Advocate program was founded in the mid-1980s.

Minnesota has had state funded FMNP since FY 1989 and has received federal funds since federal FY 1994. The senior FMNP started in Minnesota in federal FY 2001, the first year federal funds were available.

The Dairy Diagnostic program was established in 1996 to address low profitability on dairy farms. During the 2001 legislative session, funding was increased and the Dairy Business Planning Grants were added.

Key Measures

Performance measures used to evaluate effectiveness are:

Farm Advocate

⇒ Four hundred farm families will be served annually by 15 Farm Advocates.

Farmers' Market Nutrition Programs

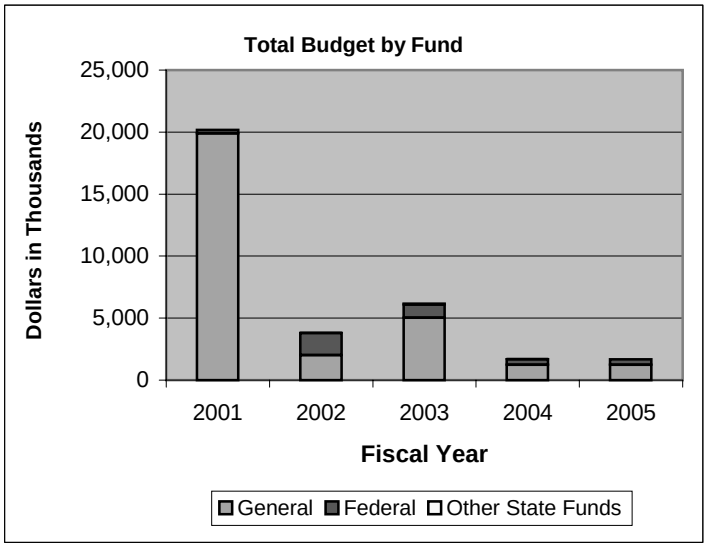
⇒ Fifty percent of all first time check recipients who spend FMNP checks will be new market customers.

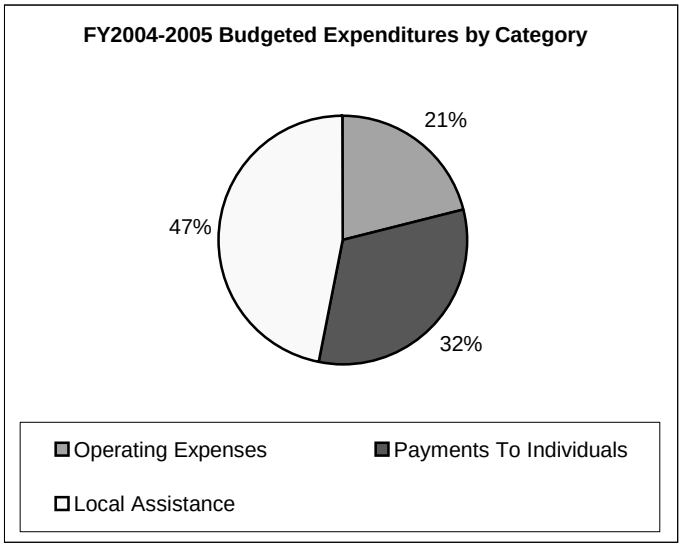
Dairy Profitability

⇒ A minimum of 350 producers served annually by a Dairy Profitability and Enhancement Team.

Contact

For additional information on:
Farm Advocate-Jim Boerboom, Assistant Commissioner at (651) 297-3395 or Jim.Boerboom@state.mn.us
Farmers' Markets Nutrition Programs-Carol Milligan at (651) 296-6906 or Carol.Milligan@state.mn.us
Dairy Development Profitability and Enhancement-David Weinand at (651) 215-3946 or David.Weinand@state.mn.us





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	19,881	2,010	5,020	1,246	1,246	2,492
Statutory Appropriations						
Federal	299	1,775	1,078	442	442	884
Gift	0	45	68	3	0	3
Total	**20,180**	**3,830**	**6,166**	**1,691**	**1,688**	**3,379**
Expenditures by Category						
Operating Expenses	17,720	589	3,540	348	361	709
Payments To Individuals	479	621	405	552	536	1,088
Local Assistance	1,981	2,620	2,221	791	791	1,582
Total	**20,180**	**3,830**	**6,166**	**1,691**	**1,688**	**3,379**
Revenue by Type and Fund						
Dedicated						
Federal	0	1,949	0	0	0	0
Gift	14	1	31	0	0	0
Subtotal Dedicated	14	1,950	31	0	0	0
Total Revenue	14	1,950	31	0	0	0
Full-Time Equivalents (FTE)	**3.6**	**2.1**	**2.1**	**2.1**	**2.1**	

Activity Description

The Agricultural Finance division administers programs designed to enhance Minnesota's agricultural production and processing capacity, provide opportunities for renewable energy, and protect the environment.

The Rural Finance Authority (RFA), a separate public body created under M.S. Chapter 41B and authorized to utilize state bonds to develop the state's agricultural resources, is included in this activity.

Activity at a Glance

- 2,132 farmers assisted through RFA
- $96.2 million RFA real estate participations closed
- 419 RFA financial service centers available
- 3,073 legal entities certified under Corporate Farm Law guidelines
- 4,293 practices implemented through AgBMP
- 305 sustainable ag practices financed

Population Served

Eligible farmers who wish to purchase a farm, construct improvements on their farm, participate in value added activities, reduce production costs or protect the environment; and rural land owners with septic system needs.

Services Provided

Four primary activities are administered by the Ag Finance division. They include:

- Rural Finance Authority;
- Sustainable Agriculture Loan Program, jointly with Ag Development division;
- Agricultural Best Management Loan Program, jointly with Ag Development division; and
- Minnesota Corporate Farm Law.

The RFA may purchase a participation interest in a financial institution's agricultural loan when the loan is made to an eligible farmer for an eligible purpose, such as purchasing a farm or constructing new production buildings. A 45% interest in the loan may be purchased; up to $125,000 under the Basic, Seller Assisted, and Ag Improvement programs; $150,000 under Restructure II; and $250,000 under Livestock Expansion. The loan must be secured by a first real estate mortgage. The RFA participation is structured on a reduced interest rate that is fixed for up to 10 years to improve the farmer's cash flow and reduce risk. The RFA has signed participation agreements that establish a partnership with over 400 qualified lenders. Currently, the RFA manages a loan portfolio of more than $53.6 million, serving 1,180 farmers. A loan loss reserve greater than 1% of outstanding loan balances is maintained to preserve the financial strength of the state's investment.

The Agricultural Development Bond (Aggie Bond) Program creates a federal tax exemption for banks, and a federal and state tax exemption on interest income to an individual seller in exchange for offering below-market interest rates to the buyer. No state funds go into these loans.

In 1988, the Minnesota Legislature established the Shared Savings Loan Program within the Sustainable Agriculture statutes. The loan program is supported by a $1 million revolving fund, and is designed to accomplish two goals. First, to demonstrate and publicize agricultural practices that are energy efficient, protect the environment, and lower production costs. Second, the program provides low-interest loans to farmers as an incentive to adopt such practices.

The Agricultural Best Management Program (AgBMP) was created by the 1994 State Legislature to provide low interest financing to farmers, agribusinesses, and rural landowners for the implementation of agricultural best-management practices that reduce or mitigate non-point source pollution. The program assists an eligible borrower through low-interest (3%) loans to purchase conservation tillage, seal abandoned wells, install agricultural waste facilities, erosion control systems, and septic systems.

The division also enforces and facilitates compliance with the Corporate and Alien Farm laws. The law's stated purpose is to protect the family farm as a basic economic unit and promote the stability and well being of rural society by ensuring that non-farm corporations and foreign entities do not own farm land or engage in production agriculture. The Corporate Farm Law (M.S. 500.24) was recodified in 1997 and amended substantially in 2000.

Historical Perspective

The Rural Finance Authority was established in 1986 to administer a program under which state bonds are issued to develop the state's agricultural resources. The initial program was designed to help lenders and borrowers restructure farm real estate loans that had become undersecured. In response to identified financing needs for agriculture, additional programs were initiated. They included the Basic Farm Loan (1987) and Seller-Assisted (1989) to help finance beginning and low-equity farmers to purchase farm real estate, Agricultural Improvement (1992) for existing farmers that needed to make improvements to their property, Restructure II for existing farmers who were in good standing with their local lender but having cash flow problems due to an imbalance in their debt structure, and Livestock Expansion (1994) to create affordable financing for new, state-of-the-art improvements for livestock production; the Value-Added "Stock" Loan Program (1994) and the Methane Digester Loan Program (2002).

Key Measures

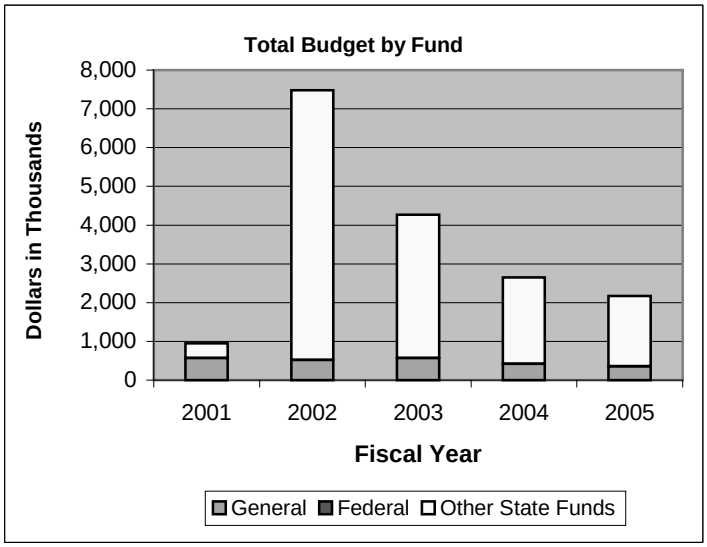
Performance measures used to evaluate effectiveness are:

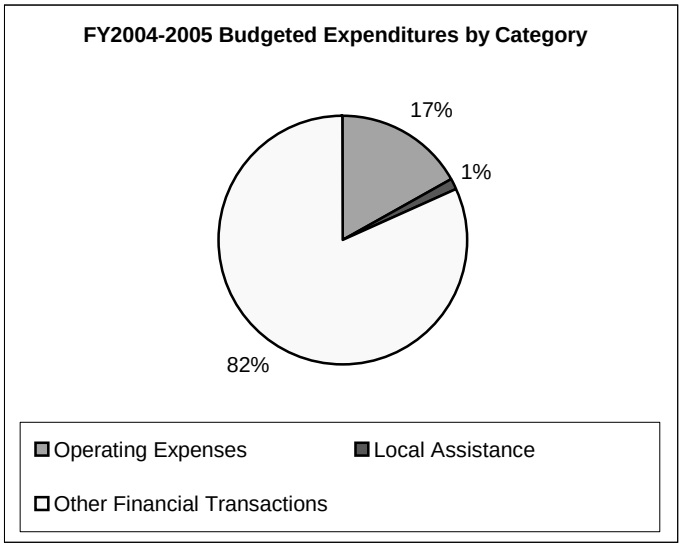
⇒ To direct more than 60% of the RFA loan participation to Basic, Seller-Assisted, and Agricultural Improvement loan programs.

⇒ To underwrite credits that show capital, liquidity, and debt service capacity comparable to industry standards.

Contact

For additional information on this activity, please contact Wayne Marzolf at (651) 296-1748 or Wayne.Marzolf@state.mn.us





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Carry Forward						
General	0	0	0	66	0	66
Direct Appropriations						
General	566	523	571	356	356	712
Statutory Appropriations						
Public Facilities Authority	0	6,208	2,555	1,240	1,077	2,317
Special Revenue	384	245	232	239	244	483
Agriculture Fund	0	500	500	500	190	690
Rural Finance Administration	0	0	411	250	300	550
Miscellaneous Agency	0	0	2	2	2	4
Total	**950**	**7,476**	**4,271**	**2,653**	**2,169**	**4,822**

Expenditures by Category						
Operating Expenses	529	502	556	404	412	816
Capital Outlay & Real Property	0	0	2	2	0	2
Local Assistance	50	39	52	66	0	66
Other Financial Transactions	371	6,935	3,661	2,181	1,757	3,938
Total	**950**	**7,476**	**4,271**	**2,653**	**2,169**	**4,822**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	1,631	1,629	796	541	378	919
Cambridge Deposit Fund	27	0	0	0	0	0
Subtotal Non Dedicated	1,658	1,629	796	541	378	919
Dedicated						
Public Facilities Authority	0	38	1,401	1,526	1,663	3,189
Special Revenue	630	559	272	272	270	542
Agriculture Fund	0	0	62	37	8	45
Rural Finance Administration	9,389	13,831	10,838	12,522	14,557	27,079
Miscellaneous Agency	-2	0	2	2	2	4
Subtotal Dedicated	10,017	14,428	12,575	14,359	16,500	30,859
Total Revenue	**11,675**	**16,057**	**13,371**	**14,900**	**16,878**	**31,778**
Full-Time Equivalents (FTE)	**6.4**	**6.6**	**6.6**	**5.0**	**5.0**	

Activity Description

Administrative Services provides the leadership to the Minnesota Department of Agriculture (MDA) and its employees, and outreach to the agriculture industry and Minnesota consumers. It also provides department-wide support in the areas of Human Resources, Finance and Budget, and Information Services by assisting divisions in providing efficient and effective programs.

M.S. 17 provides the statutory authority for the commissioner of MDA.

Minnesota's agriculture industry is the 6th largest in the nation.

Population Served

In addition to supplying essential assistance to MDA employees and programs, Administrative Services also works with the legislature, producers and processors in the agricultural industry, citizens of Minnesota, and partner-state and federal agencies.

Activity at a Glance

- Commissioner's Office oversees and directs the activity of the 10 divisions in MDA
- Human Resources and Diversity assist over 500 employees with personnel matters
- Finance and Budget works to build and manage an $83 million annual budget
- Information Services provides, maintains and updates MDA's hardware, software and network computer assets
- Agricultural Statistics is a state/federal partnership that collects, correlates, and analyzes agricultural data
- MDA has 317 employees located in the Minneapolis/St. Paul metro area, and 220 employees located throughout Minnesota in the areas they serve

Services Provided

Services are provided through the:

⇒ Commissioner's Office—provides leadership for the department, sets policy, and interacts with our stakeholders—federal, state, local, and international.

⇒ Human Resources –provides employee safety and health program, labor relations program, training program, and diversity program in order to maintain a flexible and diverse workforce that can meet the needs of a changing and demanding workplace.

⇒ Finance and Budget—provides centralized accounting, payroll, budgeting, mail, and copying services to the employees of MDA.

⇒ Information Services—provides services to all divisions for computer systems analysis, technical support, programming, project management, web design, graphic arts, and centralized licensing service and prepares for future technology needs.

⇒ Agricultural Statistics—a joint federal/state division that collects, analyzes, and disseminates statistical information useful to not only agricultural producers and processors, but also to economists.

Historical Perspective

During this administration, there have been many existing and new executive challenges and opportunities. Farm production and the economy continue to face formidable challenges; food safety and agriculture security requirements at the highest level in recent history; department's budget and human resources have been obligated to respond to numerous critical situations (i.e. budget reductions, state government shutdown, union strike, etc.).

In six short years, the department has made significant advances to align business needs with technology support, moving from a fragmented information technology infrastructure to a highly integrated system providing improved support/services to our employees, customers, and Minnesota citizens. The department has a proven track record of successfully managing and completing complex information technology projects on time and within budget.

Key Measures

Performance measures used to evaluate effectiveness are:

⇒ MDA will partner with other state departments of agriculture to increase our presence at the national level to insure Minnesota's agriculture is represented and heard.

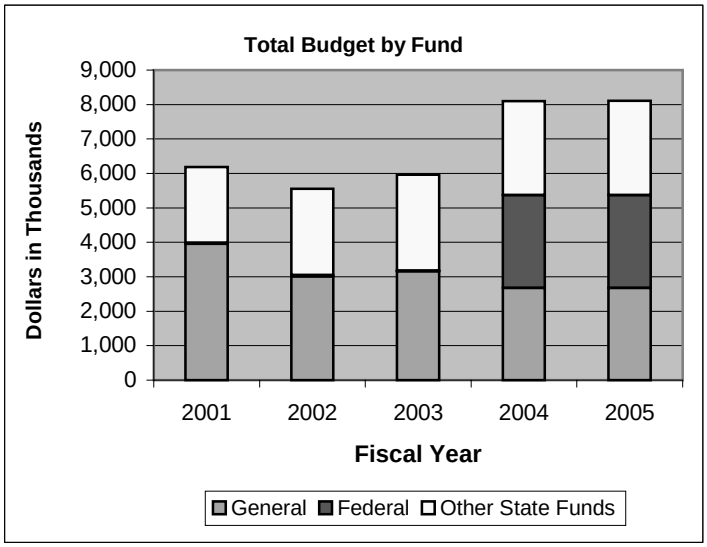
⇒ MDA is designing and completing technology projects that will insure that the projects goals are defined by business practices. Our projects will be completed on time and within budget.

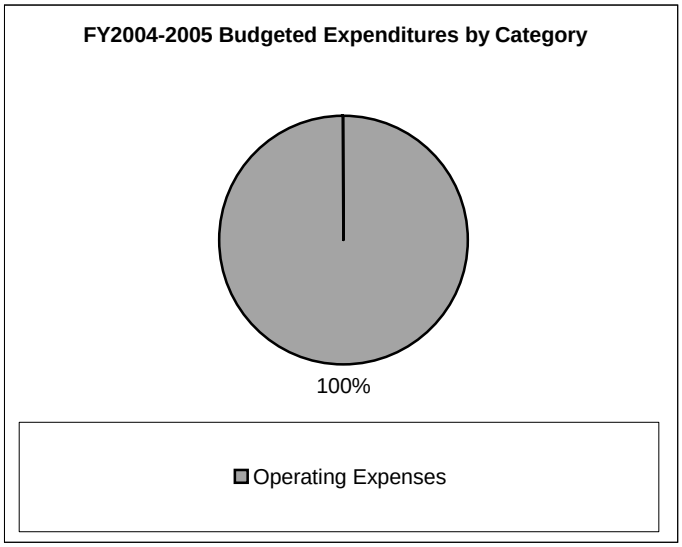
Contact

For additional information on budgets, please contact Becky Leschner, Budget Director, at (651) 215-5770 or Becky.Leschner@state.mn.us

For additional information on policy, please contact Amy Sobieski, Legislative Liaison, at (651) 296-2880 or Amy.Sobieski@state.mn.us

Additional information, such as the Commissioner's Column is also available on the MDA's web site.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,957	3,007	3,154	2,679	2,679	5,358
Statutory Appropriations						
Special Revenue	2,194	2,491	2,780	2,722	2,734	5,456
Agriculture Fund	5	18	5	5	5	10
Federal	30	38	24	2,689	2,689	5,378
Total	**6,186**	**5,554**	**5,963**	**8,095**	**8,107**	**16,202**
Expenditures by Category						
Operating Expenses	6,186	5,554	5,963	8,095	8,107	16,202
Total	**6,186**	**5,554**	**5,963**	**8,095**	**8,107**	**16,202**
Revenue by Type and Fund						
Non Dedicated						
General	6	0	0	0	0	0
Subtotal Non Dedicated	6	0	0	0	0	0
Dedicated						
Special Revenue	2,474	2,375	2,544	2,619	2,650	5,269
Agriculture Fund	27	26	2	2	2	4
Federal	332	588	371	3,129	3,131	6,260
Gift	52	7	0	0	0	0
Subtotal Dedicated	2,885	2,996	2,917	5,750	5,783	11,533
Total Revenue	**2,891**	**2,996**	**2,917**	**5,750**	**5,783**	**11,533**
Full-Time Equivalents (FTE)	**62.6**	**61.6**	**62.2**	**61.2**	**61.2**	

Program Description
The Minnesota Department of Agriculture (MDA) makes Ethanol Development Payments to Minnesota ethanol producers based on a formula found in M.S. 41A.09.

Population Served
Currently 13 ethanol plants located throughout Minnesota receive producer payments.

One plant no longer receives payments, and two more have their payments limited due to reaching the 10-year limitation on part of their production.

Services Provided
Each plant submits a quarterly report of gallons of ethanol produced to the MDA. These reports are independently audited, and payments are made in accordance with the statute. Payments are made November 15, February 15, May 15, and August 15.

Program at a Glance

Ethanol Plants in Minnesota receiving producer payments:

- Agra Resources Co-op, Albert Lea
- Agri-Energy, LLC, Luverne
- Al-Corn Clean Fuel, Claremont
- Central MN Ethanol Coop, Little Falls
- Chippewa Valley Ethanol, LLP, Benson
- CornPlus, LLP, Winnebago
- Diversified Energy Co., LLC, Morris
- Ethanol 2000, Bingham Lake
- Heartland Corn Products, Winthrop
- Melrose Dairy Proteins, LLC, Melrose
- Gopher State Ethanol, St. Paul
- Minnesota Energy, Buffalo Lake
- Pro-Corn, LLC, Preston

Historical Perspective
This program was authorized by the state legislature in 1986. Each plant enrolled in the program is eligible for payment of 20 cents per gallon of ethanol produced up to a maximum amount of $3 million for each of the 10 years they may participate in the program. The program expires June 30, 2010.

Laws of 2002, Chapter 220, reduced the payments from 20 cents per gallon to 19 cents per gallon, effective July 1, 2004.

Program Funding
Sources of funds for this program are:

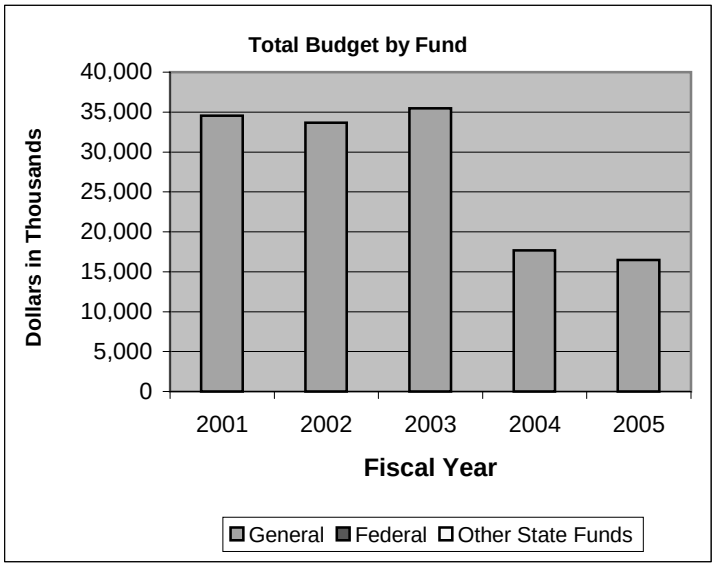
Funds:	FY 2002	FY 2003	Biennium
General Fund	100.00%	100.00%	100.00%
Total	100.00%	100.00%	100.00%

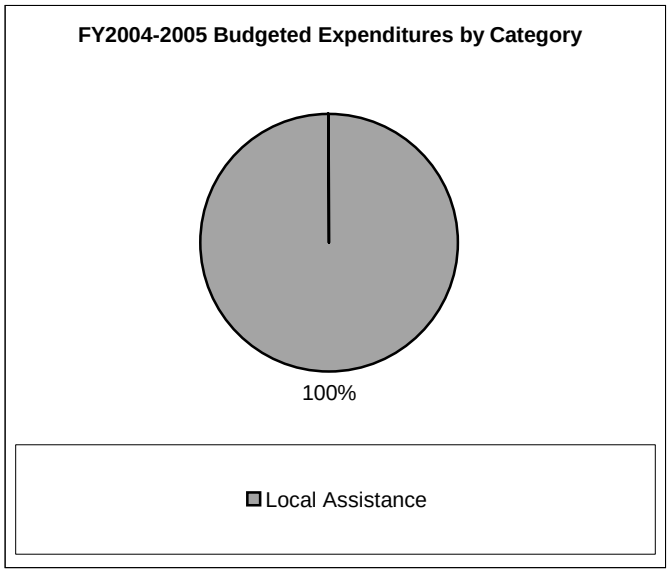
Expenditures by Category by Fund:	Salaries	Operating	Pass Thru
General Fund	0%	0%	100.00%
Total	0%	0%	100.00%

Key Measures
Key measures for this program are specified in M.S. 41A.09, which provides for an annual production of ethanol from Minnesota plants of at least 240 million gallons. Current annual production is in excess of 260 million gallons.

⇒ MDA reviews, audits, and makes payments to producers eligible for payment under M.S. 41A.09.

Contact
For additional information on this activity, please contact Alan Dupay at (651) 296-1686 or Alan.Dupay@state.mn.us





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Open Appropriations						
General	34,559	33,681	35,456	17,663	16,484	34,147
Total	**34,559**	**33,681**	**35,456**	**17,663**	**16,484**	**34,147**
Expenditures by Category						
Local Assistance	34,559	33,681	35,456	17,663	16,484	34,147
Total	**34,559**	**33,681**	**35,456**	**17,663**	**16,484**	**34,147**
Expenditures by Activity						
Ethanol Producer Payments	34,559	33,681	35,456	17,663	16,484	34,147
Total	**34,559**	**33,681**	**35,456**	**17,663**	**16,484**	**34,147**

Minnesota Department of Agriculture

February 18, 2003

The 2003 Minnesota Legislature:

I respectfully submit the Governor's recommendation for the FY 2004-05 biennial budget for the Minnesota Department of Agriculture (MDA). The Governor recommends a total budget of $134.6 million. The Governor's recommendations call for the state to allocate $70.7 million of general funds to support agency programs and activities designed to protect our food supply, safeguard our environment, and boost the economic standing of the state's agricultural sector.

This budget reflects a $6.4 million general fund reduction for the department. MDA has reviewed all programs the agency provides, including grant programs, and prioritized services as they meet core functions assigned to MDA. We have considered and are continuing to look for ways to deliver services more effectively either through internal reorganization or by looking outside of our agency.

In developing these budget recommendations, we focused on maintaining the department's core functions – particularly on ensuring the integrity of our food supply, protecting the food supply against terrorism, protecting our environment and developing markets for Minnesota agricultural products.

The Governor also recommends continuing ethanol producer payments under a modified system. The modification will change the appropriation from the current formula based on eligible production capacity to a new formula based on the level of producer ownership and financial need. This change is intended to ensure the long-term financial viability of the state's investment in the ethanol industry.

We believe we have made solid decisions given the circumstances. We are open to discussing this budget document and would be happy to listen to any ideas you may have regarding the department responsibilities and funding.

Sincerely,

Gene Hugoson
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	119,674	61,387	181,061
Legislatively Mandated Base	-48	0	-48
One-Time Appropriations	-6,000	-206	-6,206
Open Appr. Forecast Adj.	-4,266	0	-4,266
Adjusted Base Funding	109,360	61,181	170,541
Change Items			
Consolidated Food Handler License Fee	1,390	0	1,390
Dairy Fee Increase	0	570	570
Ethanol Program Changes	-32,499	0	-32,499
Food Handler Reinspection Fee Increase	0	30	30
Grant Programs Reductions	-2,244	0	-2,244
Nursery & Phytosanitary Fee Increase	-1,074	1,692	618
Operating Budget Reductions	-4,170	0	-4,170
Seed Inspection Fee Increase	0	317	317
Governor's Recommendations	70,763	63,790	134,553
Biennial Change, 2002-03 to 2004-05	-43,544	-823	-44,367
Percent Change	-38%	-1%	-25%

Brief Explanation Of Budget Decisions:

Base Adjustments were made in the following:

⇒ Legislatively Mandated Base:
Under Laws of 2002, Chapter 220, Article 9, MDA's base budgets were additionally reduced beginning in fiscal year 2004. The adjustments were in program 02 and program 06.

⇒ One-Time Appropriations
Under Laws of 2002, First Special Session, Chapter 1, MDA was appropriated one-time funds of $3,000,000 for Ag Assistance Payments.

⇒ Open Appropriation Forecast Adjustment
This adjustment reflects the forecast adjustment for ethanol producer payments based upon current law.

The Minnesota Department of Agriculture (MDA) during the FY 2002-03 biennium reorganized the Ethanol Producer Payments into a separate program.

For the 2004-05 biennium MDA is requesting authority to move two additional activities. MDA is requesting authority to move the State Meat Inspection Program from Program 01—Protection Services to Program 02—Agricultural Market & Development Services. We are also requesting authority to move the Dairy Profitability and Enhancement activity from Program 01 to Program 06—Administration & Financial Assistance. These moves are requested to realign these activities into the budget activities that best suit their purposes.

MDA is in the process of requesting amendments to the current grain inspection fee structure from USDA. The fee structure is set under the federal delegation of services agreement. This voluntary program provides service to Minnesota producers and grain industry at no cost to the state.

Governor's Recommendation(s):

The Governor recommends the following fee changes:

Non-Dedicated Accounts:

⇒ Consolidated Food Handlers License Fee will be increased to recover 60% of the cost of regulatory inspection services.

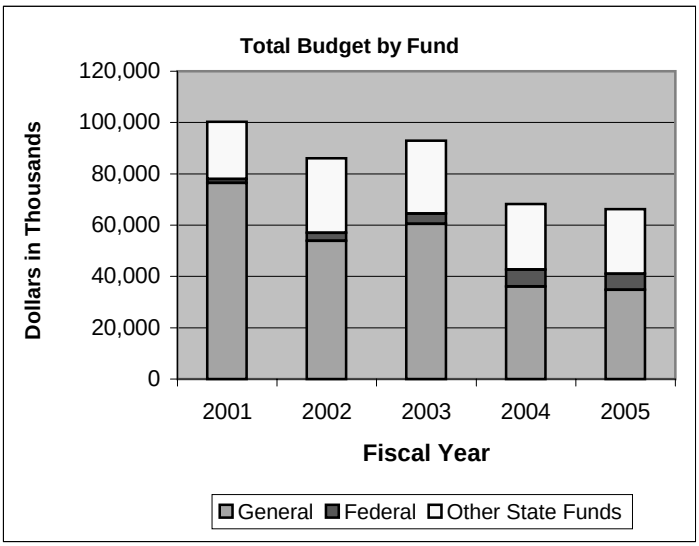
Dedicated Accounts:

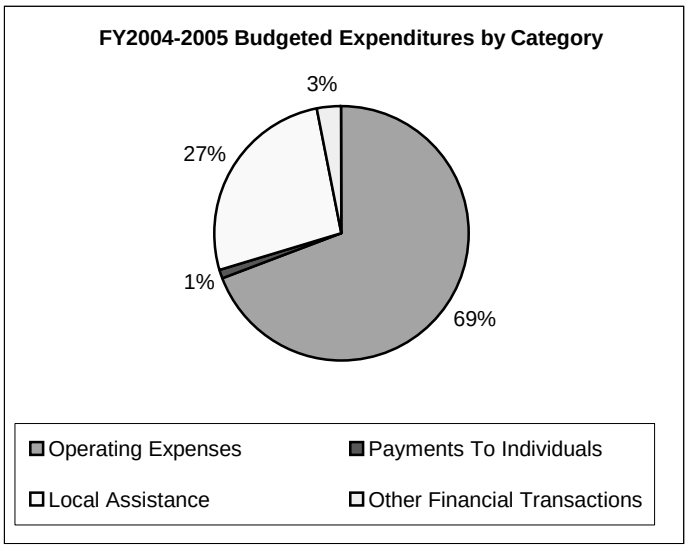
- ⇒ Seed Inspection Fee will be increased on seed permit fees and hybrid corn registration fees.
- ⇒ Dairy Processor Assessment Fee will be increased from 5 cents a hundredweight to 7 cents and the Dairy Farm Reinspection Fee will be increased from $25.00 to $45.00
- ⇒ Food Handler Reinspection Fee will be increased from $25.00 to $75.00 for food handlers with gross food sales under $1,000,000 and from $50.00 to $100.00 for food handlers with gross food sales of over $1,000,000.

Non-Dedicated Account changing to Dedicated Account:

- ⇒ Nursery Inspection and Phytosanitary Certificate Fees will be increased to recover the cost of regulatory inspections, and will be moved from the general fund to the Ag Fund.

	FY 2004-05 Revenues ($000s)		
	General Fund	**Other Funds**	**Total**
FY 2004-05 Current Law Revenues	6,325	85,828	92,153
Change Items			
Seed Inspection Fee Increase	0	400	400
Food Handler Reinspection Fee Increase	0	30	30
Dairy Fee Increase	0	570	570
Consolidated Food Handler License Fee	1,416	0	1,416
Nursery & Phytosanitary Fee Increase	-1,086	2,010	924
FY 2004-05 Total Revenues	6,655	88,838	95,493
Biennial Change 2002-03 to 2004-05	6,655	88,838	95,493
Percent Change	5%	4%	4%





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Carry Forward						
General	0	0	0	66	0	66
Direct Appropriations						
Environment & Natural Resource	225	120	189	0	0	0
General	41,924	20,146	25,024	18,275	18,275	36,550
Minnesota Resources	61	48	138	0	0	0
Environmental	338	347	353	353	353	706
Open Appropriations						
General	34,559	33,681	35,456	17,663	16,484	34,147
Statutory Appropriations						
Public Facilities Authority	0	6,208	2,555	1,240	1,077	2,317
General	10	0	0	0	0	0
Special Revenue	3,635	2,954	3,447	3,237	3,254	6,491
Agriculture Fund	17,635	18,916	19,904	20,011	19,728	39,739
Federal	1,467	3,220	3,974	6,666	6,308	12,974
Environmental	345	256	1,313	500	500	1,000
Rural Finance Administration	0	0	411	250	300	550
Miscellaneous Agency	0	0	2	2	2	4
Gift	33	122	136	6	3	9
Total	**100,232**	**86,018**	**92,902**	**68,269**	**66,284**	**134,553**

Expenditures by Category						
Operating Expenses	61,933	41,479	50,118	46,678	46,414	93,092
Capital Outlay & Real Property	29	0	2	2	0	2
Payments To Individuals	479	657	690	689	673	1,362
Local Assistance	37,344	36,865	38,356	18,644	17,365	36,009
Other Financial Transactions	447	7,017	3,736	2,256	1,832	4,088
Total	**100,232**	**86,018**	**92,902**	**68,269**	**66,284**	**134,553**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Program	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Protection Services	29,733	28,255	31,718	30,734	30,427	61,161
Ag Marketing And Development	8,624	7,222	9,328	7,433	7,409	14,842
Admin & Financial Assist	27,316	16,860	16,400	12,439	11,964	24,403
Ethanol Producer Payments	34,559	33,681	35,456	17,663	16,484	34,147
Total	**100,232**	**86,018**	**92,902**	**68,269**	**66,284**	**134,553**

Revenue by Type and Fund						
Non Dedicated						
General	1,643	4,462	3,499	3,409	3,246	6,655
Minnesota Resources	1	0	0	0	0	0
Cambridge Deposit Fund	2,773	0	0	0	0	0
Subtotal Non Dedicated	4,417	4,462	3,499	3,409	3,246	6,655
Dedicated						
Public Facilities Authority	0	38	1,401	1,526	1,663	3,189
Special Revenue	3,526	3,167	3,017	3,130	3,159	6,289
Agriculture Fund	17,320	18,318	17,897	19,305	19,247	38,552
Federal	1,970	4,507	3,795	7,045	6,674	13,719
Environmental	118	0	0	0	0	0
Rural Finance Administration	9,389	13,831	10,838	12,522	14,557	27,079
Miscellaneous Agency	-2	0	2	2	2	4
Gift	158	39	41	3	3	6
Subtotal Dedicated	32,479	39,900	36,991	43,533	45,305	88,838
Total Revenue	**36,896**	**44,362**	**40,490**	**46,942**	**48,551**	**95,493**

Full-Time Equivalents (FTE)	**470.7**	**458.9**	**458.4**	**456.9**	**456.4**

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$695	$695	$695	$695
Revenues	$708	$708	$708	$708
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($ 13)	($ 13)	($ 13)	($ 13)

Recommendation
The Governor recommends an increase in the Food Handler License fees by amending M.S. 28A.08.

Background
Minnesotans for years have had an abundant, safe and wholesome food supply. To ensure the safety of our food supply, the MDA maintains a comprehensive food inspection program focusing on educating the food industry in proper food handling techniques to ensure safe food and to open markets. Consolidated Food Handlers License fees generated are deposited in the General Fund. The last fee increase was in 1998, when it was raised approximately 7 percent. The Dairy and Food Inspection division is the primary program for ensuring a safe food supply in the state through inspection, sampling, educational activities and emergency response.

License fee increases are necessary to cover the operating costs associated with maintaining these programs. The fees currently collected cover approximately 50 percent of operating costs. Inspection of food establishments is a critical function that must be maintained to protect public health and maintain the integrity of the Minnesota food industry for domestic and foreign sales, as well as inspections of food products imported from foreign sources.

Relationship to Base Budget
Presently the Food Inspection program maintains a staffing of 45.47 FTE's. This includes field inspectors, management, supervisors, clerical and administrative support, and compliance staff. Additionally, two dairy FTE's are funded from the General Fund and are assigned to inspection of dairy processing plants. Further, two FTE's are provided to conduct laboratory analysis of food products for microbiological and food standards. Without an increase in the Food Handler license fees, four FTE's will be eliminated. This will affect the Food Safety program and may interrupt the exportation of food products from Minnesota firms.

In addition, food inspection personnel will be cross-utilized in the inspections of custom exempt meat processing establishments.

If approved, Food Handlers License fees would recover 60 percent of the cost of operating the Food Inspection program. (See M.S. 28A.08 for current license fees.)

Key Measures
At least 90 percent of all food establishments will be inspected on a risk-based frequency to verify compliance with good manufacturing practices or good retail practices and ensure safe food is available for consumers.

Statutory Change: M.S. 28A.08

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Agriculture Fund				
Expenditures	$285	$285	$285	$285
Revenues	$285	$285	$285	$285
Net Fiscal Impact	$ 0	$ 0	$ 0	$ 0

Recommendation
The Governor recommends increasing the dairy processor assessment to $0.07 per hundredweight of milk and the dairy farm reinspection fee from $25 to $45 for grade A and manufacturing grade dairy farms.

Background
The Dairy Inspection activity enables Minnesota dairy products to move freely in both interstate and international markets and ensures safe and wholesome dairy foods. The federal mandates include farm inspections and reinspections, rating milk sheds, inspection of plants/transfer stations/milk receiving facilities/dairy container plants, testing and sealing milk pasteurizers, milk tanker inspections, evaluating haulers, reviewing equipment and construction plans and conducting interstate milk surveys.

Responding quickly to a reinspection request has extraordinary costs (single farm trips, delays for other scheduled work, efficiency loss, and averages about one and a half to two times more time than a routine inspection). There were 384 Grade A Farm reinspections and 40 Manufacturing Grade Farm reinspections in the first six months of 2002. About 848 projected per year. The current $25 charge per reinspection generates about $21,000. The proposed $45 would raise $16,960 in additional projected revenue to cover the projected costs of doing reinspections.

Relationship to Base Budget
Presently the Dairy Inspection program maintains a staffing of 26.5 FTE's. This includes two interstate shipment rating officers, 5.5 in administrative staffing and 19 dairy field inspectors.

The current reinspection fee only recovers 46 percent of the actual expenses incurred for the work. The proposed change would recover 82 percent of the total costs. The balance of the reinspection cost is funded from a mixture of the general fund and dedicated dairy funds.

Key Measures
The U.S. Food and Drug Administration (FDA) evaluates our state milk program every two years. The Minnesota dairy industry must maintain its substantial compliance status to continue shipping milk and dairy products to other states and countries. Approximately 87 percent of our milk supply is shipped out of state. By not meeting these mandates, the dairy industry in Minnesota will be affected by not being able to ship products out of the state.

Statutory Change: M.S. 32.394, Subd. 8d(a) M.S. 32.394, subd. 8 and 8b

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($17,664)	($14,835)	($12,977)	($10,570)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($17,664)	($14,835)	($12,977)	($10,570)

Recommendation

The Governor recommends that ethanol producer payments be reduced to 10 cents per gallon effective July 1, 2003. This reduction will reduce eligible producer payments from 20 to 10 cents for FY 2004 and from 19 to 10 cents for FY 2005.

Background

The authority for the Ethanol Producer Payments program is M.S. 41A.09. The payment formula is also listed in this section. From FY 1986 to FY 2002, this program invested $206,257,541.05 in the ethanol industry.

Minnesota has achieved the target of 240 million gallons of annual production. Current annual production of ethanol in Minnesota is greater than 360 million gallons. Economies of scale are realized in plants with capacity of 30 to 40 million gallons. Smaller plants are more sensitive to changes in the profitability of ethanol.

Currently there are 13 plants eligible for producer payments under the current law.

Relationship to Base Budget

The Ethanol Producer Payments appropriation is an open appropriation. In M.S. 41A.09, the maximum payment a plant may receive each year is $3,000,000. This is based on the formula of a maximum of 15,000,000 gallons at 20 cents per gallon.

Under this recommendation, the maximum a plant may receive in one year will be reduced from $3,000,000 (at 20 cents per gallon) to $1,500,000 (at 10 cents per gallon). Also, quarterly maximums, as set in statute will be reduced accordingly.

For Future Fiscal years, this reduction will result in the following savings:

Fiscal Year	2004	2005	2006	2007	2008	2009	2010
Current Law (dollars in thousands)	35,327	31,319	27,397	22,315	17,217	9,835	3,728
Payments at 10 cents/gallon	17,663	16,484	14,420	11,745	9,061	5,176	1,962
Projected Savings	17,664	14,835	12,977	10,570	8,156	4,659	1,766

Total projected savings for the seven fiscal years totals $70,627,000

Statutory Change: M.S. 41A.09

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Agriculture Fund				
Expenditures	$15	$15	$15	$15
Revenues	$15	$15	$15	$15
Net Fiscal Impact	$ 0	$ 0	$ 0	$ 0

Recommendation
The Governor recommends that M.S. 28A.085 be amended to increase the reinspection fee for food handlers.

Background
The Food Handler Reinspection Fund was created in 1995 to recover the cost of the increasing number of reinspections at food establishments where major or critical violations occurred. It was also intended to cover the costs of conducting food recalls because of potential or actual adulteration or contamination of food products putting consumers at risk of illness or injury. The fees have not increased since their inception and presently recover less than half of the operating costs for reinspections. Raising these fees will ensure that the violating firm bears the costs of reinspections. Firms who violate food safety laws are issued corrective action orders with compliance dates. Firms with significant violations are reinspected to ensure they have complied. The reinspection fee is assessed to recover the costs of the reinspection.

- ⇒ The reinspection fee for licensed food handlers will be raised from $25 to $75 for an initial reinspection of critical violations for any food handler with gross food sales under $1,000,000 and from $50 to $100 with gross food sales of $1,000,000 or more.
- ⇒ The fee for any subsequent reinspections for the same violation will be 50 percent of their current license fee or $200, whichever is greater.

Relationship to Base Budget
The Food Handler Reinspection Fund reduces the impact on the General Fund because violating facilities will pay for the cost of reinspections necessary to verify compliance.

Key Measures
Reinspections are conducted in a timely manner to ensure compliance with food safety laws and regulations. Emergencies are responded to as necessary. Food reinspection fees collected will recover the cost of reinspections, enabling MDA to respond to additional work demands resulting from emergencies and repeated violations without reducing MDA's abilities to perform routinely scheduled inspections.

Statutory Change: M.S. 28A.085

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($1,122)	($1,122)	($1,122)	($1,122)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($1,122)	($1,122)	($1,122)	($1,122)

Recommendation
The Governor recommends a reduction of $1,122,000 for FY 2004 and $1,122,000 for FY 2005 in grants from the Department of Agriculture.

Background
The agency maintains grant programs that support a wide variety of activities, such as helping farmers finance new value-added cooperatives, training livestock judges, reimbursing producers for livestock killed by wolves, and helping dairy farmers find ways to make themselves more profitable.

The MDA has reviewed all programs the agency provides, including grant programs, and prioritized services as they meet the core functions assigned to MDA.

Grant programs in the following budget activities will be reduced or eliminated:

- Agricultural Marketing Services $226,000
- Resources Development and Management $195,000
- Grants and Claims $701,500

Relationship to Base Budget
The following reduction represents 5% of the base budget.

Statutory Change: M.S. 3.731 and M.S. 3.737,
M.S. 17.101, Subd. 5,
M.S. 17.110, M.S. 38.02

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
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 has recommended the elimination of the dedicated funding for the Future Resources Fund. The Governor is not making specific recommendations on LCMR projects at this point, but intends to provide a statement of the administration's priorities for Environmental Trust Fund projects at a later time.

Background

Advancing Utilization of Manure Methane Digester Electrical Generation: Future Resources Fund ($295,000) To maximize use of manure methane digester by identifying compatible waste streams, and the feasibility of micro-turbine and fuel cell technologies.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($537)	($537)	($537)	($537)
Revenues	(543)	(543)	(543)	(543)
Agriculture Fund				
Expenditures	846	846	846	846
Revenues	990	1,020	1,020	1,020
Net Fiscal Impact	($138)	($168)	($168)	($168)

Recommendation
The Governor recommends that the fees for nursery certification and inspection services, and phytosanitary (export) certificates be revised to recover the cost of services. The Governor also recommends that fees for the Nursery program and Phytosanitary Export Certification be deposited into a separate dedicated account established for these purposes in the Ag fund.

Background
Minnesota's nursery industry is a $2.1 billion a year industry. Of this amount, exports alone amount to $96 million in sales to other states with over $5 million worth of nursery stock being exported to international markets. Since 1991, the number of nursery dealer certificates issued has increased 130 percent and in the last 20 years the number of export certificates issued has increased 170 percent. In addition, the complexity of individual export certificates, increasing travel to collect samples, as well as recent U.S. Department of Agriculture mandated sampling changes will make the cost of issuance of each export certificate by the Department of Agriculture (MDA) exceed the revenue obtained for this service.

In today's global economy, Minnesota's risk of having dangerous and destructive plant pests introduced intentionally or inadvertently into Minnesota continues to increase. The reverse risk of plants coming from Minnesota's nursery industry introducing plant pests into other states or countries has increased the demand for export certificates. The cost of pest surveillance for export certificate mandates, as well as meeting significantly increased exotic pest risks requires more resources than are currently funded through General Fund. Therefore, to meet the increasing and changing service levels needed by industry to ensure continued export, and Minnesota's protection, a fee increase is needed. Fees for the nursery and export certificate program, which were last adjusted in 1991, are currently deposited into the general fund. By dedicating these fees the regulated clientele will be ensured that adequate resources will be available to support exports and trade.

The department charges a fee of $35 for each export certificate issued regardless of the value of the commodity involved and these fees have historically generated approximately $113,000 annually. Nursery program fees generate approximately $430,000 annually. The proposed plant protection law would provide a tiered export certificate fee structure that is based on the value of the commodity being shipped.

Relationship to Base Budget
Removing these programs from the General Fund and dedicating the fees into a special revenue account would reduce the base budget.

Key Measures
- ⇒ Issue approximately 2,500 annual export certificates for 1.5 million nursery plants and plant products going to over 71 countries.
- ⇒ Monitor and inspect for the presence of a number of exotic pests to both support export certificate requirements and protect agriculture and the environment to prevent their establishment.
- ⇒ Provide nearly 1,000 inspections for the highly susceptible nursery industry.

Statutory Change: M.S. 18.01 – 18.61

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($2,085)	($2,085)	($2,085)	($2,085)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($2,085)	($2,085)	($2,085)	($2,085)

Recommendation
The Governor recommends reductions of $2,085,000 for FY 2004 and $2,085,000 in FY 2005 in the operational budget of the Department of Agriculture (MDA).

Background
MDA has reviewed all programs the agency provides and prioritized services as they meet the core functions assigned to MDA.

The Protection Program, which includes the Agronomy and Plant Protection, the Dairy and Food Inspection, the Laboratory Services, and the Grain and Produce Inspection budget activities, provides regulatory oversight for agricultural products from the farm to retail stores. The Protection Program will be reduced by $1,145,000 per year.

The Agricultural Marketing and Development Services Program, which includes the Ag Marketing Services and Resources and Development Services budget activities, helps sustain and enhance farmers' economic and environmental well-being through the services provided. The Agricultural Marketing and Development Services Program will be reduced by $504,000 per year.

The Administration and Financial Assistance Program, which includes the Grants and Claims, Ag Finance, and Administration Services budget activities, provides leadership and administrative support to the agency, gathers important statistical information for the farm sector, and offers financial assistance to producers. The Administration and Financial Assistance Program will be reduced by $413,000 per year.

Relationship to Base Budget
The following reduction represents 10% of the base budget.

Statutory Change: M.S. 18.75 to M.S. 18.88
Minnesota Food Code, Rules 4626.1720 through 4626.1745

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Agriculture Fund				
Expenditures	$154	$163	$163	$163
Revenues	200	200	200	200
Net Fiscal Impact	($ 46)	($ 37)	($ 37)	($ 37)

Recommendation
The Governor recommends an increase in Seed Permit fees and Hybrid Corn registration fees in order to recover costs associated with providing program services. The Governor also recommends several technical changes to the seed law to ensure that Minnesota remains consistent with other state and federal seed laws and has enforcement provisions that are consistent with other agricultural statutes.

Background
In Minnesota, approximately 21 million acres are planted with crops, and of these acres one half million acres are devoted to growing seed. Nearly 10,000 retailers sell approximately $500 million worth of seed annually in the state. To protect Minnesota agriculture and anyone growing plants from seed, the department collects approximately 1,500 samples per year from over 40,000 seed lots to verify label accuracy, and conducts approximately 500 inspections of retail and wholesale seed facilities. The Minnesota seed law provides Minnesota farmers and seed purchaser's assurance that the seed that they have obtained meets a number of specified standards and requirements and that information about the seed is accurately stated on the seed label.

The cost of providing seed testing, seed certification and hybrid seed corn testing services exceed program revenue. Fees for the seed program have not been adjusted nor updated since 1990.

Relationship to Base Budget
Current revenue generated by program fees paid by the seed industry provides the department about $750,000 annually. Of this amount, approximately $70,000 is passed on to the University for support of the Hybrid Seed corn testing program.

Key Measures
The seed law amendments will ensure that Minnesota seed laws are consistent and harmonious with other state and federal seed laws while some of the technical changes will enhance compliance.

⇒ Over 2,500 varieties of hybrid seed corn will continue to be tested and registered in Minnesota and that proper maturity ratings are assigned for each variety.
⇒ The 500 brands of seed varieties are properly registered and labeled by 26 seed companies.
⇒ That 1,500 annual seed samples are collected and analyzed for over 25 crops ensuring adequate germination rates and minimum purity standards.

Statutory Change: M.S. 21.80-21.92

The Minnesota Department of Agriculture (MDA) receives funding from the U S Department of Agriculture (USDA), the Food and Drug Administration (FDA), the Environmental Protection Agency (EPA), and the US Department of Commerce (USDC) for grants and fee for service agreements. Federal expenditures totaled approximately 4.1% of the agency's total FY 2002-2003 biennial budget. Most grants and fee for service agreements were less than $100,000 per year.

MDA has two larger reoccurring grants. These are the EPA Pesticide Enforcement Grant and the Farmers Market Program Grant.

The EPA Pesticide Enforcement Grant provides funding for pesticide enforcement, applicator enforcement and training, worker protection, groundwater monitoring, and endangered species protection. This grant has an 85/15 matching requirement in state funding. Matching funds are special revenue funds from the Pesticide Regulatory Account.

The Farmers Market Nutrition Program provides funding to educate low income, nutritionally-at-risk families about the value of fresh, locally grown produce and to increase direct sales for farmers through farmers' markets. It requires a 70/30 matching grant. Matching funds are General Fund dollars. Additional federal funding was provided in FY 2003 for a Farmers Market Nutrition Program for Senior Citizens.

The State Meat Inspection program is a partnership with USDA. The program receives 100% in general funding, with up to 50% in federal reimbursement being returned to the General Fund.

MDA received additional funding from several sources (USDA-Forest Service, USDA-APHIS, STS Foundation, and the Interstate Pest Control Compact) for the State of Minnesota's fight against an invasion of the Gypsy Moth in FY 2002-2003. Minnesota has become the forefront of a national Gypsy Moth infestation. Because of an ongoing survey program, MDA was able to determine the location of infestation sites and initiated an eradication, aerial spraying program. It is anticipated that MDA will continue with the Gypsy Moth battle in future years and continue to receive funding assistance from the USDA and other sources.

In FY 2002, MDA received a one-time grant, in the amount of $1.9 Million, from USDA-Commodity Credit Corporation, for Specialty Crops Grants. This funding was a pass-through program of grant aid to non-government organizations for research and promotion of Minnesota specialty crops.

Federal government assessments indicate that agriculture and the food supply may be subject to a terrorist attack. A terrorist attack on food, farm or agriculture industries has high potential to cause illness, fear, panic, and loss of public confidence in the food supply and severe economic losses. In such an event, the Minnesota Department of Agriculture and its partners need to communicate and respond decisively to limit the extent of the damage and protect public health. Resources through bio-terrorism funding could help prepare our response to a terrorist attack. Therefore, MDA is also making application to federal agencies for $2.6 Million in an attempt to fund our emergency response. This would include funds needed for planning, development and implementation of an "All Hazard Program" response effort. Also, funding will be requested to implement MDA's data management, communications and information technology systems, and increased laboratory capacity and analytical capabilities.

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
11/F09 Medicated Feed Ins	0	SO	58	82	79	79
11/F36 Clean Water PCA	0	SO	50	50	100	100
11/F39 USDA Plant Pest S	0	SO	11	0	170	0
11/F50 Pest Record Keeping	0	SO	34	38	50	50
11/F52 Nat'l Fish & Wildlife *	0	SO	0	25	100	75
11/F54 Source Water Prot	0	SO	24	61	86	86
11/F56 Gypsy Moth STS *	49	SO	103	65	80	80
11/F59 Nat Lab Manure A *	0	SO	0	176	176	176
11,16,25/F60,61,51,57 EPA Cons Grant *	320	SO	746	1134	1200	1199
11/F62,63 CAPS Cons Grt *	14	SO	56	195	305	140
11/F65 Non-Pt Poll & TMDL	0	SO	8	15	0	0
11/F70 Pest Reduc Partner	0	SO	72	11	0	0
14/F02 Poultry Inspection	0	SO	85	0	0	0
14/F03 Egg Inspection	0	SO	29	0	0	0
14/F08 FDA Food Inspect *	0	SO	40	77	80	90
14/F32 Fish Inspection	0	SO	30	32	34	36
14/F55 Food Safety Task *	0	SO	5	50	80	80
14/F83 St Meat Inspection	1002	SO	501	0	0	0
14/F97 Retail Fd SAF Ins *	0	SO	0	85	85	85
16/F21 Egg/Poultry Analys *	0	SO	92	250	125	125
23/F02 Poultry Inspection	0	SO	0	89	94	98
23/F03 Egg Inspection	0	SO	0	30	32	34
23/F17 Farmer Mkt Devel *	0	GI	0	0	50	50
23/F20 Mkt Imprv-Soybean*	0	GI	0	160	160	160
23/F42 Asst Sm Farmers	3	GI	23	12	12	12
23/F83 State Meat Insp	0	SO	0	525	525	525
25/F21 USDA-AMS *	0	SO	0	150	0	0

25/F23 Plant Pest Survey	0	SO	3	0	0	0
25/F36 EPA 319 Grants *	5	SO	0	90	225	208
25/F90 USDA SARE Prog *	0	SO	0	22	68	55
63/F99 Spec Crops Grt	0	GI	1949	0	0	0
67/F52 Homeland Secur *	0	SO	0	0	2665	2665
69/F01 Ag Stats Fed Coop	0	SO	35	20	22	24
69/F17 Farmers Mkt Nutri	174	GI	479	271	375	375
69/F95 Sr Frmrs Mkt Nutri	0	GI	74	80	67	67
Agency Total			4507	3795	7045	6674

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

Agency Purpose

The Department of Corrections' primary purpose is public safety. The department's mission is to develop, provide, and promote effective correctional practices that contribute to a safer Minnesota. Its vision is that an offender's first time in the system is his or her last time. The values and goals of the department focus on personal responsibility and opportunities for self-sufficiency, accountability, and responsive and limited government.

Created by Minnesota law (Chapter 241) in 1959, the department operates secure prisons and provides community supervision of offenders with public safety as the ultimate goal. Prison programs are designed to prepare offenders for release so that they become contributing, law-abiding community members. Restoring the victim, community, and offender – is a key philosophical approach of the department.

At A Glance

10 Minnesota correctional facilities located at:

- Oak Park Heights
- Stillwater
- St. Cloud
- Rush City
- Faribault
- Lino Lakes
- Moose Lake/Willow River
- Shakopee
- Red Wing
- Togo (Thistledew Camp)

Facility populations as of April 2002:

- 6,533 adult male inmates
- 414 adult female inmates
- 217 juvenile males
- 7 juvenile females

Offenders under community supervision as of April 2002:

- 126,000 offenders on probation, supervised release, and parole statewide
- 20,000 offenders supervised by the Corrections Department; others supervised locally

Core Functions

The Department of Corrections' primary responsibilities include:

⇒ Secure and safe operation of seven prisons for adult male felons, one for adult female felons, and two correctional facilities for juveniles.

⇒ Provision of work, treatment, faith-based, and education programs that reduce the risk offenders present to the community after they are released.

⇒ Administration of the Community Corrections Act (CCA) that provides subsidies to 31 counties for local correctional services.

⇒ Supervision of adult offenders on probation, supervised release, and parole in the 56 counties that do not participate in the CCA.

⇒ Operation of programs that put non-dangerous offenders to work doing community service. This includes the Sentencing to Service program whereby offenders on probation clean up parks, roadways, and rivers; build recreation trails; and complete thousands of other improvement projects. Through the Institution Community Work Crew program, minimum-custody inmates build homes for low-income families.

⇒ Inspect and enforce standards in all jails throughout the state.

⇒ Administer and manage the department so that it operates as cost-effectively, efficiently, and productively as possible.

The department continues to address rapidly increasing offender populations both in prisons and on supervision in the community. Over the last decade, the prison population has more than doubled and the supervised offender population has increased over 80%. Population projections indicate continued increases through the FY 2004-05 biennium and beyond.

Operations

Since 2001, the department has been implementing sweeping budget reductions that are successfully reducing prison per diem and other department costs. By eliminating 200 positions and expanding bed capacities at existing prisons, the department's national ranking of costs per inmate has dropped from second to sixth.

Other initiatives - such as attaining self-sufficiency for MINNCOR prison industries, reducing staff positions and assigning their duties to other employees, and sharing of services among correctional facilities - have resulted in substantial savings.

There are three operational divisions in the department: adult facilities, community and juvenile services, and management services.

Adult Facilities – The adult facilities division includes the department's eight correctional facilities that house adult male and female felons and support services such as offender education programs, religious programming, inmate transfer and classification, and building improvements and expansions. Additionally, units exist in the areas of investigations, correctional industries, and medical services.

Community and Juvenile Services – This division provides probation and supervised release/parole services and special programs including community service and work release. This division also coordinates juvenile services including oversight of two juvenile facilities operated by the department. Other responsibilities include:

- research and evaluation;
- administration of the Community Corrections Act, grants, and contracts;
- correctional facility/jail inspection;
- administration of offender transfer agreements with other states;
- planning for female offenders;
- sex offender/chemical dependency services;
- administration of the county probation subsidy;
- contracts with local programs; and
- restorative Justice.

Management Services – This division provides a broad range of management support services throughout the department. Units include policy and legal services, human resource management, diversity office, information technology, financial services and office services.

Budget

The department's biennial budget totals $721.9 million, of which $76 million is passed through to local entities in FY 2002. The department collects $24 million annually from sales of products manufactured by offenders at correctional facilities and $17 million in federal funds for chemical dependency and education programs, and facility construction and operation costs. Department staff includes 3,865 full-time equivalent employees.

Contact

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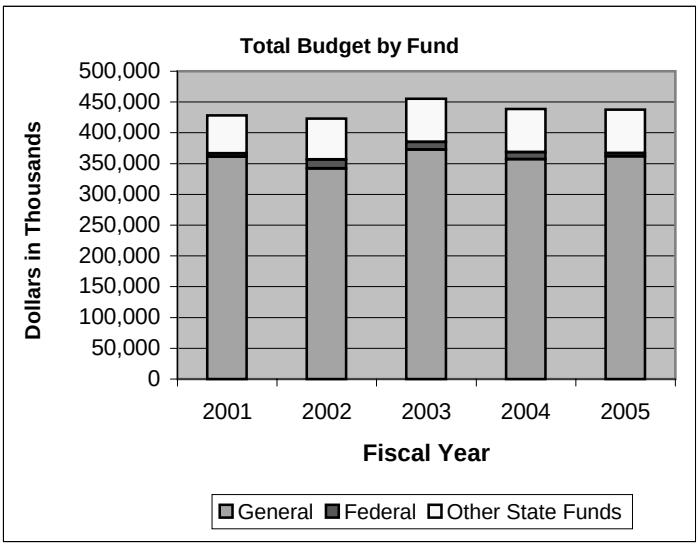
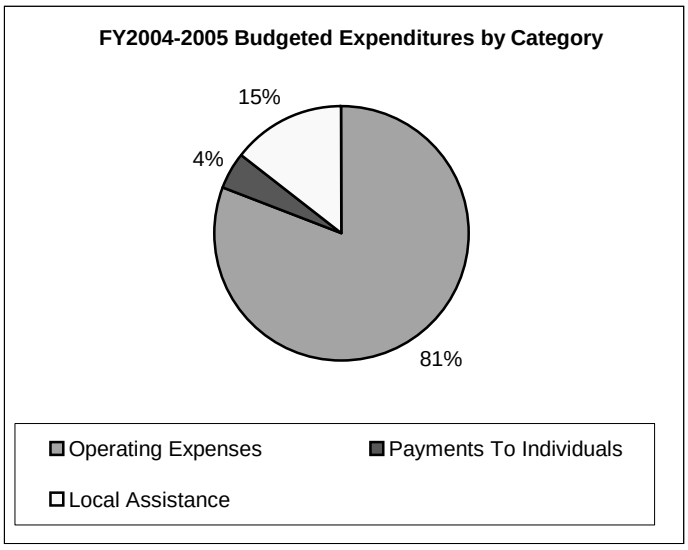




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Carry Forward						
General	169	100	100	45	0	45
Direct Appropriations						
General	360,294	341,911	372,810	357,267	361,921	719,188
Statutory Appropriations						
General	968	75	0	0	0	0
Special Revenue	12,717	16,229	16,979	17,097	16,607	33,704
Federal	5,198	14,681	12,311	11,091	5,277	16,368
Miscellaneous Agency	23,951	25,599	25,671	24,875	24,875	49,750
Gift	27	72	44	23	23	46
Correctional Industries	25,086	24,210	27,157	28,301	29,003	57,304
Total	**428,410**	**422,877**	**455,072**	**438,699**	**437,706**	**876,405**
Expenditures by Category						
Operating Expenses	328,490	314,817	351,905	350,428	354,558	704,986
Capital Outlay & Real Property	4,069	10,776	7,549	5,299	176	5,475
Payments To Individuals	21,608	21,388	19,497	19,471	19,471	38,942
Local Assistance	74,243	75,896	76,121	63,501	63,501	127,002
Total	**428,410**	**422,877**	**455,072**	**438,699**	**437,706**	**876,405**
Expenditures by Program						
Correctional Institutions	285,360	280,494	304,081	306,884	304,639	611,523
Juvenile Services	20,560	18,645	20,316	18,956	19,061	38,017
Community Services	107,019	108,972	111,018	97,333	98,442	195,775
Operations Support	15,471	14,766	19,657	15,526	15,564	31,090
Total	**428,410**	**422,877**	**455,072**	**438,699**	**437,706**	**876,405**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	235	10,815	10,974	11,418	11,418	22,836
Cambridge Deposit Fund	8,062	0	0	0	0	0
Subtotal Non Dedicated	8,297	10,815	10,974	11,418	11,418	22,836
Dedicated						
General	1,066	75	0	0	0	0
Special Revenue	15,678	17,041	16,973	16,173	15,511	31,684
Federal	7,530	15,750	9,959	8,898	3,919	12,817
Miscellaneous Agency	23,880	26,523	24,795	24,795	24,795	49,590
Gift	95	13	25	24	24	48
Correctional Industries	21,185	22,829	26,720	28,620	29,520	58,140
Subtotal Dedicated	69,434	82,231	78,472	78,510	73,769	152,279
Total Revenue	**77,731**	**93,046**	**89,446**	**89,928**	**85,187**	**175,115**
Full-Time Equivalents (FTE)	**3,725.0**	**3,694.7**	**3,924.4**	**3,848.9**	**3,849.4**	

Program Description
The Adult Facilities Division serves a dual-purpose by protecting the community through incarceration of the offender at one of the eight Minnesota adult correctional facilities and by providing industrial, vocational, academic, and therapeutic opportunities for inmates to maximize the probability they will return to the community as law-abiding citizens.

Population Served
Offenders committed to the commissioner of corrections to serve their term of incarceration make up the population served within correctional facilities. Minnesota prison populations have significantly increased since 1989, and projections indicate this trend will continue into the foreseeable future. In fact, most recent projections estimate offender population to increase approximately 550 beds over current prison bed capacity by the end of FY 2005.

Program at a Glance

8 Minnesota correctional facilities located at:
- Oak Park Heights
- Stillwater
- St. Cloud
- Rush City
- Faribault
- Lino Lakes
- Moose Lake/Willow River
- Shakopee

Facility populations as of July 2002:
- 6,533 adult male inmates
- 442 adult female inmates

Services Provided
The Adult Facilities Division houses adult male and female felons. Each correctional facility is classified utilizing a system with a six-level classification structure ranging from level 1, which is minimum custody, to level 6, which is maximum custody.

Central Office provides support services within facilities such as offender education programs, religious programming, inmate transfer and classification, and building improvements and expansion. Additionally, services in the area of investigation, correctional industries, and medical services are also provided. Each correctional facility provides the above-mentioned direct services to offenders.

Historical Perspective
During the past biennium sweeping budget reductions have reduced prison per diems and other department costs. Through an extensive internal review at each facility, the Department of Correction (DOC) has, or will be, increasing total capacity by over 500 at marginal costs. Also following a national consultants' recommendation regarding DOC staffing, the department has identified 192 positions that have been, or will be during FY 2003, eliminated. Expanding bed capacities at existing prisons by over 500 offenders and eliminating 192 positions has dropped the department's national ranking of cost per inmate from second to sixth.

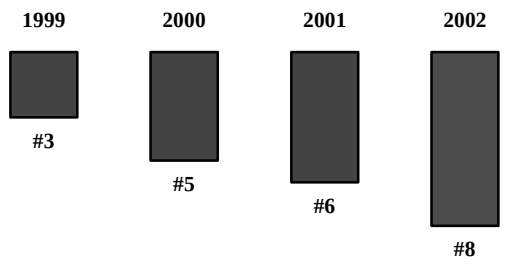
Several other department initiatives have made a significant impact on this division and resulted in cost savings, such as: attaining self-sufficiency for MINNCOR prison industries, reducing staff positions and assigning their duties to other employees, and sharing management service activities among correctional facilities. As a result of these and other initiatives, the department's budget request did not include the $18 million set aside by the Department of Finance for institutional caseload increases in FY 2002 and 2003. Instead, the DOC funded bed increases with operational savings resulting from the per diem reduction plan. This was the first time in the recent history of the department's budget that a caseload increase was not requested. Additionally, the DOC continues to explore more per diem reduction initiatives for the upcoming biennium through further shared services between facilities, centralizing programming, and expanding beds at marginal costs.

Program Funding
This program is primarily funded through General Fund appropriations.

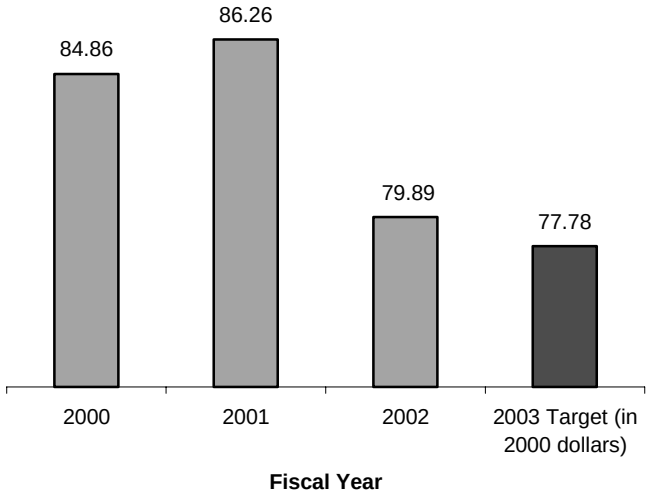
Key Measures

Goal: Operational Effectiveness
Key Measure: Reduce costs of correctional services

Minnesota prison costs ranked nationally

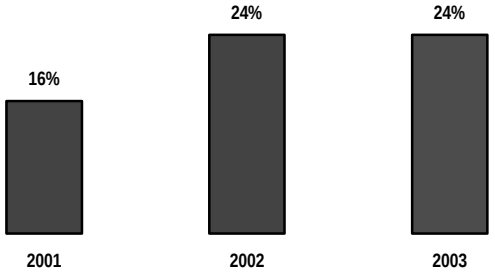


Offender Per Diem



Goal: Offender Accountability
Key Measure: Increase level of educational achievement for eligible incarcerated offenders.

Eligible offenders receiving a GED or 12th – grade education



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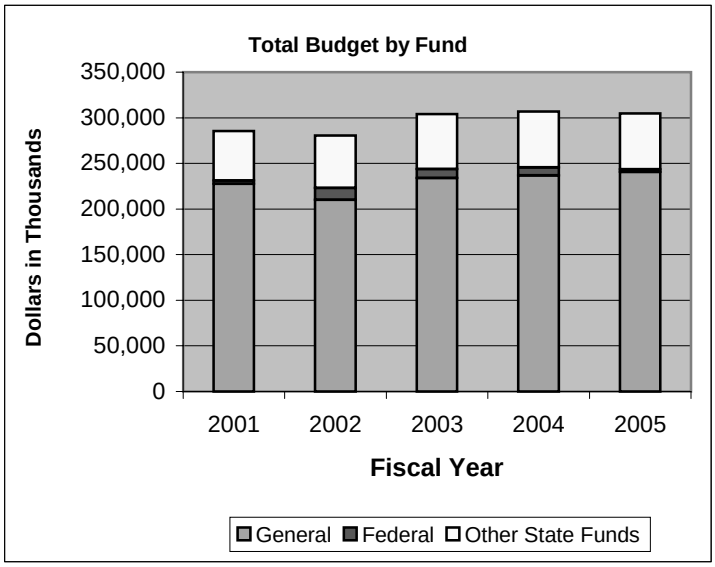
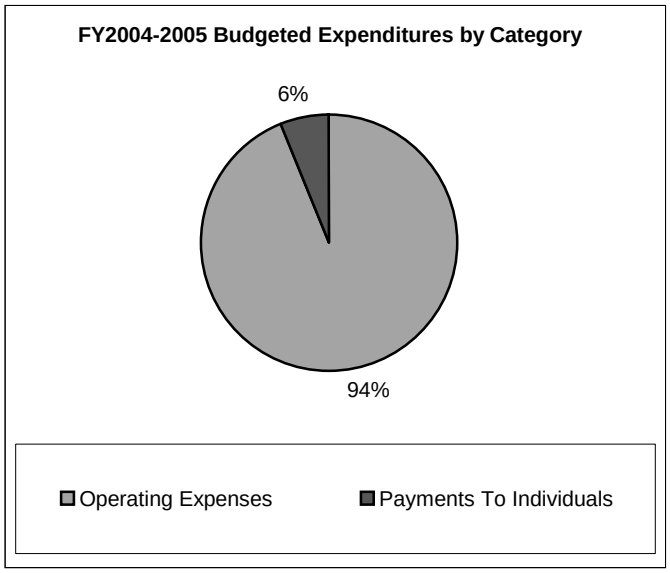




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	227,432	209,905	233,993	236,849	240,416	477,265
Statutory Appropriations						
General	170	34	0	0	0	0
Special Revenue	5,580	8,211	7,997	8,667	8,062	16,729
Federal	3,627	12,989	9,781	8,731	2,822	11,553
Miscellaneous Agency	23,448	25,077	25,112	24,316	24,316	48,632
Gift	17	68	41	20	20	40
Correctional Industries	25,086	24,210	27,157	28,301	29,003	57,304
Total	**285,360**	**280,494**	**304,081**	**306,884**	**304,639**	**611,523**

Expenditures by Category						
Operating Expenses	260,276	248,813	277,592	282,691	285,569	568,260
Capital Outlay & Real Property	3,767	10,774	7,549	5,299	176	5,475
Payments To Individuals	21,049	20,835	18,915	18,889	18,889	37,778
Local Assistance	268	72	25	5	5	10
Total	**285,360**	**280,494**	**304,081**	**306,884**	**304,639**	**611,523**

Dollars in Thousands						
	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Activity	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Mcf-Faribault	32,562	32,143	32,350	32,386	30,732	63,118
Mcf-Lino Lakes	36,934	35,036	41,333	41,085	36,581	77,666
Mcf-Shakopee	13,687	12,524	13,659	14,002	13,987	27,989
Mcf-Willow River	2,980	2,634	2,774	2,757	2,757	5,514
Mcf-Moose Lake	26,399	24,301	25,158	24,813	24,710	49,523
Mcf-Stillwater	38,374	34,767	37,287	38,038	37,784	75,822
Mcf-St Cloud	29,138	27,545	29,743	27,936	27,753	55,689
Mcf-Oak Park Heights	22,502	28,335	19,627	19,266	19,213	38,479
Mcf-Rush City	19,546	15,799	21,208	23,343	23,343	46,686
Health Care	25,885	29,261	33,138	33,768	37,503	71,271
Education	435	2,712	3,400	3,273	3,273	6,546
Institution Support Serv	36,918	35,437	44,404	46,217	47,003	93,220
Total	**285,360**	**280,494**	**304,081**	**306,884**	**304,639**	**611,523**

Revenue by Type and Fund						
Non Dedicated						
General	227	274	218	218	218	436
Subtotal Non Dedicated	227	274	218	218	218	436
Dedicated						
General	207	34	0	0	0	0
Special Revenue	9,196	9,145	9,567	8,772	8,088	16,860
Federal	5,792	14,120	7,372	6,464	1,385	7,849
Miscellaneous Agency	23,410	26,017	24,236	24,236	24,236	48,472
Gift	92	11	21	20	20	40
Correctional Industries	21,185	22,829	26,720	28,620	29,520	58,140
Subtotal Dedicated	59,882	72,156	67,916	68,112	63,249	131,361
Total Revenue	**60,109**	**72,430**	**68,134**	**68,330**	**63,467**	**131,797**

Full-Time Equivalents (FTE)	**2,974.0**	**2,893.2**	**3,074.9**	**3,046.8**	**3,046.8**

Program Description

The Juvenile Services Unit plans and directs the department's legislative, policy, and interagency collaboration initiatives relating to juveniles, operates a juvenile correctional facility and a juvenile residential program; manages the juvenile female program for girls committed to the commissioner of corrections; provides transition and aftercare services to all juveniles committed and/or placed in the commissioner's care; and provides training, technical assistance, and administers various subsidies and grants to counties.

Population Served

Juvenile offenders committed to the commissioner of corrections, or admitted to a facility by a court order, to complete a juvenile program.

Services Provided

This unit provides statewide leadership in developing juvenile corrections policy, legislative initiatives, special studies and reports, interagency partnerships and revenue generation strategies specifically with the departments of Human Services; Children, Families and Learning; and Health. It provides technical assistance and training to counties and other juvenile justice stakeholders. It also administers the state-committed female adolescent contract and various detention grants and subsidies programs to counties.

Program at a Glance

1 Minnesota correctional facility located at:

- Red Wing

1 Residential facility:

- Thistledew Camp

Facility populations as of July 2002

- 237 juvenile males
- 4 juvenile females

Juvenile Services functions

- Contracted residential programming for state-commit juvenile females
- State interagency policy and collaboration initiatives
- Transition/aftercare services
- Technical assistance and mandated training
- Administration of special grants/subsidies

The MCF-Red Wing provides programming for serious, chronic juvenile male offenders including assessments, treatment planning, cognitive restructuring, cognitive skill building and life skills, restorative conferencing, education, chemical dependency, sex-offender treatment, and mental health services.

Thistledew Camp provides a three-month residential and a three-week adventure therapy program for juvenile males from ages 13 to 17. Both programs incorporate restorative justice and cognitive skill-building components. The three-month program places emphasis on educational programming and transition back to the community. Thistledew incorporates risk assessment into program planning and also provides mental health screening and rule 25 evaluations.

The Transition/Aftercare Unit provides services to youth discharged from the MCF-Red Wing, Thistledew Camp, and the juvenile female contracted residential program. This unit provides transitional planning, which includes: restorative conferencing, community reintegration, vocational placement and support, educational transition, support-system enhancements, aftercare, and as individual and family counseling.

Historical Perspective

In the last two bienniums the Juvenile Services Unit has gone through dramatic structural changes such that it now accounts for less than 4% of the agency budget. Most significant was the closing of the Sauk Centre facility and the assumption of its specialized programming of chemical dependency, sex offender treatment, and mental health services by the MCF-Red Wing. The closing of Sauk Centre also necessitated the action of contracting with a private facility for juvenile females committed to the commissioner of corrections. The unit also experienced the loss of the Youth Experience Alternatives Program at Camp Ripley. There have been several new initiatives in this unit. There has been the creation of a juvenile services transitional unit, a 10-bed challenge "Endeavors" program at Thistledew Camp, and the opening of the Berglin Mental Health Center at the MCF-Red Wing. The reorganization of the administrative support unit has also added responsibilities for developing statewide interagency initiatives with the departments of Children, Families and Learning; Human Services; and Health. This support unit also administers specific grants and subsidies with local units of government. The

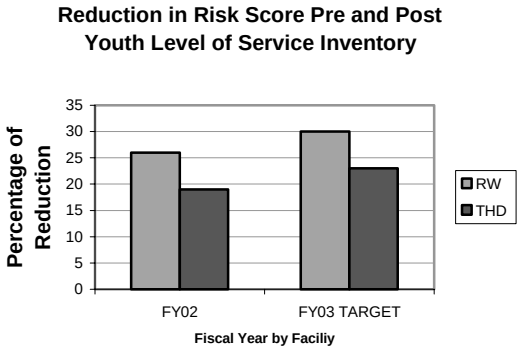
MCF-Red Wing and contracted juvenile female program generate revenues of 65% of actual cost of confinement (per statute). Thistledew Camp remains self-sufficient.

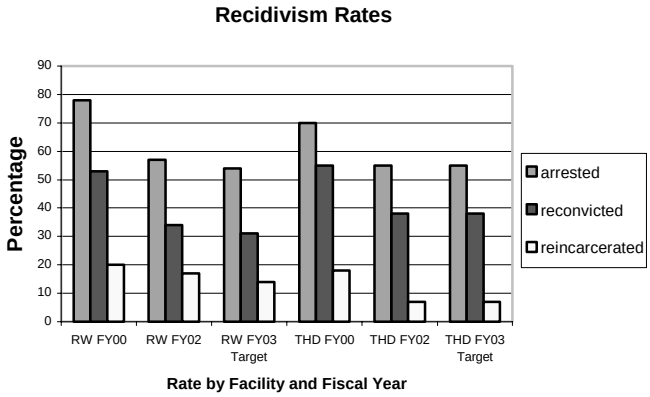
Program Funding

This program is primarily funded through General Fund appropriations.

Key Measures

Goal: Community Safety
Key Measure: Reducing the risk of re-offending





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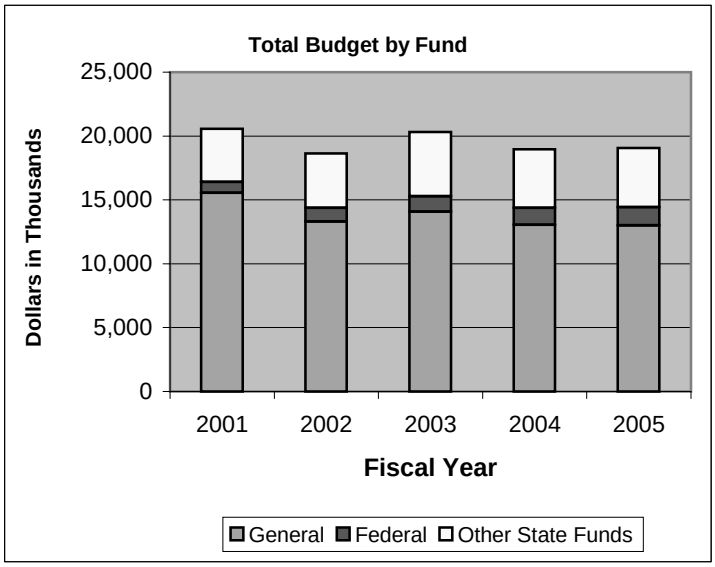
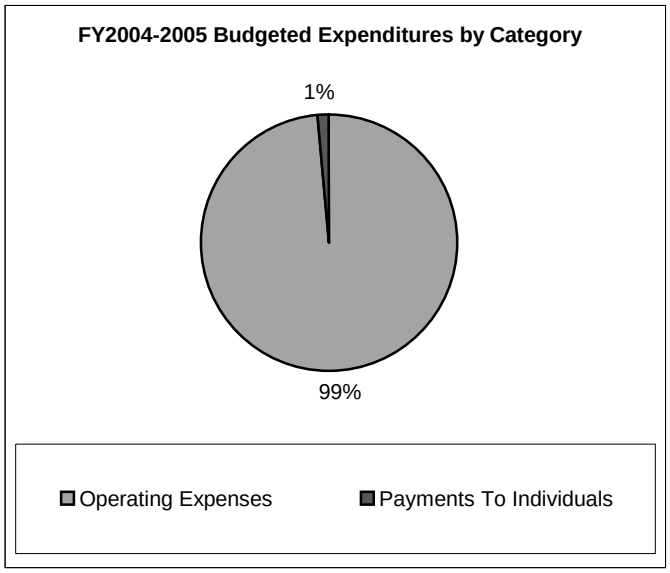




Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Carry Forward						
General	169	100	100	45	0	45
Direct Appropriations						
General	15,333	13,164	13,966	13,007	13,007	26,014
Statutory Appropriations						
General	42	37	0	0	0	0
Special Revenue	3,938	4,062	4,800	4,354	4,406	8,760
Federal	876	1,082	1,223	1,323	1,421	2,744
Miscellaneous Agency	201	199	224	224	224	448
Gift	1	1	3	3	3	6
Total	**20,560**	**18,645**	**20,316**	**18,956**	**19,061**	**38,017**

Expenditures by Category						
Operating Expenses	19,977	18,385	20,069	18,709	18,814	37,523
Capital Outlay & Real Property	302	2	0	0	0	0
Payments To Individuals	231	230	247	247	247	494
Local Assistance	50	28	0	0	0	0
Total	**20,560**	**18,645**	**20,316**	**18,956**	**19,061**	**38,017**

Expenditures by Activity						
Mcf-Red Wing	14,332	13,053	13,444	12,949	13,047	25,996
Thistledew Camp	4,210	4,248	4,406	4,410	4,417	8,827
Juvenile Support Services	2,018	1,344	2,466	1,597	1,597	3,194
Total	**20,560**	**18,645**	**20,316**	**18,956**	**19,061**	**38,017**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	3	7,288	7,383	7,454	7,454	14,908
Cambridge Deposit Fund	4,951	0	0	0	0	0
Subtotal Non Dedicated	4,954	7,288	7,383	7,454	7,454	14,908
Dedicated						
General	42	37	0	0	0	0
Special Revenue	4,134	4,157	4,268	4,275	4,282	8,557
Federal	648	789	885	996	1,096	2,092
Miscellaneous Agency	211	207	224	224	224	448
Gift	1	1	3	3	3	6
Subtotal Dedicated	5,036	5,191	5,380	5,498	5,605	11,103
Total Revenue	**9,990**	**12,479**	**12,763**	**12,952**	**13,059**	**26,011**
Full-Time Equivalents (FTE)	**239.1**	**243.0**	**244.2**	**241.2**	**241.7**	

Program Description

The Community Services program exists to provide a broad range of correctional services in the community directly by employees of the department or through the program's oversight of state grants and subsidies. The objectives of these services are to protect the public, control offender criminal behavior, assist offenders in development of skills necessary to function in the community, provide fiscal accountability, and ensure compliance with standards governing the operation of local correctional facilities.

Population Served

This program serves offenders under community supervision. Additionally, this program has regular contact with correctional professionals on the local and national level, elected officials, courts, treatment providers, and the community at large.

Services Provided

The Field Services Unit is responsible for all Department of Corrections (DOC) programs providing direct services to offenders in the community. The Probation and Supervised Release activity of this program provides community supervision services to offenders in 56 counties not organized under the Community Corrections Act. These services are provided to adult felons in 56 counties and to adult misdemeanants and juveniles in 27 counties and include investigation services for the courts and the Department's Hearings and Release Unit. Agents of the DOC supervise monthly caseloads of approximately 20,000 adult and juvenile offenders, of which 90% are on court-ordered probation with the remainder on supervised release. The Intensive Supervision Program provides community supervision to the most serious offenders released from prison with face-to-face contacts, electronic monitoring, mandatory work or school, curfews, and random drug testing. Sentencing to Service (STS) provides a very specific sentencing option to the courts for non-dangerous offenders in lieu of, or in conjunction with, jail. The Institution Community Work Crew (ICWC) program provides supervised community work crews for select minimum-security inmates at the end of their institutional stay. The Affordable Housing Program, part of ICWC, utilizes minimum-security inmates to build homes for low-income families while teaching a marketable skill. Work Release provides a structured transition period for offenders returning to the community up to eight months prior to their scheduled release date. The program contracts with public and private agencies for residential work release services. The community phases of the Challenge Incarceration Program include intensive community supervision by specially trained agents, drug testing, electronic monitoring, chemical dependency counseling and other treatment programs.

The Administrative Services Unit of this program has four distinct and different functions. The Sex Offender/Chemical Dependency Services activity is responsible for a multifaceted system for the management of sex offenders that includes implementation of community notification, increased and improved treatment both in prison and in the community, development and monitoring of treatment standards, civil commitment referrals, and training and collaboration with the Department of Human Services (DHS) on the highest-risk sex offender. The Grants and Subsidies activity is responsible for administration and monitoring of all state funds appropriated for the delivery of correctional services in the community including direct subsidies, grants, contracts, or reimbursements.

Program at a Glance

Community Services Functions:

- Probation and Supervised Release
- (56 Non-CCA Counties)
- Intensive Supervision Program
- Sentencing to Service (STS) Program
- Work Release
- Affordable Housing Building Program
- CIP – Phases 2 & 3 Supervision
- Sex Offender/Chemical Dependency Services
- Interstate Compacts
- Facilities Licensing & Inspection
- Grants, Contracts & Subsidy Administration
- Program Support & Evaluation
- Technical Assistance
- Restorative Justice
- Jail Resource Center
- Female Offender Planning Unit

Offenders under community supervision as of January 1, 2002:

- 130,000 offenders on probation, supervised release, and parole statewide
- 20,000 offenders supervised by the Corrections Department; others supervised locally

Grant programs:

- Funds administered to partnerships that have been developed between state, county and nonprofit agencies to provide correctional services for adult and juvenile offenders

The Interstate Compact activity is responsible for administering adult and juvenile interstate compacts, which allow for the orderly transfer of probation and parole supervision to and from the state. This activity also is responsible for the return of juvenile runaways, escapees, absconders, and minors taken across state lines by non-custodial persons. The Licensing and Inspection activity is responsible for licensing all local correctional facilities in Minnesota and the certification of all out-of-state juvenile facilities that accept delinquent youth from Minnesota. This unit enforces standards, investigates complaints/unusual occurrences, and provides technical assistance to these facilities. In addition, the director of this unit provides overall coordination of division activity, assistance to the deputy commissioner, and acts as the division's legislative liaison.

The Research and Technical Assistance unit ensures that the foundational base, from which the department and other criminal justice agencies operate, is anchored in sound data and best practices. The research activity of this unit is responsible for providing multiple stakeholders, including the legislature, the federal government, department administration, staff, and the public with accurate data and comprehensive reports essential to funding, policy and program decision-making. The research unit also has responsibility for establishing key outcomes and evaluating program effectiveness including establishing a standardized and meaningful method for tracking recidivism across Minnesota. Federal law requires all research on offenders meet ethical human subject guidelines. The research activity fulfills this obligation by managing all research on offenders under state jurisdiction. The technical assistance activity of this unit provides information to the legislature and department administration as well as training to a variety of criminal justice organizations such as correctional facilities and field staff, county corrections staff, and sheriff/jail staff on effective offender intervention. The technical assistance activity brings together local service providers for collaboration, exchange of information, and to reduce redundancies in service delivery.

Program Funding

This program is primarily funded through General Fund appropriations.

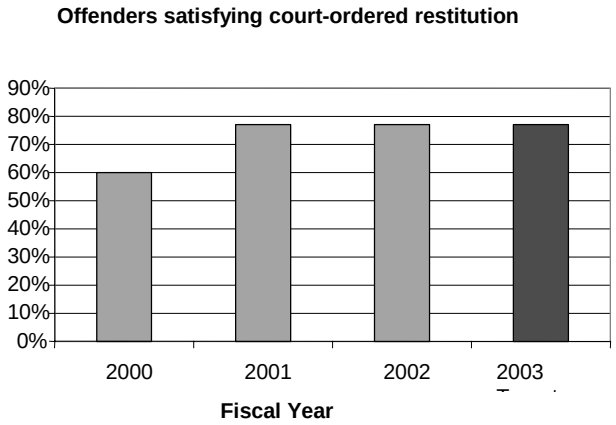
Historical Perspective

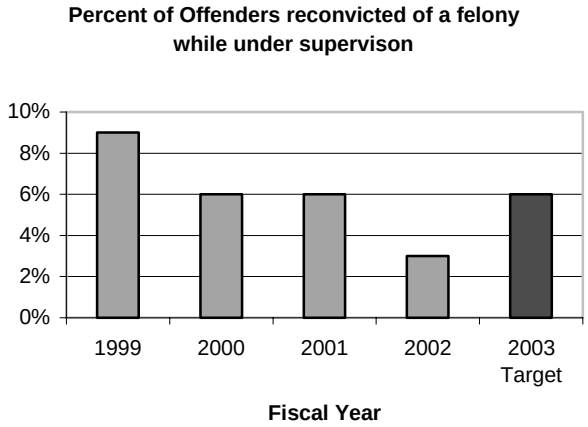
The number of offenders under supervision in the community has grown steadily over the past decade, from 80,000 in 1992 to over 130,000 today. Activities required of probation officers have grown as well. Since 1992 greater emphasis has been placed on the supervision and programming of sex offenders. Some activities added over the past 10 years are sex offender registration, notification, and enhanced supervision programs. The Intensive Supervision Program has more than doubled since its inception in 1991.

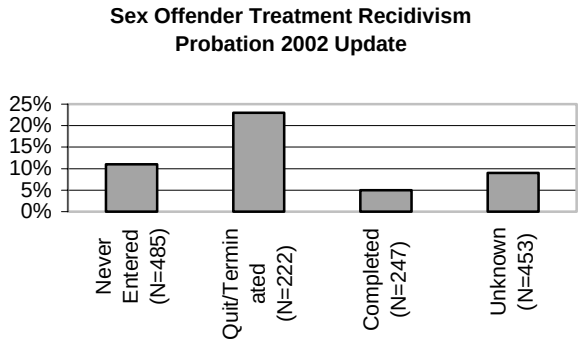
DOC grants, contracts, and subsidies amounted to approximately $32.4 million in 1992 and were administered by staff in numerous units throughout the department. In March of 1999, grants administration was merged into one unit, and total funds administered today have grown to over $73.5 million. The Interstate Compact was enacted into law in 1939. During the 2002 legislature a new compact was enacted. In July of 1994 Minnesota was supervising approximately 1,500 offenders for other states and had approximately 1,000 Minnesota offenders in other states. In July of 2002 Minnesota was supervising over 2,500 offenders for other states and had over 2,300 of its offenders in other states. In the Sex Offender Services activity the addition of community notification, risk level assessment, a level III web site, DOC/DHS collaboration, and treatment research have all been added responsibilities.

In the fall of 2002 the Research and Technical Assistance activities of the department were consolidated into one unit to promote best practices within the state and respond to the ever-increasing demand of the legislature for information, data, and result-based evaluations.

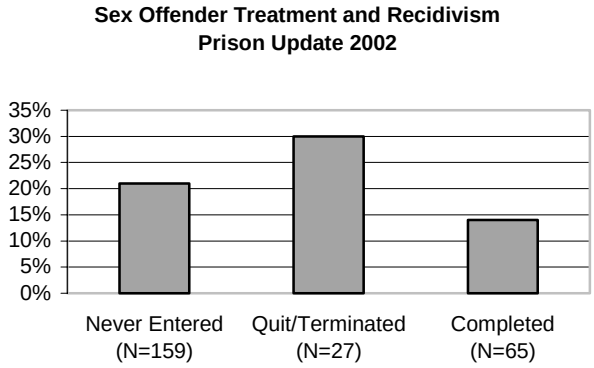
Key Measures







* This sample consists of all sex offenders placed on probation in Minnesota in 1987, 1989, and 1992
* Re-offense checks done in June 2002; time at risk ranges from 9-15 years



* This is the sample originally studied by the Legislative Auditor in 1997 report on Recidivism of Adult Felons
* All sex offenders released from the DOC in 1992, except for female offenders and offenders civilly committed as Psychopathic Personalities
* Offenders who entered treatment were more likely to have a prior sex offense felony than those who never entered (38% vs 17%).

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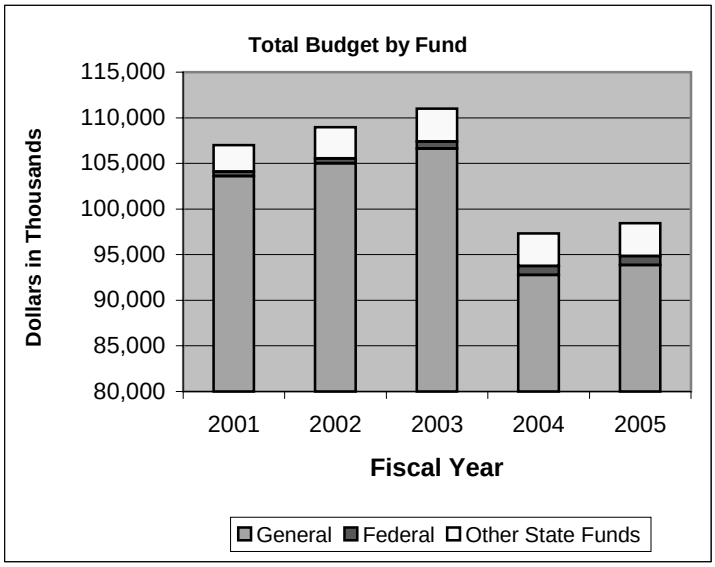
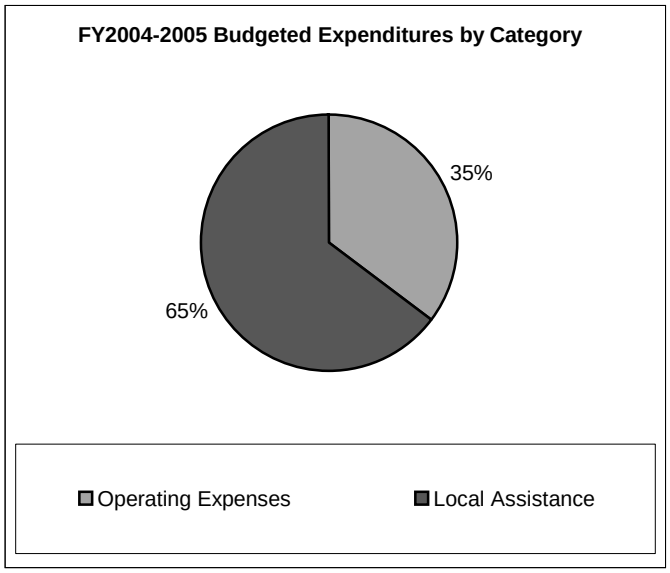




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	103,571	105,011	106,624	92,764	93,851	186,615
Statutory Appropriations						
General	17	4	0	0	0	0
Special Revenue	2,619	3,113	3,291	3,236	3,261	6,497
Federal	501	518	768	998	995	1,993
Miscellaneous Agency	302	323	335	335	335	670
Gift	9	3	0	0	0	0
Total	**107,019**	**108,972**	**111,018**	**97,333**	**98,442**	**195,775**
Expenditures by Category						
Operating Expenses	33,505	32,926	34,987	33,902	35,011	68,913
Payments To Individuals	328	323	335	335	335	670
Local Assistance	73,186	75,723	75,696	63,096	63,096	126,192
Total	**107,019**	**108,972**	**111,018**	**97,333**	**98,442**	**195,775**
Expenditures by Activity						
Probation & Supervised Release	15,517	15,548	17,146	17,159	18,243	35,402
Special Supervision	4,615	4,930	5,432	6,496	6,496	12,992
Community Programs	4,949	4,583	4,183	3,578	3,578	7,156
Sentencing To Service	6,314	6,499	6,750	6,452	6,452	12,904
Facilities Licensing & Inspect	1,982	1,906	2,042	1,245	1,270	2,515
Pass Thru Grants & Subsidies	72,500	74,420	74,084	61,520	61,520	123,040
Program Support & Evaluation	1,142	1,086	1,381	883	883	1,766
Total	**107,019**	**108,972**	**111,018**	**97,333**	**98,442**	**195,775**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	0	3,235	3,370	3,743	3,743	7,486
Cambridge Deposit Fund	3,111	0	0	0	0	0
Subtotal Non Dedicated	3,111	3,235	3,370	3,743	3,743	7,486
Dedicated						
General	17	4	0	0	0	0
Special Revenue	2,322	3,732	3,128	3,116	3,131	6,247
Federal	896	749	1,163	1,399	1,399	2,798
Miscellaneous Agency	259	299	335	335	335	670
Gift	2	1	1	1	1	2
Subtotal Dedicated	3,496	4,785	4,627	4,851	4,866	9,717
Total Revenue	**6,607**	**8,020**	**7,997**	**8,594**	**8,609**	**17,203**
Full-Time Equivalents (FTE)	**395.8**	**403.5**	**422.5**	**400.8**	**400.8**	

Program Description
The Operations Support Unit provides direction and support that contributes to consistency across agency functions and enables all programs to accomplish the department's mission.

Population Served
Each Minnesota correctional facility and all field service offices are served by this unit as are all of the department's employees. All offenders are served by providing offender account services, adult and juvenile revocation hearings, offender policies, offender records, offender claim processing, and offender discipline review.

Services Provided
Support Services establishes the mission and major policy for the department and provides executive leadership. It also includes the Office of Diversity.

Program at a Glance

Management Services Functions:
- Support Services
- Policy and Legal Services
- Interagency Management Unit
- Financial Services
- Office Services
- Human Resources
- Employee Development
- Information Technology

Number of Employees as of July 2002:
- 3,716

Number of Offenders as of July 2002:
- 7,212 adults and juveniles

Policy and Legal Services is responsible for conducting offender hearings, developing policy, and providing direction and technical assistance on legal issues.

The Interagency Management Unit manages projects crossing local, state, and national criminal justice entities. Responsibilities include developing, piloting, and implementing the Statewide Supervision System (SSS) for probation and detention. Additionally, the unit develops integrated criminal justice information in collaboration with other state criminal justice agencies (CriMNet). Specific agency planning efforts, such as adult prison population projections and per diem reduction plans are also the responsibility of this unit.

Financial Services monitors and measures all fiscal activity within the department and reports the economic effect to managers and employees. It collects, classifies, records, and summarizes financial transactions and data. A primary responsibility is to provide managers with information necessary for planning and controlling operations on a day-to-day basis. This unit also provides offender account services.

Office Services provides support services to both central office and field services. These services include telecommunications, coordination of motor pool vehicle usage, physical plant and staff security, courier services, specialized forms, mail processing, printing and duplicating services, receptionist services, space planning, and maintenance of and improvements to the building.

Human Resources provides staffing, labor relations, management consultation and employee programs for the department. The primary goal is to partner with management in the recruitment, selection, management, and retention of a high-quality and diverse workforce. Services provided by the unit include recruitment, hiring assistance, job classification, benefit administration, labor contract negotiation and administration, supervisor training, affirmative action support, and human resource information systems. Employee Development provides pre-service and in-service training designed to develop and maintain employee skill levels.

Information Technology is responsible for supporting the department's mission by providing computerized data processing services to department operational and management staff.

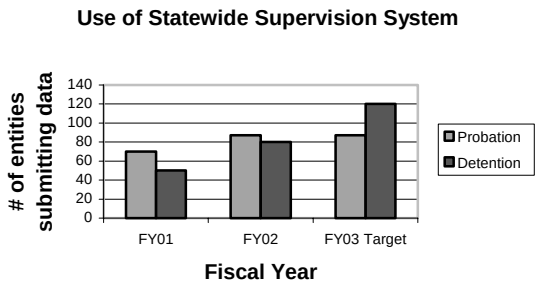
Program Funding
This program is primarily funded through General Fund appropriations.

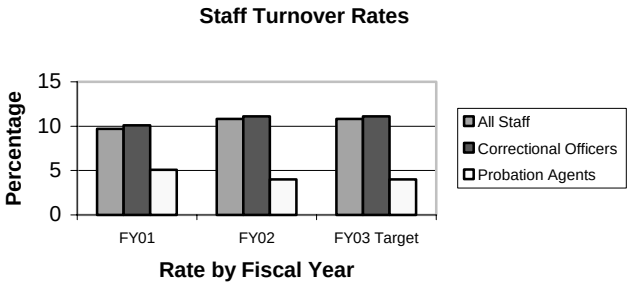
Historical Perspective
This unit has worked diligently the past three years to focus on system reengineering through shared services and/or centralization for cost-containment. The Human Resource Unit has been centralized. Financial Services

and Information Technology are sharing services department wide. Employee Development is the next unit to be centralized and this will take place over a two-year period. This reengineering process has created efficiencies and reduced a number of positions in this unit.

Key Measures

Goal: Operational Effectiveness
Key Measures: Improve/standardize data systems and practices
Maintain a diverse, well-trained staff



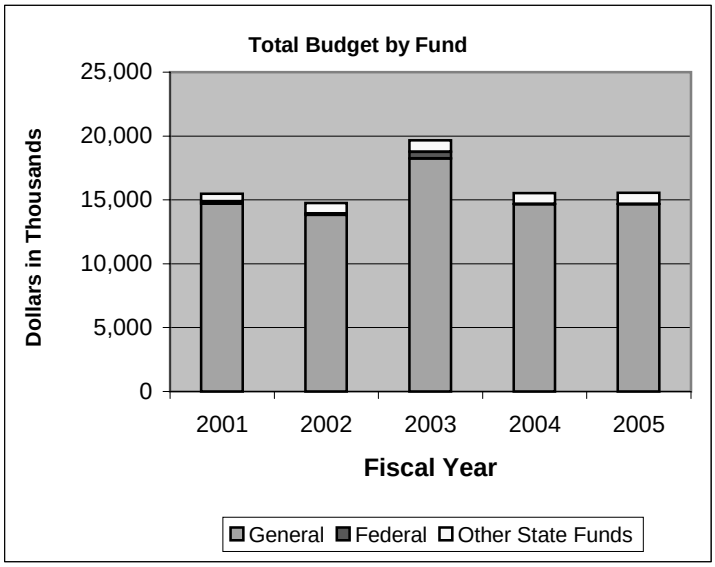


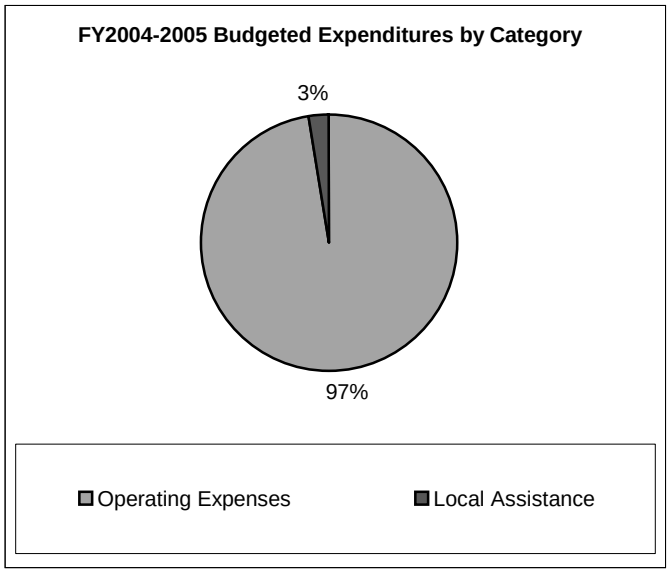
Contact

Department of Corrections
1450 Energy Park Drive, Suite 200
St. Paul, Minnesota 55108-5219

World Wide Wed Home Page: http://www.doc.state.mn.us
Phone: (651) 642-0200, Fax: (651) 642-0223

The department's strategic goals and progress achieved on each are located on the Minnesota State Government at Work web site www.departmentresults.state.mn.us under Corrections.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	13,958	13,831	18,227	14,647	14,647	29,294
Statutory Appropriations						
General	739	0	0	0	0	0
Special Revenue	580	843	891	840	878	1,718
Federal	194	92	539	39	39	78
Total	**15,471**	**14,766**	**19,657**	**15,526**	**15,564**	**31,090**
Expenditures by Category						
Operating Expenses	14,732	14,693	19,257	15,126	15,164	30,290
Local Assistance	739	73	400	400	400	800
Total	**15,471**	**14,766**	**19,657**	**15,526**	**15,564**	**31,090**
Expenditures by Activity						
Support Services	1,338	1,318	1,466	1,217	1,217	2,434
Policy And Legal Services	2,207	1,779	2,508	2,028	2,028	4,056
Inter Agency Unit	1,533	802	2,124	746	746	1,492
Financial Services	1,297	1,472	1,521	1,223	1,223	2,446
Office Services	2,415	1,972	2,156	2,105	2,143	4,248
Human Resources	1,411	1,451	2,873	2,502	2,502	5,004
Employee Development	685	639	755	538	538	1,076
Information Technology	4,585	5,333	6,254	5,167	5,167	10,334
Total	**15,471**	**14,766**	**19,657**	**15,526**	**15,564**	**31,090**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	5	18	3	3	3	6
Subtotal Non Dedicated	5	18	3	3	3	6
Dedicated						
General	800	0	0	0	0	0
Special Revenue	26	7	10	10	10	20
Federal	194	92	539	39	39	78
Subtotal Dedicated	1,020	99	549	49	49	98
Total Revenue	**1,025**	**117**	**552**	**52**	**52**	**104**
Full-Time Equivalents (FTE)	**116.1**	**155.0**	**182.8**	**160.1**	**160.1**	

State of Minnesota
Minnesota Department of Corrections
Office of the Commissioner

February 18, 2003

The 2003 Minnesota Legislature:

Please accept the Department of Corrections (DOC) FY 2004-05 budget in the amount of $876.405 million. This amount includes all funding sources for this agency. These funds will be used to provide core correctional services: adult male and female prisons, community supervision for offenders on probation and supervised release, placement for serious and chronic juvenile offenders, and providing subsidies to local jurisdictions for correctional services. This base budget reflects a $56.423 million reduction, 7% of General Fund appropriations from the original FY 2004-05 base budget.

Base funding will be utilized to enhance public safety for the citizens of Minnesota by providing supervision for offenders in the community and incarcerating offenders committed to the commissioner of corrections. The biennial budget of $876.405 million will be split among divisions with Correctional Institutions receiving 70%, Juvenile Services receiving 4%, Community Services receiving 22%, and Operations Support receiving 4% of the biennial budget.

The DOC must responsibly provide core correctional services to ensure public safety. To this end, all budget reductions were carefully reviewed to ensure that impact on core services was as limited as possible. A number of agency programs and funding for grants were eliminated, as funding is simply not available.

Prison populations continue to rise. As of October 2002, the number of offenders in Minnesota prisons exceeded the 2001 projections by over 300. This is primarily due to a dramatic increase in prison admissions from the courts, new crime categories, and the result of sentencing enhancements. The department has responded to this sudden increase in offenders by opening the last unit at the Rush City facility, which is expected to be full by July 2003. The new 2002 projection indicates that by July 2010, prison populations will approach 9,500, based on current laws, practices and correctional policies.

The DOC is planning to responsibly double bunk the close-security prisons. This will add a significant number of beds to existing prisons and save approximately $10 million for the biennium. This is a cost-effective measure, as existing support and administrative staff will manage the additional population. There will be minimal additions of security staff. There is a threshold to the number of cells that can be double-bunked as the infrastructures of these over 100 year-old buildings have limited plumbing/electrical systems and program space. The number of double-bunked beds is impacted by the ability to provide food and required services. With increased population, offender idleness will be a management concern. Innovative solutions will be endorsed to deal with this issue.

Included in the long-range planning for the DOC is further expansion of existing facilities. Approximately 200 beds would be added to existing medium-security facilities and a plan is being developed to double the MCF-Faribault capacity. In the MCF-Faribault plan, new efficient 416-bed living units would be designed to allow for better supervision with few staff. The new buildings would provide enhanced safety and security for staff and offenders. These units would include “wet” cells that could be locked down when needed. This expansion would increase capacity to 2,280. These beds would be added for a marginal per diem of approximately $44 - $50. If this long-range expansion plan were accepted, it would require capital bonding.

With this substantial budget reduction and population increases, it was necessary to encourage new ideas and creativity to make sure the DOC deliver services in the most efficient manner possible. This meant recognizing an alternative to prison should be considered for short-term offenders, such as local sanctions including jail time. These are mostly non-violent drug and repeat property offenders; utilizing prison beds to incarcerate them is not efficient. With considerations for funding and bed space, it is feasible that local jurisdictions should manage a portion of this population. This budget proposes local sanctions for short-term offenders with less than six months remaining on their sentence.

The DOC administers a number of grants and subsidies that are passed through to local units of government. The purposes of these grants vary widely, but can generally be categorized as subsidies funding direct service to offenders or grants that fund supportive programs to enhance supervision and programming of offenders in the community. The funds related to core probation services are reduced by 5% and, non-core grants are eliminated.

Several operational areas had budget reductions of almost 20%, limiting them to providing of essential services only. Areas will utilize technology and centralized/regionalized work units to improve efficiency. Managers and supervisors will be provided training to better manage their limited budgets while continuing to strive for improved services for customers. Staff at every level will be accountable for their responsibilities and encouraged to provide innovative ideas for change.

Sincerely,

Joan Fabian
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	728,199	157,172	885,371
Forecast Caseload/Enrollment Changes	55,170	0	55,170
Legislatively Mandated Base	-10,390	0	-10,390
New Programs To Agency Base	3,367	0	3,367
One-Time Appropriations	-2,000	0	-2,000
Transfers Between Agencies	564	0	564
Adjusted Base Funding	774,910	157,172	932,082
Change Items			
Agency Operating Reduction	-17,062	0	-17,062
Double Bunking Offenders	-9,974	0	-9,974
Grants And Subsidy Reduction	-20,598	0	-20,598
Short Term Offenders	-8,789	0	-8,789
Community Services			
Mille Lacs County Probation	746	0	746
Governor's Recommendations	719,233	157,172	876,405
Biennial Change, 2002-03 to 2004-05	4,237	-5,781	-1,544
Percent Change	1%	-4%	0%

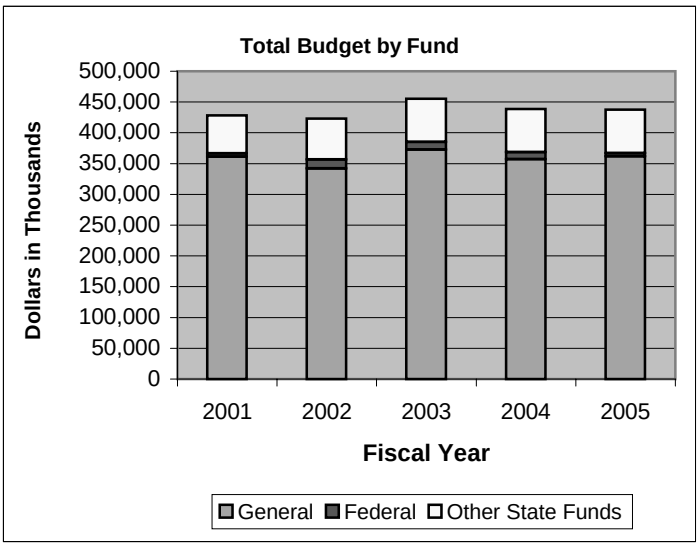
Brief Explanation Of Budget Decisions:

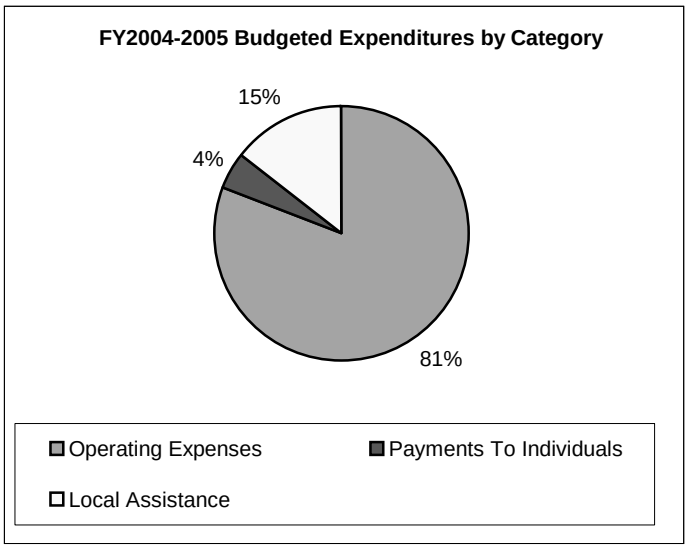
Base adjustments are provided for the following:

- Caseload increase funding of $55.17 million is included for projected inmate population growth. This adjustment is calculated using an increase of 1,308 inmates by the end of FY 2005 over current funding levels at a marginal average daily cost per inmate of $68.80. The department must house all prisoners committed to the Commissioner of Corrections.
- Legislatively mandated changes include an increase of $2.4 million for community services reductions in FY 2003 that are restored in FY 2004-05 and a decrease of $12.79 million for unallocated reductions across the department in FY 2004-05.
- New program to agency base is increased funding of $3.367 million for community supervision for felony DWI offenders.
- One-time funding of $2 million for facility cost efficiency projects is eliminated.
- Funding of $564,000 is transferred from the Department of Human Services for inmate mental health discharge planning and medications.

The Governor's recommendation for $876,405,000 in biennial funding includes reductions for: agency operations, grants, and subsidies; partial double bunking of offenders in close custody facilities; and local sanctions for short-term offenders with less than six months remaining on their sentences. The state will also assume probation services in Mille Lacs County, with all costs to be reimbursed by the county. These changes are detailed on the following pages.

	FY 2004-05 Revenues ($000s)		
	General Fund	**Other Funds**	**Total**
FY 2004-05 Current Law Revenues	22,090	152,279	174,369
Change Items			
Community Services			
Mille Lacs County Probation	746	0	746
FY 2004-05 Total Revenues	22,836	152,279	175,115
Biennial Change 2002-03 to 2004-05	972	(8,349)	(7,377)
Percent Change	4%	(5%)	(4%)





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Carry Forward						
General	169	100	100	45	0	45
Direct Appropriations						
General	360,294	341,911	372,810	357,267	361,921	719,188
Statutory Appropriations						
General	968	75	0	0	0	0
Special Revenue	12,717	16,229	16,979	17,097	16,607	33,704
Federal	5,198	14,681	12,311	11,091	5,277	16,368
Miscellaneous Agency	23,951	25,599	25,671	24,875	24,875	49,750
Gift	27	72	44	23	23	46
Correctional Industries	25,086	24,210	27,157	28,301	29,003	57,304
Total	**428,410**	**422,877**	**455,072**	**438,699**	**437,706**	**876,405**

Expenditures by Category						
Operating Expenses	328,490	314,817	351,905	350,428	354,558	704,986
Capital Outlay & Real Property	4,069	10,776	7,549	5,299	176	5,475
Payments To Individuals	21,608	21,388	19,497	19,471	19,471	38,942
Local Assistance	74,243	75,896	76,121	63,501	63,501	127,002
Total	**428,410**	**422,877**	**455,072**	**438,699**	**437,706**	**876,405**

Expenditures by Program						
Correctional Institutions	285,360	280,494	304,081	306,884	304,639	611,523
Juvenile Services	20,560	18,645	20,316	18,956	19,061	38,017
Community Services	107,019	108,972	111,018	97,333	98,442	195,775
Operations Support	15,471	14,766	19,657	15,526	15,564	31,090
Total	**428,410**	**422,877**	**455,072**	**438,699**	**437,706**	**876,405**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	235	10,815	10,974	11,418	11,418	22,836
Cambridge Deposit Fund	8,062	0	0	0	0	0
Subtotal Non Dedicated	8,297	10,815	10,974	11,418	11,418	22,836
Dedicated						
General	1,066	75	0	0	0	0
Special Revenue	15,678	17,041	16,973	16,173	15,511	31,684
Federal	7,530	15,750	9,959	8,898	3,919	12,817
Miscellaneous Agency	23,880	26,523	24,795	24,795	24,795	49,590
Gift	95	13	25	24	24	48
Correctional Industries	21,185	22,829	26,720	28,620	29,520	58,140
Subtotal Dedicated	69,434	82,231	78,472	78,510	73,769	152,279
Total Revenue	**77,731**	**93,046**	**89,446**	**89,928**	**85,187**	**175,115**
Full-Time Equivalents (FTE)	**3,725.0**	**3,694.7**	**3,924.4**	**3,848.9**	**3,849.4**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($8,531)	($8,531)	($8,531)	($8,531)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($8,531)	($8,531)	($8,531)	($8,531)

Recommendation

The Governor recommends a biennium budget reduction of $17.062 million from the DOC base budget for agency operating expenses.

Background

This budget reduction is necessary to assist in managing the state's deficit. Several operational areas are impacted by this budget reduction.

The community services division will be reducing core services by 5%. These services include the supervision of offenders released from state prisons. These funds are directly related to the supervision of over 130,000 offenders in the community that are supervised by either county or DOC employees. Two program areas in this division have been eliminated - restorative justice and female offender planning. Several program units have taken significant budget reductions such as: DWI felony offender supervision, sex offender evaluation, sex offender notification, jail resources, licensing and inspection, research and evaluation, and technical support. The DWI felony offenders funding equate to approximate 12 positions that have were authorized but never filled due to budget constraints. The administrative units have also made budget reductions. The total number of positions reduced in community services will be 48.5.

The juvenile services division will be reducing positions in juvenile support services and transition activities. The contract for housing juvenile female offenders will also be reduced as well as a restorative justice grant for these offenders. The total number of positions reduced in juvenile services will be 3.5.

The operational support division will be reducing positions and operating costs in most support areas such as: financial services, human resources, employee development, policy and legal services, information technology, administrative management, and office services. Efficiencies will be gained through further use of regional or centralized services. The total number of positions reduced in operations support will be 19.5.

The facilities division will be reducing positions in education, health services, office of special investigations (OSI), fugitive unit, program areas, and security. Facilities will utilize shared services with education director positions. This is an effective utilization of staff to maintain supervision, direction, and integrity of prison educational programs. The associate of arts program will be eliminated in adult facilities. Health services will be integrating clinical services, reducing dental services, reducing on-call mental health services, and reducing administrative positions. These changes will directly impact offender services, our ability to meet ACA standards, and could have legal implications. The elimination of investigators will greatly reduce investigative resources, emergency response to facilities, and timely completion of investigations. The monitoring of offender telephone calls and mail will also be greatly reduced. Security and program positions will be eliminated and functions of these positions will be disseminated to existing staff. The total number of positions reduced in facilities will be 30.3.

The DOC will be eliminating a total of 101.8 positions. Approximately 44 positions are vacant, or are new positions that have never been filled, as of 1-15-03. This means approximately 58 people will require layoff notices. It will be necessary to eliminate these positions prior to 7-1-03, in order to meet our budget reduction target.

Relationship to Base Budget

This change item is very significant to the base budget as it is 30% of the required agency budget cut by the Governor.

Key Measures

Goal: Operational Effectiveness
Key Measure: Reduce Correctional Costs

This budget reduction lowers overall correctional costs to the state of Minnesota. Facility per diems may decrease slightly, community corrections costs will decrease, and administrative/operational costs will decrease as efficiencies are gained.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($2,137)	($7,837)	($13,181)	($15,675)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($2,137)	($7,837)	($13,181)	($15,675)

Recommendation
The Governor recommends a biennium budget reduction of $9,974 million from the DOC base budget for agency operating expenses.

Background
This budget reduction is necessary to assist in managing the state's deficit.

Prison populations continue to rise. As of October 2002, the number of offenders in Minnesota prisons exceeded the 2001 projections by over 300. This is primarily due to a dramatic increase in court volume, crime categories, and the result of enhanced sentencing. The department has responded to this sudden increase in offenders by opening the last unit at the Rush City facility. This facility is expected to be full by July 2003. The new 2002 projections indicates that by July 2010, prison populations are anticipated to approach 9,500 offenders, based on current laws, practices and correctional policies.

This initiative will require a portion of the Stillwater and St. Cloud close-security prisons to be double-bunked in a responsible way. This scenario will be challenging, but double bunking has been successful at medium and low-security prisons in Minnesota we are willing to endure the challenges this initiative presents.

This will add a significant number of beds to existing prisons. This is a cost-effective measure as existing support and administrative staff will manage the additional population and there will be minimal additions of security staff. There is a threshold to the number of cells that can be double-bunked as the infrastructures of these 100 year-old buildings have limited plumbing/electrical systems. It is not possible to double bunk more than 50% of existing cells. The number of double-bunked cells is also impacted by the ability to provide program space, dining areas, time and space for visiting, and recreational services for the added number of offenders. Offender idleness will also be a management concern, and innovative solutions will be endorsed to deal with this issue.

In addition to double bunking, there is a plan for expansion at the MCF-Faribault. An initial asset preservation study was completed for the MCF-Faribault. This study, completed in 2002, evaluated the condition of existing campus buildings that range in age from 5 to more than 100 years. This study determined an estimated $70 million would be required for long-term repair and preservation of these buildings. However, this figure will be dramatically reduced if we move forward with the following plan.

A second study, also completed in 2002, evaluated the cost/benefits of replacing existing housing units at the MCF-Lino Lakes with larger, more staff-efficient buildings that can be secured during non-programming periods. This study, in conjunction with the MCF-Faribault asset preservation study, provided the Department of Corrections an opportunity to explore expansion of an existing facility.

The long-range plan for expansion of the MCF-Faribault will almost double the capacity. This expansion will include:

- construction of five new 416-bed lockable housing units - adding 1,155 beds;
- substandard buildings will be vacated and demolished;
- conversion of five existing non-secure living units into program or support space;
- construction of a consolidated kitchen and dining facility; and
- the power plant and tunnel systems will be abandoned and new distributed heating plants will be constructed at each building.

The new 416-bed living units will be designed to allow better supervision with fewer staff. These buildings will provide enhanced safety and security for staff and offenders. These units will include "wet" cells that can be locked down when needed. Demolition of the tunnels will also provide enhanced security as this will eliminate potential escape routes. This expansion will increase capacity to 2,280. These beds would be added for a marginal per diem of approximately $44 – 50.

The overall cost of phase 1 of this long-term plan is approximately $65 million, plus future asset preservation expenditures. Planning for phase 1 would begin June 2003 with construction completed in the fall of 2005. A second phase of construction will complete the project with a capital cost of $35 million. Phase 2 construction would begin in June of 2005 with completion in the fall of 2007.

With expansion of offender beds at the MCF-Faribault from 1,125 to 2,280 beds, accompanied by a significant increase in staffing efficiency, the per diem cost can be reduced from the current $72.09 to a projected $52.19. The payback period of this plan's capital cost, resulting from the per diem reduction and other efficiencies achieved through this plan, is projected to be less than seven years. This will lower the overall department per diem from $79.89 to approximately $72.

Relationship to Base Budget

This change item is very significant to the base budget as it is 18% of the required agency budget cut by the Governor.

Key Measures

Goal: Operational Effectiveness
Key Measure: Reduce Correctional Costs

This budget reduction lowers overall correctional costs to the state of Minnesota and increases safety and efficiency. The remaining facility per diems will decrease as beds are added to the close-security prisons for a marginal rate.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($10,299)	($10,299)	($10,299)	($10,299)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($10,299)	($10,299)	($10,299)	$10,299)

Recommendation
The Governor recommends a biennium budget reduction of $20.598 million from the DOC base budget by eliminating certain grants and reducing various pass through-funds.

Background
This budget reduction is necessary to assist in managing the state's deficit.

The Department of Corrections administers a number of grants and subsidies that are passed through to local units of government. The purposes of these grants vary widely, but can generally be categorized as subsidies funding direct service to offenders or grants that fund supportive programs to enhance supervision and programming of offenders in the community. Most of the grants are limited in scope and do not benefit corrections statewide. It is proposed that funds related to core probation services be reduced by 5% and that non-core grants be reduced by 100%.

Core services (5 percent) are defined as those services providing direct probation and supervised release supervision to offenders in the community. These include the CCA Subsidy, County Probation Officer Reimbursement, Statewide Caseload Reduction, Adult Felon Caseload Reduction, Sex Offender Supervision and Treatment, and Intensive Supervision Grants. These services include the supervision of offenders released from state prisons. These funds are directly related to the supervision of over 130,000 offenders in the community by either county or DOC employees.

Non-core grants (100 percent) provide important services to the community, but do not rise to the level of core services. These grants include Adult and Juvenile Female Offender, Amicus, Community and Regional Corrections Center, Juvenile Restitution, Extended Jurisdiction Juveniles, Juvenile Continuum of Care, Intensive Repeat DWI, Sex Offender Assessment Reimbursement, Restorative Justice, Juvenile Residential Treatment and American Indian Grants. The elimination of these grants will impact the services provided to offenders by both the DOC and counties.

Relationship to Base Budget
This change item is very significant to the base budget as it is 37% of the required agency budget cut by the governor. This encompasses over 9 percent of the Community Services budget. This level of cut will impact the ability of counties and DOC field services to provide the level of service to offenders that has the potential to reduce recidivism. These reductions will exacerbate already high probation caseloads. It is critical to all probation units that reductions be as minimal as possible.

Key Measures
Goal: Community Safety
Key Measure: Reduce the Risk of Recidivism

The elimination or reduction of grants and pass-through funding for supervision and programming of offenders in the community could negatively impact recidivism rates.

Alternatives Considered
An alternative to this request is to lessen the reduction in non-core areas and impact the core areas even greater.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($3,767)	($5,022)	($5,022)	($5,022)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($3,737)	($5,022)	($5,022)	($5,022)

Recommendation

The Governor recommends a biennium budget reduction of $8.789 million from the DOC base budget for removing short-term with less than six months to serve from the prison system.

Background

This budget reduction is necessary to assist in managing the state's deficit.

Short-term offenders can be defined as offenders serving less than one year in prison. This occurs most frequently with:

- offenders whose actual time to be served in prison is less than one year;
- offenders that have jail credit reducing their term of imprisonment to less than one year; and
- probation violators coming to prison for short periods of time.

For the purpose of this initiative the DOC is proposing any short-term offender with less than six months to serve will be sanctioned at the local jurisdiction level.

Within this category of short-term offenders there were 592 admissions to the commissioner of corrections during calendar year 2001. This short-term offender population is approximately 200 on any given day. With the relief from offenders serving less than six months, the DOC will save approximately 200 beds available for long-term, dangerous offenders.

Short-term offenders must be processed and managed in a correctional facility in the same manner as long-term offenders. The initial orientation process must minimally include a Level-of-Service Inventory assessment, medical, dental and mental health examinations, and an incapability assessment. Intake is an expensive process, over and above the daily per diem charge for each offender. Eliminating the intake process for this population is not viable because of existing statutes and health regulations, as well as security and safety concerns.

Treatment and education programs for short-term offenders are generally not available as their time spent in prison is shorter than the length of most programs. These offenders are usually moved from the intake facility to a lower-security prison within 60 days. Transportation costs are another expense of short-term offenders.

Short-term offenders consist mostly of non-violent drug and repeat property offenders.

Prison population projections indicate a significant increase over the four years. Prison populations are expected to rise to over 9,500 offenders by the year 2010. This major population surge will demand more prison beds. It is inefficient to have short-term offenders as a part of this population as state prison beds are designed for dangerous, long-term offenders.

The prison system is expected to be full by July 2003, given the current projections. To ensure adequate bed space for the incoming population, this initiative is needed.

Relationship to Base Budget

This change item is very significant to the base budget as it is 16% of the required agency budget cut by the Governor.

Key Measures

Goal: Community Safety
Key Measure: Reduce the Risk of Recidivism

It is unknown whether this change item would have impact on recidivism. These offenders would still be in custody or under the supervision of a local jurisdiction but caseloads will be extremely crowded. Short-term offenders consist mostly of non-violent drug and repeat property offenders.

Alternatives Considered

Continue probation violators on probation instead of sending them to prison. This option would keep offenders in the community to be managed by local jurisdictions.

Options with a short-term facility include state funding for construction and local operation or local funding of construction and operation.

Contract with private facilities to house short-term offenders. The current cost for renting beds ranges from $50-65 per day. Health care, case management, and contract administration costs would remain the responsibility of the Department of Corrections.

Work with the bench and local jurisdictions to examine sentencing practices that apply to the misdemeanant population. This in turn may create jail space at the local level to accommodate additional short-term offenders.

Statutory Change:
Minnesota Statute 609.105

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$373	$373	$373	$373
Revenues	373	373	373	373
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	0	0	0	0

Note: These figures do not include inflationary increases.

Recommendation

The Governor recommends that $373,000 be appropriated in FY 2004 and FY 2005 to fund probation officer positions that become the responsibility of the Department of Corrections (DOC) due to the Mille Lacs County Board resolution requesting the state assume the responsibility of juvenile and misdemeanor offender supervision. This is in accordance with the provisions contained in M.S. 244.19. The county will reimburse the state for all costs related to this supervision, thus the proposal is revenue neutral.

Background

In those counties that do not belong to the Community Corrections Act, probation services are either delivered through a county court services unit or through the DOC. The DOC delivers these services at the request of the counties under the authority of M.S. 244.19, subd. 1 (3), which states:

"A county or a district court may request the commissioner of corrections to furnish probation services in accordance with the provisions of this section, and the commissioner of corrections shall furnish such services to any county or court that fails to provide its own probation officer by one of the two procedures listed above:"

If such a request is made the DOC must by law assume these duties. This request is being made to ensure that funds are available.

Relationship to Base Budget

This change would be an addition to the Probation and Supervised Release base budget. However, the state will be reimbursed by the county for all costs, thus this is a very small change with regard to the overall budget.

Key Measures

Assumption of these duties is mandatory under M.S. 244.19. Therefore, this change request is not quantified by performance measures. This change should not adversely or positively impact probation services in Mille Lacs County.

Alternatives Considered

There is no alternative due to the mandatory nature of the request.

Statutory Change: Not Applicable.

The explanations below pertain to the Federal Funds Summary table.

16.202 Reentry Serious/Violent Offender Program is a combined effort by the US Department of Justice, Labor, and Health and Human Services to assist states facing the challenges presented by the return of offenders from prison to the community.

16.572 State Criminal Alien Assistance Program assists states in funding incarceration costs of inmates determined to be illegal aliens by the U.S. Immigration and Naturalization Services. No additional receipts are expected after FY2002.

16.586 Violent Offender Incarceration – Truth in Sentencing Program helps state and local governments expand their capacity to house violent offenders. Up to 15 percent of the funds can be sub-granted to local units of government and up to 10 percent of later awards can be used for drug testing. $1.7 million has been designated for drug testing purposes including treatment staff at three correctional facilities; $10.2 million has been allocated to Minnesota Correctional Facility-Lino Lakes for the construction of a new 416-bed unit.

16.593 Residential Substance Abuse Treatment Program funds drug treatment activity in three correctional facilities.

84.002 The Adult Basic Education program provides offenders the opportunity to learn how to read and master the curriculum taught in kindergarten through twelfth grade. The main focus of the program is to assist offenders who did not graduate from high school to earn a GED.

84.027 Children with Disabilities is an expanded effort to provide services and instructions to students who have or need an individual education plan.

93.243 Youth Violence Prevention grant provides comprehensive reentry services for youth with mental health and substance abuse issue.

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
National School Breakfast/Lunch	$333	SO	$355	$190	$190	$190
Reentry Serious/Violent Offender	$0	GPS	$0	$500	$750	$750
RW Juvenile Accountability & Incentive Block	$11	SO	$11	$0	$0	$0
Juvenile Accountability & Incentive Block	$213	SO	$206	$194	$194	$194
Juvenile Justice & Delinquency Prevention	$83	SO	$88	$47	$55	$55
State/Local Narcotic Control	$366	SO	$366	$310	$313	$313
National Criminal History Improvement Program	$92	SO	$92	$539	$39	$39
Violent Offender Incarcerated – Truth in Sentencing	$10,252	SO	$10,252	$6,279	$5,400	$321
Sex Offender Management	$108	SO	$108	$9	$0	$0
Residential Substance Abuse Treatment	$404	SO	$370	$541	$546	$546
State Criminal Alien Assistance Program	$1,530	SO	$2,677	$0	$0	$0
Bulletproof Vest Partnership	$2	SO	$3	$22	$23	$23
Community Orientated Policing	$31	SO	$32	$0	$0	$0
Adult Basic Education	$415	SO	$410	$488	$488	$488
Title 1 Neglected & Delinquent	$159	SO	$159	$159	$159	$159
Children with Disabilities	$57	SO	$27	$505	$505	$505
Vocational Education (Perkins)	$27	SO	$25	$0	$25	$25
Literacy for Incarcerated Adults	$432	SO	$432	$0	$0	$0
Post Secondary Education	$94	SO	$94	$140	$75	$75
HIV Outreach	$40	SO	$37	$36	$36	$36
Community Mental Health	$32	SO	$6	$0	$0	$0
Youth Violence Prevention	$0	SO	$0	$0	$100	$200
Agency Total	$14,681		$15,750	$9,959	$8,898	$3,919

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

Agency Purpose

The purpose of the Office of Ombudsman for Corrections is to investigate complaints and, where appropriate, make corrective recommendations regarding the Minnesota Department of Corrections (DOC) and facilities operating under Chapter 401. The mission of the agency is to promote standards of competence, efficiency, and justice in the administration of corrections. The agency is independent, reports to the executive branch, and is governed by M.S. 241.41 - 241.45.

Core Functions

⇒ Investigative staff accessibility by phone (Tuesday and Thursday 8:30am – 5:00pm), U.S. mail, and in-person while on-premises of institution.

⇒ Ombudsman accessibility to DOC senior management 24 hours/day, seven days/week via office, and personal phone number exchange.

⇒ The Ombudsman for Corrections will respond within one day of notification that a critical incident has taken place. In addition, the Ombudsman for Corrections will correspond as necessary to written as well as handle phone intake complaints two days per week. As necessary, the Ombudsman will visit institutions to conduct investigations and meet with staff and complainants within the office's jurisdiction.

⇒ The agency will continue to monitor policy and program changes in the institutions and make recommendations as appropriate to ensure DOC institutions are consistent, fair, and humane according to American Correctional Association (ACA) and other accrediting bodies standards.

Operations

The goal of the ombudsman is to act as an impartial fact finder and make recommendations that promote good correctional practice as mentioned by accrediting organizations such as the ACA and case law. Staff will visit institutions as necessary and are viewed as a knowledgeable resource by inmates and staff. Whether investigating a specific case or handling questions while at the institution, the Ombudsman carries out the mission of the office and treats everyone involved with respect and their input in a confidential manner. Through on-site review of critical materials, regular meetings with wardens as well as follow-up conversations with institution supervisors, the office is able to identify and recommend solutions to problems involving policy application, training or procedural breakdown with an intent to resolve issues at the lowest level of supervision or management necessary to enact meaningful change.

Key Measures

The measures of success are varied and dependent on available resources at any one time. When the office had nine staff, each investigator had an assigned group of facilities and was able to establish and maintain relationships with staff, allowing for a more efficient resolution of the conflict or issue with minimal friction and investigative time. The measurement tools at that time reflected this philosophy (i.e., percentage of cases resolved in one, fifteen or thirty days). With current budget and staffing limitations this is no longer practical since no investigators exist and only a limited grouping of issues will be reviewed as critical incidents occur or as the Ombudsman's discretion and time allows for review.

Budget

Funding for the agency has been significantly reduced in recent biennia. In FY 1999, the agency spent $694,000 with nearly 9 FTE. In FY 2002, the funding level is set at $323,000 with 4.75 FTE. During the 2002 legislative session, the legislature reduced funding in FY 2003 to $168,000. It is anticipated that this will fund 1.6 FTE.

Contact

You may call or write the office as follows:

Office Address:
1885 University Avenue, Suite 395
St. Paul, Minnesota 55104

(651) 643-3654 (Office) (651) 643-2148 (Fax)

State of Minnesota
Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 296-5900
Fax: (651) 296-8685
TTY: 1-800-627-3529

February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Criminal Justice omnibus bill. These agencies collectively administer $11.043 million (Gov's Rec, all funds) for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $2.426 million (18%percent) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to regulate peace officers and partially reimburse their training costs, provide tax court services and disciplinary oversight of judges, regulate private detectives, administer sentencing guidelines, and promote passage of uniform laws.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

The funding recommended for most of these agencies will be reduced by 15%. No funding reduction is recommended for the Board on Judicial Standards to maintain minimal operations. The Office of Ombudsman for Corrections is recommended for elimination. Additional FY 2003 funding of $35,000 is recommended for the Board on Judicial Standards to pay the anticipated costs of a public hearing regarding disciplinary actions against a judge.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

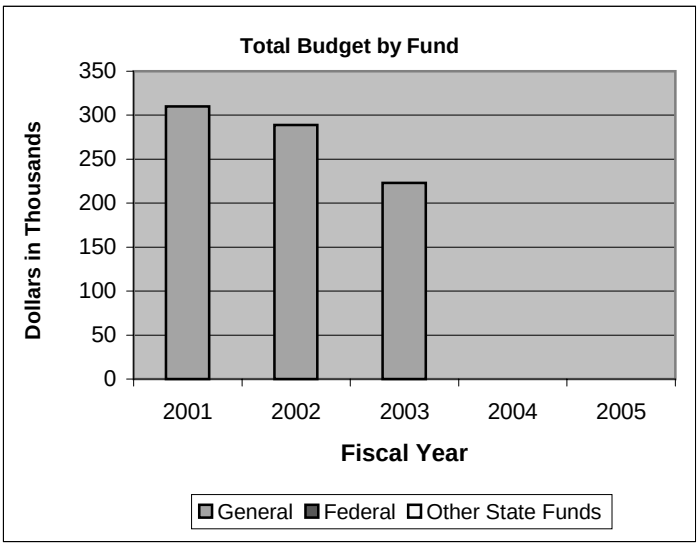
Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	336	0	336
Adjusted Base Funding	336	0	336
Change Items			
Eliminate Ombudsman For Corrections	-336	0	-336
Governor's Recommendations	0	0	0
Biennial Change, 2002-03 to 2004-05	-512	0	-512
Percent Change	-100%	n.m.	-100%

Brief Explanation Of Budget Decisions:

The Governor recommends that the Office of Ombudsman of Corrections be abolished effective 7-1-03. The total biennial reduction is $336,000. Funding for severance and other costs of closing down agency operations will be covered from a statewide contingency appropriation.



Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	310	289	223	0	0	0
Total	**310**	**289**	**223**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	310	289	223	0	0	0
Total	**310**	**289**	**223**	**0**	**0**	**0**
Expenditures by Program						
Ombudsman-Corrections	310	289	223	0	0	0
Total	**310**	**289**	**223**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**3.7**	**3.4**	**1.6**	**0.0**	**0.0**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(168)	(168)	(168)	(168)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(168)	(168)	(168)	(168)

Recommendation
The Governor recommends that the Office of the Ombudsman of Corrections be abolished effective 7-1-03. The total biennial reduction is $336,000. Funding for severance and other costs of closing down agency operations will be covered from a statewide contingency appropriation.

Background
In recent years this office has been significantly reduced from nearly nine staff to just one full-time and one part-time employee, making it difficult to maintain ongoing operations. These reductions have occurred with recognition that other avenues of redress exist for inmates that were not available when this office was created. With the fiscal challenges facing the state, it only makes sense to eliminate functions that are duplicative in nature and whose responsibilities can and have been handled by other agencies in state government. For these reasons, the Governor recommends the office be abolished.

Relationship to Base Budget
Biennial base funding for the agency is $336,000. This recommendation eliminates the base funding.

Statutory Change: Repeal M.S. 241.41-.45 and delete other references to the Ombudsman in statute.

Agency Purpose

Minnesota's Court of Appeals is the state's intermediate appellate court, providing citizens with prompt and deliberate review of final decisions of the trial courts, state agencies and local governments.

This error-correcting court hears and decides cases in three-judge panels.

⇒ **Mission:** To provide the people with impartial, clear, and timely appellate decisions made according to law.

⇒ **Vision:** To be an accessible intermediate appellate court that renders justice under the law fairly and expeditiously through clear, well-reasoned decisions and promotes cooperative effort, innovation, diversity, and the professional and personal growth of all personnel.

At A Glance

⇒ The Court of Appeals has 16 judges and considers more than 2,000 appeals each year.

⇒ By law, the court must issue a decision within 90 days after oral arguments – the shortest deadline imposed on any appellate court in the nation.

⇒ The court expedites decisions on child protection cases, child custody cases, mental health commitments, and other requested matters.

⇒ Court of Appeals' decisions are the final ruling in about 95% of the appeals filed each year.

⇒ The Court of Appeals operates in a constantly changing environment.

- ♦ Laws, case types and legal sanctions change annually.
- ♦ Caseload volume is determined by the trial courts and by other branches of government.

⇒ The Minnesota Courts regularly review their effectiveness by monitoring:

- ♦ Case filing trends
- ♦ Case clearance rates
- ♦ Elapsed case time from filing to disposition

Core Functions

The Court of Appeals has jurisdiction over all final decisions of the district court, except first-degree murder convictions, which are appealed directly to the Supreme Court. The Court of Appeals has jurisdiction to review interlocutory decisions, administrative agency decisions, and rules and decisions of the Commissioner of Economic Security.

In support of these core functions, the Court of Appeals:

⇒ Manages its cases to ensure prompt resolution within the statutory 90-day time limitation from oral argument to decision.

⇒ Enhances the knowledge and skills of its staff by regular training.

⇒ Explores the use of technology to improve its ability to provide timely and effective access to the court.

Operations

Through its decisions and administration, the Court of Appeals has an impact on all Minnesotans.

In their adjudicative roles, the judges of the Court of Appeals are assisted by law clerks. Administratively, they are assisted by the Chief Attorney's Office and the State Court Administrator's Office.

The Court of Appeals hears cases throughout the state as well as in St. Paul. The court has installed interactive video as an additional measure to provide timely access.

The Court of Appeals issues a published opinion, unpublished opinion, or order opinion on each case it considers. The judges also share responsibility for hundreds of special term opinions, orders on motions, and petitions filed with the court.

With the assistance of a computerized case management system, the court monitors the progress of every appeal to ensure that there are no unnecessary delays in processing. The court demonstrates the value of aggressive, hands-on management of its cases.

Budget

The Court of Appeals is funded 100% from General Fund direct appropriations.

Costs of non-judicial personnel use 46% of the resources of the Court of Appeals. Another 34% goes to the personnel costs of the judicial personnel. The remaining 20% is for operations (including items such as legal research materials and supplies.)

The Court of Appeals has 84.25 FTEs.

Contact

Minnesota Court of Appeals
Minnesota Judicial Center
25 Constitution Avenue
St. Paul, Minnesota 55155

Sue Dosal
State Court Administrator
Phone: (651) 296-2474
Fax: (651) 297-5636

Home page: http://www.courts.state.mn.us

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400 Centennial Building
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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the Supreme Court, Court of Appeals, District Courts, Legal Profession Boards, and Board of Public Defense. The Governor respects the separation of powers and the desire of officials in the judicial and legislative branches and other constitutional officers 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 balanced budget.

The Governor's general recommendations for the judicial and legislative branches and other constitutional officers reflect his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions individually redesign their operations to increase efficiencies while minimizing the disruption to public services as much as possible. They should also consider collaboration with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

For the Supreme Court, Court of Appeals, and the District Courts, the Governor recommends a 10% reduction in appropriations for the FY 2004-05 biennium. For the Board of Public Defense, the Governor recommends a 15% reduction in appropriations for the FY 2004-05 biennium. The Legal Profession Boards are fully funded by fees collected under court rules, so no further actions are required on their budgets. The Governor makes no recommendation regarding the specific initiatives put forward by these agencies.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	16,054	0	16,054
Legislatively Mandated Base	24	0	24
New Programs To Agency Base	201	0	201
Adjusted Base Funding	16,279	0	16,279
Change Items			
Operating Budget Reduction	-1,628	0	-1,628
Governor's Recommendations	14,651	0	14,651
Biennial Change, 2002-03 to 2004-05	-956	0	-956
Percent Change	-6%	n.m.	-6%

Brief Explanation Of Budget Decisions:

Adjustments to the base include:

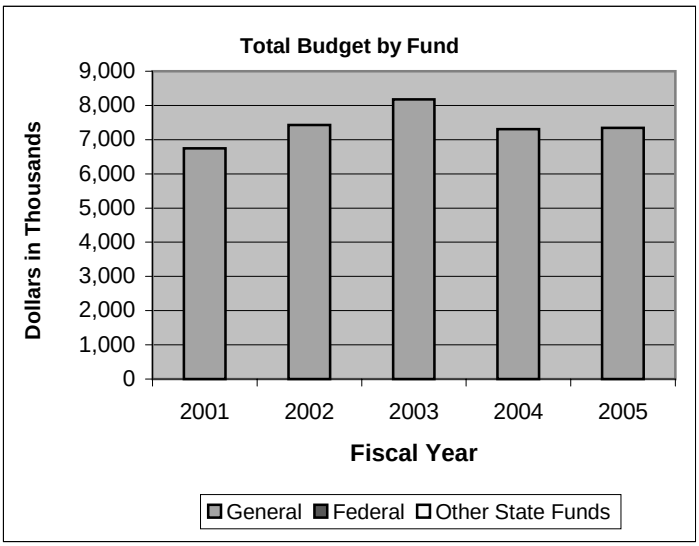
- Legislatively mandated change of a $24,000 increase in FY 2004-05 tails required under 2002 legislation.
- New programs to agency base of a $201,000 increase for judges salary increases provided under law.

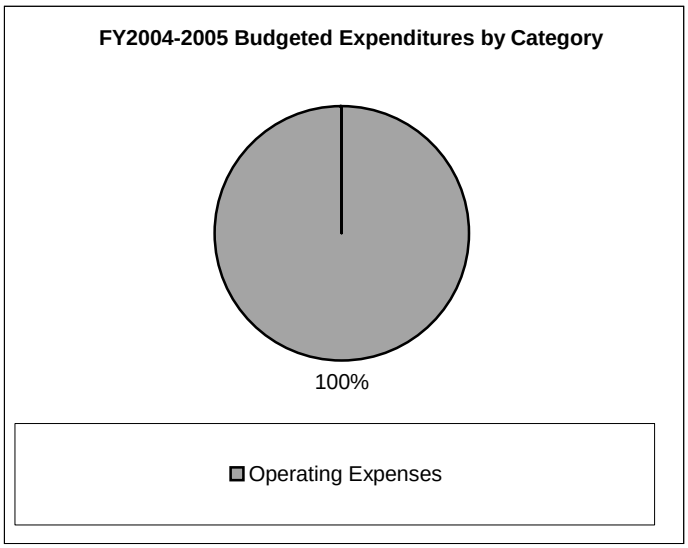
The Governor recommends a 10% reduction totaling $1,628,000.

Agency Request:

The Governor has submitted the Court of Appeals' request to the Legislature. A narrative summary of the agency's request is included after the transmittal letter in this document. Additional detail on the Court of Appeals' change items may be found on the Department of Finance's budget web site at http://www.budget.state.mn.us/budget/operating/. The following table summarizes the agency's request:

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
FY 2003 Funding Level (Biennial Base)	16,054	0	16,054
Legislatively Mandated Base	24	0	24
One-Time Appropriations	201	0	201
Adjusted Base Funding	16,279	0	16,279
Agency Change Items			
Maintain Core Justice Operations	825	0	825
FY 2004-05 Total Agency Request	17,104	0	17,104
Biennial Change 2002-03 to 2004-05	1,497	0	1,497
Percent Change	10%	n.m.	10%





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	6,749	7,429	8,178	7,307	7,344	14,651
Total	**6,749**	**7,429**	**8,178**	**7,307**	**7,344**	**14,651**
Expenditures by Category						
Operating Expenses	6,749	7,429	8,178	7,307	7,344	14,651
Total	**6,749**	**7,429**	**8,178**	**7,307**	**7,344**	**14,651**
Expenditures by Program						
Court Of Appeals	6,749	7,429	8,178	7,307	7,344	14,651
Total	**6,749**	**7,429**	**8,178**	**7,307**	**7,344**	**14,651**
Full-Time Equivalents (FTE)	**82.9**	**84.4**	**83.8**	**83.8**	**83.8**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(812)	(816)	(816)	(816)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(812)	(816)	(816)	(816)

Recommendation
The Governor recommends a 10% reduction in the agency's base budget. The Governor makes no specific recommendations on the agency's change request.

Background
The Governor respects the separation of powers and the desire of officials in the judicial and legislative branches and other constitutional officers 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 and balanced budget.

The Governor's general recommendations for the judicial and legislative branches and other constitutional officers reflect his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions individually redesign their operations to increase efficiencies while minimizing the disruption to public services as much as possible. They should also consider collaboration with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Relationship to Base Budget
This reduction represents 10% of the base funding for the FY 2004-05 biennium.

Statutory Change: Not Applicable

THE SUPREME COURT OF MINNESOTA
MINNESTOA JUDICIAL CENTER
25 REV. DR. MARTIN LUTHER KING JR. BLVD.
SAINT PAUL, MINNESOTA 55155

February 18, 2003

The 2003 Minnesota Legislature:

On behalf of the hundreds of thousands of litigants, 297 judges and more than 3,000 employees of the judicial branch of the state of Minnesota, I transmit the FY 2004-05 budget request for the judicial branch.

In addition to the FY 2004-05 base budget for the Supreme Court, the Court of Appeals and the District Courts, I am transmitting four change requests highlighting additional needs of the judicial branch for the next biennium. Those requests are:

$25.904 million in salary and insurance funding to Maintain Core Justice Operations
$9.865 million for Children's Justice Mandates
$1.3 million for staffing to address Caseload Needs
$4 million for Civil Legal Services for the Poor

You may ask why the judicial branch has proposed a budget increase rather than a budget reduction in this time of financial retrenchment. The Minnesota judiciary is in a period of transition on a number of legislatively authorized, mission-critical initiatives including the completion of the Minnesota Court Information System (a key component of CriMNet); transition of Districts 1, 2, 3, and 4 to state funding; and aggressive efforts to meet federal and state mandates regarding protection of children in cases of abuse and neglect. At the same time the judiciary is undertaking these major initiatives, we are experiencing an 11% increase in criminal and civil caseloads for judges who, the Office of the Legislative Auditor recently concluded, already carry caseloads 49% higher than other comparable states. The judiciary recognizes that in this time of budgetary crisis we all need to share in the solution. However, we believe the Minnesota judicial branch is different and unique as compared to many Executive Branch agencies and other state funded programs.

Constitutional Promise to Minnesota Citizens

The Minnesota Constitution dictates the manner and boundaries under which the Judiciary must operate. Article I, Section 8 provides:

> "Every person is entitled to a certain remedy in the laws for all injuries or wrongs which he may receive to his person, property or character and to obtain justice freely and without purchase, completely and without denial, promptly and without delay conformable to the laws."

Other provisions of the Minnesota Constitution promise citizens a right to a speedy and public trial by an impartial jury. It is imperative that the judicial branch carry out its constitutional and legal mandates to protect the rights and safety of our citizens. In order to meet these requirements, we must provide court services "promptly and without delay." To do so, courts must be staffed sufficiently to ensure prompt service because justice delayed is justice denied. The judicial branch is also required by law to ensure that courts, even those in rural areas, remain open for those residents who need to seek justice. Severely reducing the court's budget threatens the ability of the judiciary to meet these constitutional and statutory imperatives.

The budget that we have proposed provides timely adjudication of the more than two million cases presented to the courts for disposition each year. It protects public safety by the fair, but swift disposition of criminal cases and the enforcement of court sanctions, including collection of fines, in those cases. It protects the most vulnerable of our citizens -- children -- through guardians ad litem who advocate for their best interests and through additional child support collection efforts. By providing sufficient resources, this budget protects the rights of each citizen to due process, to well reasoned decisions, and to the fair and impartial administration of justice.

No Control Over Workload

The Minnesota judiciary is an open door for justice in the 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 citizens for protection. The judiciary is unable to turn away those who enter the courthouse and has an impact on the lives of citizens from birth to death. Unlike other agencies, we do not run programs and have no discretionary budget to cut. All resources of the court system support the adjudication of matters brought to us by other entities.

Judicial Response to Federal and Legislative Mandates

The judicial branch is currently engaged in implementing CriMNet to improve the information available to courts and other state and local agencies such as the Department of Public Safety, the Board of Public Defense, Corrections, Revenue, the Secretary of State, and county and city prosecutors and law enforcement. This multi-year court initiative has begun implementation in local courts and should be completed in the next biennium. The Minnesota Court Information System (MNCIS) is the hub of the CriMNet system. Fifty percent of the information flowing to CriMNet is produced by the courts. Without implementation of the MNCIS system, CriMNet will not be able to function and the resources already expended to develop the system will be lost.

The judicial branch is also engaged in completing the legislative mandate to transfer courts to state funding by July 2005. Fifty-five counties of the court system, including the entire western half of the state, have already transferred to state funding. During the FY 2002-03 biennium, thousands of hours of state and county staff time has been devoted to identifying and resolving the issues and developing the policies and administrative systems to facilitate a smooth transition in the FY 2004-05 biennium of the states' largest courts in Hennepin and Ramsey Counties on 7-1-03 and in the counties of the First and Third Judicial Districts in southeastern Minnesota on 7-1-04. The employees in these counties have worked tirelessly to prepare for the transition and are poised to move forward with the funding provided by this budget request. Successful transition to state funding will allow the judiciary to operate as one system and develop the efficiencies which could not be accomplished with 87 individual county-based courts.

The courts are working diligently to implement federal law (1974 Child Abuse Prevention and Treatment Act) and state law (M.S. 260C.163, subd. 5(a)) which mandate the appointment of a Guardian ad litem in every case in which a child has been alleged to have been abused and neglected. Today 20% of the maltreated children in Minnesota still have no guardian ad litem and no effective voice in our courtrooms despite the longstanding federal and state mandates. Additional resources are necessary to ensure that all children suffering from abuse and neglect have an appointed guardian. Failure to meet these federal mandates could result in the loss of significant federal funds which would only increase the budgetary demands on the state.

Federal law requires all states to have an expedited process for the adjudication of IV-D cases establishing, modifying or enforcing child support obligations. The Federal government requires that 75% of the IV-D matters in the expedited process move from service of process to filing of the final order in six months or less. Historically this program has grown at the rate of 15% per year. Any downturn in the economy increases the demand for services in the Expedited Child Support Process as more families separate and current support obligations require adjustment downward. The judiciary has not asked for any increase in state funding since 1998 despite a

53% caseload growth. Every state dollar allocated to this service generates a significant return of federal dollars. By using child support magistrates, 66% of the cost of handling these matters is borne by the federal government. More importantly, basic financial support to sustain the health and well being of Minnesota's children is put in place.

Enforcement of court sanctions is critical to respect for the law. Courts must have the staff adequate to implement the orders and judgments of the courts. As a by-product of that enforcement effort, the courts collect annually fees and fines in excess of $130 million, which are currently shared by state, county, and municipal governments.

With fewer resources, the courts would be unable to meet these fundamental constitutional and statutory mandates, nor address the workload that has increased almost 40% in the past decade and be prepared to handle the additional increase in workload that occurs in periods of economic downturn.

We have examined various budget reduction scenarios in anticipation of this budget discussion. Absorbing the skyrocketing FY 2004-05 costs for employee health insurance and sustaining a 10-15% budget base cut would mean a reduction in the range of 33% of court staff statewide. While the court's entire caseload would be impacted, without a third of our staff, including law clerks, court reporters, courtroom and filing staff, wholesale categories of cases essentially would not be heard. Growing backlogs and delay would prevent courts from effectively enforcing court sanctions, especially for misdemeanor, petty misdemeanor, and even some gross misdemeanor case types with a resultant loss of state and local government revenue. This cut likely would mean closing court locations as well, forcing citizens, law enforcement and prosecutors to travel significant distances to conduct court business. In sum, public safety will be put at risk and our citizens' constitutionally guaranteed access to justice would be substantially impeded, undermining the public's trust and confidence in the courts – a central tenet of our democratic form of government.

We believe it is important that the legislature understand the needs of the judicial branch before any determination is made about whether the judicial branch should curtail its operation. I am therefore presenting to the legislature for its consideration a FY 2004-05 budget request which funds core justice operations and meets federal and state justice mandates. I look forward to discussing it with you in the days ahead.

Very truly yours,

<<signed>>

Kathleen A. Blatz
Chief Justice

Court of Appeals

	FY 2004	FY 2005	Total
Adjusted Base Budget	**$8,119**	**$8,160**	**$16,279**
Change Requests:			
Maintain Core Justice Mandates	**260**	**565**	**825**
Total Request	**$8,379**	**$8,725**	**$17,104**

The Court of Appeals processes more than 2,000 appeals annually. For many citizens it is the court of last resort. In order to continue to expedite child protection, child custody and civil commitment cases, the court seeks to retain a full staff complement to prioritize those cases. The FY 2004-05 budget for this court is $16.279 million or 4.3% more than the previous biennium. With the additional funding requested to maintain core justice operations, the increase for the FY 2004-05 Biennium over the FY 2002-03 biennium would be 10%.

The Court of Appeals is requesting additional funding as follows:

Maintain Core Justice Operations seeks to fund employee compensation costs and projected insurance cost increases to be negotiated by the Department of Employee Relations.

Change Item: MAINTAIN CORE JUSTICE OPERATIONS

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$260	$565	$565	$565
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$260	$565	$565	$565

Recommendation
Agency Request: Submitted for Reference Only

Background
The Supreme Court is responsible for pay plans for the more than 2,500 employees in courts at all levels within the judicial branch and is responsible for administering the payroll for judges at the appellate and trial court level. Court of Appeals employees are paid within the judicial branch compensation and pay plan.

The judicial branch non-judicial pay plan consists of the same three basic components as the executive branch, across the board adjustments to the salary range, merit increases and the insurance benefit program negotiated by the Department of Employee Relations for other state employees. Judges salary increases recommended by the Compensation Council through 2004 have been adopted in law.

During the FY 2004–05 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 2005. Especially problematic is the continued double digit cost increase for the insurance program for the third biennium. DOER has estimated that the insurance costs will increase an additional 20% in each of the next two fiscal years.

Relationship to Base Budget
This request represents a 5% increase to the Court of Appeals biennial base budget.

Key Measures
The success of any pay plan is to preserve and fairly reward a competent employee pool so that the necessary work of the agency is accomplished expeditiously and professionally. Turnover results in less effective and efficient work performance. Upon replacement new employees must be trained to accomplish the work of the agency at additional costs.

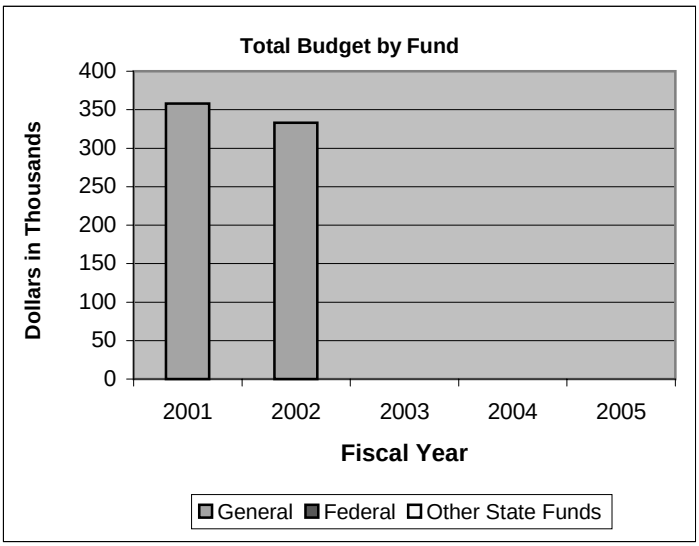
Failure to fund negotiated pay plans will result in lay offs, again significantly impacting the ability of the courts to accomplish their constitutional role of adjudicating disputes.

Alternatives Considered
Because human resources costs are 80%+ of judicial branch budgets, the effective alternatives available to fund salary increases are few, a reduction in force being the most likely and least desirable.

Statutory Change: Not Applicable.

Agency Purpose

The separate Office of the Crime Victims Ombudsman was eliminated effective July 1, 2002, and funding originally appropriated to it for FY 03 was eliminated under legislation passed during the 2002 session. The legislation moved the functions of this Office to the Department of Public Safety under the Crime Victims Oversight Act. Subsequent to those actions, Reorganization Order No. 184 was issued with the approval of the Governor to move these functions to the Ombudsman for Mental Health and Mental Retardation in July 2002. A more detailed description of these functions is found under that agency's program profiles. Fiscal data through FY 02 is included under this agency profile.



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	358	333	0	0	0	0
Total	**358**	**333**	**0**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	358	333	0	0	0	0
Total	**358**	**333**	**0**	**0**	**0**	**0**
Expenditures by Program						
Crime Victims Ombudsman	358	333	0	0	0	0
Total	**358**	**333**	**0**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**5.4**	**4.0**	**0.0**	**0.0**	**0.0**	

Agency Purpose

Minnesota Statute 150A and Minnesota Rules chapter 3100 provide the Minnesota Board of Dentistry responsibility to act as the official licensure agency for dental professionals (dentists, hygienists, and dental assistants) whose fitness to practice has been tested, and whose training and other qualifications meet the specifications established by the legislature and the board.

The mission of the board is:

- to ensure that Minnesota citizens receive quality dental health care from competent dental health professionals;
- to protect the public at large by issuing licenses/registrations only to those who meet the minimum standards of practice;
- to provide timely and impartial resolution of complaints filed against dental professionals; and
- to demonstrate competency of regulated dental professionals through establishing and monitoring continuing education standards.

At A Glance

Biennial Budget – FY 2002-03:

Total Expenses: $2.634 million

Total Revenues: $2.205 million

Staff: 9.50 Full-time equivalent employees

MN Board of Dentistry Statistics
(As of June 30, 2002):

Total Licensed: 11,975

Core Functions

The purpose of the board is to protect the public by ensuring that licensed dental professionals comply by the board's rules and practice in a professional, legal, and ethical manner. The core functions are:

- regulating the dental professionals in Minnesota;
- establishing minimum standards for licensure/registration;
- ensuring that those who hold a professional dental credential from the board continue to meet those standards throughout the time they hold the credential;
- identifying those who fail to maintain the minimum standards needed to render quality care to patients safely;
- taking timely and appropriate disciplinary or corrective action when warranted; and
- providing accurate and current information to the public to enable them to make informed decisions about their dental health care.

Operations

⇒ The board consists of nine members appointed by the governor: five dentists, one dental hygienist, one registered dental assistant, and two public members.

⇒ The full board normally meets five times per year. The board also appoints several committees (e.g., executive, complaint, licensure by credentials, policy) that meet as needed.

⇒ The board benefits and affects the public by ensuring that dental professionals meet and maintain minimum standards of competence and practice.

Budget

Total direct and indirect expenses for FY 2002-03 biennium are $2.634 million. The board staff includes 9.5 full-time equivalent employees.

Of the total budget for the FY 2002-03 biennium, $2.205 million is collected as non-dedicated revenue that is deposited into the state government special revenue fund. The board collects fees charged to applicants, licensees, continuing education sponsors and professional corporations. The board is responsible to collect enough revenue to recover all direct and indirect costs.

The board is responsible for the costs of services received from the Attorney General's Office, Health Professional Services Program, Department of Health HIV/HBV/HCV program and the Administrative Services Unit. A direct appropriation is given to each of these programs from the state government special revenue fund. The board must ensure that sufficient revenue is collected through its fees to fund their portion of these programs costs.

Contact

Minnesota Board of Dentistry
2829 University Avenue Southeast, Suite 450
Minneapolis, Minnesota 55414

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

Marshall Shragg, Executive Director
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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Health and Human Services omnibus bill. These agencies collectively administer $163.2 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $1 million (0.6%) increase from the FY 2002-03 biennium. The funding for these agencies will be used to provide health and supportive housing services for Minnesota Veterans, license and regulate health professionals, promote high standards for treatment of mental illness, promote the protection of children, and coordinate training and administration for eight independent EMS organizations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, eliminate duplication, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Agencies have focused reduction plans around administrative areas of the budget. In most cases this protects the core function of the agency, albeit at a reduced level. In some cases, reduced staff will have direct effects on citizens as they try to access government services.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

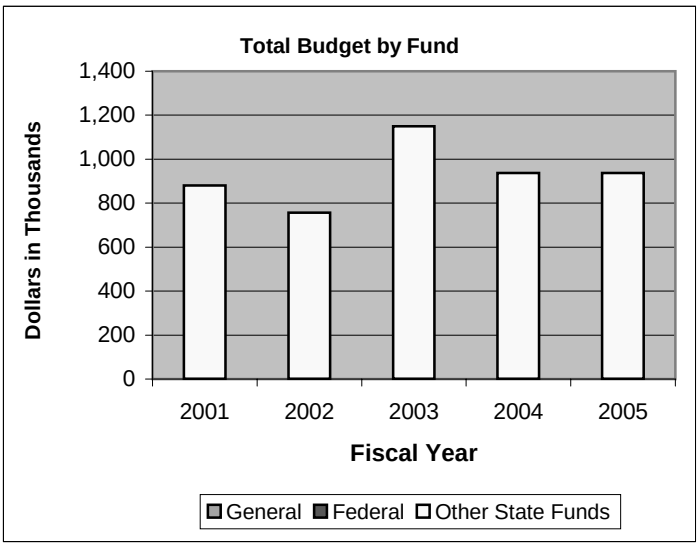
Sincerely,

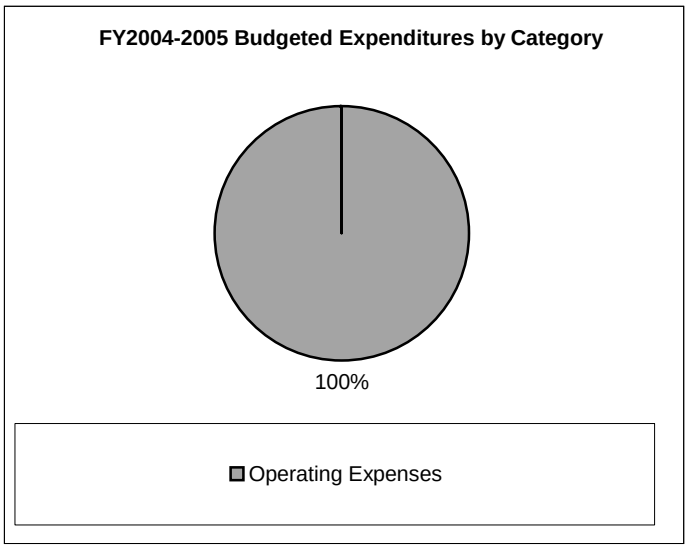
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	0	1,896	1,896
Adjusted Base Funding	0	1,896	1,896
Change Items			
HCAF Reduction For Dentistry Board	0	-22	-22
Governor's Recommendations	0	1,874	1,874
Biennial Change, 2002-03 to 2004-05	0	-33	-33
Percent Change	n.m	-2%	-2%

Brief Explanation Of Budget Decisions:

The Dentistry Board is a fee-based organization that provides licensure and regulation services. Appropriations are made from the State Government Special Revenue (SGSR) fund and funding will continue at the FY 2003 level for both FY 2004 and FY 2005.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
State Government Special Revenue	859	744	1,060	858	858	1,716
Health Care Access	0	0	75	64	64	128
Open Appropriations						
State Government Special Revenue	22	13	15	15	15	30
Total	**881**	**757**	**1,150**	**937**	**937**	**1,874**
Expenditures by Category						
Operating Expenses	881	757	1,150	937	937	1,874
Total	**881**	**757**	**1,150**	**937**	**937**	**1,874**
Expenditures by Program						
Dentistry, Board Of	881	757	1,150	937	937	1,874
Total	**881**	**757**	**1,150**	**937**	**937**	**1,874**
Revenue by Type and Fund						
Non Dedicated						
State Government Special Revenue	1,119	1,111	1,094	1,134	1,162	2,296
Subtotal Non Dedicated	1,119	1,111	1,094	1,134	1,162	2,296
Total Revenue	**1,119**	**1,111**	**1,094**	**1,134**	**1,162**	**2,296**
Full-Time Equivalents (FTE)	**8.6**	**8.8**	**8.8**	**8.8**	**8.8**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Health Care Access Fund				
Expenditures	(11)	(11)	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(11)	(11)	0	0

Recommendation
The Governor recommends $64,000 in FY 2004 and $64,000 in FY 2005 from the Health Care Access fund to the Board of Dentistry, a reduction of $11,000 a year from current funding

Background
Administered by the Department of Human Services, the Health Care Access Fund (HCAF) funds MinnesotaCare and various other health-related activities. In the November 2002 forecast, the fund was projected to have an operating deficit of $89.5 million in FY 2003. In order to help address this deficiency, the Governor recommends that agencies receiving appropriations from the HCAF take a 15 percent reduction in funding.

The Board of Dentistry's appropriation funds activities related to implementing the donated dental service program.

Relationship to Base Budget
This change is a 15 percent reduction from FY 2003.

Statutory Change: Not Applicable.

Agency Purpose

Minnesota Statutes 148.621 – 148.633 and Minnesota Rules, chapter 3250 provide the Minnesota Board of Dietetics and Nutrition Practice authority to act as the licensure agency for the practice of dietetics and nutrition. It was established and currently exists to protect the public through the regulation of dietitians and nutritionists in the state of Minnesota. Regulation is accomplished through initial licensure examination, annual license renewal and required continuing education requirements.

At A Glance

Biennial Budget – FY 2002-03:

Total Expenses: $232,000

Total Revenue: **$**173,000

Staff: 1 Full-time equivalent employee

Minnesota Board of Dietetics and Nutrition Practice Statistics
(As of June 30, 2002)

Total Licensed: 1,028

The mission of the board is:

- promoting the public's interest in receiving quality dietetic and nutrition services from competent dietitians and nutritionists;
- protecting the public by ensuring that all licensed dietitians and nutritionists meet the educational and practical requirements specified in law; and
- protecting the public by setting standards for quality dietetic and nutrition services.

Core Functions

The board fulfills its mission by:

- reviewing and approving examination standards to insure knowledge of applicants for licensure as dietitians and nutritionists;
- reviewing of continuing education required to maintain knowledge for the safe practice of dietetics and nutrition;
- 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 a dietitian or nutritionist 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 serves consumers, licensed dietitians, licensed nutritionists, applicants for licensure, other governmental agencies, third party payers and sponsors of continuing education courses. Services are delivered through direct communication (telephone, mail, e-mail, and in-person).

Budget

Total direct and indirect expenses for FY 2002-03 biennium are $232,000. The board staff includes 1 full-time equivalent employee.

Of the total budget for the FY 2002-03 biennium, $173,000 is collected as non-dedicated revenue which is deposited into the state government special revenue fund. The board collects fees charged to applicants, prospective applicants, licensees, and sponsors of continuing education programs. The board is responsible to collect enough revenue to recover all direct and indirect costs.

The board is responsible for the costs of services received from the Attorney General's Office, Health Professional Services Program, and the Administrative Services Unit. A direct appropriation is given to each of these programs from the state government special revenue fund. The board must insure that sufficient revenue is collected through its fees to fund their portion of these program costs.

Contact

Minnesota Board of Dietetics and Nutrition Practice
2829 University Ave Southeast, Suite 555
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February 11, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

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The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, eliminate duplication, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Agencies have focused reduction plans around administrative areas of the budget. In most cases this protects the core function of the agency, albeit at a reduced level. In some cases, reduced staff will have direct effects on citizens as they try to access government services.

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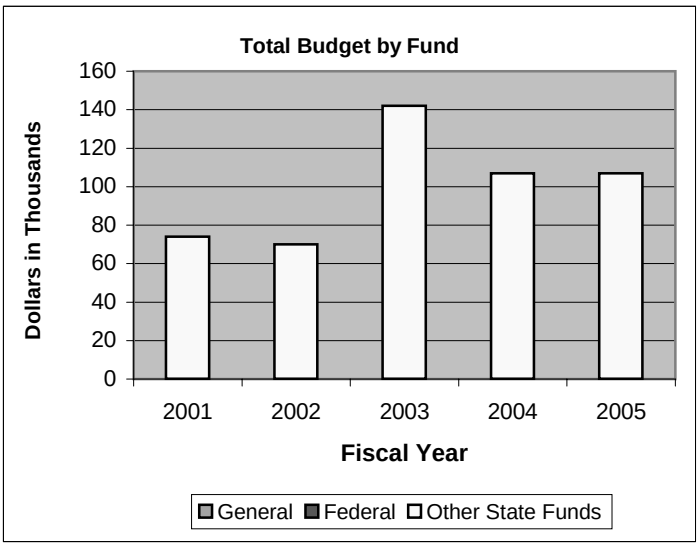
Sincerely,

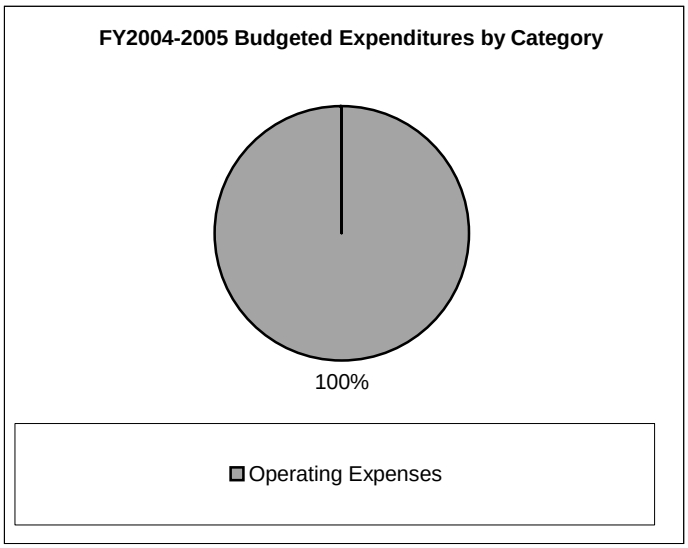
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	0	214	214
Adjusted Base Funding	0	214	214
Governor's Recommendations	0	214	214
Biennial Change, 2002-03 to 2004-05	0	2	2
Percent Change	n.m	1%	1%

Brief Explanation Of Budget Decisions:

The Dietetics & Nutrition Practice Board is a fee-based organization that provides licensure and regulation services. Appropriations are made from the State Government Special Revenue (SGSR) fund and funding will continue at the FY 2003 level for both FY 2004 and FY 2005.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
State Government Special Revenue	63	63	136	101	101	202
Open Appropriations						
State Government Special Revenue	11	7	6	6	6	12
Total	**74**	**70**	**142**	**107**	**107**	**214**
Expenditures by Category						
Operating Expenses	74	70	142	107	107	214
Total	**74**	**70**	**142**	**107**	**107**	**214**
Expenditures by Program						
Dietetics & Nutrition Bd.	74	70	142	107	107	214
Total	**74**	**70**	**142**	**107**	**107**	**214**
Revenue by Type and Fund						
Non Dedicated						
State Government Special Revenue	87	97	76	76	76	152
Subtotal Non Dedicated	87	97	76	76	76	152
Total Revenue	**87**	**97**	**76**	**76**	**76**	**152**
Full-Time Equivalents (FTE)	**0.8**	**0.7**	**0.7**	**0.7**	**0.7**	

Agency Purpose

Minnesota Statutes (M.S. 256.482) provide the State Council on Disability (MSCOD with the broad charge of giving attention to the needs of persons who have a disability and to advocate plans, programs and policies which serve the needs of people with disabilities. Statutes also direct the council to serve as liaison to the Office of Disability Employment Policy, which recently assumed all duties of the President's Committee on Employment of People with Disabilities. Within this broad charge, the council has focused its purpose by identifying four strategies that span all council activities: information and referral services; advisory recommendations; customer focus and quality improvement; and research and data collection.

⇒ MSCOD Mission: The MSCOD is an agency that collaborates, advocates, advises and provides information to expand opportunities, increase the quality of life and empower all persons with disabilities (Adopted 2/15/01).

At A Glance

The MSCOD provides services to a person of any age, with any disability, as well as government officials, private agencies, builders, employers and the broader public.

The incidence of disability increases 25 percent after the age of 65. "By 2025, the number of Minnesotans age 65 and older is projected to be 80 percent larger than in 1995."*

Disability status among noninstitutionalized Minnesotans is 7% ages 5 – 20; 14% ages 21-64; and 37% age 65 and over. **

MN has the nation's highest percentage of people with a disabilities in the workforce at 65% compared to 57% nationally. An estimated 84% of Minnesotans are employed who have "no disability" compared to 77% nationally. **

* Faces of the Future, MN Planning, Sept. 1998
** Census 2000 Supplementary Survey

Core Functions

The MSCOD links people with disabilities to those who are statutorily responsible for planning and delivering services to them, and supplements the efforts of disability advocacy groups in the private sector. These core functions are:

- providing aid and advisory services on matters pertaining to disability related public policy;
- providing disability related information and referral services on all disability related services and programs;
- providing technical assistance on laws, regulations and codes; and
- researching, formulating and advocating plans, programs; and policies serving the needs of people with disabilities.

Key Measures

To measure success and improve service quality, the council surveys satisfaction levels of participants at trainings, the usefulness of key publications, and information and referral services provided.

Operations

The council serves a varied customer base. People with disabilities and their families are the primary customers and benefactors of the council's services. The MSCOD also provides services to public officials, state agency personnel, local governments, employers, community organizations, disability related organizations, institutions, architects, builders, neighborhood groups and the broader public.

Aid and advisory services are provided formally, and informally, to public officials and state agency personnel. Direct disability related information and referral services are provided via telephone, e-mail, fax, and participation in public and private events to approximately 15,000 contacts each year. Disability related information, such as MSCOD's publications, frequently asked questions and answers (FAQs), fact sheets, and links are also available through MSCOD's website. Approximately 40 customized trainings are provided each year on disability issues to a wide array of audiences. MSCOD also provides information services, via two e-mail distribution lists, to approximately 200 disability related organizations throughout the state.

Budget

The council's FY 2002-03 budget totals $1.4 million from the state's General Fund. Council staff include 10 full-time equivalent (FTE) positions. There are 21 council members appointed by the governor, with at least one member from each economic development region of the state. There are 10 ex-officio, non-voting members, representing various state agencies.

Contact

Minnesota State Council on Disability
121 East 7th Place, Suite 107
St. Paul, Minnesota 55101
651-296-6785 V/TTY
1-800-945-8913 V/TTY
e-mail: council.disability@state.mn.us

Further information about the MSCOD, including fact sheets, frequently asked questions (FAQs), publications, links and other information, is available at the council's web site at: http://www.disability.state.mn.us

The MSCOD's Strategic Plan for 2002 – 2003:
http://www.disability.state.mn.us/pubs/strategicplan/stratplan.html

Joan Willshire, Chair

David Skilbred, Executive Director – Phone (651) 296-1743 V/TTY; FAX (651) 296-5935

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Department of Finance

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February 11, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Health and Human Services omnibus bill. These agencies collectively administer $163.2 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $1 million (0.6%) increase from the FY 2002-03 biennium. The funding for these agencies will be used to provide health and supportive housing services for Minnesota Veterans, license and regulate health professionals, promote high standards for treatment of mental illness, promote the protection of children, and coordinate training and administration for eight independent EMS organizations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, eliminate duplication, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Agencies have focused reduction plans around administrative areas of the budget. In most cases this protects the core function of the agency, albeit at a reduced level. In some cases, reduced staff will have direct effects on citizens as they try to access government services.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

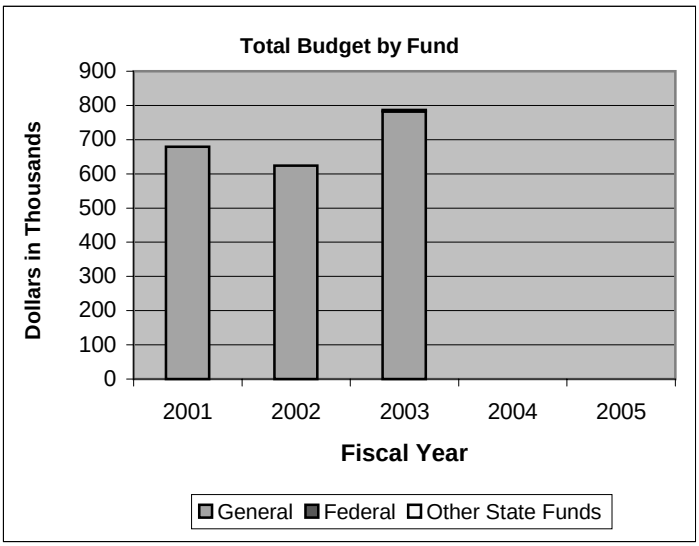
Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	1,428	0	1,428
Program/Agency Sunset	-1,428	0	-1,428
Adjusted Base Funding	0	0	0
Governor's Recommendations	0	0	0
Biennial Change, 2002-03 to 2004-05	-1,406	-5	-1,411
Percent Change	-100%	-100%	-100%

Brief Explanation Of Budget Decisions:

The Disability Council will sunset on June 30, 2003. No on-going funding has been allocated for this function during the next biennium. Funding for the Developmental Disabilities Council within the Department of Administration can be found in the State Government volume of the budget.



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	679	624	782	0	0	0
Statutory Appropriations						
Gift	0	0	5	0	0	0
Total	**679**	**624**	**787**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	679	624	787	0	0	0
Total	**679**	**624**	**787**	**0**	**0**	**0**
Expenditures by Program						
Cncl On Disability	679	624	787	0	0	0
Total	**679**	**624**	**787**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**9.1**	**9.2**	**9.2**	**0.0**	**0.0**	

Agency Purpose

The purpose and mission of the Disabled American Veterans (DAV) is accomplished by:

- representing the interests of disabled veterans, their families, their widowed spouses, and their orphans before Congress, the White House, the Judicial Branch, as well as state and local government;
- providing free professional service to veterans and their families in obtaining benefits and services earned through military service provided by the U.S. Department of Veterans Affairs (VA) and other agencies of government;
- extending the DAV's mission of hope into the communities where these veterans and their families live through a network of the department and chapter outreach service programs; and
- providing a structure through which disabled veterans can express compassion for their fellow veterans through a variety of volunteer programs.

At A Glance

- There are approximately 420,000 veterans in Minnesota.
- In FY 2002, DAV representation before the U.S. Department of Veterans Affairs resulted in over $43 million in benefits to Minnesota veterans.
- In FY 2002, the Transportation Network provided over 27,000 individual rides to VA medical appointments, comprising over 1.7 million miles traveled.
- Volunteer efforts by DAV chapters, county veteran service officers, and other veteran service organizations resulted in over 92,000 volunteer hours donated.
- Over 4,000 veterans were assisted with Thrift Store gift certificates for clothing needs.

Core Functions

The DAV service officers serve as representatives for veterans and their families in obtaining benefits to which they are entitled. The DAV also provides informational seminars and publishes articles to bring about an awareness concerning potential entitlements to benefits and services available through the DAV and U.S. Department of Veterans Affairs. The DAV provides direct assistance to veterans through its Older Veterans Assistance Program, its Thrift Store Gift Certificate program, its DAV Transportation Network program, and Veterans Service programs, all of which are of direct aid to veterans and their families in Minnesota.

Operations

The DAV has a Veteran National Service Office at Fort Snelling, staffed by four service officers and two secretaries. Services are rendered to individual veterans and are represented before the U.S. Department of Veterans Affairs to obtain entitled benefits. The Minnesota DAV department office is located in the Veteran Service Building in St. Paul with three personnel and has two other offices located at the Veterans Affairs Medical Center (VAMC) in Minneapolis and the VAMC in St. Cloud. All services are coordinated with the department and rendered to individual veterans and families.

Budget

The DAV receives a grant from the General Fund and uses it to benefit veterans primarily through the agency's transportation program. In the FY 2002-03 biennium, base funding for this grant was $13,000 per year, and represented less than 3% of the DAV's total budget. In the FY 2002, DAV allocated 84.4% of all funds to veteran programs.

Contact

Disabled American Veterans
207 Veterans Service Building
20 West 12th Street
St. Paul, Minnesota 55155

Department Adjutant, Roy S. Hansen (651) 291-1212

State of Minnesota
Department of Finance

400 Centennial Building
658 Cedar Street
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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the Governor's FY 2004-05 budget proposals for the non-cabinet agencies in the state government omnibus bill. Under the Governor's recommended budget, these agencies would collectively spend $12.882 million in General Fund dollars for the FY 2004-05 biennium. The funding provided for these agencies will be used for the protection of public assets and resources, assurance of due process related to governmental rulemaking, the regulation of the gambling and racing industries, administration of campaign finance and disclosure laws, and support to small non-profit organizations that assist Minnesota veterans.

The FY 2004-05 funding recommended for these agencies represents a $6.695 million (34.2%) decrease from the FY 2002-03 biennium. The recommendations will also result in a net decrease in revenue to the General Fund of $954,000 for the biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing and reorganizing some functions. Therefore, for some of the agencies in this bill, the Governor recommends that funding and/or operations be consolidated with other related operations in the state in order to ensure cooperation and shared services to reduce costs.

In addition, the Governor recommends mitigating the impact of the state's deficit by spreading the cuts broadly among agencies, and by ensuring that the industries and parties that benefit from these services assist in paying for them. Therefore, for some of the agencies in this bill, the Governor recommends that dependence upon General Fund dollars be supplanted or offset with fees and user charges, and that where appropriate, some fees billed to governmental agencies be reduced.

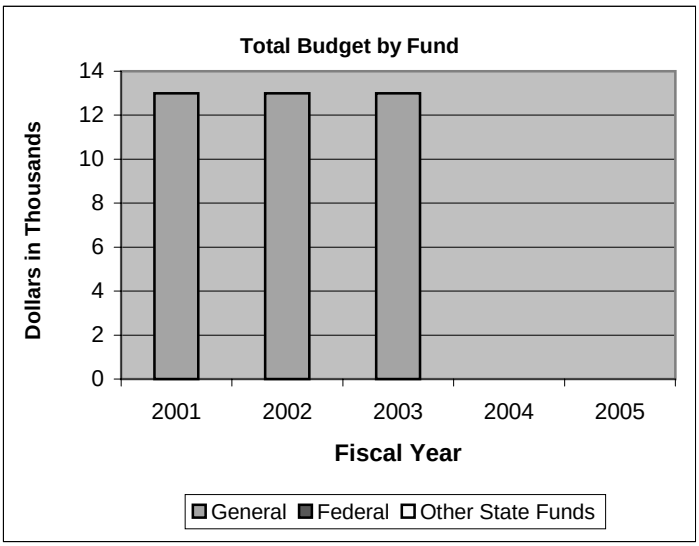
The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium as well as the Governor's recommendations for state funding of pension systems and revenues from the Minnesota Lottery.

My staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	26	0	26
Adjusted Base Funding	26	0	26
Change Items			
Transfer To Veterans Affairs	-26	0	-26
Governor's Recommendations	0	0	0
Biennial Change, 2002-03 to 2004-05	-26	0	-26
Percent Change	-100%	n.m.	-100%



Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	13	13	13	0	0	0
Total	**13**	**13**	**13**	**0**	**0**	**0**
Expenditures by Category						
Local Assistance	13	13	13	0	0	0
Total	**13**	**13**	**13**	**0**	**0**	**0**
Expenditures by Program						
Disabled American Veterans	13	13	13	0	0	0
Total	**13**	**13**	**13**	**0**	**0**	**0**

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($13)	($13)	($13)	($13)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($13)	($13)	($13)	($13)

Recommendation

The Governor recommends appropriating a combined $75,000 each year of the FY 2004-05 biennium for grants to the Disabled American Veterans, Military Order of the Purple Heart, and the Veterans of Foreign Wars. Furthermore, the Governor recommends transferring the individual appropriations for these agencies and providing grant oversight authority for the funds to the Department of Veterans Affairs. In addition, the Governor recommends consolidating up to $30,000 that is currently designated for the Vietnam Veterans Association within the Veterans Affairs budget with the combined appropriations. These consolidated funds would continue to be used for the claim service offices of the grantees.

Background

As non-profit organizations, the Disabled American Veterans of Minnesota, as well as the Department of Minnesota Veterans of Foreign Wars (VFW), the Military Order of the Purple Heart of Minnesota, and the Vietnam Veterans Association, provide similar and complementary claims services to Minnesota veterans to those provided by the Minnesota Department of Veterans Affairs. The state also provides rent-free office space to these veterans organizations within the Veterans Services Building. Current state funding to the Disabled American Veterans represents only 3% of the organization's total budget.

Relationship to Base Budget

It is anticipated that consolidation of the three direct appropriations within the Department of Veterans Affairs and providing oversight of the grants to the cabinet agency may generate efficiencies, and therefore, the combined appropriations would be reduced from $176,000 in FY 2002-03 to $150,000 in FY 2004-05, a 15% reduction.

Agency Purpose

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 271 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 Conference of Chief Judges and committees established by the Supreme Court.

⇒ Explore greater integration and coordination with other justice and social service agencies.

⇒ Develop an adequate and stable funding base and transfer funding responsibilities from the counties to the state to ensure the uniform implementation of state mandates and policies.

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.

⇒ From FY 1996-2001, filings of major cases statewide in trial courts increased twice as fast as expenditures on the judiciary.

⇒ Caseloads have increased dramatically (nearly 40% in the last decade, more than 700% in last 25 years) while time per case has dropped significantly.

⇒ The judiciary is in a state of massive transformation, moving from a county-funded to state-funded system.
- ♦ There were 500 state court employees in FY 1992 and there will be 3,000 by FY 2006.
- ♦ Western half of Minnesota is state funded. Eastern half will be phased in by FY 2006.

⇒ 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.
- ♦ 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.

The Conference of Chief Judges (CCJ) is the elected, policy-making body of the trial courts, responsible for budgeting and overall governance of administrative matters. It is assisted by the judicial district administrators and the State Court Administrator's Office.

Budget

Of the funding for the Trial Courts, over 99% is from General Fund direct appropriations. Federal (and other) grants represent a very small, but growing source of funding. Another small source of funding which will increase over time is reimbursements assessed for Guardian ad Litem services.

Of the Trial Court Expenditures, 74% is for personnel costs. Of this amount, 30% is judge costs and 44% is costs for non-judicial personnel. Mandated services (which include Guardian ad Litem, Interpreter, Psychological Exams and In Forma Pauperis) add up to 11% of the cost of the Trial Courts. This includes personnel costs for staff guardians ad litem and interpreters, as well as those paid on a contract basis.

The Trial Courts have 1449.11 FTEs.

Contact

Judge J. Thomas Mott
Chair, Conference of Chief Judges
Ramsey County Courthouse
15 West Kellogg Boulevard
St. Paul, Minnesota 55102
Phone: (651) 266-9187
Fax: (651) 767-8941

Sue Dosal
State Court Administrator
135 Minnesota Judicial Center
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Phone: (651) 296-2474
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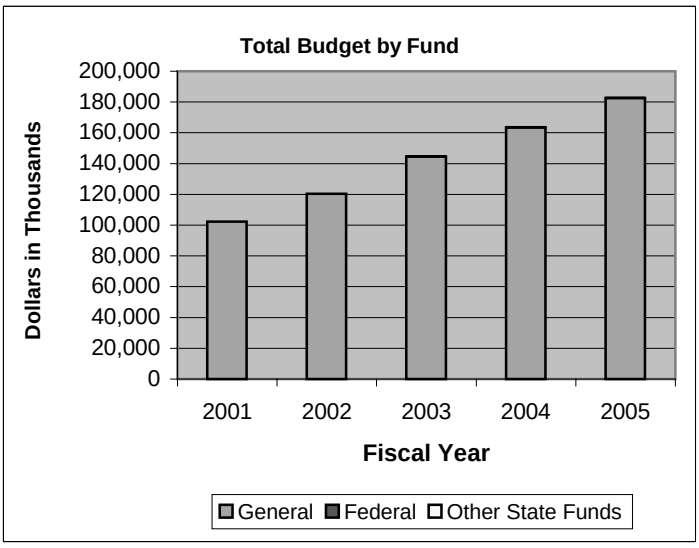
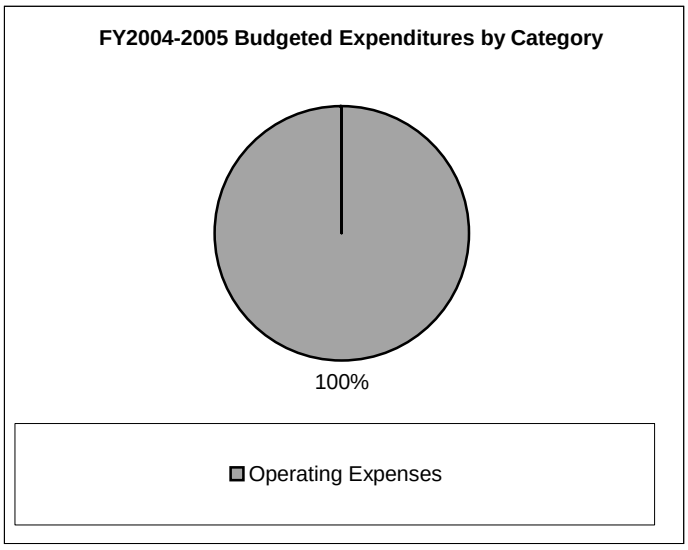
Home Page: http://www.court.state.mn.us





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	102,055	120,095	143,774	163,131	182,342	345,473
Statutory Appropriations						
General	221	182	690	278	278	556
Special Revenue	2	16	0	0	0	0
Federal	0	105	157	111	111	222
Miscellaneous Agency	8	12	11	11	11	22
Total	**102,286**	**120,410**	**144,632**	**163,531**	**182,742**	**346,273**
Expenditures by Category						
Operating Expenses	102,286	120,410	144,632	163,531	182,742	346,273
Total	**102,286**	**120,410**	**144,632**	**163,531**	**182,742**	**346,273**
Expenditures by Program						
Trial Courts	102,286	120,410	144,632	163,531	182,742	346,273
Total	**102,286**	**120,410**	**144,632**	**163,531**	**182,742**	**346,273**
Revenue by Type and Fund						
Non Dedicated						
General	8,412	7,792	8,853	17,715	24,940	42,655
Subtotal Non Dedicated	8,412	7,792	8,853	17,715	24,940	42,655
Dedicated						
General	221	594	278	278	278	556
Special Revenue	8	0	0	0	0	0
Federal	0	132	130	111	111	222
Miscellaneous Agency	10	10	11	11	11	22
Subtotal Dedicated	239	736	419	400	400	800
Total Revenue	**8,651**	**8,528**	**9,272**	**18,115**	**25,340**	**43,455**
Full-Time Equivalents (FTE)	**1,113.5**	**1,205.3**	**1,492.9**	**1,495.2**	**1,495.2**	

State of Minnesota
Department of Finance

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the Supreme Court, Court of Appeals, District Courts, Legal Profession Boards, and Board of Public Defense. The Governor respects the separation of powers and the desire of officials in the judicial and legislative branches and other constitutional officers 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 balanced budget.

The Governor's general recommendations for the judicial and legislative branches and other constitutional officers reflect his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions individually redesign their operations to increase efficiencies while minimizing the disruption to public services as much as possible. They should also consider collaboration with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

For the Supreme Court, Court of Appeals, and the District Courts, the Governor recommends a 10% reduction in appropriations for the FY 2004-05 biennium. For the Board of Public Defense, the Governor recommends a 15% reduction in appropriations for the FY 2004-05 biennium. The Legal Profession Boards are fully funded by fees collected under court rules, so no further actions are required on their budgets. The Governor makes no recommendation regarding the specific initiatives put forward by these agencies.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	273,952	244	274,196
Legislatively Mandated Base	107,704	0	107,704
New Programs To Agency Base	3,259	0	3,259
One-Time Appropriations	-500	0	-500
Adjusted Base Funding	384,415	244	384,659
Change Items			
Operating Budget Reduction	-38,386	0	-38,386
Governor's Recommendations	346,029	244	346,273
Biennial Change, 2002-03 to 2004-05	81,288	-57	81,231
Percent Change	31%	-19%	31%

Brief Explanation Of Budget Decisions:

Adjustments to the base include:

- Legislatively mandated base changes:
  - $5,687,000 for salary and insurance conversion costs of equity adjustments across the trial courts.
  - $100,449,000 for costs related to the state court takeover of county funding responsibilities in judicial districts 2 (Ramsey County) and 4 (Hennepin County) on 7/1/03 and judicial districts 1 (southern metro) and 3 (SE MN) on 7/1/04. These costs are mostly offset by fine and fee revenues collected by the state and reductions in HACA aid to the counties.
  - $408,000 for changes in FY 2004-05 tails required in 2002 legislation.
  - $732,000 for district court infrastructure positions.
  - $428,000 for annualization of authorized new judges.
- New programs to agency base include $3,259,000 for judges salary increases provided under statute.
- One-time appropriations include reductions of $500,000 for community courts.

Changes in other funds reflect adjustments in dedicated and federally funded programs such as loss of dedicated funding for the second district community circle.

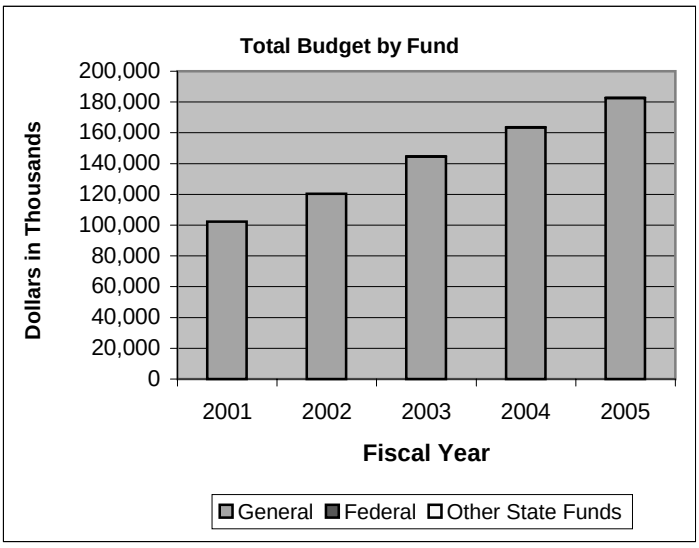
The Governor recommends a 10% reduction in funding totaling $38,386,000.

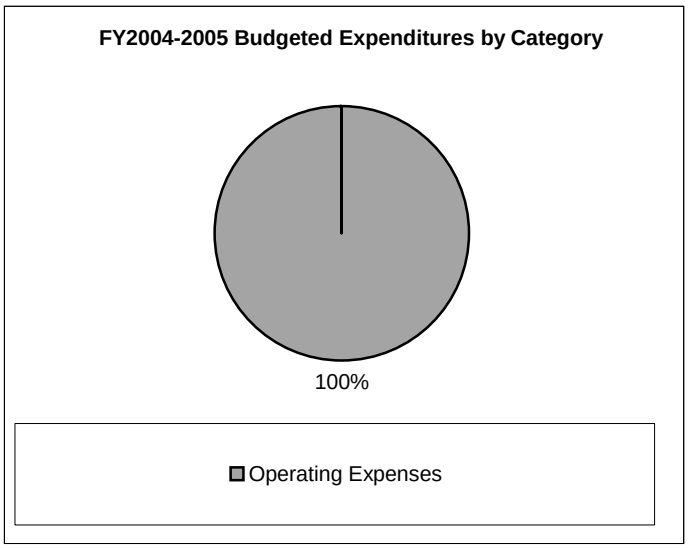
Agency Request:

The Governor has submitted the District Courts' request to the Legislature. A narrative summary of the agency's request is included after the transmittal letter in this document. Additional detail on the District Courts' change items may be found on the Department of Finance's budget web site at http://www.budget.state.mn.us/budget/operating/. The following table summarizes the agency's request:

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
FY 2003 Funding Level (Biennial Base)	273,952	244	274,196
Legislatively Mandated Base	107,704	0	107,704
New Programs to Agency Base	3,259		3,259
One-Time Appropriations	(500)	0	(500)
Adjusted Base Funding	384,415	244	384,659
Agency Change Items			
Childrens Justice Mandates	9,296	0	9,296
Maintain Core Justice Operations	22,518	0	22,518
Staffing for Caseload Needs	1,300	0	1,300
FY 2004-05 Total Agency Request	417,529	244	417,773
Biennial Change 2002-03 to 2004-05	152,788	-57	152,731
Percent Change	58%	-19%	58%

The Staffing for Caseload Needs request also projects additional non-dedicated general fund revenue of $466,000 in the FY 2004-05 biennium from new fine and fee revenues that would be collected by five screener/collector positions.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	102,055	120,095	143,774	163,131	182,342	345,473
Statutory Appropriations						
General	221	182	690	278	278	556
Special Revenue	2	16	0	0	0	0
Federal	0	105	157	111	111	222
Miscellaneous Agency	8	12	11	11	11	22
Total	**102,286**	**120,410**	**144,632**	**163,531**	**182,742**	**346,273**
Expenditures by Category						
Operating Expenses	102,286	120,410	144,632	163,531	182,742	346,273
Total	**102,286**	**120,410**	**144,632**	**163,531**	**182,742**	**346,273**
Expenditures by Program						
Trial Courts	102,286	120,410	144,632	163,531	182,742	346,273
Total	**102,286**	**120,410**	**144,632**	**163,531**	**182,742**	**346,273**
Revenue by Type and Fund						
Non Dedicated						
General	8,412	7,792	8,853	17,715	24,940	42,655
Subtotal Non Dedicated	8,412	7,792	8,853	17,715	24,940	42,655
Dedicated						
General	221	594	278	278	278	556
Special Revenue	8	0	0	0	0	0
Federal	0	132	130	111	111	222
Miscellaneous Agency	10	10	11	11	11	22
Subtotal Dedicated	239	736	419	400	400	800
Total Revenue	**8,651**	**8,528**	**9,272**	**18,115**	**25,340**	**43,455**
Full-Time Equivalents (FTE)	**1,113.5**	**1,205.3**	**1,492.9**	**1,495.2**	**1,495.2**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(18,125)	(20,261)	(20,261)	(20,261)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(18,125)	(20,261)	(20,261)	(29,261)

Recommendation
The Governor recommends a 10% reduction in the agency's base budget, to be distributed proportionately between operating costs and grants. The Governor makes no specific recommendations on the agency's change requests.

Background
The Governor respects the separation of powers and the desire of officials in the judicial and legislative branches and other constitutional officers 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 and balanced budget.

The Governor's general recommendations for the judicial and legislative branches and other constitutional officers reflect his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions individually redesign their operations to increase efficiencies while minimizing the disruption to public services as much as possible. They should also consider collaboration with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Relationship to Base Budget
This reduction represents 10% of the base funding for the FY 2004-05 biennium.

Statutory Change: Not Applicable

THE SUPREME COURT OF MINNESOTA
MINNESTOA JUDICIAL CENTER
25 REV. DR. MARTIN LUTHER KING JR. BLVD.
SAINT PAUL, MINNESOTA 55155

February 18, 2003

The 2003 Minnesota Legislature:

On behalf of the hundreds of thousands of litigants, 297 judges and more than 3,000 employees of the judicial branch of the state of Minnesota, I transmit the FY 2004-05 budget request for the judicial branch.

In addition to the FY 2004-05 base budget for the Supreme Court, the Court of Appeals and the District Courts, I am transmitting four change requests highlighting additional needs of the judicial branch for the next biennium. Those requests are:

- $25.904 million in salary and insurance funding to Maintain Core Justice Operations
- $9.865 million for Children's Justice Mandates
- $1.3 million for staffing to address Caseload Needs
- $4 million for Civil Legal Services for the Poor

You may ask why the judicial branch has proposed a budget increase rather than a budget reduction in this time of financial retrenchment. The Minnesota judiciary is in a period of transition on a number of legislatively authorized, mission-critical initiatives including the completion of the Minnesota Court Information System (a key component of CriMNet); transition of Districts 1, 2, 3, and 4 to state funding; and aggressive efforts to meet federal and state mandates regarding protection of children in cases of abuse and neglect. At the same time the judiciary is undertaking these major initiatives, we are experiencing an 11% increase in criminal and civil caseloads for judges who, the Office of the Legislative Auditor recently concluded, already carry caseloads 49% higher than other comparable states. The judiciary recognizes that in this time of budgetary crisis we all need to share in the solution. However, we believe the Minnesota judicial branch is different and unique as compared to many Executive Branch agencies and other state funded programs.

Constitutional Promise to Minnesota Citizens

The Minnesota Constitution dictates the manner and boundaries under which the Judiciary must operate. Article I, Section 8 provides:

> "Every person is entitled to a certain remedy in the laws for all injuries or wrongs which he may receive to his person, property or character and to obtain justice freely and without purchase, completely and without denial, promptly and without delay conformable to the laws."

Other provisions of the Minnesota Constitution promise citizens a right to a speedy and public trial by an impartial jury. It is imperative that the judicial branch carry out its constitutional and legal mandates to protect the rights and safety of our citizens. In order to meet these requirements, we must provide court services "promptly and without delay." To do so, courts must be staffed sufficiently to ensure prompt service because justice delayed is justice denied. The judicial branch is also required by law to ensure that courts, even those in rural areas, remain open for those residents who need to seek justice. Severely reducing the court's budget threatens the ability of the judiciary to meet these constitutional and statutory imperatives.

The budget that we have proposed provides timely adjudication of the more than two million cases presented to the courts for disposition each year. It protects public safety by the fair, but swift disposition of criminal cases and the enforcement of court sanctions, including collection of fines, in those cases. It protects the most vulnerable of our citizens -- children -- through guardians ad litem who advocate for their best interests and through additional child support collection efforts. By providing sufficient resources, this budget protects the rights of each citizen to due process, to well reasoned decisions, and to the fair and impartial administration of justice.

No Control Over Workload

The Minnesota judiciary is an open door for justice in the 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 citizens for protection. The judiciary is unable to turn away those who enter the courthouse and has an impact on the lives of citizens from birth to death. Unlike other agencies, we do not run programs and have no discretionary budget to cut. All resources of the court system support the adjudication of matters brought to us by other entities.

Judicial Response to Federal and Legislative Mandates

The judicial branch is currently engaged in implementing CriMNet to improve the information available to courts and other state and local agencies such as the Department of Public Safety, the Board of Public Defense, Corrections, Revenue, the Secretary of State, and county and city prosecutors and law enforcement. This multi-year court initiative has begun implementation in local courts and should be completed in the next biennium. The Minnesota Court Information System (MNCIS) is the hub of the CriMNet system. Fifty percent of the information flowing to CriMNet is produced by the courts. Without implementation of the MNCIS system, CriMNet will not be able to function and the resources already expended to develop the system will be lost.

The judicial branch is also engaged in completing the legislative mandate to transfer courts to state funding by July 2005. Fifty-five counties of the court system, including the entire western half of the state, have already transferred to state funding. During the FY 2002-03 biennium, thousands of hours of state and county staff time has been devoted to identifying and resolving the issues and developing the policies and administrative systems to facilitate a smooth transition in the FY 2004-05 biennium of the states' largest courts in Hennepin and Ramsey Counties on 7-1-03 and in the counties of the First and Third Judicial Districts in southeastern Minnesota on 7-1-04. The employees in these counties have worked tirelessly to prepare for the transition and are poised to move forward with the funding provided by this budget request. Successful transition to state funding will allow the judiciary to operate as one system and develop the efficiencies which could not be accomplished with 87 individual county-based courts.

The courts are working diligently to implement federal law (1974 Child Abuse Prevention and Treatment Act) and state law (M.S. 260C.163, subd. 5(a)) which mandate the appointment of a Guardian ad litem in every case in which a child has been alleged to have been abused and neglected. Today 20% of the maltreated children in Minnesota still have no guardian ad litem and no effective voice in our courtrooms despite the longstanding federal and state mandates. Additional resources are necessary to ensure that all children suffering from abuse and neglect have an appointed guardian. Failure to meet these federal mandates could result in the loss of significant federal funds which would only increase the budgetary demands on the state.

Federal law requires all states to have an expedited process for the adjudication of IV-D cases establishing, modifying or enforcing child support obligations. The Federal government requires that 75% of the IV-D matters in the expedited process move from service of process to filing of the final order in six months or less. Historically this program has grown at the rate of 15% per year. Any downturn in the economy increases the demand for services in the Expedited Child Support Process as more families separate and current support obligations require adjustment downward. The judiciary has not asked for any increase in state funding since 1998 despite a

53% caseload growth. Every state dollar allocated to this service generates a significant return of federal dollars. By using child support magistrates, 66% of the cost of handling these matters is borne by the federal government. More importantly, basic financial support to sustain the health and well being of Minnesota's children is put in place.

Enforcement of court sanctions is critical to respect for the law. Courts must have the staff adequate to implement the orders and judgments of the courts. As a by-product of that enforcement effort, the courts collect annually fees and fines in excess of $130 million, which are currently shared by state, county, and municipal governments.

With fewer resources, the courts would be unable to meet these fundamental constitutional and statutory mandates, nor address the workload that has increased almost 40% in the past decade and be prepared to handle the additional increase in workload that occurs in periods of economic downturn.

We have examined various budget reduction scenarios in anticipation of this budget discussion. Absorbing the skyrocketing FY 2004-05 costs for employee health insurance and sustaining a 10-15% budget base cut would mean a reduction in the range of 33% of court staff statewide. While the court's entire caseload would be impacted, without a third of our staff, including law clerks, court reporters, courtroom and filing staff, wholesale categories of cases essentially would not be heard. Growing backlogs and delay would prevent courts from effectively enforcing court sanctions, especially for misdemeanor, petty misdemeanor, and even some gross misdemeanor case types with a resultant loss of state and local government revenue. This cut likely would mean closing court locations as well, forcing citizens, law enforcement and prosecutors to travel significant distances to conduct court business. In sum, public safety will be put at risk and our citizens' constitutionally guaranteed access to justice would be substantially impeded, undermining the public's trust and confidence in the courts – a central tenet of our democratic form of government.

We believe it is important that the legislature understand the needs of the judicial branch before any determination is made about whether the judicial branch should curtail its operation. I am therefore presenting to the legislature for its consideration a FY 2004-05 budget request which funds core justice operations and meets federal and state justice mandates. I look forward to discussing it with you in the days ahead.

Very truly yours,

<<signed>>

Kathleen A. Blatz
Chief Justice

District Courts

	FY 2004	FY 2005	Total
Adjusted Base Budget	**$181,656**	**$ 203,003**	**$384,659**
Change Requests:			
Maintain Core Justice Mandates	**7,188**	**15,330**	**22,518**
Children's Justice Mandates	**4,158**	**5,138**	**9,296**
Staffing for Caseload Needs	**542**	**758**	**1,300**
Total Request	**$193,544**	**$ 224,229**	**$417,773**

More than 2 million cases are disposed of annually by 274 trial court judges and 2,800 support staff. The Legislative Auditor found that trial court judges in Minnesota are among the hardest working in the country. They handle on average a caseload that is 49% greater than judges in comparable state court systems. Caseloads have increased nearly 40% in the last decade and the time to process each case has dropped dramatically in many critical areas. In times of economic downturn, the business of the courts increases to deal with the stresses on families, businesses, and other areas of life. In just the last two years, major criminal and civil case filings have increased by 11%.

The courts are currently engaged in a legislatively mandated transfer of the administrative components of the trial courts to the state budget. This transfer exchanges state aid dollars paid to counties (Homestead and Agriculture Credit Aid) for a General Fund appropriation to the courts. This transfer funding mechanism accounts for $95.702 million or 80% of the $119.617 million base level change from the FY 2002-03 biennium to the FY 2004-05 **which represents no new state dollars**. If these reconstituted aid dollars were recognized as same level funding in FY 2002-03, the increase in the District Court Request for the FY 2004-05 biennium over the FY 2002-03 biennium would be 17%.

Court Administration Offices in the 32 counties remaining under county funding will be transferred according to the following schedule

- July 2003 Second and Fourth Judicial Districts
- July 2004 First and Third Judicial Districts
- July 2005 Sixth and Tenth Judicial Districts

The FY 2004-05 base budget for the trial courts of $384.569 million includes the costs of transferring court administration costs in four of the remaining six judicial districts, including the two largest: Hennepin and Ramsey Counties.

The District Courts are requesting additional funding as follows:

⇒ **Maintain Core Justice Initiatives** to fund employee compensation costs subject to collective bargaining and projected insurance cost increases to be negotiated by the Department of Employee Relations.

⇒ **Childrens Justice Mandates** to meet state and federal mandates by providing guardians ad litem in 100% of abuse and neglect cases by July 1, 2005.

⇒ **Staffing for Caseload Needs** seeks funding for additional staff in targeted locations to schedule and manage cases, process court documents, create and maintain court records and enhance fee and fine collection capabilities resulting in additional revenue for the state. The costs of the five screener collector positions will be fully offset by new fine revenue collected $310,000 in FY 2004 and $356,000 in FY05.

- Children's Justice Mandates (GAL)

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$4,158	$5,138	$5,138	$5,138
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$4,158	$5,138	$5,138	$5,138

Recommendation
Agency Request: Submitted for Reference Only

Background
Federal law (the 1974 Child Abuse Prevention and Treatment Act) and state law (M.S. 260C.163, subd.5 (a), mandate the appointment of a Guardian ad litem (GAL) in every case in which a child has been alleged to have been abused and neglected. Today, 20% of maltreated children in Minnesota still have no GAL and no effective voice in our courtrooms, despite the longstanding federal and state mandates.

Until FY 2002, the funding and responsibility for providing Guardian ad litem advocates for abused and neglected children rested with each of the 87 counties. As a result there was, and still is to great extent, a patchwork quilt of GAL programs around the state of widely varying quality and effectiveness, qualifications and compensation. Each local jurisdiction also varied in the amount of resources they could afford to dedicate to their GAL program, resulting in some abused and neglected children in our courts either going without representation at all or in some cases being inadequately served. Public dissatisfaction with the quality of the GAL program runs very high in some parts of the state and critics of the program are increasingly vocal and well organized.

To ensure that these most vulnerable children have an effective advocate and the best chance for placement in a safe and nurturing home, funding of the Guardian ad Litem system was transferred from county to state funding, effective 7-1-01. At that time, statewide, only about half of the children had GAL representation. Funding grew from approximately $7 million in FY 2001 to $11 million in FY 2003 and the coverage rate for abused children grew from 50% to 80% statewide.

A statewide administrative structure has been created and for the first time the GALs are being actively supervised and supported in carrying out their duties. Much work remains in creating an adequate infrastructure to carry out quality assurance and to ensure accountability as measured in improved outcomes for children and increased public trust and confidence in the GAL system.

Relationship to Base Budget
This request represents an increase over the mandated services base budget of 28% for FY 2004 and 35% for FY 2005.

Key Measures
This increase in funding will enable the state Guardian ad Litem program to accomplish three goals. These three goals are directly tied to three of the Judicial Branch's "Focus on the Future" strategic areas:

Children's Justice: *A GAL for Every Abused and Neglected Chil*d
We will increase our representation and compliance rate on federal and state mandates for abuse and neglect cases to have a GAL from 80% to 100% by 7-1-05.

Access to Justice: *A Unified State GAL Program*

To ensure high quality representation of abused and neglected children we must build the necessary infrastructure-- including adequate supervision, support and oversight into the statewide program. The request in funding for the next biennium will enable the state GAL program to achieve managerial professionalism and a supervisor to employee ratio of approximately 1:30 as compared to the current ratio in some parts of the state of 1:80.

Public Trust and Confidence: *A Quality Assurance and Accountability Structur*e
The GAL program receives complaints from the public almost daily about the performance of GALs. Most of these complaints result from contentious proceedings in family court where the litigants are unhappy with the outcome of the litigation and/or the GALs performance. There is no more sensitive court action than that of determining where children will grow up and who their parents will be. Since the Guardian ad litem is critical in securing that outcome, and since this is a program that has been historically underinvested-in and unsupervised, the state must now invest significantly in the improved training of GALs and the implementation of a statewide quality assurance and monitoring program.

Progress will be measured in a reduction in complaints about GAL performance and an increase in both positive outcomes for children and public satisfaction.

Alternatives Considered

The Guardian ad litem system is refocusing its efforts on its core mission of advocating for abused and neglected children and will be working with county social services and others to provide fee-for-service custody evaluations and Parenting-Time expediting, which are discretionary appointments for GALs. In addition, the state GAL system is vigorously pursuing revenue collection through fee reimbursements on both juvenile and family, mandatory and discretionary appointments of GALs.

Statutory Change:
Amend M.S. 260C.163 subd. 5 to wit: "The court shall appoint a guardian ad litem to protect the interests of the minor when it appears, at any stage of the proceedings, that the minor is without a parent or guardian, or that the minor's parent is a minor or incompetent, or that the parent or guardian is indifferent or hostile to the minor's interests, and in every proceeding alleging a child's need for protection or services under section 260C.007, subdivision 4, *except for habitual truants and runaways which are permissive appointments for the judge."*

The FY 2004-05 GAL Program Budget request is based on providing discretionary, not mandatory appointment of guardians ad litem for truants and runaways. If the policy language is not adopted, it is necessary to seek an **additional** $5,000,000 for the FY 2004-05 budget to provide guardian ad litem coverage in these cases at the level mandated by current state law.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$7,188	$15,330	$15,330	$15,330
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$7,188	$15,330	$15,330	$15,330

Recommendation
Agency Request: Submitted for Reference Only

Background
The Supreme Court is responsible for pay plans for the more than 2,500 employees in courts at all levels within the judicial branch and is responsible for administering the payroll for judges at the appellate and trial court level. In addition to the 1,500 trial court employees and judges who are currently state funded, the state is midway through the state funding transfer of four additional judicial districts. Employees will be integrated into the state pay plan during the biennium. Salary and benefit costs will be incurred as employees are transferred from the disparate county pay and benefit programs.

The judicial branch non-judicial pay plan consists of the same three basic components as the executive branch across the board adjustments to the salary range, merit increases and the insurance benefit program negotiated by the Department of Employee Relations for other state employees. Judges salary increase recommended by the Compensation Council through 2004 have been adopted in law.

During the FY 2004–05 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 2005. Especially problematic is the continued double digit cost increase for the insurance program for the third biennium. DOER has estimated that the insurance costs will increase an additional 20% in each of the next two fiscal years.

Supplemental funding for each of these areas is requested.

Relationship to Base Budget
This request represents a 6% increase to the Trial Court biennial base budget.

Key Measures
The success of any pay plan is to preserve and fairly reward a competent employee pool so that the necessary work of the agency is accomplished expeditiously and professionally. Turnover results in less effective and efficient work performance. Upon replacement new employees must be trained to accomplish the work of the agency at additional costs.

Failure to fund negotiated pay plans will result in lay offs, again significantly impacting the ability of the courts to accomplish their constitutional role of adjudicating disputes.

Alternatives Considered
Because human resources costs are 80%+ of judicial branch budgets, the effective alternatives to available to fund salary increases are few, a reduction in force being the most likely and least desirable.

Statutory Change: Not Applicable.

Change Item: STAFFING FOR CASELOAD NEEDS

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$542	$758	$758	$758
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	310	356	356	356
Net Fiscal Impact	$232	$402	$402	$402

Recommendation
Agency Request: Submitted for Reference Only

Background
As the Legislative Auditor noted in its 1991 report, Minnesota district judges are carrying caseloads that are 49% higher than those in comparable states. Court staff are similarly overloaded. Caseload growth in the fast growing counties in the first, third, and ninth districts have severely out paced support staff resources. In addition, the opening of a new law enforcement center a mile from the courthouse in Ramsey County which includes two new arraignment courtrooms, will increase court staff requirements. 8.5 FTE positions are requested to be assigned to Dakota, McLeod, Ramsey, Rice and Crow Wing counties to address staff shortages. These positions would assist with case scheduling and management, document processing and record keeping. The cost of these positions is $232,000 in FY 2004 and $402,000 in FY 2005.

In addition five screener/collector positions are requested to enhance fee and fine collection by setting and by closely monitoring time payments and utilizing the Minnesota Collection Enterprise. Based on past experience the cost of these positions ($310,000 in FY 2004 and $356,000 in FY 2005) will be fully offset by new revenue they will generate.

Relationship to Base Budget
This request represents an increase to the non-judge staffing base budget of .3% in FY 2004 and .5% in FY 2005.

Key Measures
Chronic staff shortages have resulted in delays in case processing. New staffing will result in orders and judgments processed within 48 hours; reduction in annual case processing backlog, including revocation of warrants; financial reports filed by the 10th of the month; restitution and return bail paid out within 30 days of receipt or court hearing; updating to case record and file within 24 hours of the activity.

Screener/collector positions will support the enforcement of mandatory court orders and generate at least offsetting revenue.

Alternatives Considered
Only the most chronic staff shortages have been requested.

Statutory Change: Not Applicable.

Agency Purpose

The Department of Employee Relations (DOER) assists in coordinating the state of Minnesota's Human Resource System. This is accomplished through a partnership with human resource professionals from all agencies who are committed to the continuous improvement of human resource products and services that support state government in providing exceptional service to all citizens.

DOER is governed by M.S. 43A, giving the department the responsibility for the administration of the state's civil service system, negotiating labor contracts for state employees, and providing insurance to state employees and their families.

Core Functions

DOER has two main functions: the first, human resource management, provides a wide variety of human resources products and services to state agencies. The second, the employee insurance division, develops, implements, and manages employee insurance benefits as part of an integrated total compensation package for state workers.

Operations

Administrative Services provides general administrative support that enables DOER to successfully accomplish its tasks, functions, and objectives. Internal support services including budgeting and accounting, central purchasing, human resources, office management, records management, and centralized statewide personnel files.

Information Services, within Administrative Services, provides DOER with a comprehensive information technology management program, while providing support for statewide information systems that design, develop, implement, and maintain the state's payroll, human resources, and employee insurance systems to ensure that it is cost effective and value added.

SEMA4/WARE, also within Administrative Services, establishes, maintains, and coordinates the statewide Human Resource Information Systems (HRIS) to enhance the capture of and access to information that improves enterprise-wide collaboration and to provide essential data needed for strategic planning and performance measurement. More specifically, the division collects, analyzes, compiles, and reports data from a variety of sources. It also, supplies HRIS with useful and accurate data about the state of Minnesota workforce and assists decision-makers in the development of policies and programs designed to accomplish goals in each agency.

Diversity and Equal Opportunity works with state agencies toward establishing systems, structures, and workplace cultures that attract and support diversity.

Labor Relations Bureau represents the State of Minnesota in negotiation and administration of collective bargaining agreements and labor plans for state employees.

Strategic Staffing ensures that a diverse pool of competent job applicants are available to meet state agency needs; provides information, consultation, training, and resources in job analysis, recruitment, selection, and workforce development; and manages, maintains, and integrates selection/recruiting technology.

Employee Insurance Administration develops and manages the State Employee Group Insurance Program (SEGIP) for eligible state employees, retirees and their dependents.

At A Glance

Annual Business Processes:

- Reached tentative agreement with five unions. Eleven labor contracts bargained biennially. Negotiated and administered bargaining agreements and labor plans for over 37,200 state employees.
- Created and implemented a new health insurance plan, affecting over 129,000 state employees and their families.
- Recovered more than $1.2 million in workers' compensation third party settlements.
- Served 7,900 local government employee and families in the Public Employee Insurance Program with an increased enrollment of 14% for FY 2001.
- Processed 38,323 job applications and 12,500 resumes. Performed 632 job audits.
- Implemented Resumix database, conducted training and introduced Resume Builder, serving 120 state agencies human resource programs.
- Implemented a major upgrade to SEMA4 (the state human resources and payroll system) on time and on budget.

Public Employee Insurance Program (PEIP) offers local units of government group health, dental, and life insurance for their eligible employees, retirees and their dependents.

Worker's Compensation provides workers' compensation benefits to state employees; represents state agencies in workers' compensation court cases; and works with agencies to address workplace safety and health issues.

Employee Assistant Program (EAP) provides state agencies, employees and their eligible dependents with counseling and consultation regarding workplace, personal, and family problems that negatively affect employee performance and organizational effectiveness.

Budget

One and a half percent of the Department's FY 2002-03 budget is from the General Fund, with the other 98.5% composed of revenues and expenditures of the various insurance and state employee benefit programs that the department operates.

The General Fund portion of the budget covers operating expenses for approximately half of the agency programs and staff. These include Strategic Staffing, Information Services, SEMA4/WARE, Office of Diversity and Equal Opportunity, Administrative Services, and a portion of the Labor Relations/Total Compensation Program.

The remainder of the agency operations is covered by non-general fund dollars. This includes the State Employee Group Insurance Program (SEGIP), the Public Employee's Insurance Program (PEIP), the Workers' Compensation Program, and the Pre-Tax Savings programs.

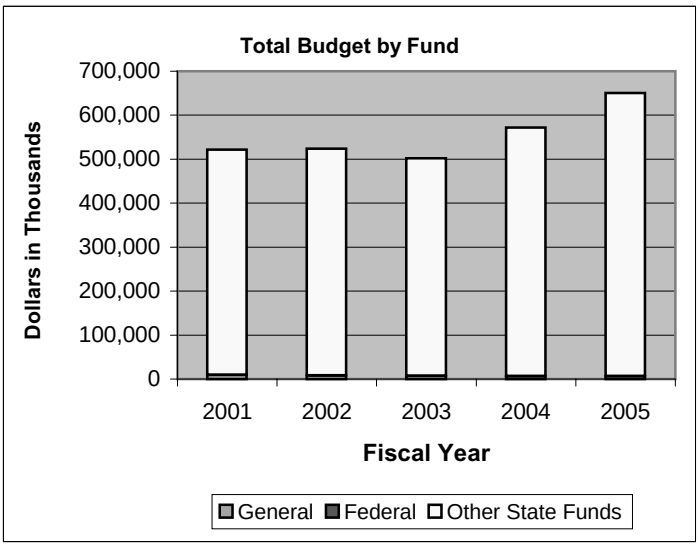
The non-general fund dollars used to operate the SEGIP and PEIP insurance programs consist of premiums collected from state agencies, Independent Billing Units, COBRA, and other self-paid participants. In the PEIP program, the users consist of various local units of government employers and their employees. State agency fees and claim reimbursements for claim costs generate the revenue in the Workers' Comp program. Pre-Tax Program revenue consists of employee contributions for medical, dental, and transit expense reimbursements.

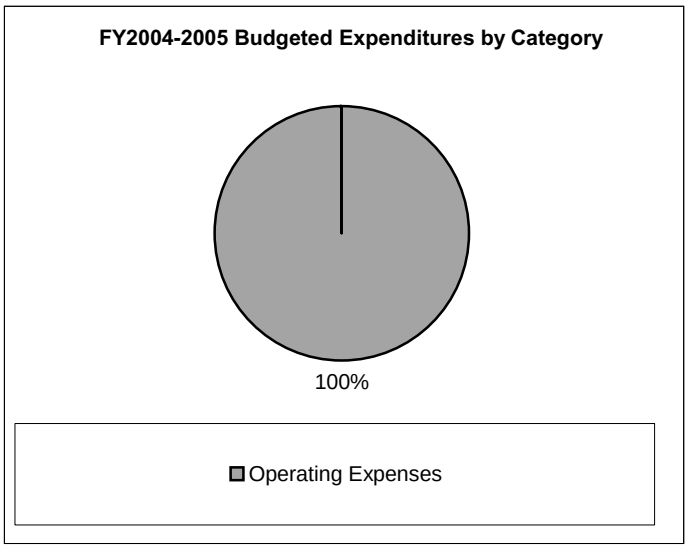
Contact

Department of Employee Relations
200 Centennial Building
658 Cedar Street
Saint Paul, Minnesota 55155
Commissioner's Office: (651) 296-3095

World Wide Web Home Page: http://www.doer.state.mn.us

For information on how this agency measures whether it is meeting its statewide goals, please refer to http://www.departmentresults.state.mn.us/





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	**8,721**	**7,934**	**6,889**	**6,118**	**6,118**	
Open Appropriations						
General	242	0	365	365	365	730
Statutory Appropriations						
General	155	200	0	0	0	0
Special Revenue	24,608	26,914	30,311	28,227	28,782	57,009
Private Employers Insurance	574	0	0	0	0	0
State Employees Insurance	475,435	476,322	451,632	524,518	602,741	1,127,259
Miscellaneous Agency	11,827	12,573	12,597	12,683	12,788	25,471
Total	**521,562**	**523,943**	**501,794**	**571,911**	**650,794**	**1,210,469**

Expenditures by Category						
Operating Expenses	521,539	523,926	501,791	571,908	650,791	1,222,699
Payments To Individuals	3	3	3	3	3	6
Local Assistance	20	14	0	0	0	0
Total	**521,562**	**523,943**	**501,794**	**571,911**	**650,794**	**1,222,705**

Expenditures by Program						
Human Resource Mgmt	10,468	12,662	13,148	10,212	10,255	20,467
Employee Insurance Division	511,094	511,281	488,646	561,699	640,539	1,202,238
Total	**521,562**	**523,943**	**501,794**	**571,911**	**650,794**	**1,222,705**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Dedicated						
General	4,741	200	0	0	0	0
Special Revenue	25,179	26,283	29,305	26,723	26,778	53,501
Private Employers Insurance	576	0	0	0	0	0
State Employees Insurance	474,686	481,066	452,459	525,928	603,853	1,129,781
Miscellaneous Agency	11,968	13,126	13,195	13,195	13,195	26,390
Subtotal Dedicated	517,150	520,675	494,959	565,846	643,826	1,209,672
Total Revenue	**517,150**	**520,675**	**494,959**	**565,846**	**643,826**	**1,209,672**
Full-Time Equivalents (FTE)	**210.2**	**201.6**	**195.8**	**165.9**	**165.9**	

Program Description

The Department of Employee Relations' (DOER) Human Resource Management Program provides a number of centralized personnel services for the executive branch.

Budget Activities Included:

- Administration
- Diversity and Equal Opportunity
- Labor Relations
- Strategic Staffing
- Human Resource Non-Operating
- Conference Revolving Account

Program at a Glance

- Provides compensation, staffing, diversity, training and administrative services to all 120 executive branch state agencies (including Minnesota State Colleges and Universities), impacting 50,000 state employees;
- Provides labor relations services to all non-Minnesota State Colleges and Universities executive branch agencies, impacting about 37,200 state employees;
- Operates the state civil service system, first established in 1938;
- Works in cooperation with the state Human Resource Directors Partnership and the ACCESS Partnership.

Historical Perspective

In 2001, DOER's Human Resource Management Program was instrumental in forming the statewide Human Resource Directors Partnership (HRDP) and the Alliance for Cooperation and Collaboration in Employment and State Services (ACCESS), organizations designed to bring state agency human resources and Diversity/Equal Opportunity leaders together with DOER personnel for the purpose of promoting greater consistency and effectiveness within the executive branch human resources system. Working with these organizations, DOER then published the state's five-year HR strategic plan.

Also in 2001, Human Resource Management Program performed strategic coordination, contingency and communications planning to assist executive branch agencies and employees in preparation for a potential shutdown of Minnesota's state government. Although the shutdown was averted, some of these preparations were useful in maintaining the critical functions of state government during the subsequent 10-day employee strike. Labor Relations ended the largest strike in Minnesota history by settling contracts within budget parameters set by the Administration and Minnesota lawmakers.

In 2002, various elements of DOER's Human Resource Management Program implemented a new web-based hiring system for state government, made significant progress on a project designed to reform the state employment classification system, and continued a major upgrade of the state's human resource data system.

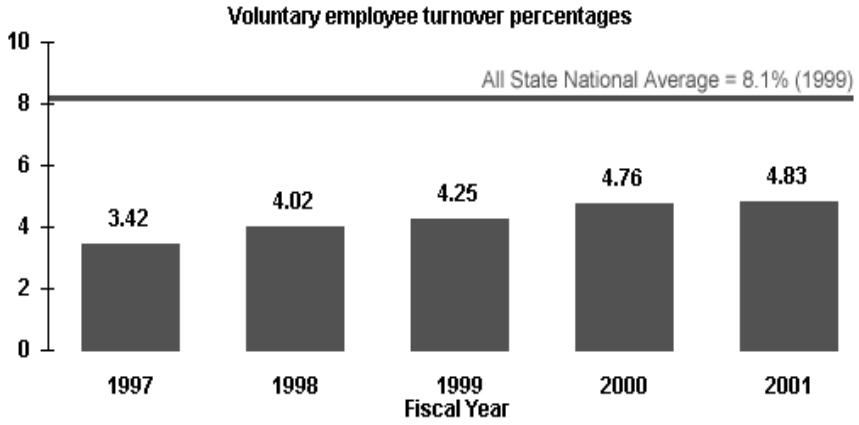
Key Measures

⇒ Success in settling labor contracts within the budget parameters set forth by the Administration and the Minnesota Legislature during the upcoming FY 2003-05 collective bargaining negotiations.

⇒ Continued progress in maximizing cost effectiveness and efficiency, by shifting all activity related to filling state job openings to the new hiring process; and receiving all applications from job-seekers through the new online resume-scanning system.

⇒ Successful distribution of executive branch transition resources and information, providing facts and assistance regarding state government employment, procedures, insurance benefits, etc. to members of the new administration following the November 2002 general election.

⇒ The effectiveness of services furnished by the Human Resource Management Program – which combine to make the state of Minnesota a more desirable employer – is in part reflected by the relatively low turnover rate among Minnesota state employees, as illustrated by the graph below.

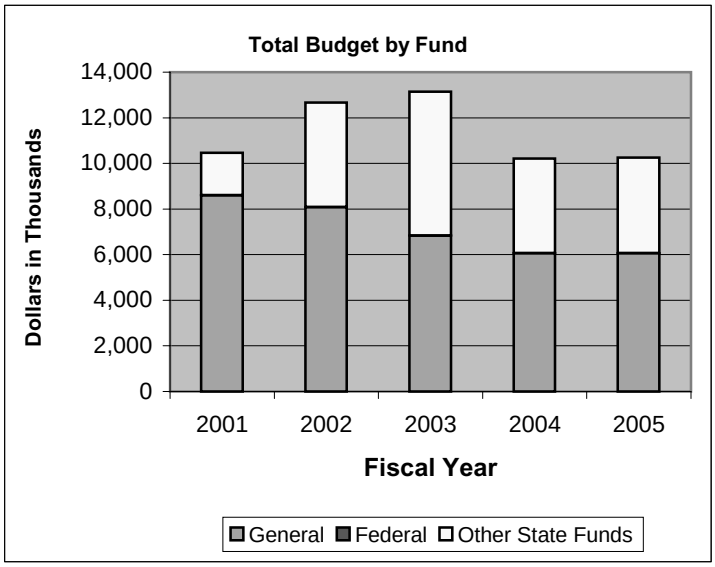


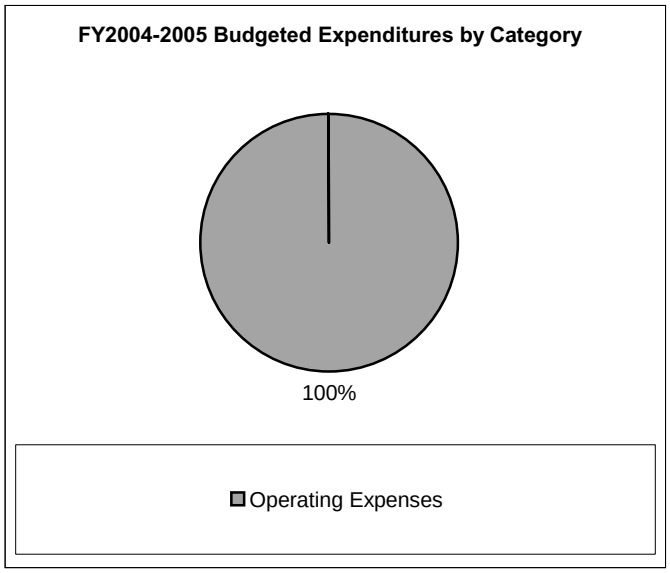
Program Funding

Funding for the activities of the program are provided by the agency's General Fund appropriation.

Contact

DOER Commissioner, (651) 296-3095
DOER Deputy Commissioner, (651) 297-3859
Manager, DOER/Administrative Services Division, (651) 296-8366





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	8,440	7,881	6,826	6,055	6,055	12,110
Statutory Appropriations						
General	155	200	0	0	0	0
Special Revenue	1,870	4,578	6,319	4,154	4,197	8,351
Miscellaneous Agency	3	3	3	3	3	6
Total	**10,468**	**12,662**	**13,148**	**10,212**	**10,255**	**20,467**
Expenditures by Category						
Operating Expenses	10,465	12,659	13,145	10,209	10,252	20,461
Payments To Individuals	3	3	3	3	3	6
Total	**10,468**	**12,662**	**13,148**	**10,212**	**10,255**	**20,467**
Expenditures by Activity						
Administration	5,392	7,951	9,610	7,057	7,104	14,161
Diversity & Equal Opportunity	410	329	260	0	0	0
Labor Relations	1,127	1,246	1,364	1,288	1,284	2,572
Strategic Staffing	2,895	2,447	1,914	1,867	1,867	3,734
Employee Assistance Prog	644	689	0	0	0	0
Total	**10,468**	**12,662**	**13,148**	**10,212**	**10,255**	**20,467**
Revenue by Type and Fund						
Dedicated						
General	135	200	0	0	0	0
Special Revenue	2,850	4,216	6,241	4,112	4,162	8,274
Miscellaneous Agency	15	10	5	5	5	10
Subtotal Dedicated	3,000	4,426	6,246	4,117	4,167	8,284
Total Revenue	**3,000**	**4,426**	**6,246**	**4,117**	**4,167**	**8,284**
Full-Time Equivalents (FTE)	**119.6**	**118.4**	**104.3**	**88.8**	**88.8**	

Activity Description

The Department of Employee Relations (DOER) Administration activities support the wide range of operational infrastructures and organizational/internal services needed to assist the agency's personnel and execute departmental functions. DOER Administration activities are provided through the department's Information Systems division, SEMA4/WARE Division and the Administrative Services Division.

Population Served

DOER Administration supports and serves the agency's staff members, who in turn provide widely varied services to:

- state employees in the executive, legislative and judicial branches of state government;
- all 120 executive branch state agencies served by the statewide SEMA4 personnel data system; and
- members of the general public.

Activity at a Glance

- The program supports and serves DOER's staff members, who in turn provide widely varied services to state employees in the executive, legislative and judicial branches of state government.
- The SEMA4/WARE activity provides training, documentation and support to more than 2,000 designated SEMA4 users who serve state agencies.
- DOER's Information Services Division provides technical support for systems (such as SEMA4, payroll, Resumix, and GenComp) that serve 120 state agencies and up to 54,000 employees of the executive, legislative and judicial branches.

Services Provided

Information Systems Division:

- develops and implements information technology and web-based projects to assist operations within DOER and throughout the entire state agency Human Resource system;
- analyzes, purchases, maintains and upgrades desktop personal computer technology for all DOER employees; and
- analyzes, purchases, maintains and upgrades DOER's LAN and web servers to support a wide variety of business functions.

SEMA4/WARE Division:

- oversees and implements changes and enhancements to the HR portion of the State's Human Resource Information System, SEMA4;
- establishes, maintains and coordinates human resource information systems that enhance the capture of and access to information which improves enterprise-wide collaboration and provides essential data needed for strategic planning and performance measurement;
- ensures data integrity and furnishes data about the state's workforce to aid in policy development; and
- provides Workforce Analysis Reporting and Evaluation (WARE) functions on a statewide level to interested parties.

Administrative Services Division:

- provides department-wide information processing, transcription, records management, etc.;
- supplies department-wide fiscal services management, accounts payable/receivable, organizational purchasing, etc.;
- provides the department with operational support (human resources coordination, equipment management, space planning/management, mail room, etc.); and
- miscellaneous agency fees derived from Combined Charities Applications and Vacation Donation Program.

Key Measures

⇒ Successful implementation of Phase 2 of the SEMA4 system upgrade by April 2003 (expected to be on time and within budget). In partnership with the Department of Finance, this upgrade entails moving from the legacy Benefits system into SEMA4, adoption of the web-based PeopleSoft Version 8, reduction of the number of customizations which will reduce the effort and complexity of future upgrades, and creativity opportunities for the state to deliver self-service functions in the human resources, payroll, and benefits areas.

⇒ Successfully complete and support the enrollment technology requirements for DOER's state employee insurance Open Enrollment.

⇒ Completed development and delivery of plans for self-service access to public information.

Activity Funding

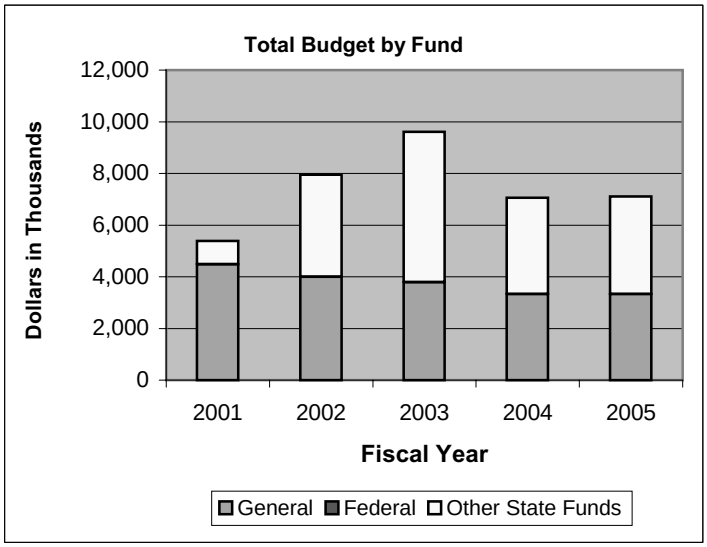
Funding for this activity is financed by appropriation from the General Fund. Costs for SEMA4 system upgrades are financed from the Insurance Administration Fund within the Employee Insurance Division.

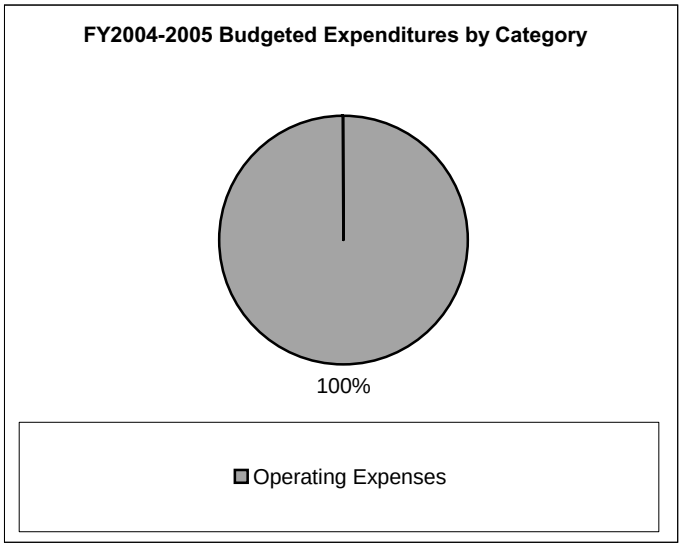
Contact

Manager, DOER Administrative Services Division, (651) 296-8366
DOER Chief Information Officer, (651) 297-5767
Manager, DOER SEMA4/WARE Division, (651) 296-8912
DOER Deputy Commissioner, (651) 297-3859

EMPLOYEE RELATIONS DEPT
Program: HUMAN RESOURCE MGMT
Activity: ADMINISTRATION

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,482	4,005	3,791	3,326	3,330	6,656
Statutory Appropriations						
Special Revenue	907	3,943	5,816	3,728	3,771	7,499
Miscellaneous Agency	3	3	3	3	3	6
Total	**5,392**	**7,951**	**9,610**	**7,057**	**7,104**	**14,161**
Expenditures by Category						
Operating Expenses	5,389	7,948	9,607	7,054	7,101	14,155
Payments To Individuals	3	3	3	3	3	6
Total	**5,392**	**7,951**	**9,610**	**7,057**	**7,104**	**14,161**
Revenue by Type and Fund						
Dedicated						
Special Revenue	2,070	3,646	5,816	3,687	3,732	7,419
Miscellaneous Agency	15	10	5	5	5	10
Subtotal Dedicated	2,085	3,656	5,821	3,692	3,737	7,429
Total Revenue	**2,085**	**3,656**	**5,821**	**3,692**	**3,737**	**7,429**
Full-Time Equivalents (FTE)	**53.1**	**61.0**	**59.7**	**50.2**	**50.2**	

Activity Description

The Office of Diversity and Equal Opportunity (ODEO) exists to provide leadership and support to state agencies in compliance with Affirmative Action (AA) and Equal Employment Opportunity (EEO) laws. In addition, ODEO works with state agencies to coordinate efforts of recruitment strategies among agencies to address underutilization of protected group members as well as workforce planning for all employees.

Activity at a Glance

- ODEO serves approximately 5,300 state employees (minorities and persons with disabilities) who represent protected groups.

Population Served

The ODEO works with all state agencies to attract and retain highly qualified employees at all levels of each organization and in a fashion that mirrors the population of Minnesota; while developing strategies designed to encourage and allow state employees to thrive in and contribute to their organization. ODEO serves women, minorities and persons with disabilities throughout Minnesota's general population, by developing, implementing, and ensuring compliance with policies and programs designed to attract and retain protected group members to employment with state government.

Services Provided

⇒ Coordinate EEO/AA resources to address targeted areas of underutilization and to eliminate redundancies.

⇒ Provide state agencies with services to assure their compliance with state and federal laws governing affirmative action, equal employment opportunities, and other federal and state laws.

⇒ Work with state agencies to increase representation of protected group employees in all job classifications; and to help them develop plans through which they can effectively attract and retain a diverse workforce.

⇒ Ensure the turnover rate for protected group members is equal to the rate for non-protected group members.

⇒ Promote initiatives to allow culture change efforts, encouraging employees to work and contribute naturally to their organization.

⇒ Expand training efforts within state agencies as they relate to mentorship, affirmative action, recruitment and diversity.

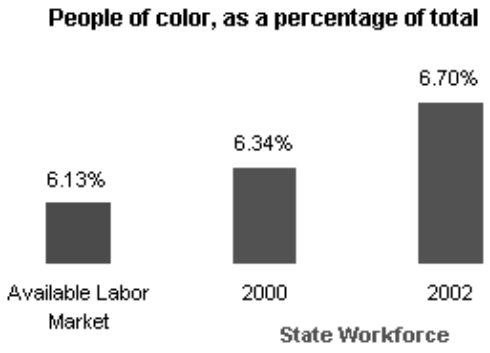
⇒ Evaluate employee benefit programs to ensure that offerings are relevant to state workforce instead of to only the majority.

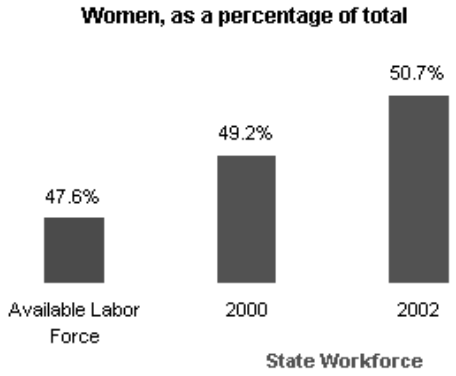
⇒ Provide support to ACCESS (Alliance for Cooperation and Collaboration in Employment and State Services) and the HRDP (Human Resources Directors Partnership) to accomplish equal employment opportunity, diversity, and affirmative action initiatives.

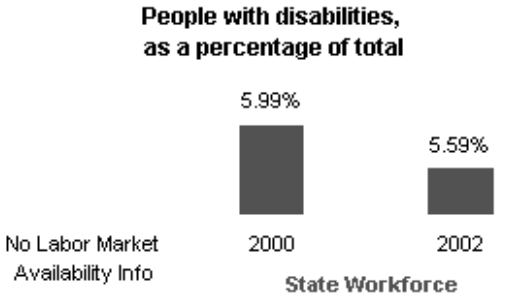
Key Measures

⇒ Increase current representation of protected group members in all state employee job classifications.

⇒ Ensure the turnover rate among state employees who are protected group members is equal to the turnover rate among state employees who are not members of protected groups.







Activity Funding

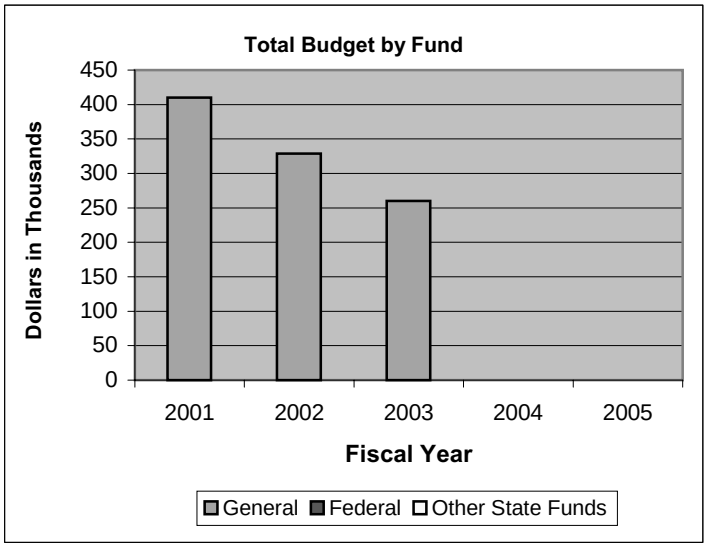
The department's General Fund appropriation funds the program's activities.

Contact

DOER Assistant Commissioner for Diversity and Equal Opportunity, (651) 296-8272
DOER Deputy Commissioner, (651) 297-3859

EMPLOYEE RELATIONS DEPT
Program: HUMAN RESOURCE MGMT
Activity: DIVERSITY & EQUAL OPPORTUNITY

Fiscal Report



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	410	329	260	0	0	0
Total	**410**	**329**	**260**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	410	329	260	0	0	0
Total	**410**	**329**	**260**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**6.6**	**4.5**	**3.0**	**0.0**	**0.0**	

Activity Description

The Labor Relations/Compensation Bureau performs the duties assigned to the Department of Employee Relations (DOER) commissioner under the Public Employees Labor Relations Act (PELRA), including contract negotiations with the state employee unions. In addition, the Bureau is responsible for monitoring local government subdivisions to ensure their compliance with the Local Government Pay Equity Act.

Activity at a Glance

- Serves 37,200 of the executive branch's 50,000 state employees
- Negotiates seven collective bargaining agreements biennially, impacting about 35,000 executive branch state employees
- Oversees and administers two unrepresented employee plans, impacting about 2,200 executive branch state workers

Population Served

The Bureau works with and represents the management of 120 state agencies and boards, impacting about 37,200 executive branch state employees; and works closely with legislative committees. In addition, the Bureau's Local Government Pay Equity Division works with more than 1,508 local governments to achieve compliance with state statute.

Services Provided

Labor Relations Unit:

- negotiates and oversees collective bargaining with the exclusive representatives of executive branch state employees (except Minnesota State Colleges and Universities faculty);
- presents management's positions in interest arbitration (arbitrations involving employees with no right to strike);
- implements major portions of collective bargaining agreements;
- advises each state agency's management in their relationships with the exclusive representatives for state employees; and sets statewide policy for management's relationship with labor;
- interprets collective bargaining agreements;
- advises agency management on contract and human resources administration issues;
- trains supervisors and managers in contract administration; and
- administers grievances appealed to arbitration by unions.

Compensation Unit:

- provides an overall compensation framework for compensation and benefits other than insurance, (vacation, sick leave, holidays, expense reimbursement, etc.);
- provides policy development and research services to executive branch management in the areas of compensation and related programs;
- responsible for estimating the fiscal impact of collective bargaining proposals and providing policy and technical direction in the negotiation of collective bargaining agreements; and
- develop or approve compensation plans for unrepresented employees in all non-higher education agencies.

Local Government Pay Equity Unit:

- administers the compliance process for the Local Government Pay Equity Act, ensuring that all political subdivisions (including cities, counties, school districts and others) report to the DOER to confirm elimination of sex-based wage inequities in compensation;
- inform local governments of the act's requirements; and
- review reports received from local governments - determining compliance, assessing penalties and informing the legislature of the compliance status of local government units.

Historical Perspective

- In 2001, DOER and the Bureau represented the state during a ten-day strike by AFSCME & MAPE employees of the executive branch; and settled the contracts within the budget parameters set forth by the Administration and the Minnesota Legislature.

- In 2001, AFSCME Unit 8 (Correctional Guards) elected to use their right to interest arbitration regarding inequities. The work of the Bureau led to the arbitrator's decision in favor of the state, saving the taxpayers $9.5 million.
- In 2001, the Bureau completed the audit process for all classes and Federal Labor Standards Act (FLSA) back-pay, developed FLSA basic course and presented it to state agency human resources personnel, supervisors and managers.

Key Measures

- success in settling labor contracts within the budget parameters set forth by the Administration and the Minnesota Legislature during the upcoming FY 2003-05 collective bargaining negotiations;
- continued biennial reduction of the number of state employee labor grievances, as demonstrated in the 2001-02 biennium:
  - ⇒ 952 total active grievances during the 2001-02 biennium (counting appeals).
  - ⇒ 50 grievances were decided by an arbitrator.
  - ⇒ 188 grievances were settled by the Bureau.
  - ⇒ 333 grievances were withdrawn.
  - ⇒ 381 active grievances are left from the 2001-02 biennium.
- reduction in the annual number of pay equity non-compliance determinations within Minnesota's public sector by providing technical assistance, training and job evaluation tools (such as the newly revised State Job Match) free to local government units.

Activity Funding

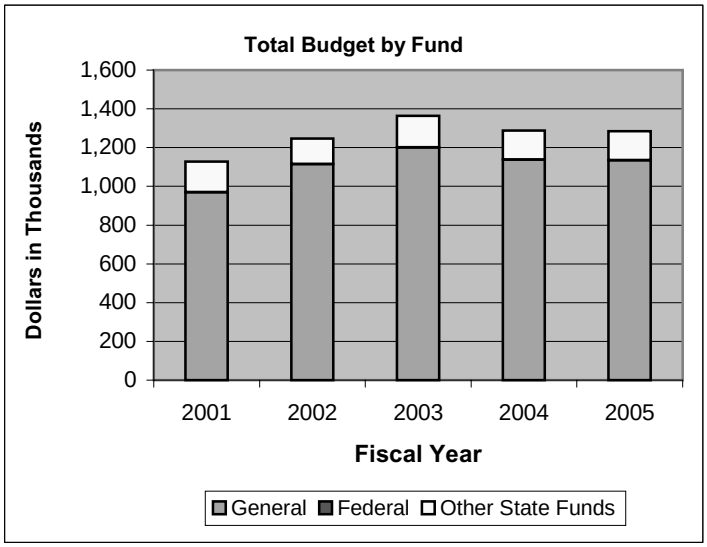
The department's General Fund appropriation finances the activities of the Bureau.

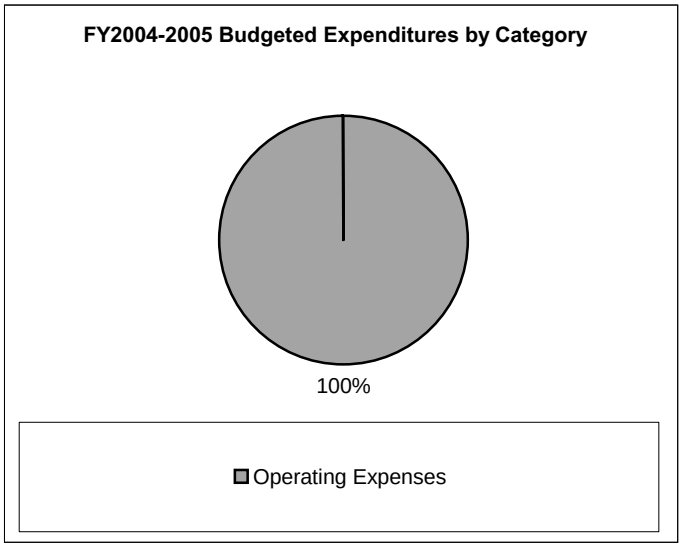
Contact

DOER Deputy Commissioner for Labor Relations, (651) 296-8274
DOER Deputy Commissioner, (651) 297-3859
Labor Relations/Total Compensation Main Page on DOER Internet Web site:
www.doer.state.mn.us/lab-rel/LR Totalcomp.HTM

EMPLOYEE RELATIONS DEPT
Program: HUMAN RESOURCE MGMT
Activity: LABOR RELATIONS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	970	1,115	1,201	1,138	1,134	2,272
Statutory Appropriations						
Special Revenue	157	131	163	150	150	300
Total	**1,127**	**1,246**	**1,364**	**1,288**	**1,284**	**2,572**
Expenditures by Category						
Operating Expenses	1,127	1,246	1,364	1,288	1,284	2,572
Total	**1,127**	**1,246**	**1,364**	**1,288**	**1,284**	**2,572**
Revenue by Type and Fund						
Dedicated						
Special Revenue	157	144	150	150	150	300
Subtotal Dedicated	157	144	150	150	150	300
Total Revenue	**157**	**144**	**150**	**150**	**150**	**300**
Full-Time Equivalents (FTE)	**13.3**	**13.1**	**15.5**	**12.5**	**12.5**	

Activity Description

The Strategic Staffing Division provides all state agencies with direction, development and maintenance of hiring, and training services in order to maximize state agency efforts to attract, hire and retain skilled employees.

Population Served

The Strategic Staffing Division serves Human Resource (HR) personnel, managers, supervisors, and lead workers at all 120 executive branch agencies. In addition, Staffing works with members of the general public interested in employment with the state of Minnesota.

Services Provided

The Strategic Staffing Division has the authority to make employee hiring decisions, while providing oversight and consultation as needed to many state agency HR offices. The division retains responsibility for providing classification and hiring services to agencies that do not have the resources needed to handle HR functions, or when statewide coordination of services is necessary. Staffing's services include:

Consultation to state agency HR personnel, managers and supervisors in areas such as:

- coordination with all members of the Human Resource Director's Partnership (HRDP), a partnership developed by DOER to improve coordinated HR functions on a statewide basis;
- recruitment and marketing;
- selection process design and development; and
- strategic staffing, workforce planning and redeployment.

Administration of the division's Human Resources Information System (HRIS) tools to meet the current and future staffing needs statewide:

- evaluates and revises the staffing process, and researches new HRIS assessment, recruitment and selection tools to meet agency needs in today's labor market;
- analyzes various staffing metrics to identify staffing trends within specific agencies and on a statewide basis;
- provides user training to ensure consistency, best practices, and use of the selection tools;
- provides recruiting and marketing services designed to promote the state as a leading employer and to build a qualified, available and diverse recruitment pool;
- provides recruiting consultation services for hard-to-fill or under-represented areas; and
- establishes and maintains relationships with community organizations and schools to promote the opportunities and benefits of employment in state government.

Providing Applicant Services:

- ensures that resumes are quickly and accurately processed;
- answers questions from job-seekers regarding their application materials and the selection process;
- maintains the integrity of the *Resumix* applicant tracking database (a new resume scanning software) and, processes applications for state positions; and
- staffs and records data for the Job Information Line (public access point for information on state jobs), and processes all applicant information.

Activity at a Glance

- Serves HR personnel, managers, supervisors, and lead-workers at all 120 executive branch agencies; and
- Serves members of the general public who are interested in employment with the state of Minnesota.
- As of September 2002, the new hiring system had stored 40,000 active resumes in its database.
- As of September 2002, the new hiring system had advertised about 2,800 positions (all approved to fill under the State Hiring Freeze) on the state's employment web pages.

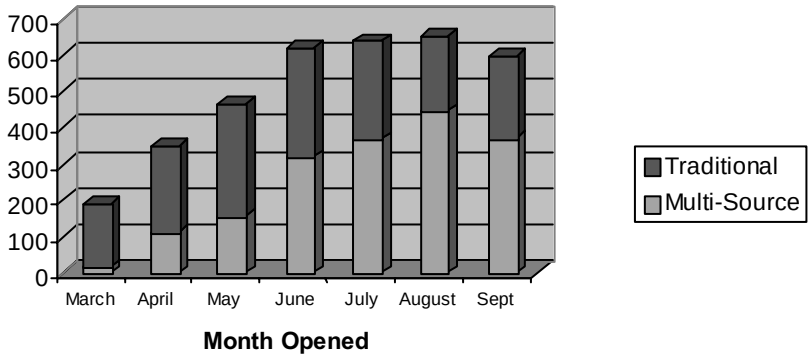
Provides Training Services:

- provides and coordinates training as required by statute to state managers, supervisors, lead workers, and HR personnel;
- provides resource/reference information to agencies seeking training in the areas professional development, performance management, project management, and leadership, for workforce development; and
- working on identification and implementation of a competency model for HR and managerial job classes, with eventual implementation for all state job classes. The competency model will have numerous applications in recruitment, selection, interviewing, and performance management, which will allow for strategic staffing of state agencies.

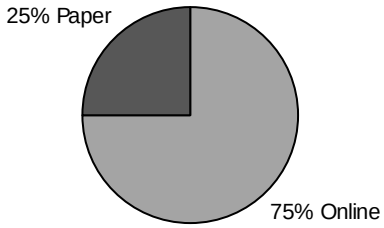
Key Measures

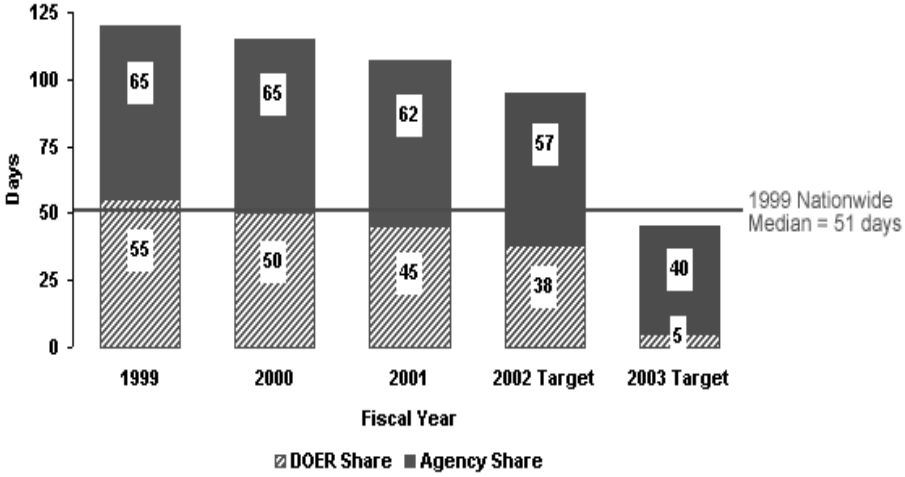
⇒ In March 2002, the Strategic Staffing Division adopted a new multi-source hiring process that uses web-based technology and a resume-scanning (*Resumix*) software to make the state's application and selection procedures more efficient and timely for both applicants and hiring managers. Under the new process, hiring managers may complete their job requisitions over the Internet, identify job seekers from a resume database, review resumes, and contact or track candidates. Job seekers may create, submit and update a single resume to be considered for all state job openings; search and apply for jobs; and retrieve job information through the web or other sources.

Selection Process for Vacancies
For the Period March - September 2002



Resumes Received since
March 4, 2002 (Total: 27,907)





Activity Funding

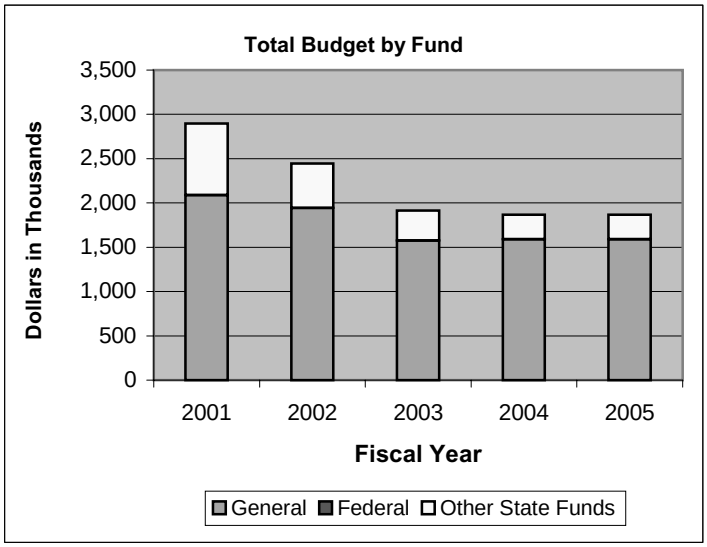
The department's General Fund appropriation finances the majority of activities on the program. The training functions are funded by a revolving fund with training participants paying for the classes. The revenue generated covers the program expenditures.

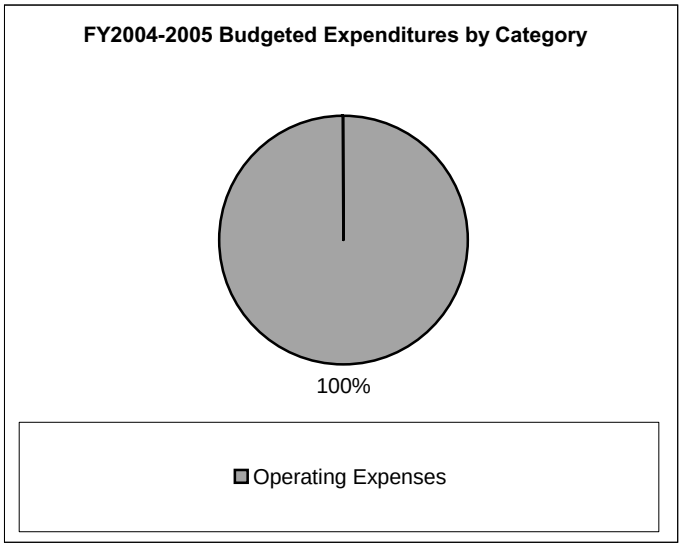
Contact

DOER Commissioner/Strategic Staffing Manager, (651) 296-3095
DOER Deputy Commissioner, (651) 297-3859
Strategic Staffing Main Page on DOER Internet web site: www.doer.state.mn.us/staffing/STAFFING.HTM
State Employment Main Page on DOER Internet web site: www.doer.state.mn.us/stf-bltn/jobs2/index.htm
Job Information Line: (651) 296-2616 or 1-800-657-3974

EMPLOYEE RELATIONS DEPT
Program: HUMAN RESOURCE MGMT
Activity: STRATEGIC STAFFING

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,089	1,943	1,574	1,591	1,591	3,182
Statutory Appropriations						
Special Revenue	806	504	340	276	276	552
Total	**2,895**	**2,447**	**1,914**	**1,867**	**1,867**	**3,734**
Expenditures by Category						
Operating Expenses	2,895	2,447	1,914	1,867	1,867	3,734
Total	**2,895**	**2,447**	**1,914**	**1,867**	**1,867**	**3,734**
Revenue by Type and Fund						
Dedicated						
Special Revenue	623	426	275	275	280	555
Subtotal Dedicated	623	426	275	275	280	555
Total Revenue	**623**	**426**	**275**	**275**	**280**	**555**
Full-Time Equivalents (FTE)	**39.2**	**32.6**	**26.1**	**26.1**	**26.1**	

Program Description

The Employee Insurance Division (EID) administers employee insurance fringe benefits for the state of Minnesota's eligible state employees, retirees, and dependents.

Budget Activities Included:

- State Employees Group Insurance Program (SEGIP)
- Employee Assistance Program (EAP)
- Workers' Compensation Program
- Public Employees Insurance Program (PEIP)
- Health Risk Management Unit

Program at a Glance

- Provides insurance fringe benefits for more than 129,000 state employees, retirees and dependents, with a total annual budget activity of over $466 million;
- Provides Workers' Compensation Program for more than 57,000 for state employees, at an annual cost of over $21 million; and
- Manages the Public Employees Insurance Program (PEIP) -- providing health, dental, and life insurance to 137 non-state public sector employer groups, with premium expenditures of over $20 million annually.

Historical Perspective

Employer-administered fringe benefits have been an important part of state workers' total compensation for more than 55 years. Over time, the range, complexity, and expense of employee fringe benefits has increased greatly - particularly in the area of health benefits. To address such increases, EID developed the Minnesota Advantage Health Plan for state employees and launched the program in 2002. Advantage was implemented to help contain health benefit costs, provide greater flexibility and options, and preserve access to a wide array of health care providers for employees.

Key Measures

⇒ In 2002, the new Advantage health benefits program saved $8 million in premiums for the state and $30 million in premiums for employees (compared to the projected costs if the previous employee health coverage program had been continued).

⇒ The overall cost of administering SEGIP health benefits is approximately 8% of total premium costs, which is below the industry standard of 10-15% of total premium costs.

⇒ The rate of new workers compensation claims has declined 6.6% since FY 1998.

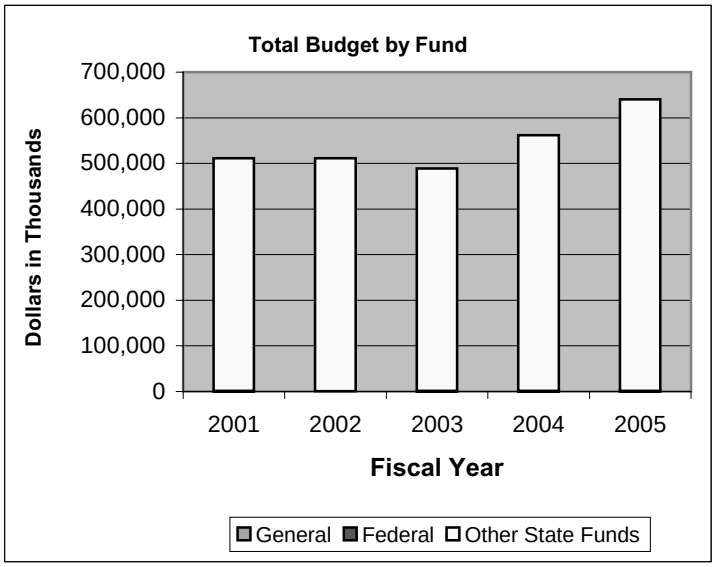
⇒ The number of groups enrolled in PEIP has increased every year for the past four years, from 73 in 1999 to 137 in 2002, an increase of over 88%.

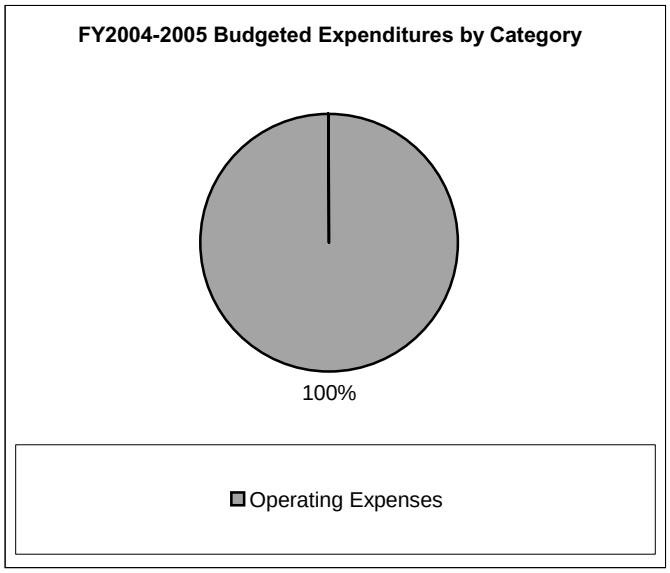
Program Funding

Funding for the Employee Insurance Division consists primarily of insurance premiums collected from state agencies and other participating groups, and from employees and retirees. These funds are principally pass-through funds to insurance carriers, third party administrators, and other vendors. Funds are also used to pay workers' compensation claims.

Contact

DOER Assistant Commissioner, (651) 296-3159
Employee Insurance Division Director, (651) 296-6287
DOER Deputy Commissioner, (651) 297-3859
The program can be reached through the DOER web site, at www.doer.state.mn.us





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	281	53	63	**63**	**63**	
Open Appropriations						
General	242	0	365	365	365	730
Statutory Appropriations						
Special Revenue	22,738	22,336	23,992	24,073	24,585	48,658
Private Employers Insurance	574	0	0	0	0	0
State Employees Insurance	475,435	476,322	451,632	524,518	602,741	1,127,259
Miscellaneous Agency	11,824	12,570	12,594	12,680	12,785	25,465
Total	**511,094**	**511,281**	**488,646**	**561,699**	**640,539**	**1,202,112**

Expenditures by Category						
Operating Expenses	511,074	511,267	488,646	561,699	640,539	1,202,238
Local Assistance	20	14	0	0	0	0
Total	**511,094**	**511,281**	**488,646**	**561,699**	**640,539**	**1,202,238**

Expenditures by Activity						
Employee Insurance Admin	6,201	7,958	7,202	6,885	6,929	13,814
Public Employee Insurance Pgm	20,175	23,232	26,514	28,023	28,573	56,596
Workers Compensation Admin	4,170	4,717	4,989	4,583	4,592	9,175
Insurance Div Non-Operatng	479,974	475,374	449,244	521,493	599,725	1,121,218
Employee Assistance Prog	0	0	697	715	720	1,435
Mn Employer Insurance Pgm	574	0	0	0	0	0
Total	**511,094**	**511,281**	**488,646**	**561,699**	**640,539**	**1,202,238**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Dedicated						
General	4,606	0	0	0	0	0
Special Revenue	22,329	22,067	23,064	23,090	23,095	46,185
Private Employers Insurance	576	0	0	0	0	0
State Employees Insurance	474,686	481,066	452,459	525,928	603,853	1,129,781
Miscellaneous Agency	11,953	13,116	13,190	13,190	13,190	26,380
Subtotal Dedicated	514,150	516,249	488,713	562,208	640,138	1,202,346
Total Revenue	**514,150**	**516,249**	**488,713**	**562,208**	**640,138**	**1,202,346**
Full-Time Equivalents (FTE)	**90.6**	**83.2**	**91.5**	**77.1**	**77.1**	

Activity Description

The State Employee Group Insurance Program (SEGIP) administers the state of Minnesota's comprehensive employee insurance fringe benefits package.

Activity at a Glance

- SEGIP provides employee insurance to state employees, retirees, and dependents – over 129,000 covered lives statewide.
- Calendar year 2003 estimated total SEGIP budget activity -- $466 million.

Population Served

SEGIP provides benefits to eligible employees, retirees, and dependents in all three branches of state government, Minnesota State Colleges and Universities, and certain quasi-state agencies. This activity covers 129,000 individuals statewide.

Services Provided

Current employee insurance benefits administered through SEGIP include health, dental, life, long and short term disability, and long-term care coverage, as well as pre-tax accounts. To administer these benefits, SEGIP provides the following services:

- planning, design, and implementation of benefits;
- accounting and audit services;
- support of the collective bargaining process;
- policy analysis;
- billing and enrollment;
- vendor selection and contract management;
- customer service; and
- risk management and Employee Assistance Program services.

Historical Perspective

The state of Minnesota is the largest single employer group health purchaser in the state, and it has long played a leading role in benefits design, purchasing, and administration. In 1989, SEGIP helped pioneer the health care delivery and financing concept of "managed competition" among competing health plans. Beginning in 2001, SEGIP's health benefits program became fully self-insured. In 2002, it successfully implemented a new employee health benefits concept known as Advantage. Advantage's innovative use of a three-tiered cost structure provides important signals and incentives to the health care system to contain costs and improve value, while maintaining choices, options, and a large network of available health care providers statewide.

In addition to more than a decade of health insurance purchasing landmarks, SEGIP added optional employee long-term care insurance in 2001, and coordinated and broadened its risk management function in 2002 to improve employee health and productivity while reducing claims costs. SEGIP has also increased the use of technology to more effectively, efficiently process transactions and serve customers. It is now partnering in completing a major upgrade to the state's computer system, to add Benefits Administration capabilities and integrate with human resources and payroll functions.

Key Measures

⇒ In 2002, the new Advantage employee health benefits program saved $8 million in premiums for the state and $30 million in premiums for employees (compared to the previous employee health coverage program).

⇒ The overall cost of administering health benefits remains well below the industry standard of 10-15% of the total, at approximately 8%.

⇒ The percentage of employees using online insurance enrollment has increased from 38% in 1997 to over 80% in 2001.

Activity Funding

SEGIP insurance and claims costs are funded primarily through premiums collected from state agencies and other participating groups, and from employees and retirees. These funds are principally pass-through funds to insurance carriers, third party administrators, and other vendors.

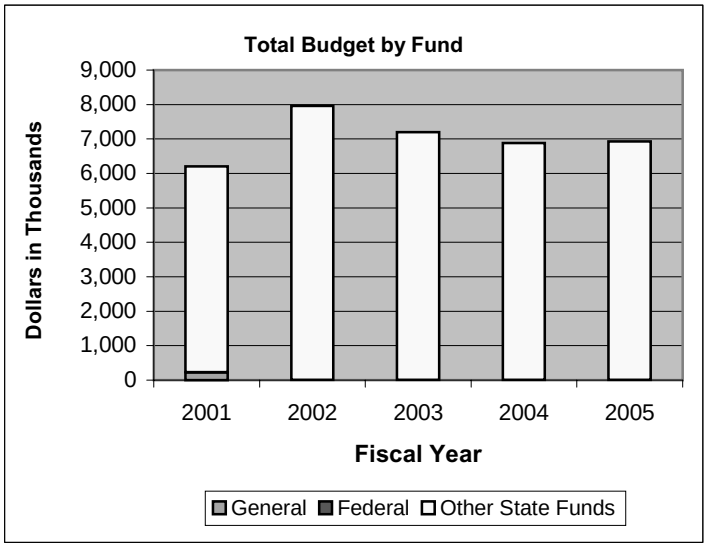
SEGIP's administrative revenues are collected primarily through direct, per employee charges to state agencies and other groups.

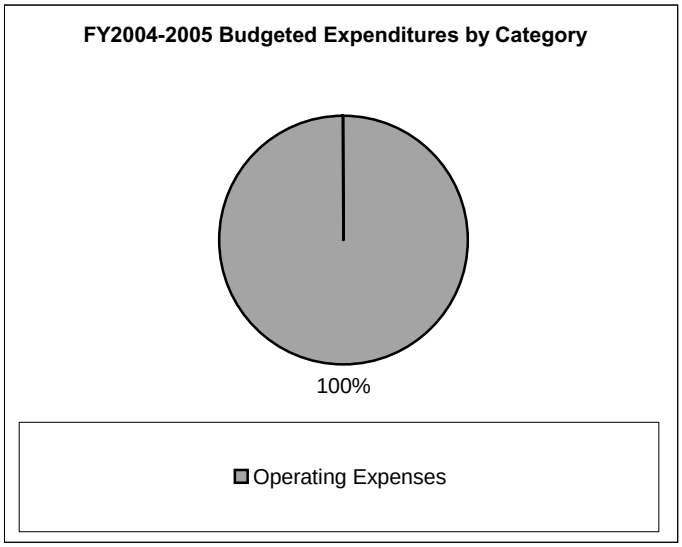
Contact

SEGIP Manager, (651) 296-4349
DOER Assistant Commissioner, (651) 296-3159
DOER Deputy Commissioner, (651) 297-3859
Or visit the SEGIP Main Page, at www.doer.state.mn.us/ei-segip/SEGIP.HTM

EMPLOYEE RELATIONS DEPT
Program: EMPLOYEE INSURANCE DIVISION
Activity: EMPLOYEE INSURANCE ADMIN

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	219	0	0	0	0	0
Statutory Appropriations						
Special Revenue	1,718	1,043	1,066	1,053	1,056	2,109
State Employees Insurance	4,264	6,915	6,136	5,832	5,873	11,705
Total	**6,201**	**7,958**	**7,202**	**6,885**	**6,929**	**13,814**
Expenditures by Category						
Operating Expenses	6,181	7,944	7,202	6,885	6,929	13,814
Local Assistance	20	14	0	0	0	0
Total	**6,201**	**7,958**	**7,202**	**6,885**	**6,929**	**13,814**
Revenue by Type and Fund						
Dedicated						
Special Revenue	809	889	947	974	979	
State Employees Insurance	6,069	5,705	5,734	5,248	5,652	10,900
Subtotal Dedicated	6,878	6,594	6,681	6,222	6,631	10,900
Total Revenue	**6,878**	**6,594**	**6,681**	**6,222**	**6,631**	**10,900**
Full-Time Equivalents (FTE)	**43.7**	**39.3**	**39.3**	**32.8**	**32.8**	

Activity Description

The Public Employees Insurance Program (PEIP) is a statewide health-dental-life insurance pool managed by DOER and offered to local units of government. The program provides Minnesota's public employers (including counties, cities, townships, school districts, and other jurisdictions) the option to purchase an affordable, uniform package of health care and other benefits for their employees and their dependents and retirees.

Activity at a Glance

- As of July 2002, 137 public sector employer groups in Minnesota participated in PEIP. These include 20 school districts, 70 cities, 14 townships, 3 counties and 30 other units of government (watershed districts, HRA's, etc.).
- The average number of employees per group is 28, with groups as large as 323 members and as small as one member.

Services Provided

The availability of PEIP helps public sector employers obtain competitive health insurance rates. In some cases, PEIP provides the lowest bid. In other cases, PEIP offers a bid that competing insurers will then attempt to match or improve upon in order to be selected. In these instances, even when PEIP is ultimately not the successful bidder, it helps local units of government negotiate with other carriers to obtain the best rates possible.

In addition, PEIP offers public sector employers and their employees a choice of health plans wherever possible, while the majority of employers in the state now contract with a single carrier or health plan for health insurance.

Historical Perspective

PEIP was launched in 1989. In 1998, PEIP experienced a noticeable downturn in enrollment when the program was perceived as no longer being competitive in the market. This was addressed by altering the program design from an insured model to a self-insured model, and through a new marketing plan. These changes provided for greater flexibility and stability in rating and premium setting, and greater awareness of the program. As a result, the number of public sector employer groups and employees served by PEIP increased in 1999.

Key Measures

⇒ PEIP's viability and overall impact in the market are determined to a large extent by the number of participating employee groups and the number of individuals covered by the program. Because the program is not mandatory, membership fluctuates.

This table shows the number of participants for the past eight years:

PEIP	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
# of groups	82	91	90	70	73	95	129	137
% change vs. previous year	-	11%	(1%)	(22%)	4%	30%	36%	6%
# of employees	3,023	2,965	2,945	1,941	2,265	2,680	4,158	3,926
% change vs. previous year	-	(2%)	(1%)	(34%)	17%	18%	55%	(6%)

⇒ At present, approximately 9,228 employees, retirees and dependents are covered under PEIP.

Activity Funding

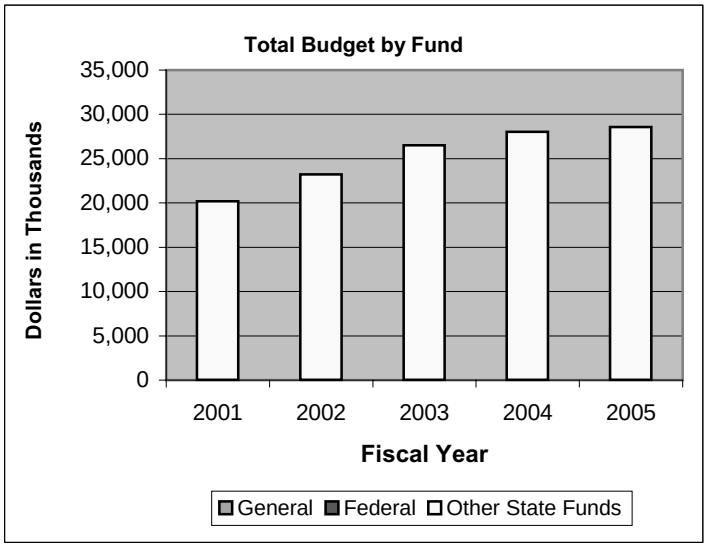
PEIP is funded by employer group premiums. Premiums collected in excess of expenses are used to minimize the rates charged to employer groups. Premium investment income is used to offset administrative expenses.

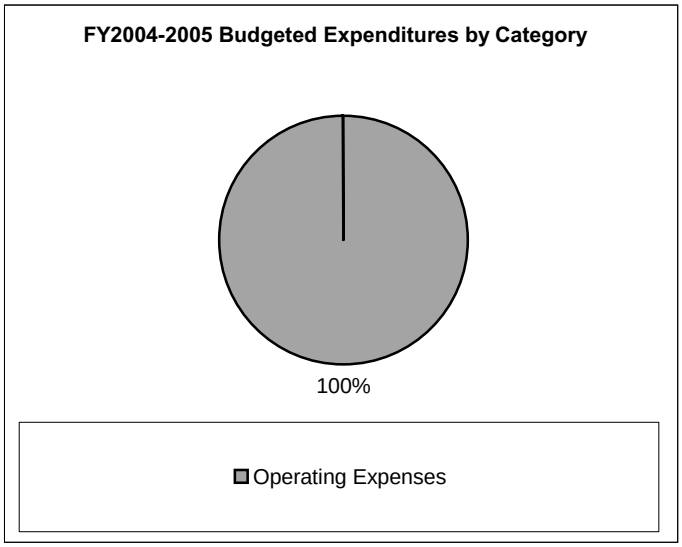
Contact

DOER Assistant Commissioner for Employee Insurance, (651) 296-3159
PEIP Manager, (651) 296-4934

EMPLOYEE RELATIONS DEPT
Program: EMPLOYEE INSURANCE DIVISION
Activity: PUBLIC EMPLOYEE INSURANCE PGM

Fiscal Report





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Statutory Appropriations						
State Employees Insurance	20,175	23,232	26,514	28,023	28,573	56,596
Total	**20,175**	**23,232**	**26,514**	**28,023**	**28,573**	**56,596**
Expenditures by Category						
Operating Expenses	20,175	23,232	26,514	28,023	28,573	56,596
Total	**20,175**	**23,232**	**26,514**	**28,023**	**28,573**	**56,596**
Revenue by Type and Fund						
Dedicated						
State Employees Insurance	18,833	22,186	26,857	29,037	29,037	58,074
Subtotal Dedicated	18,833	22,186	26,857	29,037	29,037	58,074
Total Revenue	**18,833**	**22,186**	**26,857**	**29,037**	**29,037**	**58,074**
Full-Time Equivalents (FTE)	**3.3**	**3.2**	**3.3**	**3.3**	**3.3**	

Activity Description

The purpose of Minnesota's self-insured workers' compensation activity is to provide workers' compensation benefits to state employees.

Population Served

The workers' compensation activity covers approximately 57,000 employees in the executive, legislative, and judicial branches of state government. In addition, the activity covers employees of quasi-state agencies, such as the Minnesota Historical Society and the Minnesota State Fair.

Activity at a Glance

- Serves approximately 57,000 employees in the executive, legislative, and judicial branches of state government (includes seasonal workers, student workers, etc.).
- In FY 2002, approximately 3,118 claims were filed.
- The rate of new claims declined 5.9% in FY 2002.

Services Provided

The workers' compensation activity provides services through four distinct units: claims management, legal services, disability management, and safety/industrial hygiene.

⇒ The claims management unit works with injured employees, agencies, the Department of Labor & Industry, rehabilitation and vocational specialists, medical providers and others to file, track, coordinate, service, and resolve state employee workers' compensation claims.

⇒ The legal services unit represents state agencies in workers' compensation court cases.

⇒ The disability management unit works with injured employees, agencies, rehabilitation and vocational specialists, medical providers and others to help state workers who have been hurt or disabled on the job to return to active employment as quickly and safely as possible.

⇒ The safety/industrial hygiene unit works with the statewide safety committee, individual safety committees in each agency to address widely varied workplace safety and health issues. These include materials handling, air quality, hazardous materials, blood-borne pathogens, biological hazards, office ergonomics, etc.

Historical Perspective

With cooperation from the statewide safety committee and individual agency safety committees, the Safety and Industrial Hygiene Unit has played a critical role in reducing the occurrence of workplace injuries over the past five years.

The active involvement of properly trained state agency personnel, in cooperation with the workers' compensation activity, has reduced the number of claims involving the loss of time from work during the past five years. The use of a certified managed care plan under contract with the workers' compensation activity has helped to control workers' compensation costs for state agencies.

Starting in FY 2003, the alternative cost allocation account was implemented to fund workers' compensation costs in small to medium-sized agencies. This account will help stabilize costs and provide a long-term strategic funding source for participating agencies.

Key Measures

⇒ In FY 2002, approximately 3,118 claims were filed. The rate of new claims declined 5.9% in FY 2002. Table 1 contains a breakdown of these claims.

Table 1

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 1998-02	FY 2001-02
	Claims Reported					**% Change**	
Lost Time	678	590	627	675	672	(0.9%)	(0.4%)
Medical Only	2,661	2,590	2,470	2,640	2,446	(8.1%)	(7.3%)
Totals	3,339	3,180	3,097	3,315	3,118	(6.6%)	(5.9%)

⇒ Benefit costs increased 1% in FY 2002. Table 2 contains a breakdown of benefit costs for FY 1998-02.

Table 2

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 1998-02	FY 2001-02
	Benefit Costs					**% Change**	
Indemnity	$6,847	$7,342	$7,221	$7,497	$7,149	4.4%	(4.6%)
Medical	5,058	5,445	5,309	5,785	6,557	29.6%	13.3%
Expenses	643	620	698	620	607	(5.6%)	(2.1%)
Rehab-ilitation	606	766	790	1,194	881	45.3%	(26.2%)
EE Atty Fees	457	547	446	428	480	(12.3%)	12.1%
Totals	$13,611	$14,720	$14,464	$15,524	$15,674	15.2%	1%

Activity Funding

⇒ Workers' Compensation is funded through an administrative fee assessed to all state agencies based on the number of employees, open claims, and the number of transactions for each agency. During FY 1998-2001, the annual fee remained $2.7 million. In FY 2002, the annual fee was increased to $2.9 million.

⇒ The managed care fee (Table 3, Line 2) is passed through to state agencies (on a per-employee basis) for workers' compensation certified, managed care services.

Table 3

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Administrative Costs	$2.7M	$2.7M	$2.7M	$2.7M	$2.9M	$2.9M	$2.9M	$3.1
Managed Care	$955K	$1.0M	$1.0M	$1.0M	$1.1	$1.2	$1.3	$1.5

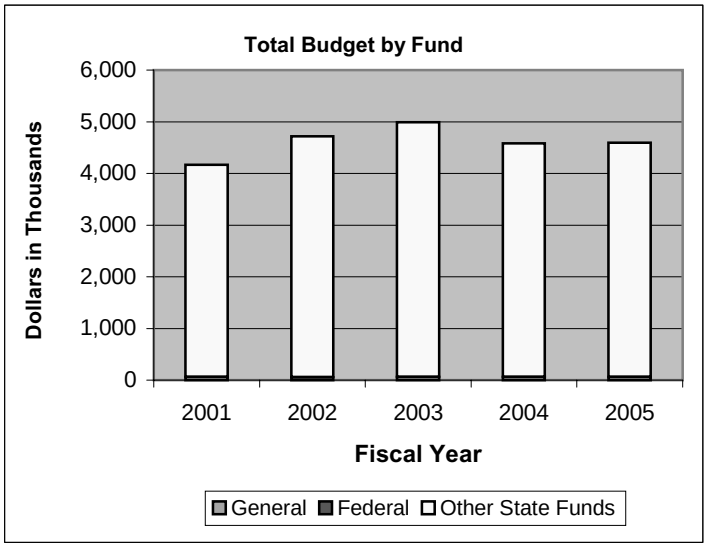
⇒ The agency receives a General Fund appropriation to pay the state's annual Workers' Compensation Reinsurance Association (WCRA) premium.

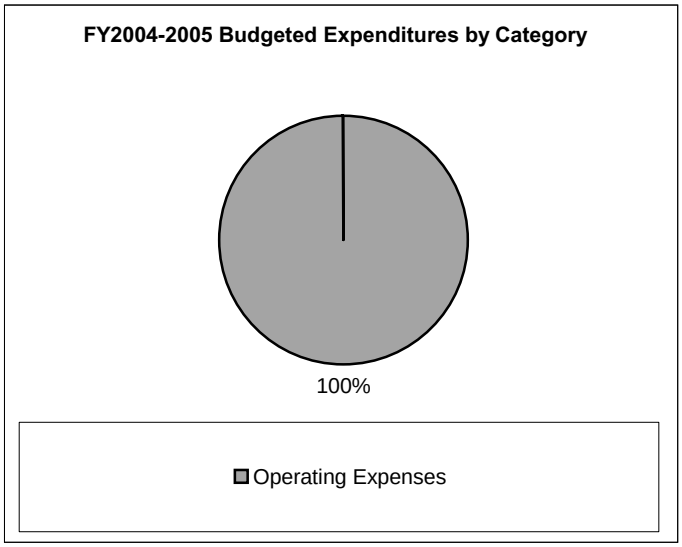
Contact

DOER/Workers' Compensation Program Manager, at (651) 296-8190
DOER Assistant Commissioner, (651) 296-3159
Workers' Compensation Activity's annual reports online: www.doer.state.mn.us/deptwide/wkr-comp.htm

EMPLOYEE RELATIONS DEPT
Program: EMPLOYEE INSURANCE DIVISION
Activity: WORKERS COMPENSATION ADMIN

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	62	53	63	63	63	126
Statutory Appropriations						
Special Revenue	4,108	4,664	4,926	4,520	4,529	9,049
Total	**4,170**	**4,717**	**4,989**	**4,583**	**4,592**	**9,175**
Expenditures by Category						
Operating Expenses	4,170	4,717	4,989	4,583	4,592	9,175
Total	**4,170**	**4,717**	**4,989**	**4,583**	**4,592**	**9,175**
Revenue by Type and Fund						
Dedicated						
Special Revenue	58	35	36	36	36	72
Subtotal Dedicated	58	35	36	36	36	72
Total Revenue	**58**	**35**	**36**	**36**	**36**	**72**
Full-Time Equivalents (FTE)	**43.6**	**40.7**	**42.3**	**34.4**	**34.4**	

Activity Description

The Department of Employee Relations (DOER) is authorized by Minnesota Statute to administer the state's employee benefit program and workers' compensation program. The actual revenues and expenditures for the insurance benefits and claims costs associated with these programs are accounted for in the Insurance Division's Non-Operating accounts. These accounts are primarily pass-through funds paid in by agencies and employees.

Services Provided and Funding

The services provided are payments to third party administrators, insurance carriers, and other vendors who are under contract to pay claims, provide benefits, and related services. Benefit costs funded through this activity include:

- ⇒ The Insurance Program - premiums contributed by agencies and employees for health, dental, life, long and short term disability benefits.
- ⇒ Workers compensation - funds paid by agencies to cover workers' compensation insurance.
- ⇒ Pre-tax programs - pass-through employee contributions allowing pre-taxed expenditures for medical, dental, transit and daycare expenses.
- ⇒ Workers' Compensation Reinsurance Association (WCRA) - statutorily required premium payment on behalf of all state agencies.

Funding for the Insurance Division Non-Operating accounts consists primarily of funds collected from state agencies, other participating groups, employees and retirees. These accounts consist primarily of pass-through funds to insurance carriers, third party administrators, and other vendors. In addition, the funds are used to pay workers' compensation claims and employee pre-taxed benefits programs.

The Insurance Division Non-Operating revenues and expenditures are provided in the table below. Excess revenues and investment earnings for the insurance program are applied to the respective program and work to hold down future increases. The differences between workers' compensation revenues and expenditures are due to administrative fees, and the timing of claims payments and various third party reimbursements. The WCRA expenditures consist of General Fund appropriations while the revenues are refunds generated by high rates of investment returns. Due to budget reductions, the WCRA 2002 premium was paid through DOER's operating budget.

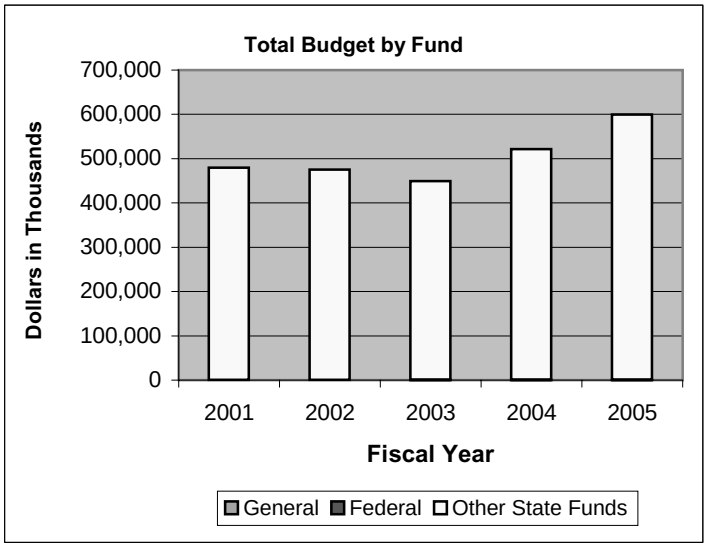
Insurance Division Non-Operating (Dollars in thousands)	FY 2001 Actual		FY 2002 Actual		FY 2003 Budgeted	
	Revenue	Expenditure	Revenue	Expenditure	Revenue	Expenditure
Insurance Programs (Fund 550)	449,784	450,996	453,175	446,175	419,868	418,285
Workers' Compensation (Fund 200)	21,462	16,912	21,143	16,629	22,081	18,000
Pre-Tax Programs (Fund 200)	11,953	11,824	13,116	12,570	13,190	12,594
WCRA (Fund 100)	4,606	242	0	0	0	365
Total Budget Activity	487,805	479,974	487,434	475,374	455,139	449,244

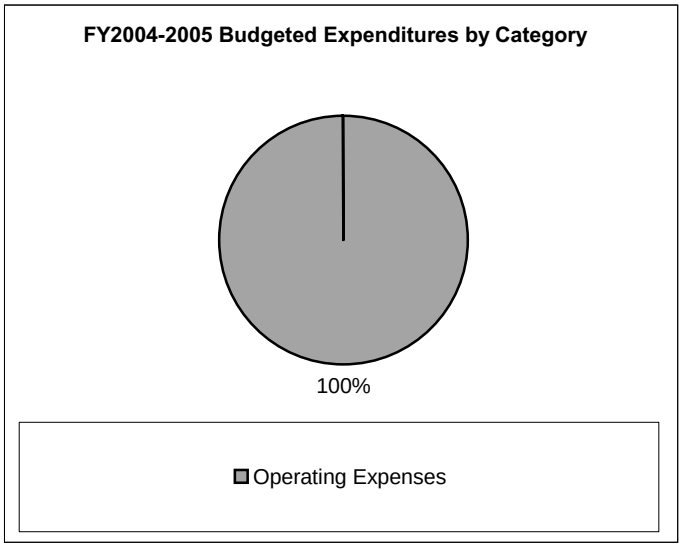
Contact

SEGIP Manager, (651) 296-4349
DOER Assistant Commissioner, (651) 296-3159
DOER Deputy Commissioner, (651) 297-3859
Or visit the SEGIP Main Page, at www.doer.state.mn.us/ei-segip/SEGIP.HTM

EMPLOYEE RELATIONS DEPT
Program: EMPLOYEE INSURANCE DIVISION
Activity: INSURANCE DIV NON-OPERATNG

Fiscal Report





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Open Appropriations						
General	242	0	365	365	365	730
Statutory Appropriations						
Special Revenue	16,912	16,629	18,000	18,500	19,000	37,500
State Employees Insurance	450,996	446,175	418,285	489,948	567,575	1,057,523
Miscellaneous Agency	11,824	12,570	12,594	12,680	12,785	25,465
Total	**479,974**	**475,374**	**449,244**	**521,493**	**599,725**	**1,121,218**

Expenditures by Category						
Operating Expenses	479,974	475,374	449,244	521,493	599,725	1,121,218
Total	**479,974**	**475,374**	**449,244**	**521,493**	**599,725**	**1,121,218**

Revenue by Type and Fund						
Dedicated						
General	4,606	0	0	0	0	0
Special Revenue	21,462	21,143	22,081	22,080	22,080	44,160
State Employees Insurance	449,784	453,175	419,868	491,643	569,164	1,060,807
Miscellaneous Agency	11,953	13,116	13,190	13,190	13,190	26,380
Subtotal Dedicated	487,805	487,434	455,139	526,913	604,434	1,131,347
Total Revenue	**487,805**	**487,434**	**455,139**	**526,913**	**604,434**	**1,131,347**

Activity Description

The State Employee Assistance Program (EAP) provides state employees and their eligible dependents with counseling and consultation regarding personal, family and workplace problems that negatively affect employee performance and organizational effectiveness. EAP also provides consultation to state agencies regarding organizational change and performance management problems.

Activity at a Glance

- Serves all 54,000 employees of state government's executive, legislative and judicial branches;
- 87% of EAP clients report that their work performance has been negatively affected by the problems that bring them to EAP; and
- Utilization of program services has steadily increased over the past 10 years.

Population Served

EAP is available to serve all of state government's 54,000 employees, including the Minnesota Legislature and the State Judicial Branch.

Services Provided

⇒ Counseling for employees experiencing work-related problems such as deteriorating performance, harassment, stress-management problems, conflict with coworkers, critical incidents, and threats of violence.

⇒ In-person assessment and counseling (maximum of two sessions) for state employees and their dependents experiencing personal or work-related problems. These problems, which may impact the employee's ability to function at work, include relationship difficulties, mental health problems, eldercare issues, parenting problems, grief and loss issues, alcohol or drug abuse, domestic abuse, legal or financial problems.

⇒ Consultation to managers and supervisors regarding organizational change, performance management problems, workplace communication, critical incidents, workplace violence, harassment, and work group problems.

Historical Perspective

Recent studies show that depression and anxiety rank first in prevalence and second in cost to the state among the top ten health problems that generate state employee insurance benefit claims. Depression and anxiety, along with many other behavioral health problems contribute significantly to the state's indirect costs associated with absenteeism and lost productivity. By developing and implementing policies and programs designed to directly address depression, anxiety and behavioral health problems in the state employee population, EAP has been successful in helping to keep state government's workforce healthy and productive.

Key Measures

EAP's recent Service Outcome Survey demonstrates a positive correlation between the use of its services and improvement in job performance among its customers. The program measures its success in part by tracking increases in the use of EAP services.

⇒ The number of new clinical cases increased 16% over the last biennium.

⇒ The number of organizational cases increased by 27% from FY 1999 to FY 2002.

⇒ Since FY 1999, the number of employees participating in EAP's training and other organizational services grew from 4,821 to 7,318, an increase of nearly 52%.

Activity Funding

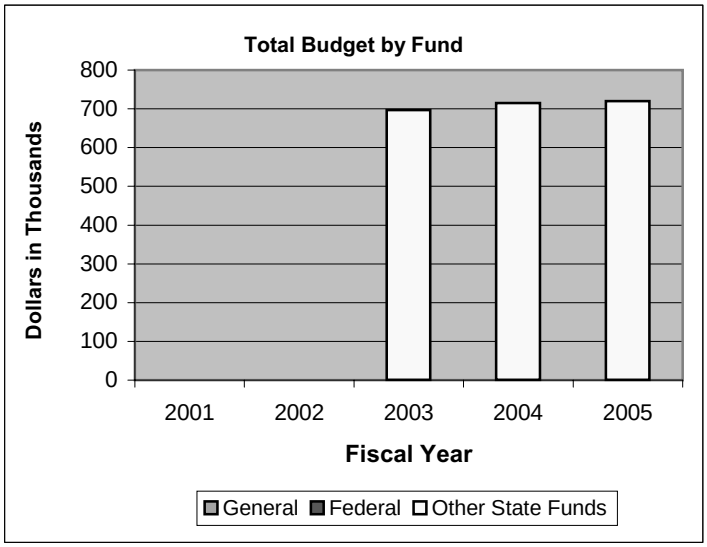
The state EAP has previously been funded by a General Fund appropriation, and has seen increased supplemental funding from DOER's Employee Insurance Division (as authorized by M.S. 43A.30, Subd. 5).

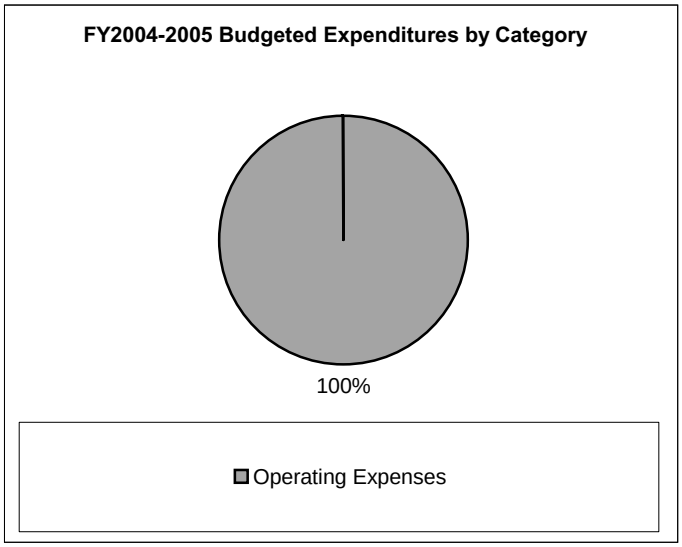
Contact

EAP Director, (651) 296-9722
After Hours Counseling Line, (651) 296-0765 or 1-800-657-3719
EAP Main Page on DOER Internet Web site: www.doer.state.mn.us/eap/eap.htm

EMPLOYEE RELATIONS DEPT
Program: EMPLOYEE INSURANCE DIVISION
Activity: EMPLOYEE ASSISTANCE PROG

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
State Employees Insurance	0	0	697	715	720	1,435
Total	**0**	**0**	**697**	**715**	**720**	**1,435**
Expenditures by Category						
Operating Expenses	0	0	697	715	720	1,435
Total	**0**	**0**	**697**	**715**	**720**	**1,435**
Full-Time Equivalents (FTE)	**0.0**	**0.0**	**6.6**	**6.6**	**6.6**	

Department of Employee Relations
State of Minnesota:
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☐ Administrative Services
☐ Labor Relations/ Total Compensation
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200 Centennial Office Building
658 Cedar Street
St. Paul, MN 55155-1603
651.297.1184
TTY651.282.2699
www.doer.state.mn.us

February 18, 2003

TO: The 2003 Minnesota Legislature

RE: The Department of Employee Relations Budget Reduction

I am respectfully submitting the Department of Employee Relations (DOER) FY 2004–05 budget proposal. DOER serves as the human resource agency for the administration. It supports 120 executive branch state agencies, impacting over 50,000 state employees, by providing centralized human resource services, including labor negotiations for the executive branch. In addition, DOER provides insurance benefits to state employees, retirees, and their dependents – covering over 129,000 lives statewide.

As you know, Governor Pawlenty has asked each state agency to participate in solving the FY 2004 – 2005 budget deficit. We were asked to make a reduction to our General Fund base budget as well as to the Workers' Compensation and the State Employee Group Insurance Program base budget. DOER primarily has three different funding sources:

- General Fund, which covers agency operations for all or part of Strategic Staffing, Labor Relations, Administrative Services, Information Services and SEMA4;
- Internal Service Funds, that fund the operations of the State Employees Group Insurance Program (SEGIP) for health, dental, life, short and long-term disability and the Employee Pre-tax programs administrative costs and;
- Special Revenue Fund which funds the State Workers' Compensation Program, the training portion of strategic staffing, and the Information Services Division.

We will be taking several steps to meet the budgetary goal set forth by Governor Pawlenty. We will be restructuring the department to streamline, better coordinate and partner on our internal and external services and functions. Through the restructuring and coordination efforts, we will be laying off approximately 28 staff members. However, I remain confident that we will be able to continue to focus on our mission and deliver a high level of core services to our customers. We will continue to be the State's leader in human resources management for all of state government. From labor relations to staffing to compensation & employee insurance benefits program, DOER will be at the forefront in providing streamlined and flexible human resources management policies that will guide the Administration into the future. We will be eliminating some of the positions and functions that we believe are not considered part of our core mission and redefining the deliverance of certain programs and services.

Technology Focused. In our worker's compensation area, we are recommending the elimination of safety consulting and ergonomic staff positions – which will result in the elimination of service to state agencies. DOER will replace these positions with web-based resources that agencies will access for safety and ergonomic information.

In addition, the SEMA4 system, which serves as the State's employment database, will soon be delivering self-service functions in the human resources, payroll and benefits area.

- Partnering and Collaboration. We will also decentralize the Office of Diversity and Equal Opportunity. We will be able to more efficiently and effectively deliver these services and programs through partnerships we are developing with groups such as Alliance for Cooperation and Collaboration in Employment and State Services (ACCESS).

- Focusing on Core Business. We are recommending DOER's oversight of pay equity requirements for local units of government be eliminated. We believe that an entity whose core mission focuses on local governments can better deliver these services. DOER will maintain its responsibility for the pay equity requirements of state agencies.

- Efficiency. Finally, we are streamlining and restructuring our internal services that support the delivery of our core mission. We will be asking our staff to accomplish much with fewer resources – including fewer staff. This means we expect that job responsibilities will be increased. We will eliminate some services we provide state agencies and expect other services to be delivered slower.

While these budget changes may present an initial challenge to the agency, we believe that a new DOER will emerge that is more proactive, strategic and focused on its core mission and better able to serve the needs of state agencies and Minnesotans. Please let me know if I can provide further information or clarification and I look forward to working with you on these proposed changes.

Sincerely,

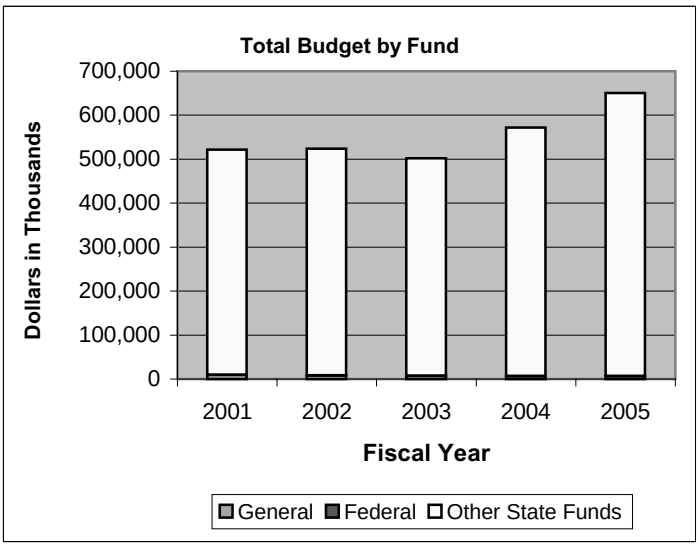
Cal R. Ludeman
Commissioner

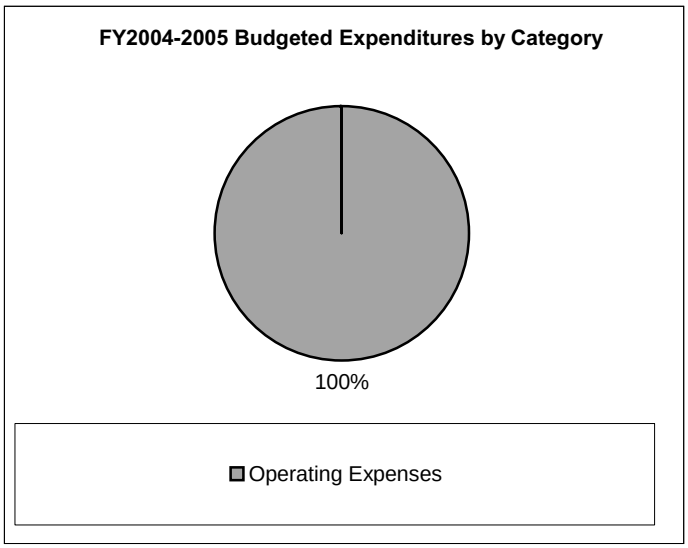
	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	15,132	1,212,365	1,227,497
Adjusted Base Funding	15,132	1,212,365	1,227,497
Change Items			
Operating Budget Reduction	-2,166	0	-2,166
Reduce Statewide Segip Billing	0	-1,668	-1,668
Reduce Statewide Work Comp Billing	0	-958	-958
Governor's Recommendations	12,966	1,209,739	1,222,705
Biennial Change, 2002-03 to 2004-05	-2,422	199,390	196,968
Percent Change	-16%	20%	19%

Brief Description of Budget Changes:

The General Fund biennial change is primarily a result of the operating budget reduction. Increases in Other Fund revenues and expenditures are driven by increased costs associated with the State Employee Group Insurance Program (SEGIP), Workers' Compensation program, and other insurance benefits. These increases are partially mitigated by the recommendations to reduce statewide billing.

	FY 2004-05 Revenues ($000s)		
	General Fund	Other Funds	Total
FY 2004-05 Current Law Revenues	0	1,212,298	1,212,298
Change Items			
Reduce Statewide SEGIP Billing	0	(1,668)	(1,668)
Reduce Statewide Workers' Comp Billing	0	(958)	(958)
FY 2004-05 Total Revenues	0	1,209,672	1,209,672
Biennial Change 2002-03 to 2004-05	(200)	194,238	194,238
Percent Change	(100%)	19%	19%





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	8,721	7,934	6,889	6,118	6,118	12,236
Open Appropriations						
General	242	0	365	365	365	730
Statutory Appropriations						
General	155	200	0	0	0	0
Special Revenue	24,608	26,914	30,311	28,227	28,782	57,009
Private Employers Insurance	574	0	0	0	0	0
State Employees Insurance	475,435	476,322	451,632	524,518	602,741	1,127,259
Miscellaneous Agency	11,827	12,573	12,597	12,683	12,788	25,471
Total	**521,562**	**523,943**	**501,794**	**571,911**	**650,794**	**1,222,705**

Expenditures by Category						
Operating Expenses	521,539	523,926	501,791	571,908	650,791	1,222,699
Payments To Individuals	3	3	3	3	3	6
Local Assistance	20	14	0	0	0	0
Total	**521,562**	**523,943**	**501,794**	**571,911**	**650,794**	**1,222,705**

Expenditures by Program						
Human Resource Mgmt	10,468	12,662	13,148	10,212	10,255	20,467
Employee Insurance Division	511,094	511,281	488,646	561,699	640,539	1,202,238
Total	**521,562**	**523,943**	**501,794**	**571,911**	**650,794**	**1,222,705**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Dedicated						
General	4,741	200	0	0	0	0
Special Revenue	25,179	26,283	29,305	26,723	26,778	53,501
Private Employers Insurance	576	0	0	0	0	0
State Employees Insurance	474,686	481,066	452,459	525,928	603,853	1,129,781
Miscellaneous Agency	11,968	13,126	13,195	13,195	13,195	26,390
Subtotal Dedicated	517,150	520,675	494,959	565,846	643,826	1,209,672
Total Revenue	**517,150**	**520,675**	**494,959**	**565,846**	**643,826**	**1,209,672**
Full-Time Equivalents (FTE)	**210.2**	**201.6**	**195.8**	**165.9**	**165.9**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($1,083)	($1,083)	($1,083)	($1,083)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($1,083)	($1,083)	($1,083)	($1,083)

Recommendation

The Governor recommends a $1,083,000 annual General Fund reduction for the Department of Employee Relations (DOER). To achieve this reduction, DOER recommends restructuring its internal administrative services and reducing or eliminating certain functions and programs.

Background

DOER is the human resource agency for the executive branch and supports agencies by providing centralized services. DOER serves 120 executive branch state agencies, impacting over 50,000 state employees. While the proposed reductions in funding and personnel will noticeably impact the agency, DOER is confident that through restructuring, better coordination, partnering, and focusing on its core mission and goals, the reductions will not present an insurmountable hardship. DOER will achieve this reduction by eliminating 15.5 FTEs and reducing other administrative expenses.

If this recommendation is approved, the resulting changes will be:

⇒ Elimination of both professional and support staff will require streamlining responsibilities and consolidation of job duties. Staff reductions would occur in the following areas: Administrative Services, Communications, Human Resource Services, and Labor Relations. In addition, there would be a reduction in technology purchases and support personnel in response to the overall staff reductions. These changes will save $1,456,000 each biennium.

⇒ Decentralize the coordination of state agency activities related to affirmative action, Equal Employment Opportunity laws, the Americans with Disabilities Act, and various diversity programs. To more efficiently and effectively deliver these services and programs, DOER is developing partnerships with groups such as Alliance for Cooperation and Collaboration in Employment and State Services (ACCESS). This change will save $476,000 each biennium.

⇒ Elimination of DOER's oversight regarding Pay Equity. This statute addresses local government human resource issues, which is not considered to be a part of DOER's core mission. The elimination of this requirement will streamline and focus DOER's resources on its mission. These functions may be best performed by entities whose mission serves local units of government. This change will save $140,000 each biennium.

⇒ Eliminate the $50,000 biennial General Fund grant to Government Training Service (GTS). It is more appropriate to allow local governments to provide training for their employees through dollars directly under their control.

⇒ Eliminate the $44,000 biennial General Fund appropriation for the Combined Charities Campaign. The campaign's mission is volunteerism and encouraging state employees to donate part of their salary to a charity. As such, it seems more appropriate that employee contributions support the program rather than state dollars. It is only in recent years that state funds were appropriated to fund the campaign. Despite the appropriation, volunteers perform most of the campaign work. This change will result in the campaign reverting to its former method of administration.

Those who would be impacted by these recommendations:

⇒ The reduction of DOER staff (15.5 FTEs) will have an impact on the services that DOER provides internally and to its customers. However, through restructuring and focusing on our core mission, we are confident we will be able to provide superior service to our customers.

- ⇒ Groups such as ACCESS, state human resource directors, the state councils, and the Staffing Division in DOER will have a greater role in coordinating their affirmative action and equal employment opportunity work with other entities.
- ⇒ The elimination of the Pay Equity division would impact approximately 1,500 local government units in Minnesota – effecting about 220,000 local government employees.
- ⇒ Members of the Combined Charities volunteer board of directors would function without the support of an executive secretary, and volunteer coordinators would receive reduced support during the campaign.

Relationship to Base Budget

This change will provide DOER with a $12,267,000 General Fund appropriation during FY04-05, which is $2,821,000 less than what was appropriated in the last biennium.

Statutory Change: Changes in M.S. 471.991-.999 and Minnesota Rules Chapter 3920 would be necessary.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	($834)	($834)	($834)	($834)
Revenues	($834)	($834)	($834)	($834)
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends an $834,000 annual reduction in administrative costs associated with the State Employee Group Insurance Program (SEGIP). This spending reduction will result in an equal reduction in the fees paid by state agencies to provide administrative support for employee insurance benefits.

Background

SEGIP serves the executive, legislative and judicial branches of government as well as quasi-state agencies by providing health and other benefits to more than 120,000 employees, retirees and their family members.

SEGIP will reduce the amount billed to state agencies by eliminating 6.5 FTEs and reducing other administrative expenses.

If this recommendation is approved, the resulting change will be:

- reduction of both professional and support staff;
- funding for the SEMA4 system, which provides insurance enrollment and billing information for state employment, will be reduced;
- reduction in the amount of legal and actuarial services purchased, which will require the reduction of the number of complex bargaining and legislative requests referred to consultants; and
- increased use of the Internet to provide information to employees to offset reduced customer service support.

Relationship to Base Budget

This change will provide SEGIP with an administrative budget of approximately $9,455,000 during FY 2004-05, which is $1,234,000 less than its administrative budget during the last biennium.

Statutory Change: Not applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	($479)	($479)	($479)	($479)
Revenues	($479)	($479)	($479)	($479)
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends a $479,000 annual reduction in administrative costs associated with the Workers' Compensation program. This spending reduction will result in an equal reduction in the fees paid by state agencies to provide administrative support for employee Workers' Compensation benefits.

Background

Workers' Compensation provides claims administration and support services for 57,000 employees in the executive, judicial, and legislative branches of state government, as well as quasi-state agencies. Workers' Compensation also provides industrial hygiene services and helps state agencies with safety issues, ergonomics, disability management, and return to work services. These activities are designed to help contain Workers' Compensation and other costs of doing business.

Workers' Compensation will reduce the amount billed to state agencies by eliminating 7.9 FTEs and reducing other administrative expenses.

If this recommendation is approved, the resulting change will be:

- reduction of both professional and support staff;
- increased use of the Internet to provide information on workplace safety and ergonomics to offset reduced service in these areas; and
- technology changes or upgrades will only be implemented to meet legal requirements for workers' compensation activities.

Relationship to Base Budget

This change will provide Workers' Compensation with an administrative budget of approximately $6,549,000 in FY 2004-05, which is $432,000 less than its administrative budget during the last biennium.

Statutory Change: Not applicable.

Agency Purpose

The mission of the Department of Labor and Industry (DLI) is to promote a safe and productive environment for Minnesota's workplaces. Its vision is to be the leader in promoting workplace solutions and provide quality public service through supportive systems in a positive agency environment.

Agency activities are designed to assure that:

- workplaces are free from injury and illness;
- workers injured on the job are provided treatment and benefits required by law;
- workers from all communities have the opportunity to receive critical skills through apprenticeship training;
- boilers and high-pressure-piping systems are properly constructed, installed and operated; and
- workers, potential workers and employers have a clear understanding of their rights and responsibilities in the workplace.

At A Glance

Business Functions:

- Administer laws affecting Minnesota's 2.6 million employees and 156,000 employers.
- Oversee workers' compensation claims and benefit payments for 168,000 injuries and 57 workplace fatalities annually.
- Ensure the safe operating condition of 88,000 boiler and pressure vessels.
- Issue 47,000 occupational licenses.
- Monitor 11,000 registered apprentices.

Core Functions

DLI administers laws related to employment, workplace safety and workers' compensation through the following core functions:

- provide training and outreach;
- conduct inspections, audits and investigations;
- review workers' compensation claims and oversee the provision of benefits;
- provide informal dispute resolution services;
- provide vocational rehabilitation services;
- issue penalties for violations of the law;
- issue professional licenses and certifications; and
- register apprenticeship programs.

Operations

DLI's primary customers are Minnesota workers and employers. Other stakeholders include insurers, attorneys, rehabilitation and health care providers, employment agencies, entertainment agencies, building owners and boat owners. Services are provided through three divisions.

The **Workers' Compensation Division** oversees and administers the workers' compensation system in Minnesota through the following six activities.

⇒ **Special Compensation Fund** verifies and enforces employers' workers' compensation insurance coverage and administers claims for injured workers of uninsured and bankrupt self-insured employers and administers asbestosis claims. It also reimburses second-injury and supplementary benefits to insurers and self-insured employers.

⇒ **Customer Assistance** provides assistance and information about workers' compensation laws and processes to injured workers, employers and other stakeholders. It provides alternative dispute-resolution services, including mediations, conferences, telephone information, walk-in assistance and dispute certification.

⇒ **Compliance Services** ensures employers and insurers provide timely and accurate benefits, through audits of workers' compensation files, penalties and education. It certifies managed care organizations and qualified rehabilitation consultants and monitors their professional conduct.

⇒ **Vocational Rehabilitation** provides vocational services to injured workers whose claims have been denied or whose claims are in dispute and are awaiting resolution in court.

- ⇒ **Investigative Services** investigates workers' compensation fraud by employers, employees, insurers and health care providers.
- ⇒ **Information Processing Center** creates, maintains and manages the availability of workers' compensation claim files. It also provides required workplace posters to employers upon request.

The **Workplace Services Division** assures conditions of employment, safety standards, apprenticeship programs and wages comply with legal requirements through the following five activities.

- ⇒ **Apprenticeship** regulates, supervises and promotes apprenticeship programs that meet state standards. It also provides technical assistance to employers developing apprenticeship programs.
- ⇒ **Code Administration and Inspection Services** issues boiler-operator and pipefitter licenses and inspects boilers, pressure vessels, boats-for-hire, hobby boilers and high-pressure-piping systems.
- ⇒ **Labor Standards** enforces employment laws governing child labor, minimum wage, overtime, prevailing wage and parental leave. It provides outreach and education to employers and employees, and issues licenses to fee employment agencies and entertainment agencies.
- ⇒ **OSHA Compliance** conducts safety and health inspections of workplaces and issues citations for noncompliance with standards.
- ⇒ **Workplace Safety Consultation** provides safety and health inspections, partnerships, training and outreach sessions, and technical assistance to public and private sector employers, primarily targeting small high-hazard industries. It also administers safety programs such as safety grants, labor management safety committees, workplace violence prevention, and loggers' education programs.

The **General Support Division** supports agency operations in the areas of communications, financial management, human resources, information technology, research and statistics, and legal advice and litigation.

Budget

The total budget for DLI for the current biennium is $294 million. Of this amount, $224 million is workers' compensation benefit payments for injured workers. The remaining $70 million represents the agency's operating budget. Department staff includes 390 full-time-equivalent employees working in locations throughout the state.

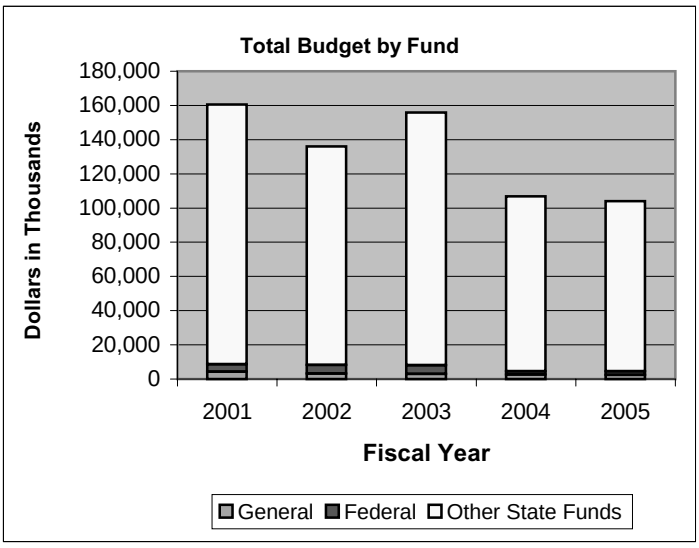
Of the total budget for the current biennium, $274 million is from the workers' compensation fund, which is financed primarily by an assessment collected from workers' compensation insurers and self-insured employers. General fund appropriations total $6.2 million; however, $5 million of this is recovered through user fees. Ten million dollars is from federal funds, and $1.7 million is from the Workforce Development fund.

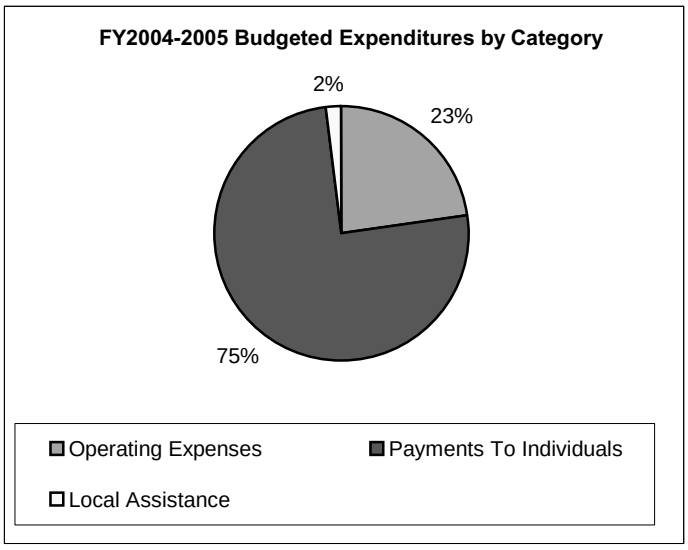
Contact

For more information, contact: James Honerman, Communications Director, at (651) 284-5313.

More than a thousand visitors stop by the DLI Web site (www.doli.state.mn.us) each day to learn more about Minnesota's employment laws, safety and health standards, work-related injuries and worker training programs.

For information on department goals and results see the Minnesota Results Web site at: http://www.departmentresults.state.mn.us/doli





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,256	3,206	2,996	2,560	2,494	5,054
Workforce Development	832	739	955	0	0	0
Workers Compensation	21,471	19,324	23,256	17,390	16,480	33,870
Open Appropriations						
Workers Compensation	90,823	72,915	74,809	80,268	78,533	158,801
Statutory Appropriations						
Special Revenue	469	583	893	1,443	1,443	2,886
Federal	4,394	4,979	5,033	1,946	1,984	3,930
Workers Compensation	38,201	34,356	47,951	3,173	3,173	6,346
Miscellaneous Agency	18	17	22	15	15	30
Total	**160,464**	**136,119**	**155,915**	**106,795**	**104,122**	**210,917**

Expenditures by Category						
Operating Expenses	31,857	29,425	33,724	24,501	23,566	48,067
Payments To Individuals	126,476	103,575	118,844	80,171	78,436	158,607
Local Assistance	2,131	3,119	3,347	2,123	2,120	4,243
Total	**160,464**	**136,119**	**155,915**	**106,795**	**104,122**	**210,917**

Expenditures by Program						
Workers Compensation Division	138,379	114,627	131,529	90,484	88,749	179,233
Workplace Services Division	15,167	14,722	16,374	9,403	8,770	18,173
General Support Division	6,918	6,770	8,012	6,908	6,603	13,511
Total	**160,464**	**136,119**	**155,915**	**106,795**	**104,122**	**210,917**

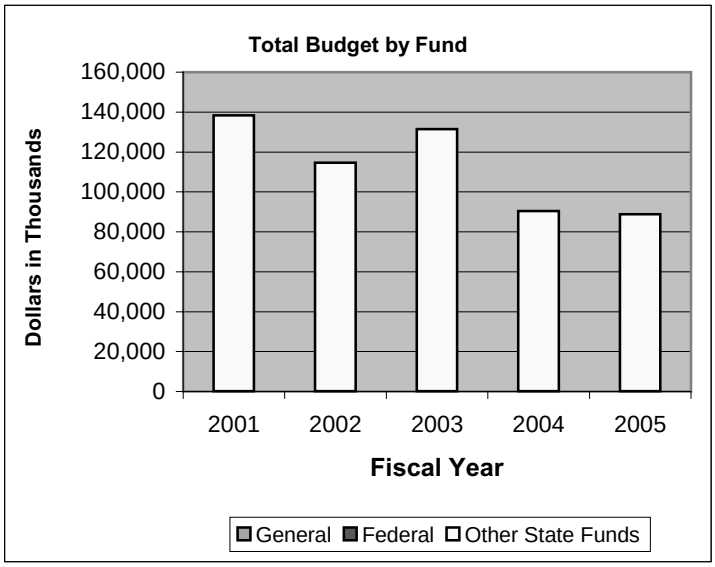
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	11	2,546	2,417	2,318	2,318	4,636
Cambridge Deposit Fund	2,140	0	0	0	0	0
Workers Compensation	91,471	79,617	125,788	110,152	111,852	222,004
Subtotal Non Dedicated	93,622	82,163	128,205	112,470	114,170	226,640
Dedicated						
Special Revenue	608	627	813	1,443	1,443	2,886
Federal	4,391	4,980	5,026	1,946	1,984	3,930
Workers Compensation	347,129	13,747	10,173	3,173	3,173	6,346
Miscellaneous Agency	8	12	15	15	15	30
Subtotal Dedicated	352,136	19,366	16,027	6,577	6,615	13,192
Total Revenue	**445,758**	**101,529**	**144,232**	**119,047**	**120,785**	**239,832**
Full-Time Equivalents (FTE)	**406.9**	**389.5**	**374.8**	**266.1**	**265.6**	

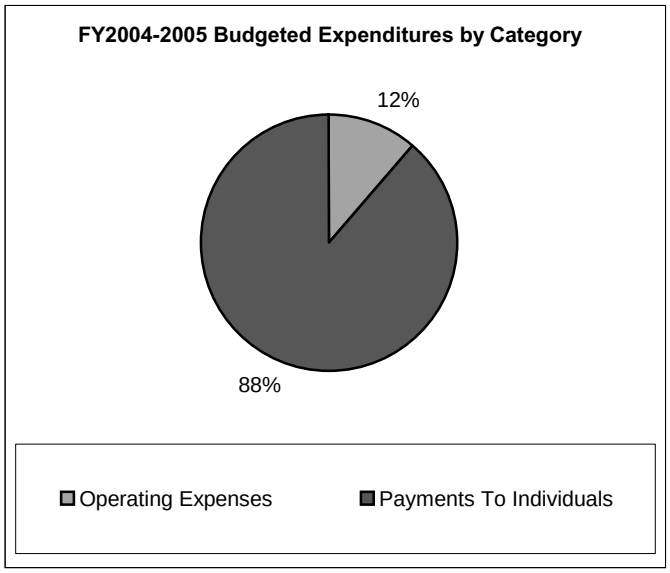
Program Description

The purpose of the Workers' Compensation Division is to minimize the impact of work-related injuries or illnesses on workers and employers.

Budget Activities Included:

⇒ Workers' Compensation Administration
⇒ Special Compensation Fund
⇒ Customer Assistance
⇒ Compliance Services
⇒ Vocational Rehabilitation
⇒ Investigative Services
⇒ Information Processing Center





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Workers Compensation	11,634	10,661	12,418	10,221	10,221	20,442
Open Appropriations						
Workers Compensation	90,677	72,701	74,544	80,003	78,268	158,271
Statutory Appropriations						
Special Revenue	31	28	37	30	30	60
Workers Compensation	36,037	31,237	44,530	230	230	460
Total	**138,379**	**114,627**	**131,529**	**90,484**	**88,749**	**179,233**

Expenditures by Category						
Operating Expenses	11,778	10,927	12,560	10,313	10,313	20,626
Payments To Individuals	126,476	103,575	118,844	80,171	78,436	158,607
Local Assistance	125	125	125	0	0	0
Total	**138,379**	**114,627**	**131,529**	**90,484**	**88,749**	**179,233**

Expenditures by Activity						
Wc Administration	312	225	1,295	181	182	363
Wc Special Compensation Fund	128,525	105,453	120,821	81,891	80,186	162,077
Wc Customer Assistance	2,694	2,433	2,382	2,219	2,252	4,471
Wc Compliance Services	1,828	1,620	1,648	1,408	1,432	2,840
Wc Vocational Rehabilitation	1,863	1,756	1,958	1,776	1,802	3,578
Wc Investigative Services	704	674	712	421	421	842
Wc Information Processing Ctr	2,453	2,466	2,713	2,588	2,474	5,062
Total	**138,379**	**114,627**	**131,529**	**90,484**	**88,749**	**179,233**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
Workers Compensation	89,515	77,801	123,988	110,088	111,788	221,876
Subtotal Non Dedicated	89,515	77,801	123,988	110,088	111,788	221,876
Dedicated						
Special Revenue	34	30	30	30	30	60
Workers Compensation	343,817	10,770	7,230	230	230	460
Subtotal Dedicated	343,851	10,800	7,260	260	260	520
Total Revenue	**433,366**	**88,601**	**131,248**	**110,348**	**112,048**	**222,396**
Full-Time Equivalents (FTE)	**173.5**	**162.0**	**159.9**	**135.7**	**135.2**	

Activity Description

The Workers' Compensation Administration (WCA) activity provides leadership, support, and a framework for operations of the Workers' Compensation Division. The goal is to ensure a fast, responsive, and easy-to-use workers' compensation system that delivers prompt services, maximizes resources, and reduces disputes.

Activity at a Glance

- Direct the activities of 162 division employees through six operating units
- Administer division budget of $133 million for FY 2003

Population Served

This activity manages the six units of the Workers' Compensation Division, so stakeholders in the workers' compensation system--including employees, employers, insurers, attorneys, health-care providers, and service vendors--receive prompt and efficient service.

Services Provided

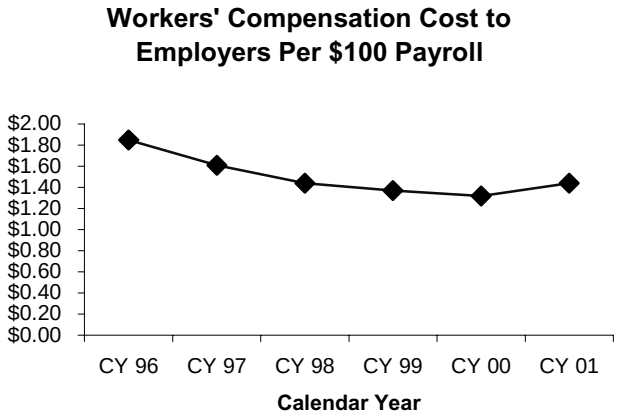
The Workers' Compensation Division's administrative and regulatory activities help to keep Minnesota workers' compensation costs low by

- providing information and education to employees, employers, insurance companies and service providers;
- providing informal and formal forums for prompt resolution of disputes;
- monitoring insurance companies to ensure prompt payment of benefits;
- actively seeking and investigating cases of possible fraud and improper behavior by service providers; and
- providing a variety of workplace safety programs to help employers reduce injuries.

In addition to providing leadership to the Workers' Compensation Division, the WCA activity supports the Workers' Compensation Advisory Council, a statutory body composed of employee and employer representatives to review proposed changes to M.S. 176, and the Workers' Compensation Insurers' Task Force, a non-statutory group seeking to share information and concerns with department staff members. The administrative unit ensures citizen questions about workers' compensation are promptly addressed.

Key Measures

Workers' compensation costs are affected not only by the law, how our department administers the law, and how the various participants in the system like insurers and employers behave (safety practices, claims administration, etc.) but also by nationwide fluctuations in the insurance industry. As part of a nationwide cycle, insurance rates have risen recently in all property/casualty lines including compensation, and the increase for 2001 is part of that. In addition, the transfer of $250 million from the Special Compensation Fund to help balance the state's budget shortfall is expected to create upward pressure on workers' compensation rates in 2002. However, the 2001 cost relative to payroll is still at a historically low level (lower than at any time since 1984 except for 1998-2000, and down 44% from 1994).

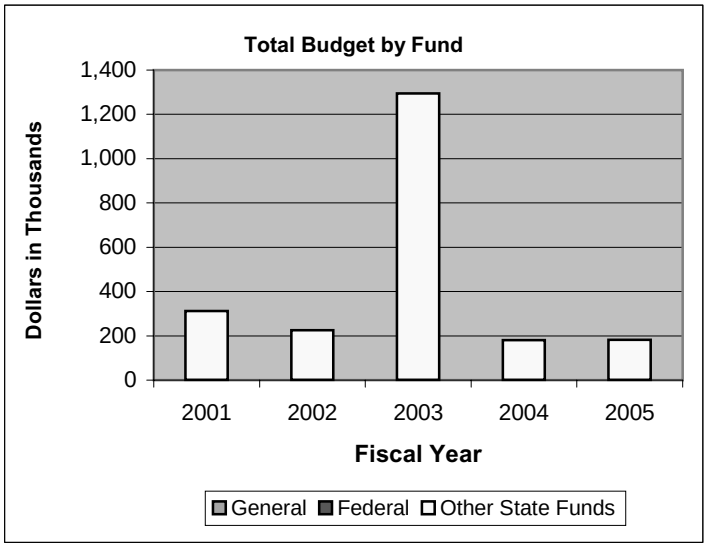


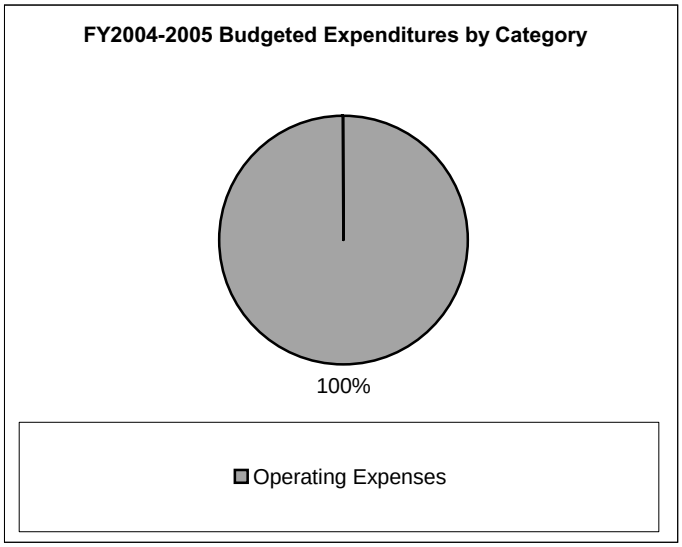
Activity Funding

The WCA unit is financed by an appropriation from the Workers' Compensation fund.

Contact

For more information, contact the Workers' Compensation Division by phone at (651) 284-5017 or 1-800-DIAL-DLI (1-800-342-5354) or e-mail at DLI.workcomp@state.mn.us or visit online at http://www.doli.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Workers Compensation	312	225	1,295	181	182	363
Total	**312**	**225**	**1,295**	**181**	**182**	**363**
Expenditures by Category						
Operating Expenses	312	225	1,295	181	182	363
Total	**312**	**225**	**1,295**	**181**	**182**	**363**
Full-Time Equivalents (FTE)	**2.0**	**1.5**	**1.5**	**1.5**	**1.5**	

Activity Description

The Special Compensation Fund (SCF) provides workers' compensation protection to Minnesota employees by enforcing the state's workers' compensation mandatory coverage requirements, providing insurance information, providing certain benefits and reimbursements on behalf of eligible employees and insurers, and by collecting the assessments that fund Minnesota workers' compensation programs.

Activity at a Glance

- Collects assessments of more than $100 million annually to pay injured workers benefits and workers' compensation program expenses
- Provides supplementary and second-injury benefit reimbursement to insurers for over 4,000 injured workers
- Provides workers' compensation benefits to more than 500 injured workers of uninsured and bankrupt self-insured employers annually
- Provides insurance verification services for more than 5,000 requests annually

Population Served

SCF activities serve injured workers, employers, and workers' compensation insurers.

Services Provided

⇒ Mandatory coverage--SCF enforces the state's workers' compensation mandatory insurance coverage law by assessing appropriate penalties against employers who fail to comply with the law requiring they obtain workers' compensation insurance coverage for their eligible employees.

⇒ Uninsured claims--SCF acts as a "safety net," providing appropriate workers' compensation benefits to injured workers whose employers have failed to obtain proper workers' compensation insurance. The claim staff administers these claims in the same manner as an insurance company or adjusting company. SCF pursues recovery against the uninsured employer for benefits paid to the employee and ensures future compliance with the mandatory coverage law on the part of the employer. The SCF also administers asbestosis medical claims and pays benefits to injured employees of certain bankrupt self-insured employers.

⇒ Supplementary and second-injury claims--SCF reimburses insurers and employers for payments made to employees under the Second Injury and Supplementary Benefits programs. Although these programs were discontinued for new injuries occurring after 1992 and 1995, respectively, it is estimated that payments under those programs will continue to be made on a declining basis until approximately 2040.

⇒ Assessment collection--SCF collects assessments from insurers and self-insured employers to fund workers' compensation and safety activities of the Department of Labor and Industry, the workers' compensation section of the Office of Administrative Hearings, the Workers' Compensation Court of Appeals, and a portion of the Department of Commerce, as well as the benefits paid under the Uninsured, Second Injury and Supplementary Benefit programs.

⇒ Insurance verification--SCF provides insurance verification services to the public, including injured employees, attorneys, employers, and insurers. SCF's insurance verification staff use several databases to research past and present coverage information to identify which insurer provided workers' compensation coverage for a particular employer at any given time.

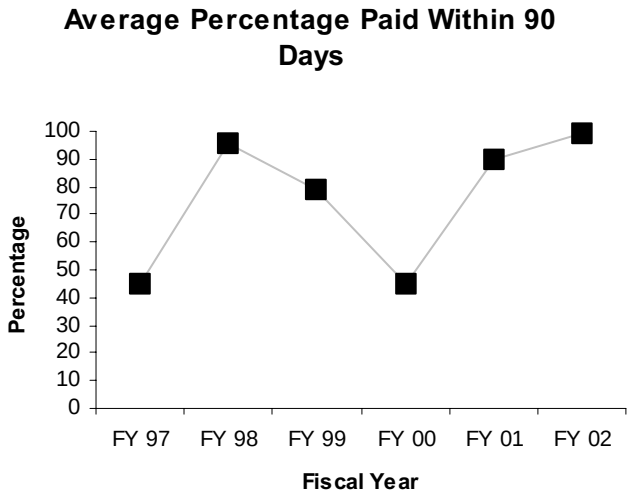
Historical Perspective

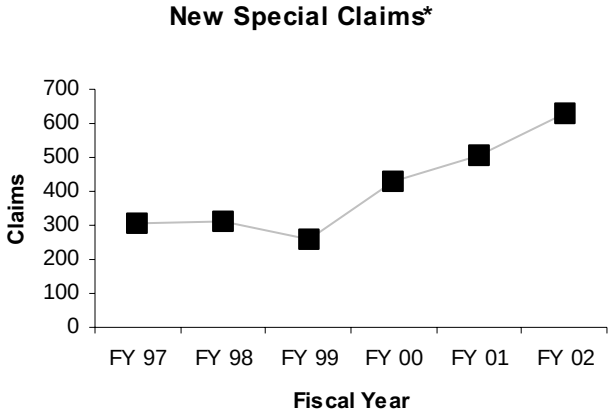
The largest single component of the SCF's expenditures (and therefore, the largest cost-driver for the assessments employers and insurers must pay) is the Supplementary Benefit program. Since 1988, the assessment rate has fluctuated between 28% and 31%. In its 2000 session, the Minnesota Legislature appropriated $325 million to the SCF, to be used to liquidate or settle a significant portion of the ongoing supplementary benefit and second injury claims. The assessment rate then dropped from 30% to 20% for indemnity payments made after 7-1-00, in anticipation of settlement of a substantial portion of these claims, and because of the increased investment income provided by the appropriate funds.

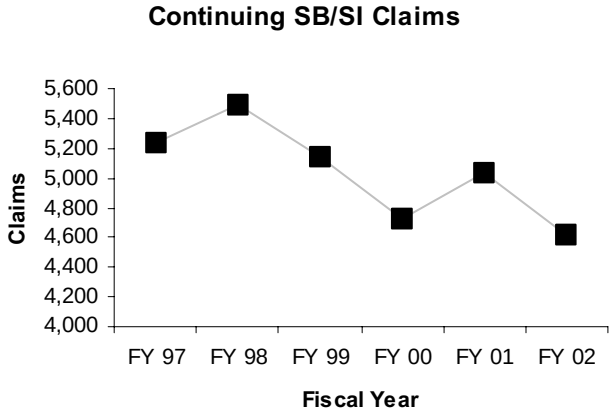
The rate remained at 20% throughout 2001. However, in its 2002 session, the legislature reallocated $250 million from the SCF to the state's General Fund to help resolve a quickly developed budget crisis. This reallocation has necessitated a return to the previous assessment rate of 30% for the SCF to continue to meet its obligations to reimburse employers and insurers in a timely manner for benefit payments.

Key Measures

Ninety-five percent of Supplementary Benefit (SB) and Second Injury (SI) reimbursement claims are processed within 90 days of receipt. The delay in processing claims in FY 1999 and FY 2000 is attributed to the implementation of a court decision changing how benefits were paid.







*includes uninsured, bankrupt self-insured, and asbestos claims.

Activity Funding

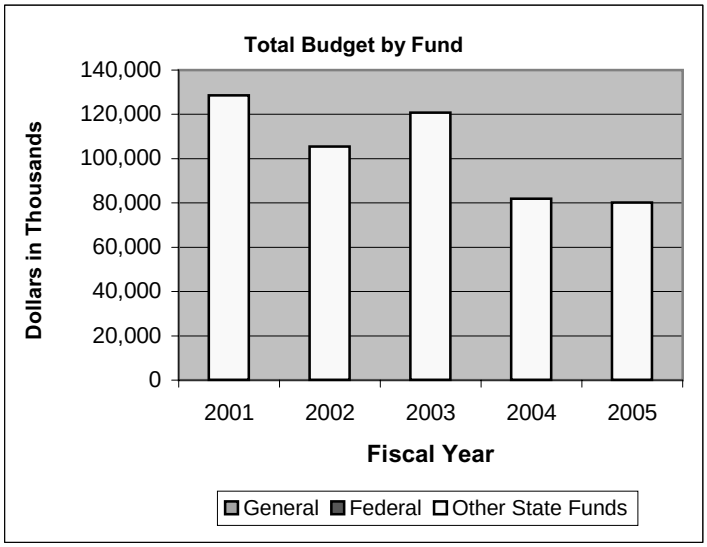
The SCF is financed by an appropriation from the Workers' Compensation fund. The unit collects an assessment from insurers and self-insured employers, as well as recoveries from employers for benefits paid. Penalties assessed by this unit are deposited to the Assigned Risk Safety Account, which is dedicated for workplace safety programs.

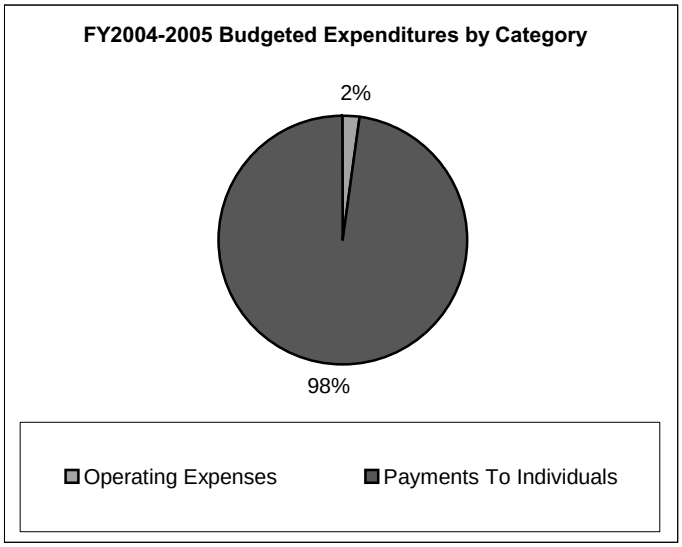
Contact

For more information, contact the Special Compensation Fund by phone at (651) 284-5045 or 1-800-DIAL-DLI (1-800-342-5354) or e-mail at DLISpecialcomp@state.mn.us or visit online at http://www.doli.state.mn.us.

LABOR AND INDUSTRY DEPT
Program: WORKERS COMPENSATION DIVISION
Activity: WC SPECIAL COMPENSATION FUND

Fiscal Report





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
Workers Compensation	2,015	1,724	2,016	1,888	1,918	3,806
Open Appropriations						
Workers Compensation	90,677	72,701	74,544	80,003	78,268	158,271
Statutory Appropriations						
Workers Compensation	35,833	31,028	44,261	0	0	0
Total	**128,525**	**105,453**	**120,821**	**81,891**	**80,186**	**162,077**
Expenditures by Category						
Operating Expenses	2,152	1,958	2,145	1,888	1,918	3,806
Payments To Individuals	126,373	103,495	118,676	80,003	78,268	158,271
Total	**128,525**	**105,453**	**120,821**	**81,891**	**80,186**	**162,077**
Revenue by Type and Fund						
Non Dedicated						
Workers Compensation	89,166	77,383	123,546	109,646	111,346	220,992
Subtotal Non Dedicated	89,166	77,383	123,546	109,646	111,346	220,992
Dedicated						
Workers Compensation	343,600	10,522	7,000	0	0	0
Subtotal Dedicated	343,600	10,522	7,000	0	0	0
Total Revenue	**432,766**	**87,905**	**130,546**	**109,646**	**111,346**	**220,992**
Full-Time Equivalents (FTE)	**26.8**	**27.0**	**23.0**	**21.0**	**21.0**	

Activity Description

The Customer Assistance (CA) unit exists to prevent and resolve workers' compensation disputes at a reasonable cost to employers (M.S. 176.001 and 176.261). This unit uses a "customer assistance" approach to dispute prevention and a "mediation/arbitration" approach to dispute resolution, with a focus on speed and efficiency.

Activity at a Glance*

- Answered more than 42,000 "Hotline" calls
- Served move than 300 "walk-in: visitors
- Processed nearly 5,275 requests for certification of dispute, resolving approximately 25%
- Conducted more than 1,200 administrative conferences, obtaining agreements 17% of the time
- Conducted more than 341 mediation sessions, achieving agreements over 90% of the time

* FY 2001

Population Served

The CA unit serves injured workers, attorneys, employers, insurers, rehabilitation and health care providers, and other state agencies, such as the Attorney General's office and the Department of Commerce.

Services Provided

The services provided by CA can be best described by looking at "mode of contact," that is 1) hotline calls and walk-ins, 2) dispute certification requests, 3) rehabilitation and medical requests, and 4) requests for mediation. In all instances, the services provided are direct services and the specialists in the unit treat every contact with the department as an opportunity for resolution, paying careful attention to the need to be perceived as neutral.

Historical Perspective

The CA unit was created in the fall of 1995, adding the responsibility of answering "hotline" calls to the already existing responsibilities for conducting rehabilitation and medical conferences, as well as mediation sessions. This strategic decision coincided with and was partially driven by the inauguration of the imaging system. The hypothesis was that if the department were to combine front-loading its expertise with real-time access to workers' compensation files via image, many disputes could be prevented by the timely attention of department specialists. History has shown us many disputes are borne of misapprehension of information received by the injured worker from the insurer or some other miscommunication or lack of communication problem, combined with the time lag inherent in a paper-based system. With a focus on real-time responses, afforded by instant access to the complete file via image, the thinking was that many unnecessary disputes could be avoided.

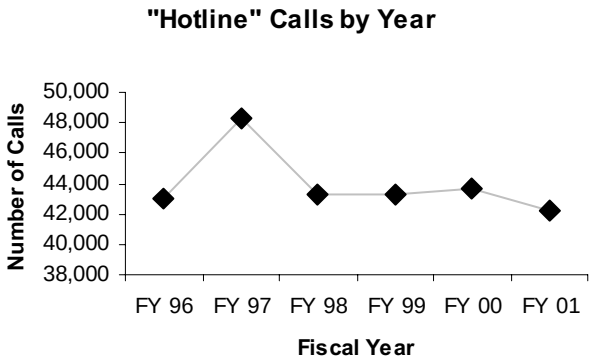
In 1996, dispute certification was added to M.S. 176.081, providing that no attorney's fees could be charged in rehabilitation and medical matters until the department has determined that a dispute exists and that it has tried to resolve it. In 2000, M.S. 176.231 was amended to require that whenever an employer submits a First Report of Injury form, it is required to give the employee a copy of the Minnesota Workers' Compensation Employee Information Sheet, which contains some basic entitlement information, along with the claim representative's name and number, as well as the telephone number for the CA unit.

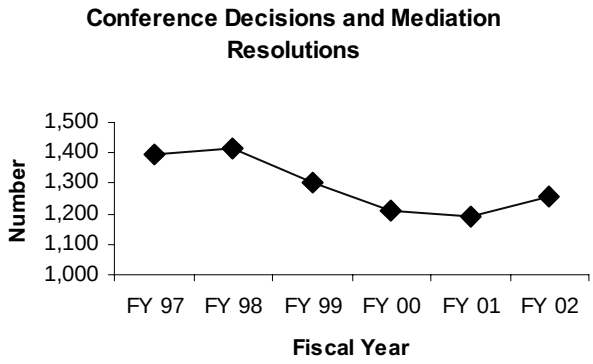
The above decisions and enactments were all intended to encourage and enable the department's dispute prevention and resolution specialists' early involvement in a claim, in the hope that any dispute could either be prevented or resolved early on.

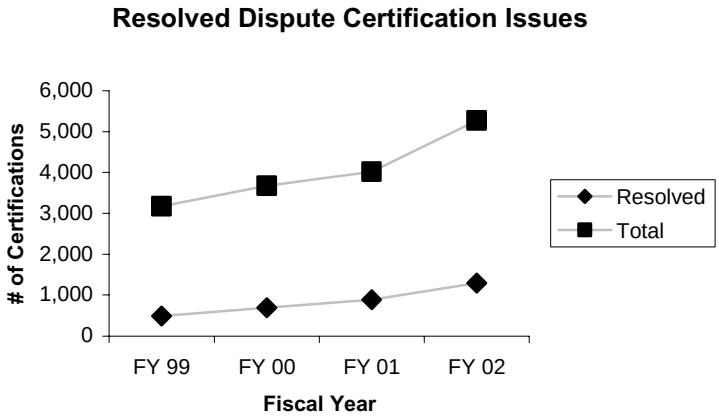
Key Measures

The following are the performance measures for the CA unit:

- number of "hotline" calls answered;
- number of administrative conference and mediation session resolutions; and
- number of dispute certification issues resolved.





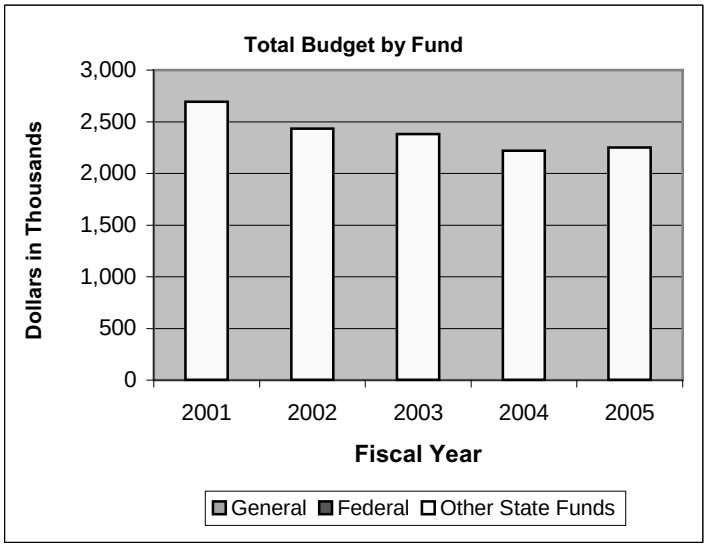


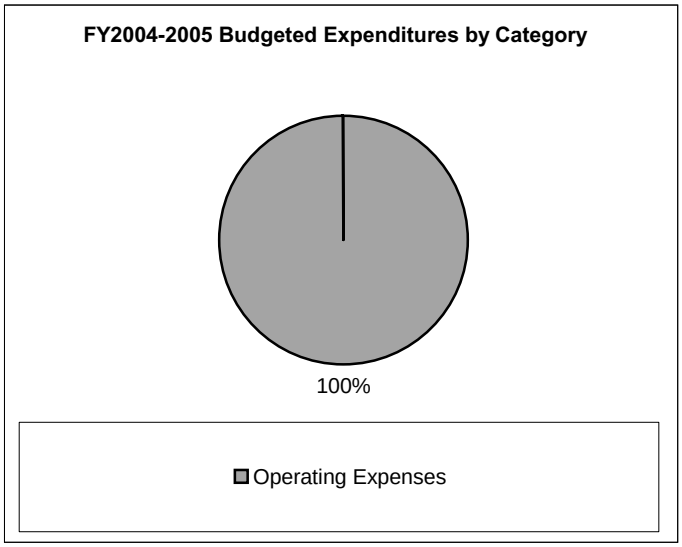
Activity Funding

The CA unit is financed by an appropriation from the Workers' Compensation fund.

Contact

For more information, contact Customer Assistance by phone at (651) 284-5030 or 1-800-DIAL-DLI (1-800-342-5354) or e-mail at DLI.workcomp@state.mn.us or visit online at http://www.doli.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Workers Compensation	2,694	2,433	2,382	2,219	2,252	4,471
Total	**2,694**	**2,433**	**2,382**	**2,219**	**2,252**	**4,471**
Expenditures by Category						
Operating Expenses	2,694	2,433	2,382	2,219	2,252	4,471
Total	**2,694**	**2,433**	**2,382**	**2,219**	**2,252**	**4,471**
Full-Time Equivalents (FTE)	**36.5**	**30.5**	**30.5**	**25.5**	**25.5**	

Activity Description

The Compliance Services (CS) unit ensures employers and insurers provide timely and accurate benefits by auditing workers' compensation files, issuing penalties, and providing education. CS certifies managed care organizations, registers qualified rehabilitation consultants (QRCs) and monitors the consultants professional conduct.

Activity at a Glance

- Average additional $2.1 million returned to injured workers annually
- Seventy-one percent of time penalties are assessed from requests
- More than 500 applications for rehabilitation provider renewal of registration received

Population Served

CS interacts with injured employees, employers and insurers who are processing workers' compensation claims, and attorneys representing parties to a workers' compensation claim. In addition, CS serves medical providers, certified managed care organizations, and rehabilitation providers, including qualified rehabilitation consultants.

Services Provided

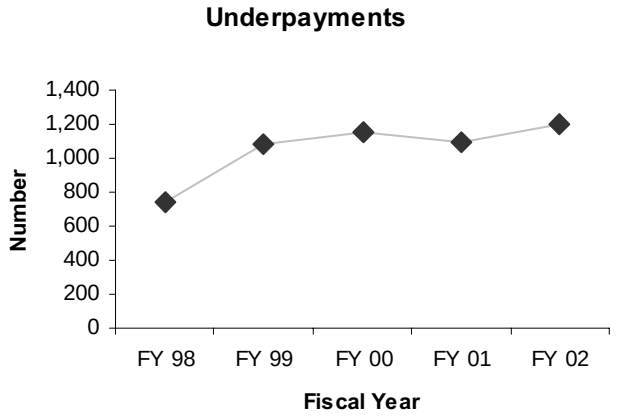
CS audits all claims filed with DLI, seeks corrections of improper payments, and monitors the performance of all insurers of workers' compensation claims. In addition, it registers rehabilitation providers, certifies managed care organizations, and investigates complaints against rehabilitation and medical providers and certified managed care organizations. CS assists insurers by offering frequent training opportunities for claims adjusters, alerting insurers to serious performance issues, and providing regular feedback to help them monitor their performance. The unit also provides training to rehabilitation and health care providers, including QRC orientation training. This is done to prevent the need for corrective action.

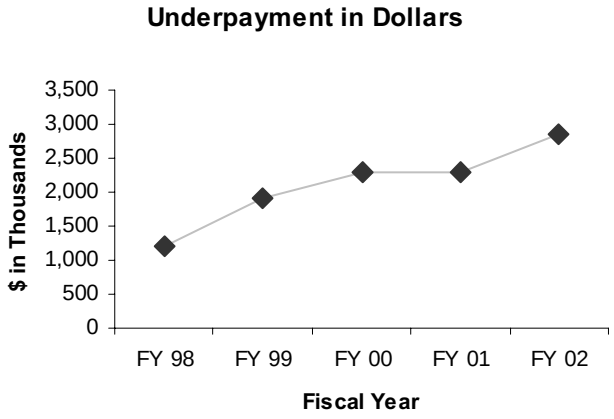
Historical Perspective

Until 1995, CS audited some of the paper files only once in a several-year period. Beginning in 1995, the department's imaging system provided a more efficient electronic routing system. Now, approximately 80% of active workers' compensation files are audited within three months after a triggering document is received.

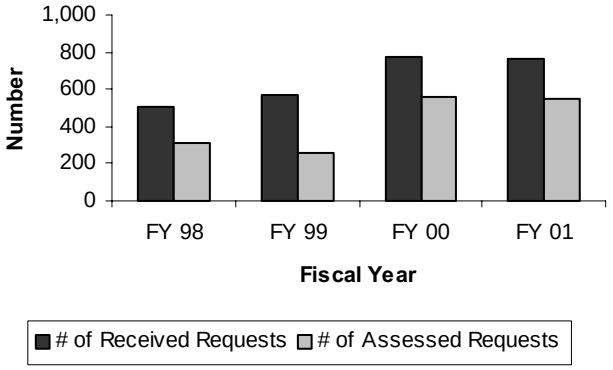
Key Measures

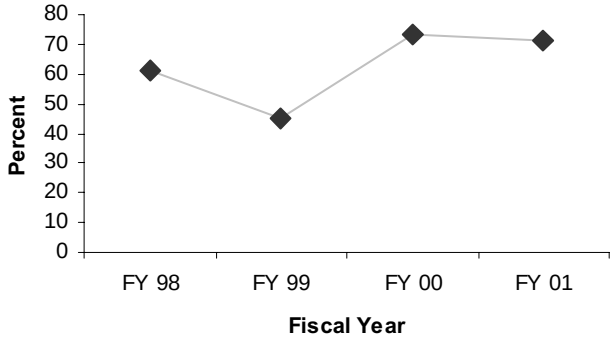
⇒ Each year, CS staff members review approximately 67,500 files looking for indemnity benefit payment mistakes made by insurers. When errors are found, CS contacts the insurers to advise them and explain the correction needed. An average of an additional $2.1 million is paid to injured workers each year due to the audits conducted by staff. The majority of claim errors involve the incorrect payment of permanent partial disability benefits.



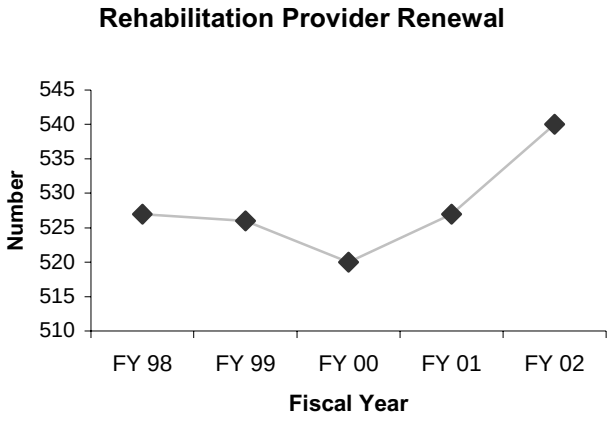


⇒ Each year, the CS staff reviews approximately 500 to 800 requests for possible penalties. These requests come from customers outside the department and staff members within the department and do not include reviews done based on automatically generated lists. On average, approximately 60% to 75% of these requests result in penalties being issued by the CS staff.





⇒ Each year, more than 500 applications for rehabilitation provider renewal of registration are received, reviewed, and approved. When the requirements for renewal of a registration are not met by the applicant, the CS staff member corresponds with the rehabilitation provider to advise and explain the corrections needed or makes recommendations to remedy the deficiency. Fewer than (approximately) five applications for registration renewal are not approved annually due to failure to meet the requirements in the rehabilitation rules.

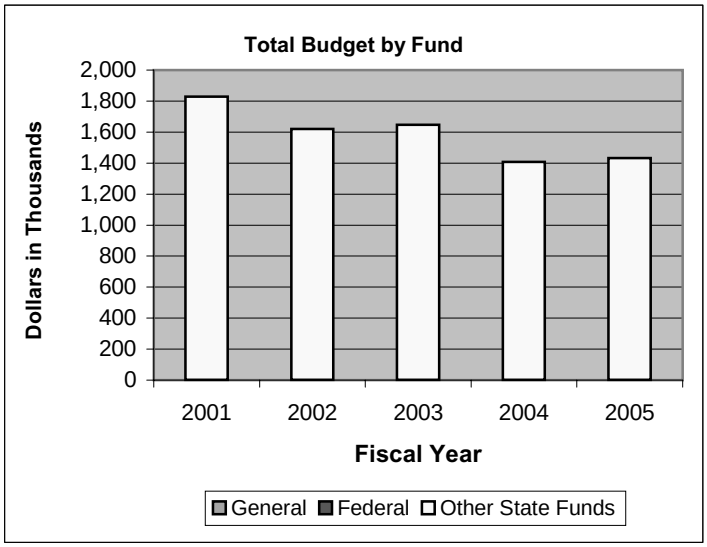


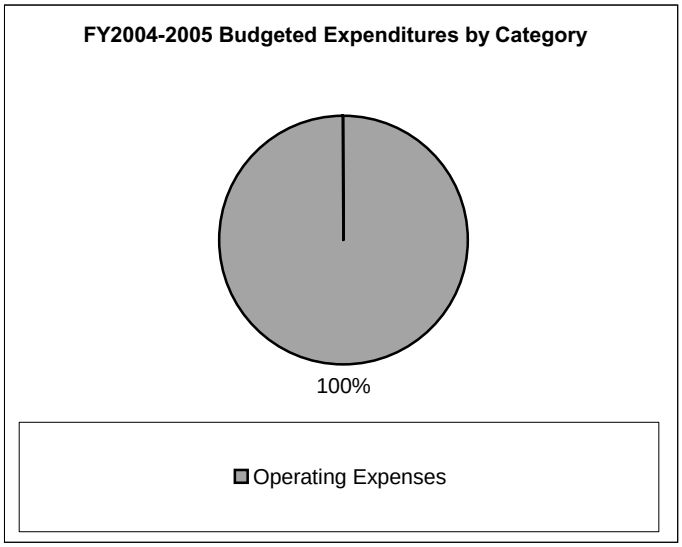
Activity Funding

The CS unit is financed by an appropriation from the Workers' Compensation fund. Penalties assessed by this unit are deposited to the Assigned Risk Safety Account, which is dedicated for workplace safety programs. The unit recovers its costs for training sessions through participant fees. It also collects registration fees from rehabilitation providers and managed care organizations.

Contact

For more information, contact Compliance Services by phone at (651) 284-5030 or 1-800-DIAL-DLI (1-800-342-5354) or e-mail at DLI.workcomp@state.mn.us or visit online at http://www.doli.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Workers Compensation	1,797	1,592	1,611	1,378	1,402	2,780
Statutory Appropriations						
Special Revenue	31	28	37	30	30	60
Total	**1,828**	**1,620**	**1,648**	**1,408**	**1,432**	**2,840**
Expenditures by Category						
Operating Expenses	1,828	1,620	1,648	1,408	1,432	2,840
Total	**1,828**	**1,620**	**1,648**	**1,408**	**1,432**	**2,840**
Revenue by Type and Fund						
Non Dedicated						
Workers Compensation	90	94	92	92	92	184
Subtotal Non Dedicated	90	94	92	92	92	184
Dedicated						
Special Revenue	34	30	30	30	30	60
Subtotal Dedicated	34	30	30	30	30	60
Total Revenue	**124**	**124**	**122**	**122**	**122**	**244**
Full-Time Equivalents (FTE)	**25.2**	**20.0**	**22.0**	**17.7**	**17.7**	

Activity Description

The Vocational Rehabilitation unit (VRU) was established in 1983, by M.S. 176.104, to provide rehabilitation services when a dispute exists regarding medical causation or primary liability. Vocational rehabilitation services help to restore employment and resolve claim issues, thereby reducing the workers' compensation and socio-economic costs of a work injury.

Activity at a Glance

- 395 consultations were completed, resulting in 317 new service plans in FY 2002.
- Completed plans resulting in employment restored $2.3 million in wages in FY 2002.

Claim petitions for workers' compensation benefits exceed 5,000 each year. It has been estimated that 4,100 of the petitions are related to denial of liability or medical causation issues. During the approximate 12-month litigation process, the injured worker receives no benefits. Rehabilitation services assist with the restoration of an income for the injured worker and reduced wage-loss-compensation owed by the insurer if liability is determined.

Population Served

Injured workers, employers, and insurers directly benefit from the services of VRU. The state benefits from the injured workers reduced dependence on public financial support programs and by the income tax collected on wages when the employee returns to work. An early return to work helps to reduce the cost of workers' compensation in Minnesota.

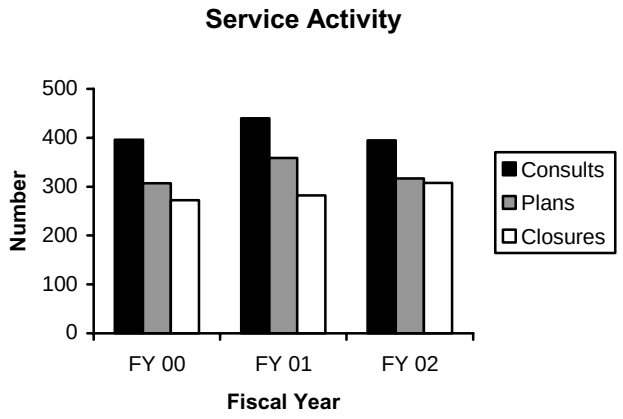
Services Provided

The VRU is a direct provider of rehabilitation services as outlined in M.S. 176.102 and Minn. Rules 5220.0100-1900. Services provided by the VRU include

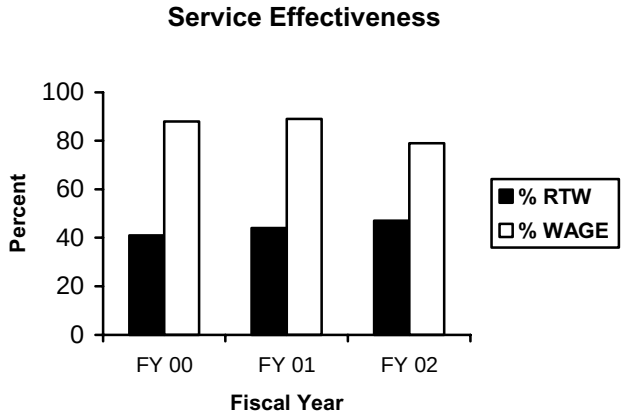
- ⇒ Rehabilitation consultation--meeting with the employee and contact with the treating physician and employer to determine eligibility for rehabilitation services as defined by the statute.
- ⇒ Medical management--coordination of the employee's medical treatment with the return to work plan.
- ⇒ Job analysis--assessment of the physical and cognitive demands of the job duties at the worksite and opining the capacity of the injured worker to be successful given the medical restrictions.
- ⇒ Vocational testing and counseling--assessment of the injured worker's interests, aptitudes, and abilities using standardized tests and subsequent meetings with the individual to integrate this information with the medical information, labor market information and the requirements of occupations to arrive at appropriate job goals.
- ⇒ Job development and placement--identification of employers and job openings consistent with job goals. VRU employees help prepare the injured worker to seek work, assist with a resume and job-seeking skills training, including application and interview assistance. They also contact employers for jobs, support and encourage the injured worker during the job search, and assist the injured worker with weekly job leads and the completion of job logs.
- ⇒ On-the-job training and retraining evaluation--coordinate and monitor the training of an employee at a workplace. If an employee is unable to acquire suitable employment, a retraining plan is proposed in a formal educational setting to acquire knowledge and skills that will result in suitable employment.

Key Measures

⇒ Measures of service activity include rehabilitation consultations completed (Consults), rehabilitation plans implemented (Plans), and rehabilitation plans completed (Closures).



⇒ Measures of service effectiveness include the percent of completed cases that return to work prior to settlement (RTW) and the percentage of the pre-injury wages that are replaced at a new job (Wage).

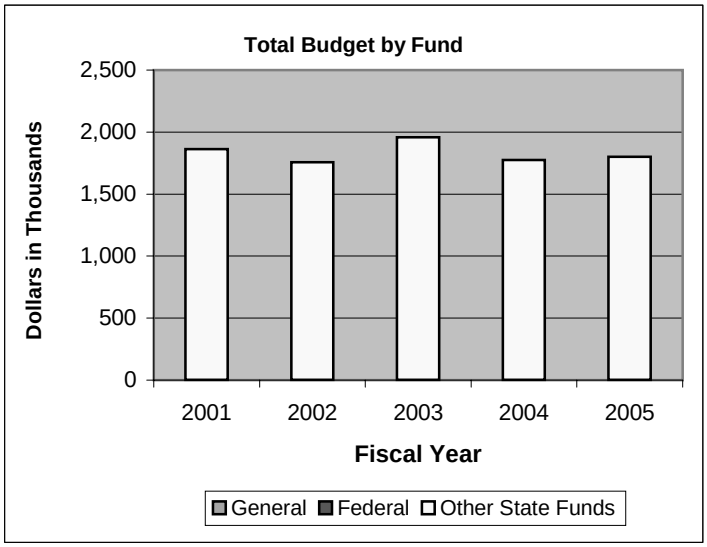


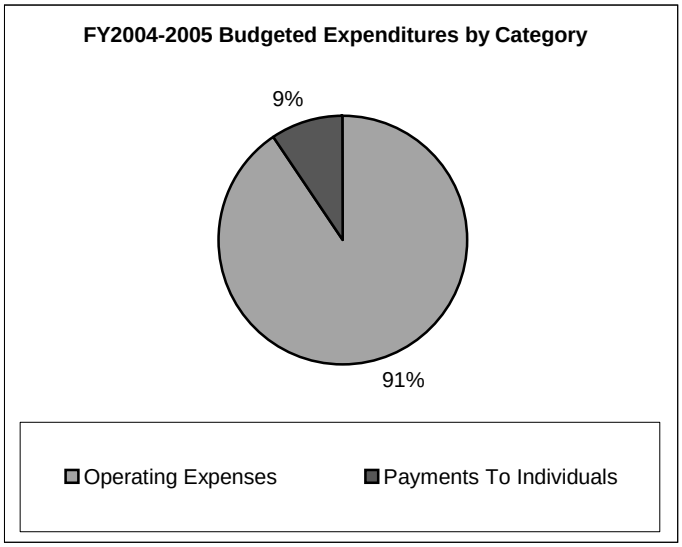
Activity Funding

The VRU is financed by an appropriation from the Workers' Compensation fund. It collects reimbursements from employers and insurers for vocational services provided.

Contact

For more information, contact the Vocational Rehabilitation Unit by phone at (651) 284-5038 or 1-800-DIAL-DLI (1-800-342-5354) or e-mail at DLI.Vocrehab@state.mn.us or visit online at http://www.doli.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Workers Compensation	1,863	1,756	1,958	1,776	1,802	3,578
Total	**1,863**	**1,756**	**1,958**	**1,776**	**1,802**	**3,578**
Expenditures by Category						
Operating Expenses	1,635	1,551	1,665	1,608	1,634	3,242
Payments To Individuals	103	80	168	168	168	336
Local Assistance	125	125	125	0	0	0
Total	**1,863**	**1,756**	**1,958**	**1,776**	**1,802**	**3,578**
Revenue by Type and Fund						
Non Dedicated						
Workers Compensation	259	324	350	350	350	700
Subtotal Non Dedicated	259	324	350	350	350	700
Total Revenue	**259**	**324**	**350**	**350**	**350**	**700**
Full-Time Equivalents (FTE)	**26.0**	**26.0**	**26.0**	**23.5**	**23.5**	

Activity Description

The Investigative Services unit (ISU) was established in January 1993, pursuant to M.S. 176.16. Through the cooperative efforts and assistance of employees, employers, insurance companies, health care providers, the legal community, and the public in general, ISU investigates all issues that adversely impact the workers' compensation system.

Activity at a Glance

- Investigation of 327 cases of suspected workers' compensation fraud resulting in eight criminal charges.
- Investigation of 749 incidents of uninsured employers resulting in 331 penalty assessments.
- 112 initial claims investigations conducted for the Special Compensation Fund.

Population Served

The reduction of workers' compensation fraud will pose a financial benefit to Minnesota employees, employers, and insurers. The mandatory coverage program will reduce the number of uninsured claims received by the Special Compensation Fund (SCF) and also diminish the number of initial claims investigations.

Services Provided

ISU provides three separate and unique functions that directly and indirectly impact the workers' compensation system in Minnesota.

⇒ The fraud section responds to complaints of fraudulent activity reported to ISU by the public, employees, employers, insurers, and others who use the workers' compensation system. The fraud section employs proactive approaches to identify fraudulent activity in areas of the system that have demonstrated susceptibility to abuse. The claimant fraud investigations are conducted with the intent of criminal prosecution. After the insurer or self-insured has completed their civil investigation and takes action to discontinue benefit payments, the matter is further investigated to demonstrate criminal culpability. Cases involving theft, diversion of funds, and forgery by health care providers, attorneys, claims adjusters, agents, and premium fraud by employers are also pursued and presented for criminal action.

⇒ The mandatory coverage section addresses the avoidance by employers of obtaining and maintaining workers' compensation coverage for their employees as required by Minnesota statutes. Failure to comply with the statutes offers an undue advantage to the uninsured employer through substantially lower operating costs and the ability to "undercut" their competition in the bidding or production process. Uninsured employers annually account for several hundred reported workers' compensation injuries that must be indemnified by the SCF. This responsibility costs millions of dollars annually, which is passed on to all the workers' compensation insurers doing business in the state through assessments on their indemnity payments. Ultimately, this financial responsibility is passed on to the consumer due to increased employer insurance costs.

⇒ The initial claims section is charged with the investigation of all initial claims received by the Special Compensation Fund concerning uninsured employers. These investigations are often analogous to those processed by insurers in the voluntary market. Frequently the employer and employee are difficult to locate, records are not up-to-date, if existent at all, and the employer may not be forthcoming during the investigation.

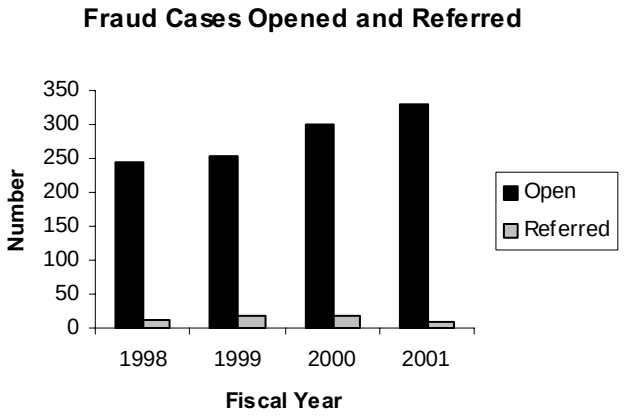
Historical Perspective

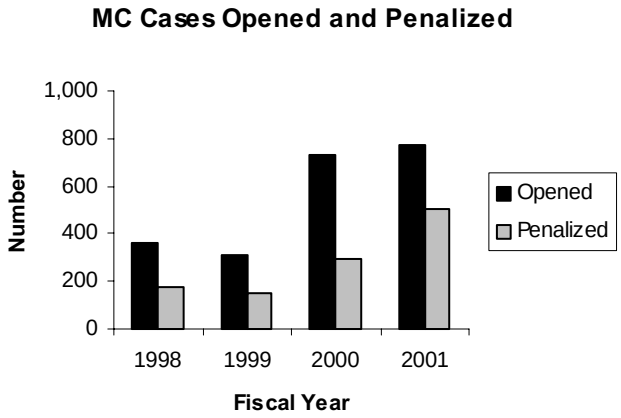
Since its inception in 1993, the fraud section of ISU has received 2,639 cases from all sources, resulting in 228 cases referred to prosecution. The cases range in losses from $500 to $500,000. Beginning in FY 2004, this section will be transferred to the Department of Commerce.

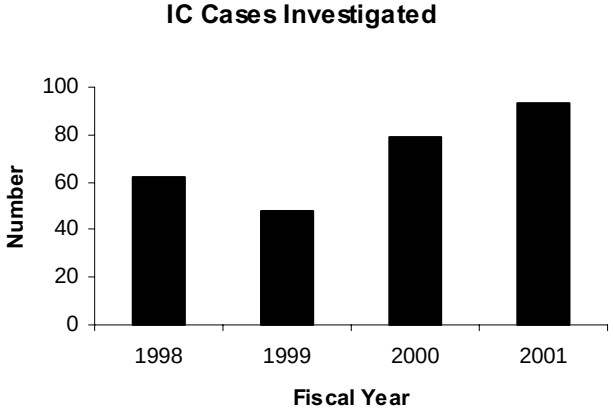
The mandatory coverage section was established in July 1995. It has reviewed 3,501 allegations of noncompliance and referred 1,659 cases for penalty. The initial claims section was established in 1995, and has investigated 463 injury claims for the SCF.

Key Measures

Key performance measures for the ISU include 1) total number of fraud cases opened and cases referred to a prosecutorial authority, 2) total number of mandatory coverage cases opened and penalized, and 3) total number of initial claims cases investigated during a given time frame.







Activity Funding

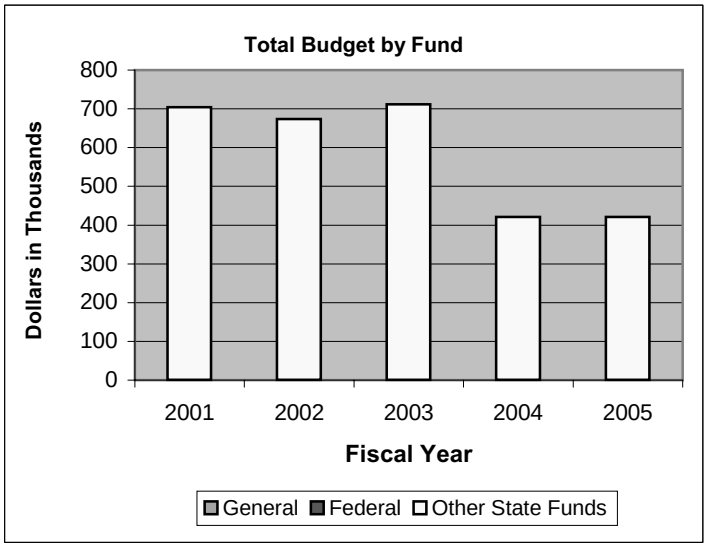
The unit is financed by an appropriation from the Workers' Compensation fund.

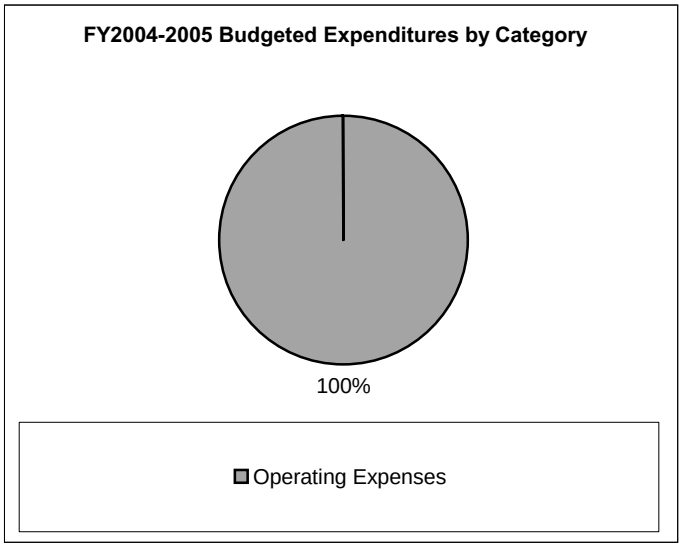
Contact

For more information, contact Investigation Services by phone at (651) 297-5797 or 1-888-FRAUD-MN (1-800-372-8366) or e-mail at DLI.ISU@state.mn.us or visit online at http://www.doli.state.mn.us.

LABOR AND INDUSTRY DEPT
Program: WORKERS COMPENSATION DIVISION
Activity: WC INVESTIGATIVE SERVICES

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Workers Compensation	704	674	712	421	421	842
Total	**704**	**674**	**712**	**421**	**421**	**842**
Expenditures by Category						
Operating Expenses	704	674	712	421	421	842
Total	**704**	**674**	**712**	**421**	**421**	**842**
Full-Time Equivalents (FTE)	**12.0**	**11.0**	**10.9**	**6.5**	**6.0**	

Activity Description

The Information Processing Center (IPC) exists to provide critical administrative support services to the Department of Labor and Industry and its customers.

Population Served

IPC services benefit injured workers, employers, insurers, claims administrators, attorneys, health care and rehabilitation service providers, the Office of Administrative Hearings, the Workers' Compensation Court of Appeals, the state Supreme Court, and the employees of the Department of Labor and Industry.

Services Provided

IPC's mission is to provide accurate, timely information to its customers through many services:

- receiving and distributing incoming/outgoing department mail (1.2 million pages of workers' compensation mail in FY 2002);
- providing shipping and receiving services for the department;
- providing centralized copy services for department personnel (1.9 million copies in FY 2001);
- processing requests for mandatory state employment posters (4,143 requests in FY 2002);
- imaging all workers' compensation claim file documents (1.6 million pages in FY 2002);
- verifying (8,111 phone calls) and entering workers' compensation data into the database (271,648 forms in FY 2002);
- coding and processing all First Report of Injury forms (52,361 in FY 2002);
- mailing employee rights brochures to injured workers (36,532 in FY 2002);
- receiving and processing all *fatal* First Report of Injury forms (110 in FY 2002);
- maintaining workers' compensation files (1.2 million files);
- processing requests for copies of workers' compensation files to authorized clientele (12,300 requests in FY 2002); and
- managing a quality assurance program that measures the accuracy and timeliness of all the information provided to customers.

Activity at a Glance

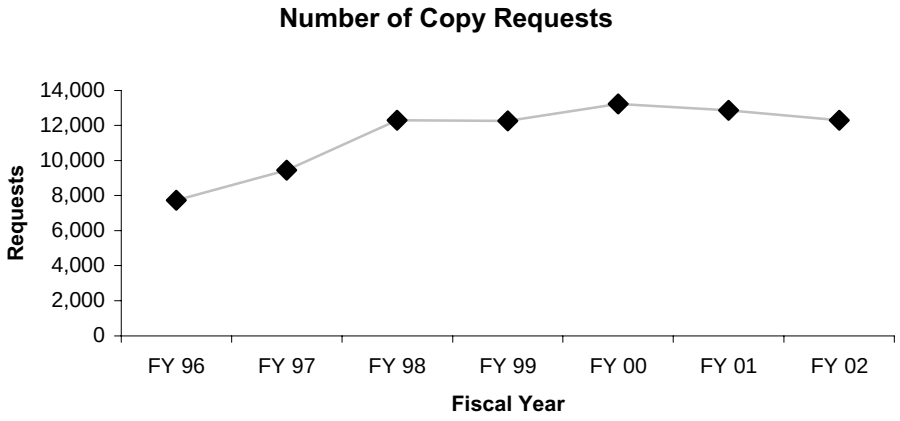
- Maintains more than 1.2 million workers' compensation claim files
- Processed 52,361 First Reports of Injury in FY 2002
- Imaged more than 1.6 million pages of mail in FY 2002 in an average of 1.8 days with an average accuracy rate of 98.91%
- Data entered more than 271,648 forms in FY 2002
- Processed 12,300 requests for copies of files in an average of 9.8 days in FY 2002

Historical Perspective

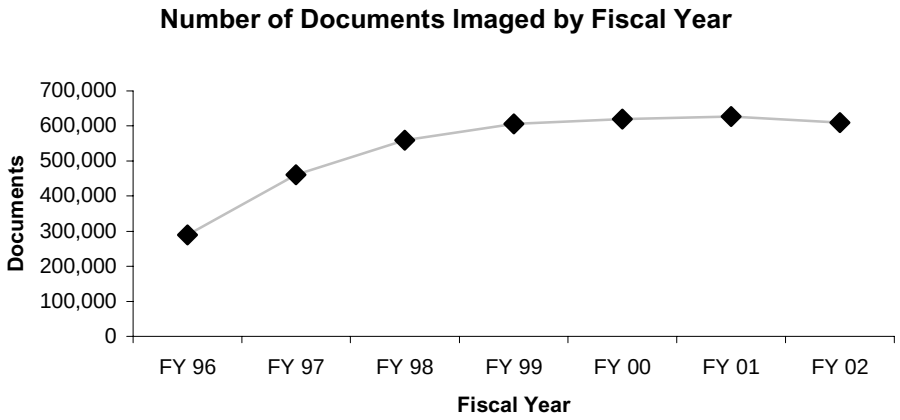
The Information Processing Center was created in September 1994, in preparation for the DAEDALUS Imaging Project that was implemented on 3-20-95. Documents with dates of injury post 3-1-95 are imaged and the paper is confidentially recycled. The benefits of imaging are numerous: improve service to clients; reduce staff time and cost for managing documents; provide better document control; provide an opportunity to streamline or consolidate operations; increase productivity and improve quality; provide backup of files and file information; reduce storage costs; permit multiple, simultaneous, and instantaneous access to files; facilitate faster dispute resolution because of access to important information and provide real-time tracking and reporting. Of the more than 1.2 million workers' compensation claims files managed by IPC, currently 33% are on image, 31% are on microfilm, and 36% remain as paper files.

Key Measures

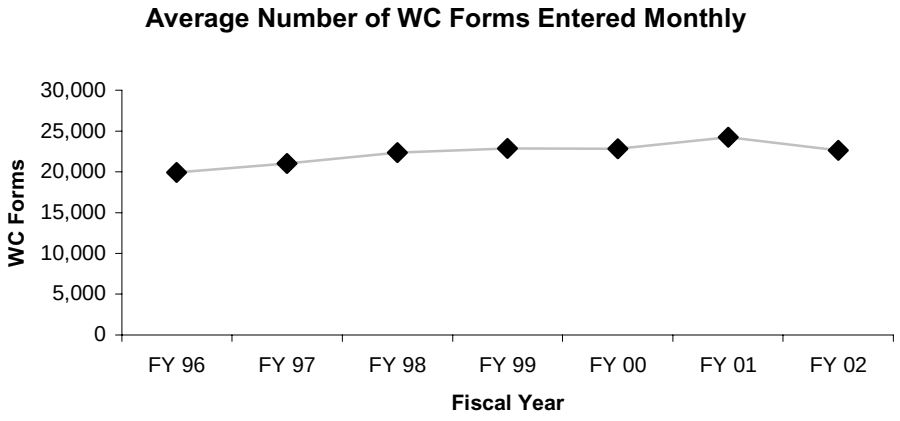
⇒ Ensure authorized clientele have prompt access to workers' compensation files.



⇒ Ensure the timely and accurate imaging of workers' compensation documents.



⇒ Ensure the timely and accurate data entry of workers' compensation data.

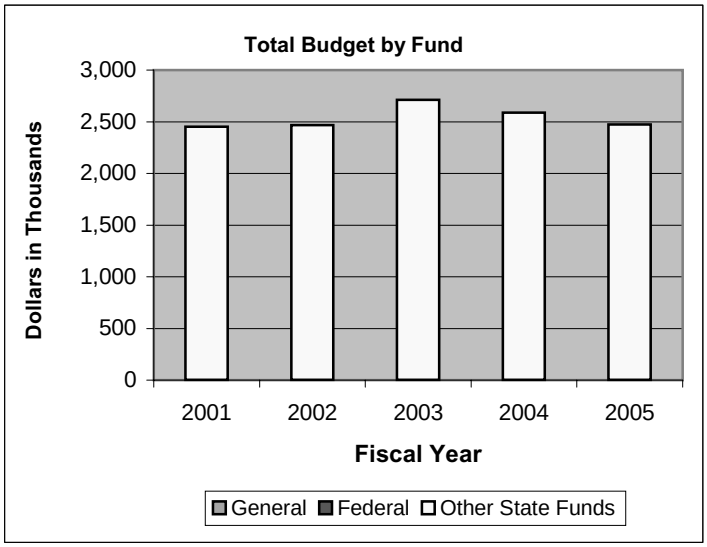


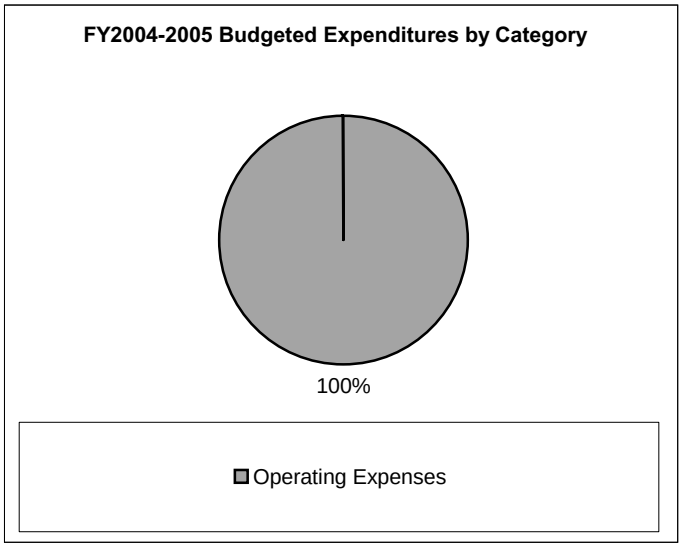
Activity Funding

The IPC unit is financed by an appropriation from the Workers' Compensation fund. The activity recovers the cost of providing photocopies of claim files to requesting parties in workers' compensation cases.

Contact

For more information, contact the Information Processing Center by phone at (651) 284-5040 or 1-800-DIAL-DLI (1-800-342-5354) or e-mail at DLI.workcomp@state.mn.us or visit online at http://www.doli.state.mn.us.





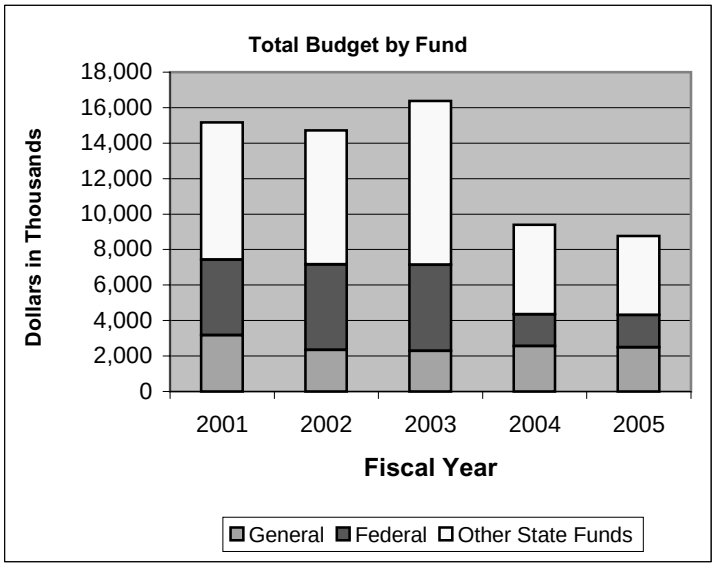
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Workers Compensation	2,249	2,257	2,444	2,358	2,244	4,602
Statutory Appropriations						
Workers Compensation	204	209	269	230	230	460
Total	**2,453**	**2,466**	**2,713**	**2,588**	**2,474**	**5,062**
Expenditures by Category						
Operating Expenses	2,453	2,466	2,713	2,588	2,474	5,062
Total	**2,453**	**2,466**	**2,713**	**2,588**	**2,474**	**5,062**
Revenue by Type and Fund						
Dedicated						
Workers Compensation	217	248	230	230	230	460
Subtotal Dedicated	217	248	230	230	230	460
Total Revenue	**217**	**248**	**230**	**230**	**230**	**460**
Full-Time Equivalents (FTE)	**45.0**	**46.0**	**46.0**	**40.0**	**40.0**	

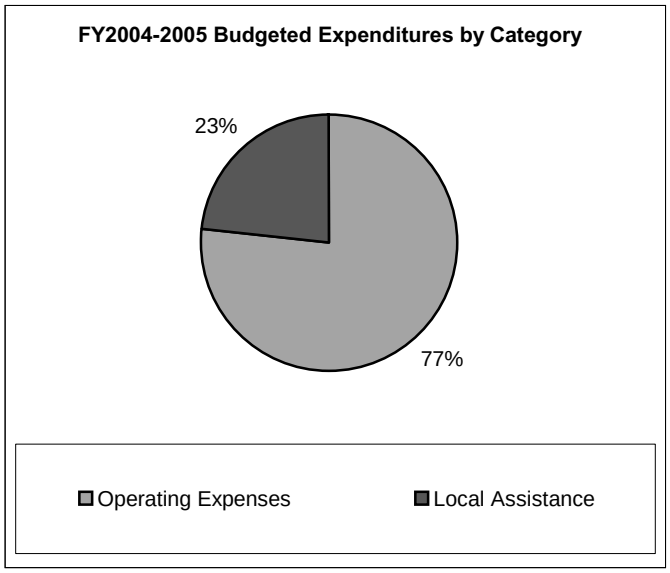
Program Description

The purpose of the Workplace Services Division is to support our communities to be healthy by preventing workplace injuries and illnesses, promoting fair wages and working conditions, and assuring a highly skilled and educated workforce.

Budget Activities Included:

⇒ Workplace Services Administration
⇒ Apprenticeship
⇒ Code Administration and Inspection Services
⇒ Labor Standards
⇒ OSHA Compliance
⇒ Workplace Safety Consultation





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,177	2,347	2,286	2,560	2,494	5,054
Workforce Development	832	739	955	0	0	0
Workers Compensation	4,698	3,666	4,797	1,577	972	2,549
Statutory Appropriations						
Special Revenue	29	14	31	528	528	1,056
Federal	4,249	4,820	4,862	1,780	1,818	3,598
Workers Compensation	2,164	3,119	3,421	2,943	2,943	5,886
Miscellaneous Agency	18	17	22	15	15	30
Total	**15,167**	**14,722**	**16,374**	**9,403**	**8,770**	**18,173**
Expenditures by Category						
Operating Expenses	13,161	11,728	13,152	7,280	6,650	13,930
Local Assistance	2,006	2,994	3,222	2,123	2,120	4,243
Total	**15,167**	**14,722**	**16,374**	**9,403**	**8,770**	**18,173**
Expenditures by Activity						
Workplace Services Admin	309	307	520	176	176	352
Apprenticeship Programs	869	759	982	537	537	1,074
Code Admin & Inspection Svs	2,438	1,722	1,633	1,806	1,732	3,538
Labor Standards	688	605	616	748	756	1,504
Osha Compliance	7,362	6,791	7,679	2,247	1,652	3,899
Workplace Safety Consultation	3,501	4,538	4,944	3,889	3,917	7,806
Total	**15,167**	**14,722**	**16,374**	**9,403**	**8,770**	**18,173**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	11	2,546	2,417	2,318	2,318	4,636
Cambridge Deposit Fund	2,140	0	0	0	0	0
Workers Compensation	1,956	1,816	1,800	64	64	128
Subtotal Non Dedicated	4,107	4,362	4,217	2,382	2,382	4,764
Dedicated						
Special Revenue	28	17	28	528	528	1,056
Federal	4,248	4,818	4,860	1,780	1,818	3,598
Workers Compensation	3,312	2,977	2,943	2,943	2,943	5,886
Miscellaneous Agency	8	12	15	15	15	30
Subtotal Dedicated	7,596	7,824	7,846	5,266	5,304	10,570
Total Revenue	**11,703**	**12,186**	**12,063**	**7,648**	**7,686**	**15,334**
Full-Time Equivalents (FTE)	**158.5**	**154.0**	**142.5**	**64.5**	**64.5**	

Activity Description

Workplace Services Administration (WSA) provides leadership and support to the division's program units as they work to prevent workplace injuries and illnesses, promote fair wages and working conditions, ensure the safety of boiler and high-pressure-piping systems, and assure a highly skilled and educated workforce.

Activity at a Glance

- Direct the activities of 154 division employees through six operating units.
- Administer division budget of $16 million for FY 2003.
- 36,966 minority and limited-English speaking individuals impacted by efforts of the Community Services team during FY 2002.

Population Served

This activity manages the five units of the Workplace Services Division so that stakeholders--including employees, employers and owners and operators of boilers, pressure vessels, charter boats, and high-pressure-piping systems--receive prompt and efficient service.

Services Provided

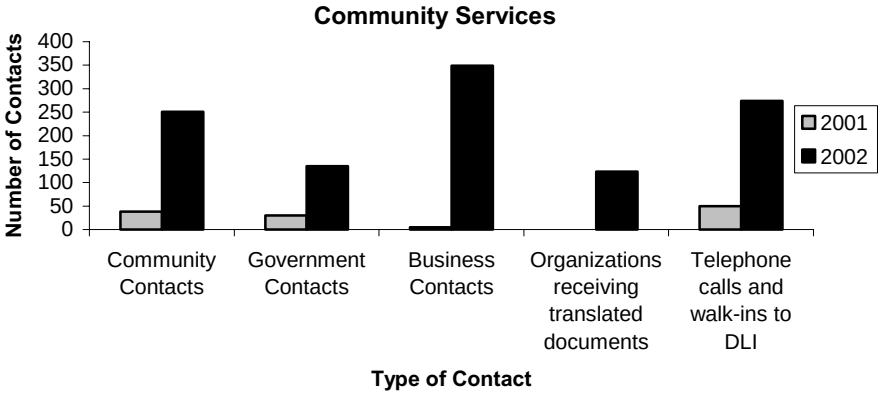
The Workplace Services Division's regulatory activities help to keep Minnesota workers safe by

- providing information and education to employees, employers, community-based and trade organizations;
- conducting safety inspections;
- providing workplace safety information and resources to prevent injuries;
- providing information to minorities and limited-English speaking communities; and
- providing administrative assistance to ensure a highly skilled workforce.

In addition to providing leadership to the Workplace Services Division, WSA supports the activities of the Occupational Safety and Health Act (OSHA) Advisory Council and directs the activities of the Community Services team. The Community Services team provides outreach to minority and limited-English-speaking communities, that, because of cultural and ethnic differences have had limited access to the department's programs and services. Working through community-based organizations, this team educates these populations about their workplace rights and responsibilities.

Key Measures

Measures of service activity include the number and type of contacts made by the Community Services team.



Activity Funding

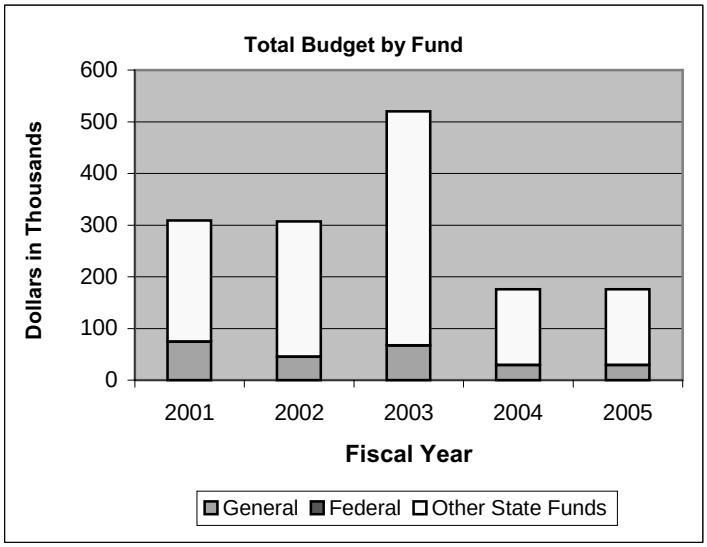
The WSA activity is financed by appropriations from the General, Workforce Development, and Workers' Compensation funds.

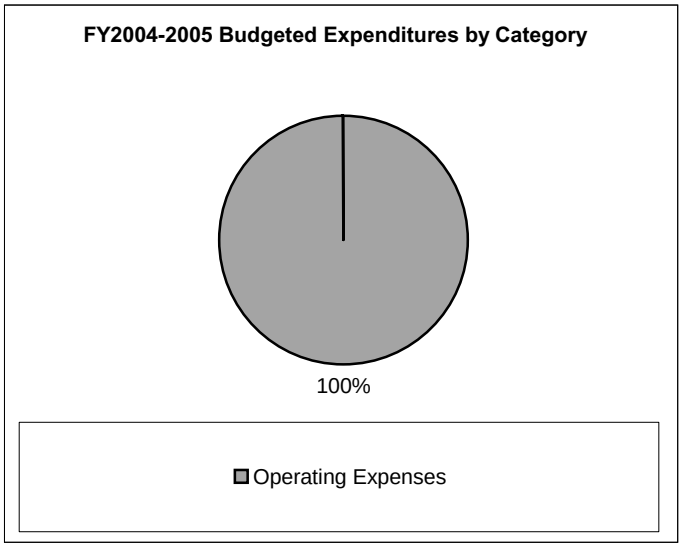
Contact

For more information, contact the Workplace Services Division by phone at (651) 284-5018 or 1-800-DIAL-DLI (1-800-342-5354) or e-mail at DLI.Communications@state.mn.us or visit online at http://www.doli.state.mn.us.

LABOR AND INDUSTRY DEPT
Program: WORKPLACE SERVICES DIVISION
Activity: WORKPLACE SERVICES ADMIN

Fiscal Report





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	74	45	67	29	29	58
Workforce Development	0	11	11	0	0	0
Workers Compensation	235	251	442	147	147	294
Total	**309**	**307**	**520**	**176**	**176**	**352**
Expenditures by Category						
Operating Expenses	309	307	520	176	176	352
Total	**309**	**307**	**520**	**176**	**176**	**352**
Full-Time Equivalents (FTE)	**4.0**	**3.5**	**1.5**	**1.5**	**1.5**	

Activity Description

The Apprenticeship unit exists to promote, develop, approve, and monitor quality registered apprenticeship training programs in Minnesota workplaces. Since 1939, registered apprenticeship has assisted both labor and industry to develop skilled workers through apprenticeship training. Minnesotans participating in apprenticeship training have recently become more diverse by gender and ethnicity than at any other time. The Apprenticeship unit conducts yearly technical assistance visits to training sites to ensure the quality of the employer's registered apprenticeship program is meeting agreed upon apprenticeship training standards while producing a highly skilled workforce.

Activity at a Glance*

- 325 sponsors of apprenticeship training
- 11,112 apprentices in training, including 1,647 women and people of color
- 110 occupations
- 145 approved veterans receiving GI benefits
- 1,182 graduates during FY 2002; w/average wage of $26.03 an hour
- 4,584 new apprentices during FY 2002; w/average wage of $14.03 an hour

*Data as of 6-30-02

Population Served

The Apprenticeship unit currently serves: all employer or employer/employee organizations interested in training apprentices; state, county, and local units of government that are preparing clients for entry into employment; all Minnesotans who are seeking career information about apprenticeship programs; and community-based organizations receiving grants to promote apprenticeship opportunities for women and people of color.

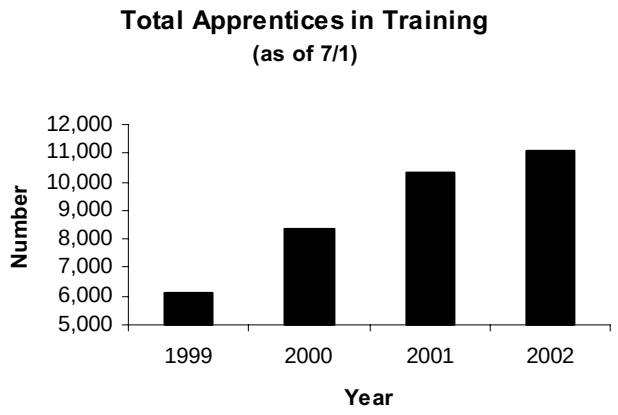
Services Provided

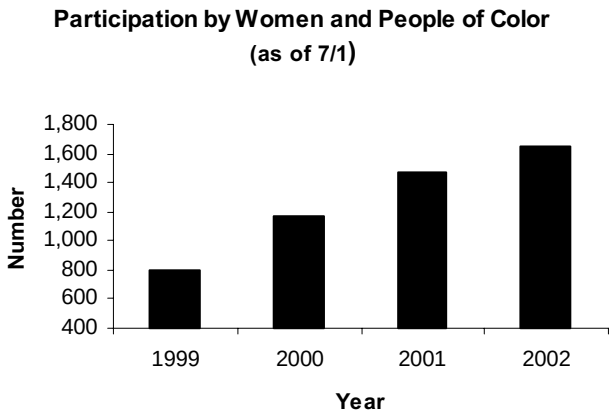
The Apprenticeship unit provides consultative services to all union and non-union employers interested in developing apprenticeship training standards in Minnesota. In addition to the *approval* of sponsor standards, the Apprenticeship unit monitors the activities of the apprentices and the employers for *adherence* to those standards throughout the duration of the apprenticeship training program.

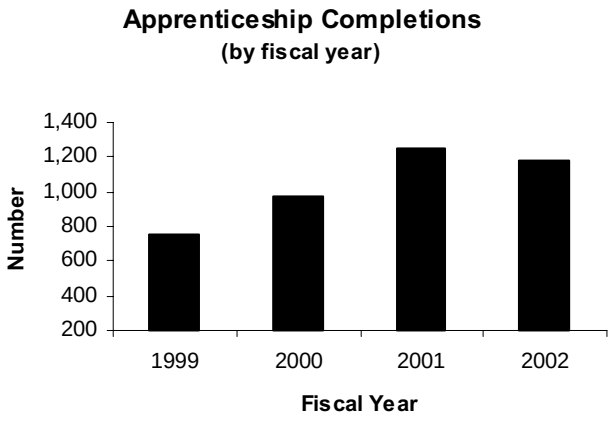
Historical Perspective

In 1939, Minnesota became the fifth state to pass legislation referred to as the Voluntary Apprenticeship Law, M.S. 178. Since that time, there have been more than 110,000 Minnesotans who have participated in apprenticeship training. During those early years, the war effort dominated the demand for skilled workers needed for heavy production and services, and apprenticeship provided those personnel needs. The economy has always had a direct impact on the needs of the industrial sectors within the state. As recently as 1994, enrollments in apprenticeship were 3,085 apprentices, including 107 women and people of color. In June of 2002, enrollment had increased to more than 11,112 apprentices, including 1,647 women and people of color. While economic conditions have changed during the past few years, enrollment of apprentices learning skilled trades has remained fairly constant as compared to past economic downturns. This speaks well for the usage of apprenticeship as a preferred method of training skilled workers.

Key Measures





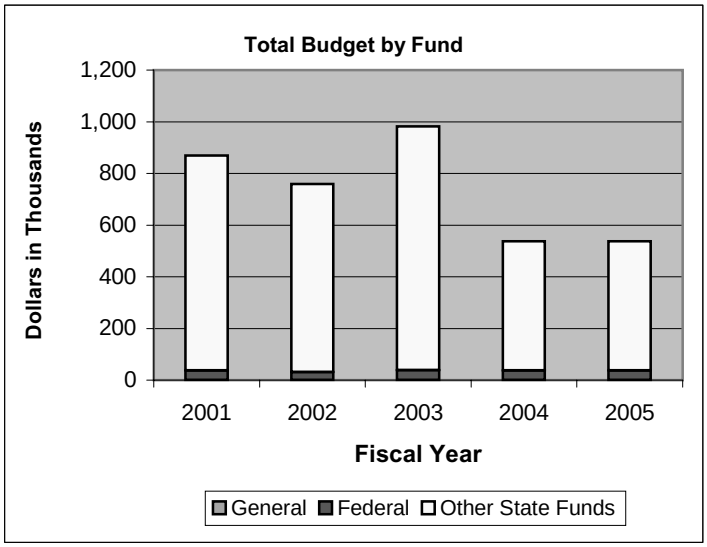


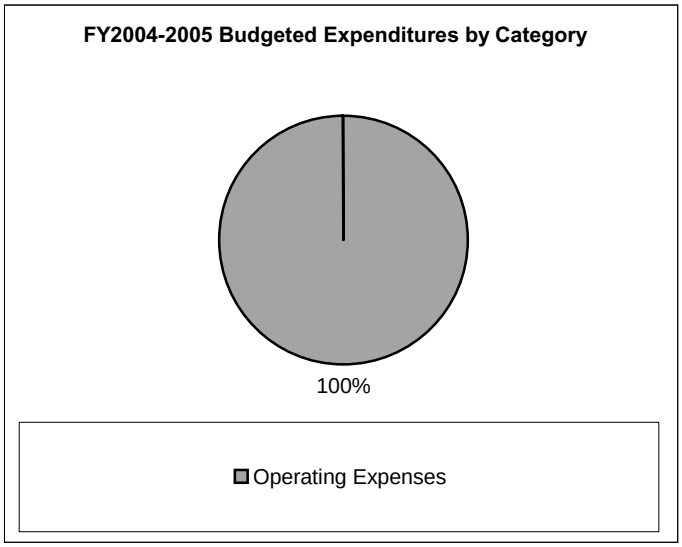
Activity Funding

The Apprenticeship unit is financed by an appropriation from the Workforce Development fund. The unit also receives a federal grant from the Veteran's Administration for approving all eligible veteran apprenticeship and on-the-job training programs.

Contact

For more information, contact Apprenticeship by phone at (651) 284-5090 or 1-800-DIAL-DLI (1-800-342-5354) or e-mail at DLI.Apprenticeship@state.mn.us or visit online at http://www.doli.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Workforce Development	832	728	944	0	0	0
Statutory Appropriations						
Special Revenue	0	0	0	500	500	1,000
Federal	37	31	38	37	37	74
Total	**869**	**759**	**982**	**537**	**537**	**1,074**
Expenditures by Category						
Operating Expenses	665	562	778	537	537	1,074
Local Assistance	204	197	204	0	0	0
Total	**869**	**759**	**982**	**537**	**537**	**1,074**
Revenue by Type and Fund						
Dedicated						
Special Revenue	0	0	0	500	500	1,000
Federal	37	31	37	37	37	74
Subtotal Dedicated	37	31	37	537	537	1,074
Total Revenue	**37**	**31**	**37**	**537**	**537**	**1,074**
Full-Time Equivalents (FTE)	**8.0**	**8.0**	**8.0**	**4.4**	**4.4**	

Activity Description

Code Administration and Inspection Services (CAIS) exists to ensure the safety of boilers, pressure vessels, charter boats, and high-pressure-piping (HPP) systems in the state, pursuant to M.S. 184 and M.S. 326.46 to 326.521, through the adoption of regulations, licensing of boiler and boat operators and pipefitters, and conducting inspections. This activity has regulated boilers, pressure vessels, and charter boats for more than 100 years, with the objective of preventing death, injuries, and property damage from boiler and pressure-vessel explosions and hazardous charter boats. It has regulated high-pressure piping for more than 60 years, with the objective of preventing death, injuries, and property damage from ruptures in high-pressure-piping systems.

Activity at a Glance

- 88,076 registered boilers and pressure vessels
- 11,022 code-inspected locations
- 19,021 code-inspected vessels (inventory)
- 9,928 boiler and pressure-vessel inspections
- 99 charter boats inspected
- 167 boat inspections
- 598 licensed boat masters
- 43,128 licensed boiler operators
- 3,889 boiler license exams processed
- 2,648 licensed pipefitters
- 288 high-pressure-piping permits opened; 322 permits closed
- 1,542 high-pressure-piping inspections

Population Served

CAIS's primary customers are the owners and operators of boilers, pressure vessels, charter boats, and high-pressure-piping systems. Indirectly, CAIS serves employees and the public who work and live around these vessels and high-pressure-piping systems, and passengers on charter boats operating on the state's inland waters.

Services Provided

⇒ Administer and enforce the state code on boilers, pressure vessels, and charter boats, which incorporates by reference the ASME Boiler and Pressure Vessel Code; National Board Inspection Code; and Code of Federal Regulations, Titles 33 and 46 (U.S. Coast Guard).

⇒ Administer and enforce the code on ammonia and power-piping systems.

⇒ Inspect boilers, pressure vessels, hobby boilers, charter boats, and high-pressure-piping systems.

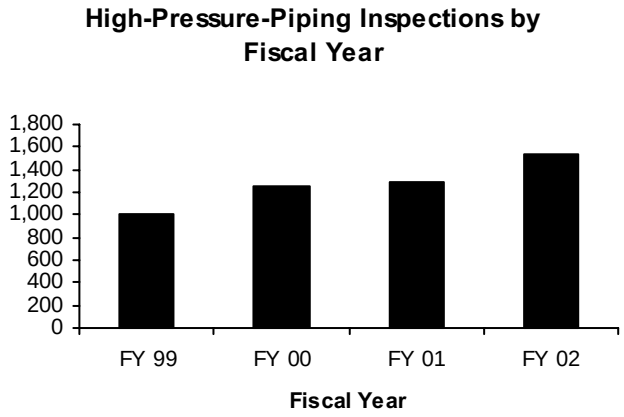
⇒ License boiler operators, boat masters, and high-pressure-piping pipefitters and contractors.

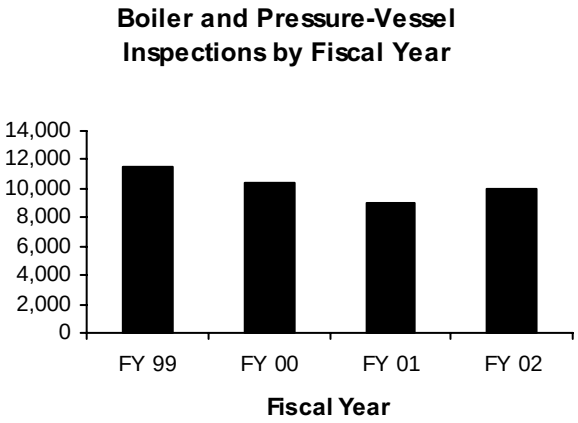
⇒ Investigate compliance with state laws governing boilers, pressure vessels, hobby boilers, charter boats, and high-pressure-piping systems.

Historical Perspective

In 1881, following many deaths and injuries from boiler explosions during the preceding years, the Minnesota Legislature adopted several regulations to protect people and property, and created the department's boiler division to enforce the regulations. Regulation of the installation of high-pressure piping was added in 1937. The cost to administer and implement these laws is borne by those covered or regulated by the laws through user fees. Income from license, inspections, and permit activities were deposited into a special revenue fund until the legislature, in 1991, transferred the revenue and expenses to the General Fund. In FY 2001 and FY 2002, the unit replaced its computer systems to improve service to licensees and upgrade the department's ability to efficiently manage the inspection or boilers, pressure vessels, charter boats, and high-pressure-piping systems.

Key Measures



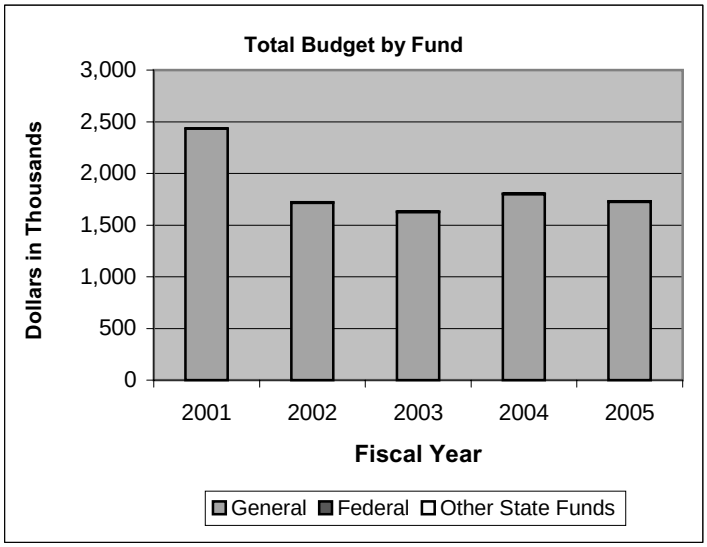


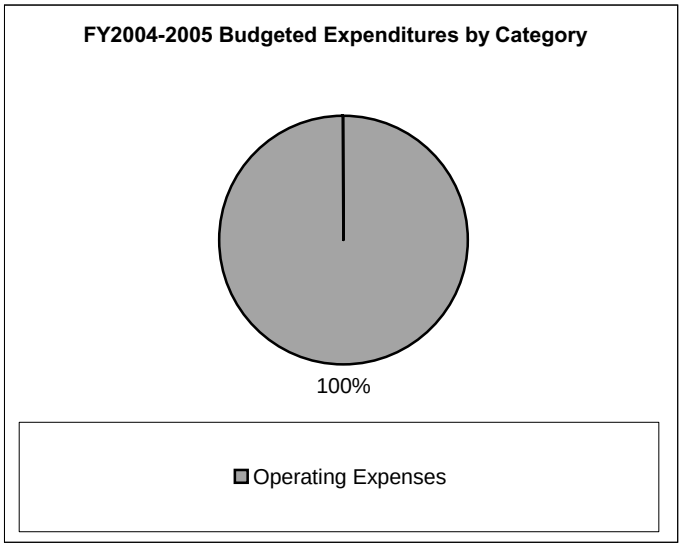
Activity Funding

Code Administration and Inspection Services is financed by an appropriation from the General Fund. Costs are recovered through the collection of license, inspection, and seminar registration fees.

Contact

For more information, contact Code Administration and Inspection Services by phone at (651) 284-5080 or 1-800-DIAL-DLI (1-800-342-5354) or e-mail at DLI.Code@state.mn.us or visit online at http://www.doli.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,433	1,714	1,625	1,798	1,724	3,522
Statutory Appropriations						
Special Revenue	5	8	8	8	8	16
Total	**2,438**	**1,722**	**1,633**	**1,806**	**1,732**	**3,538**
Expenditures by Category						
Operating Expenses	2,438	1,722	1,633	1,806	1,732	3,538
Total	**2,438**	**1,722**	**1,633**	**1,806**	**1,732**	**3,538**
Revenue by Type and Fund						
Non Dedicated						
General	0	2,396	2,280	2,280	2,280	4,560
Cambridge Deposit Fund	2,042	0	0	0	0	0
Subtotal Non Dedicated	2,042	2,396	2,280	2,280	2,280	4,560
Dedicated						
Special Revenue	9	8	8	8	8	16
Subtotal Dedicated	9	8	8	8	8	16
Total Revenue	**2,051**	**2,404**	**2,288**	**2,288**	**2,288**	**4,576**
Full-Time Equivalents (FTE)	**25.5**	**22.5**	**18.0**	**17.0**	**17.0**	

Activity Description

The purpose of the Labor Standards unit is to administer and enforce Minnesota employment laws affecting employee wages, child labor, prevailing wages, and fee employment agencies. This unit also provides education and outreach activities to employers and employees. The unit has been established to ensure employers pay all employees in this state for all hours worked, to ensure accurate and timely prevailing-wage rates are set for state-funded construction projects, and to ensure fee employment agencies are knowledgeable of the laws governing them. The authority for this activity comes from M.S. 177 (Minnesota Fair Labor Standards Act), M.S. 181, M.S. 181A (Child Labor Standards Act), M.S. 181B, M.S. 184 (Employment Agency), and M.S. 184A (Entertainment Agency).

Activity at a Glance

- Investigate more than 350 cases a year
- Respond to more than 85,000 calls, e-mail messages, and correspondence a year
- Process more than 170 wage claims a year
- Set prevailing-wage rates for all counties in Minnesota

Population Served

The customers this unit serves are Minnesota employees and employers, labor organizations, schools and other state agencies.

Services Provided

The primary activities of the Labor Standards unit are enforcement, education, licensing, and surveying. Enforcement methods include investigation, mediation, on-site inspection, and issuing penalties and fines. Education methods include providing statute and rule information; providing brochures and posters to employers and employees; participating in speaking engagements and outreach activities to employee and employer organizations, schools, and other state agencies. Telephone calls, correspondence and e-mail to the unit can result in either an enforcement action or an educational opportunity. Employment agencies complete a process for licensing, and a survey is conducted to set the prevailing-wage rates.

Key Measures

The three key quantifiable performance measures in the Labor Standards unit are: 1) number of complaints investigated (minimum wage, overtime, child labor) and number of wage claims processed; 2) dollar amount recovered for back wages and wage claims; and 3) customer contacts.

⇒ To ensure the timely and accurate payment of wages for all hours worked by employees in Minnesota, the unit investigates complaints and processes wage claims (final paycheck disputes) in accordance with the Minnesota Fair Labor Standards Act (M.S. 177) and M.S. 181. To ensure the safety and well-being of employed minors, the unit investigates cases and issues penalty violations in accordance with the Minnesota Child Labor Standards Act (M.S. 181A).

Key Measure (1) for	**FY 1999**	**FY 2000**	**FY 2001**	**FY 2002**
Cases opened	238	373	342	330
Cases closed	240	355	355	331
Wage claims opened	39	235	172	152
Wage claims closed	43	235	172	148

Key Measure (2) for	**FY 1999**	**FY 2000**	**FY 2001**	**FY 2002**
Back wages collected	$133,598	$206,223	$56,773	$36,000
Wage claims collected	$7,571	$18,863	$13,083	$9,200

⇒ To ensure employers and employees know and understand their responsibilities and the rights of employees in the workplace, the unit responds to telephone calls, e-mail messages, and correspondence, and conducts education and outreach activities.

Key Measure (3) for	FY 1999	FY 2000	FY 2001	FY 2002
Telephone calls, e-mail, correspondence	57,841	118,092	82,618	85,000
Education and outreach activities (presentations, etc.)	41	37	35	150
Distribution of all (including translated) informational materials	n/a	n/a	n/a	50,000

Activity Funding

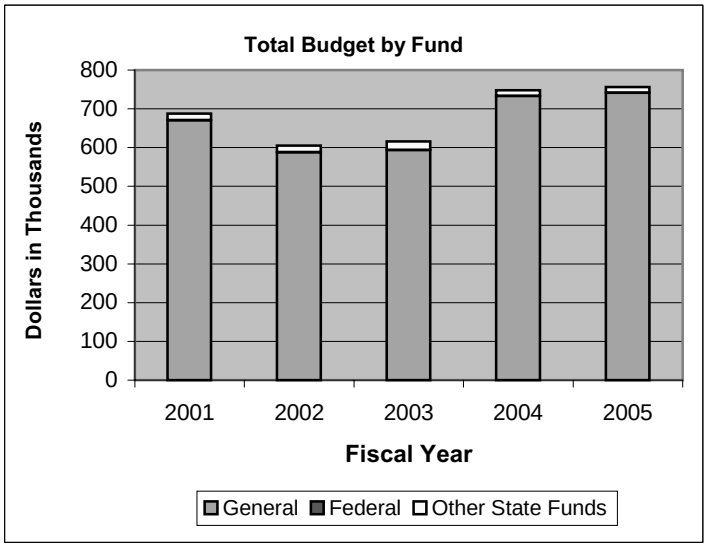
The Labor Standards unit is financed by an appropriation from the General Fund. The unit collects revenue from:

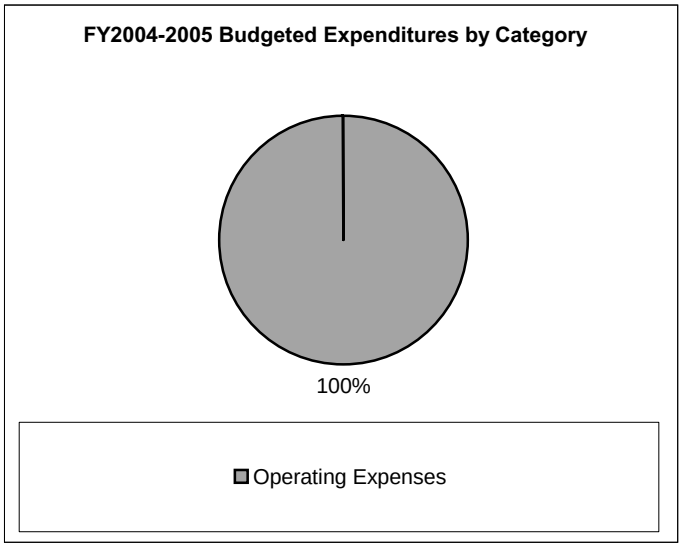
- licensing of fee employment agencies and search firms; and
- fines assessed for violations of the Child Labor Act and Minnesota Fair Labor Standard Act.

The unit also collects back-wages owed to employees by employers. These funds are remitted to the employees. Beginning in FY 2004, the unit will no longer license search firms, resulting in an estimated revenue reduction of $100,000 a year.

Contact

For more information, contact Labor Standards by phone at (651) 284-5005 or 1-800-DIAL-DLI (1-800-342-5354) or e-mail at DLI.LaborStandards@state.mn.us or visit online at http://www.doli.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	670	588	594	733	741	1,474
Statutory Appropriations						
Miscellaneous Agency	18	17	22	15	15	30
Total	**688**	**605**	**616**	**748**	**756**	**1,504**
Expenditures by Category						
Operating Expenses	688	605	616	748	756	1,504
Total	**688**	**605**	**616**	**748**	**756**	**1,504**
Revenue by Type and Fund						
Non Dedicated						
General	11	150	137	38	38	76
Cambridge Deposit Fund	98	0	0	0	0	0
Subtotal Non Dedicated	109	150	137	38	38	76
Dedicated						
Miscellaneous Agency	8	12	15	15	15	30
Subtotal Dedicated	8	12	15	15	15	30
Total Revenue	**117**	**162**	**152**	**53**	**53**	**106**
Full-Time Equivalents (FTE)	**10.0**	**10.0**	**8.0**	**7.6**	**7.6**	

Activity Description

The Minnesota Occupational Safety and Health (MNOSHA) program's mission is to ensure every worker in Minnesota has a safe and healthy workplace, by establishing and enforcing safety and health standards in Minnesota workplaces. Because Minnesota has received approval from federal OSHA to administer its own occupational safety and health program, MNOSHA addresses the unique safety issues of Minnesota's industries and businesses. The program achieves its mission by conducting safety and health inspections and providing other services that are evaluated regularly by the federal OSHA program.

Activity at a Glance

- 2.6 million workers in Minnesota
- 156,000 private and public-sector employers
- 98% of Minnesota's workers are covered by MNOSHA
- $3,292,170 in penalties were assessed against employers in FFY 2001
- 9,351 telephone calls from customers were received in FFY 2001

Population Served

All public and private employers in Minnesota, except federal agencies and exclusive federal-jurisdiction properties, are covered under the MNOSHA program. Therefore, nearly all Minnesota workers are served by MNOSHA. Based on the current budget and staffing level, it would take more than 75 years for MNOSHA to inspect all employers within the state. Because of that, MNOSHA efforts are concentrated on inspections in high-hazard industries, employee complaints, and companies with high workers' compensation injury rates.

Services Provided

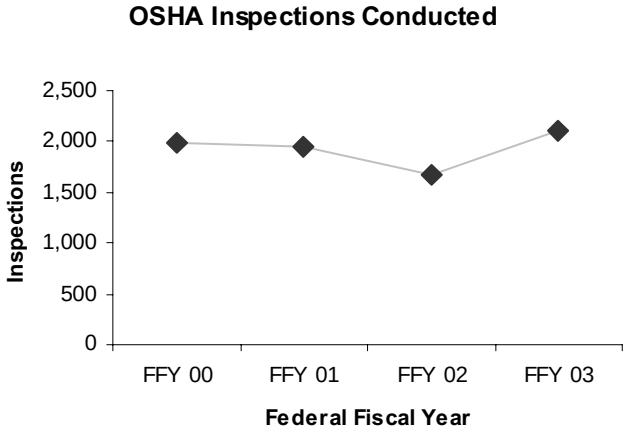
The MNOSHA compliance program serves its stakeholders by promoting safe and healthful working conditions for all Minnesota workers by:

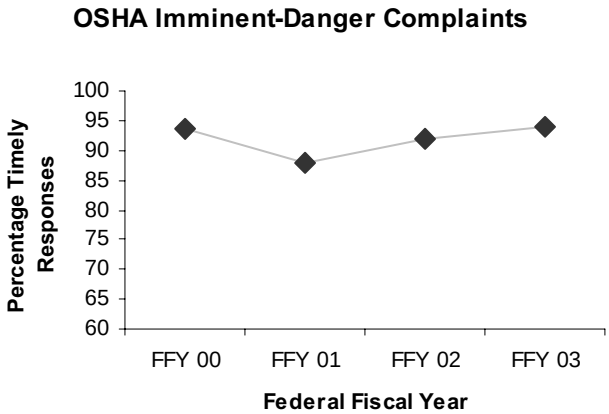
- establishing standards that are as least as effective as federal OSHA standards;
- conducting inspections that identify hazardous conditions;
- setting abatement dates for inspection violations to eliminate or control hazards;
- issuing citations and penalties to promote compliance;
- investigating workplace fatalities and serious accidents to prevent future recurrence;
- investigating complaints that employers have discriminated against employees for raising safety or health concerns;
- providing customer education and outreach through information, seminars, and technical assistance; and
- responding to employee complaints as required by federal OSHA.

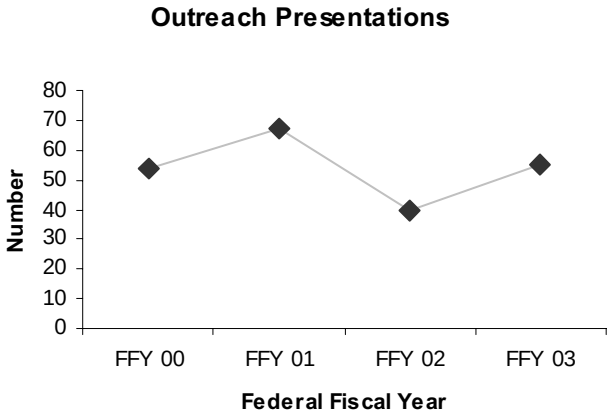
Historical Perspective

The MNOSHA program was established by the Minnesota Legislature with the passage of the Minnesota Occupational Safety and Health Act of 1973, created by M.S. 182. The program became effective 8-1-73. Final approval of Minnesota's state plan was obtained from federal OSHA on 7-30-85. The U.S. Department of Labor, Occupational Health and Safety Administration monitors the program's activities, progress, and expenditures monthly.

Key Measures





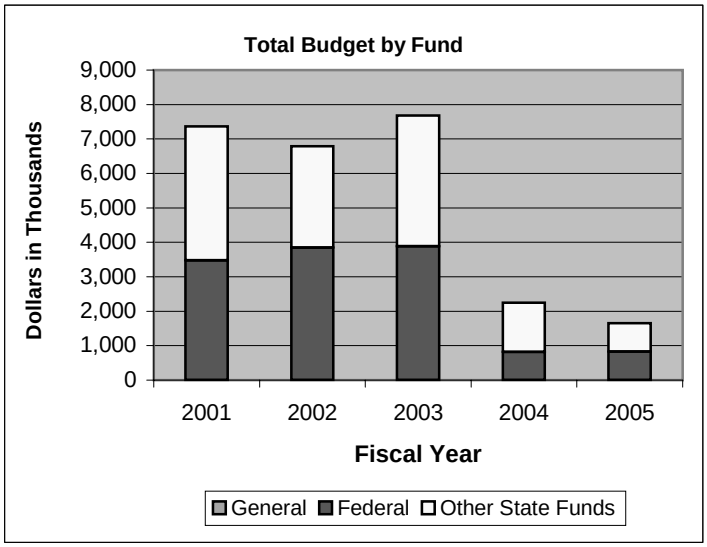


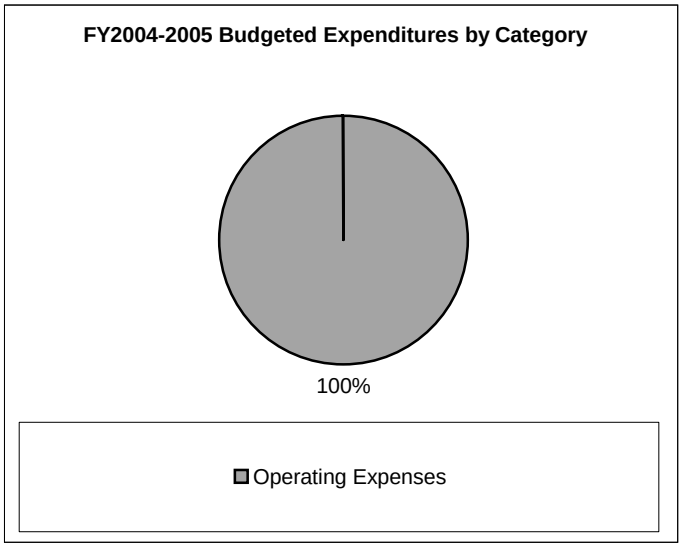
Activity Funding

MNOSHA is financed by a federal grant that is matched with an appropriation from the Workers' Compensation fund. The activity generates nondedicated revenue for the Workers' Compensation fund through penalties assessed on employers that are not in compliance with MNOSHA standards.

Contact

For more information, contact MSOSHA by phone at (651) 284-5050 or 1-800-DIAL-DLI (1-800-342-5354) or e-mail at OSHA.Compliance@state.mn.us or visit online at http://www.doli.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Workers Compensation	3,886	2,947	3,799	1,430	825	2,255
Statutory Appropriations						
Special Revenue	0	2	2	2	2	4
Federal	3,476	3,842	3,878	815	825	1,640
Total	**7,362**	**6,791**	**7,679**	**2,247**	**1,652**	**3,899**
Expenditures by Category						
Operating Expenses	7,362	6,791	7,679	2,247	1,652	3,899
Total	**7,362**	**6,791**	**7,679**	**2,247**	**1,652**	**3,899**
Revenue by Type and Fund						
Non Dedicated						
Workers Compensation	1,956	1,816	1,800	64	64	128
Subtotal Non Dedicated	1,956	1,816	1,800	64	64	128
Dedicated						
Special Revenue	0	2	2	2	2	4
Federal	3,479	3,840	3,877	815	825	1,640
Subtotal Dedicated	3,479	3,842	3,879	817	827	1,644
Total Revenue	**5,435**	**5,658**	**5,679**	**881**	**891**	**1,772**
Full-Time Equivalents (FTE)	**91.7**	**90.7**	**88.7**	**17.0**	**17.0**	

Activity Description

The Workplace Safety Consultation (WSC) unit provides a broad network of occupational safety and health services at no cost to small and medium sized high-hazard industries that request assistance to voluntarily comply with the Minnesota Occupational Safety and Health Act. This activity assists employers and employees to implement effective safety and health programs to prevent injuries and illnesses that may result from exposure to hazardous workplace conditions and work practices.

Population Served

Although efforts are targeted towards small and medium sized employers, all public and private employers in Minnesota, except federal agencies and exclusive federal-jurisdiction properties, are covered under the MNOSHA program. Therefore, nearly all Minnesota workers are served by WSC.

Activity at a Glance

- 2.6 million workers in Minnesota
- 156,000 private and public sector employers
- 98% of Minnesota workers are covered by Workplace Safety Consultation
- $2.7 million annual penalty savings for employers
- 455 annual outreach sessions and 13,500 participants
- 840 annual on-site consultation inspections
- 41% average lost-workday injury and illness rate reduction for MNSHARP partners
- 34% average lost-workday injury and illness rate reduction for MNSTAR partners
- 74,000 workers impacted by on-site consultation inspections

Services Provided

The WSC unit provides many services by

- assisting employers and employees to recognize hazards in the workplace;
- suggesting approaches or options for solving a safety or health problem;
- providing a timely written report of findings to the employer, including the posting of hazards;
- training and educating employers and employees through seminars and workshops at the employer's worksite and at other off-site locations throughout the state; and
- recommending employers and employees for partnership and recognition programs, such as MNSTAR and Minnesota Safety and Health Achievement Recognition Program (MNSHARP).

Other specific programs:

⇒ **Loggers' Safety Education Program** – The WSC administers M.S. 176.130 to ensure Minnesota loggers have the opportunity to obtain safety training. Funds are rebated to logger employers, through an assessment collected from the wood mills, upon completion of safety training by their employees.

⇒ **Labor Management Safety Committee Program** – This program emphasizes the labor-management safety committee structure through a joint effort with the Bureau of Mediation Services. This program reinforces the importance of labor-management cooperation in workplace safety issues and helps prevent workplace injuries.

⇒ **Safety Hazard Abatement Grant Program** – The Assigned Risk Safety Account was established to allow businesses to receive grants to assist in covering the cost of: 1) obtaining safety equipment; 2) operating and maintaining equipment; or 3) purchasing or renting real property to meet criteria established by on-site safety inspections.

⇒ **Workplace Violence Prevention Program** – This program helps employers and employees deal with the increasing incidence of violence in the workplace. The program develops common sense preventive measures and informs employers and employees about how to prevent violence and what to do when confronted with a violent situation.

⇒ **MNSHARP** – The MNSHARP provides incentives and support to smaller, high-hazard employers to work with their employees to develop, implement, and continuously improve the effectiveness of their workplace safety and health programs. The goal of the program is to reduce injury and illness rates below the national average for their industry.

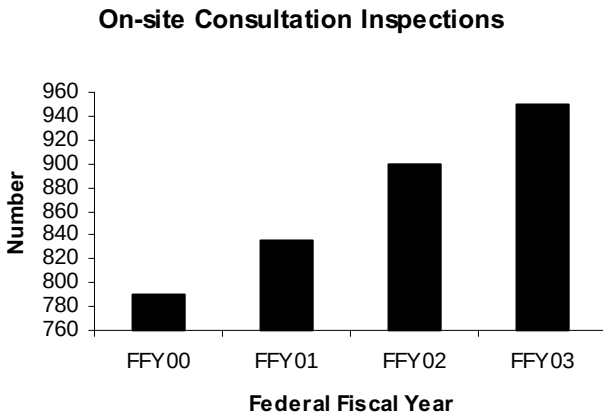
⇒ **MNSTAR** – MNSTAR is a voluntary protection program available to Minnesota employers. The program relies on the concept of self-assessment, by the requesting employers, following federal criteria. This

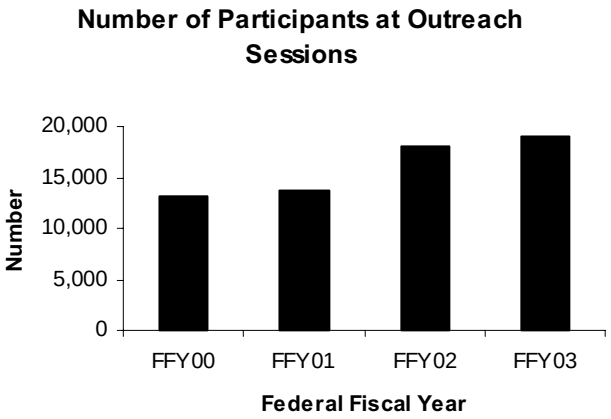
program affords the employer the opportunity to become involved in an effort to improve safety and health through cooperation among employees, management, and government.

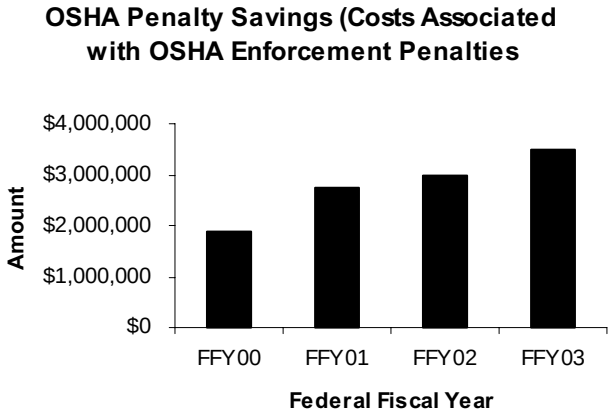
⇒ **Safety and Health Educational Outreach Program** – This program offers workshops to help educate employers and employees about workplace safety and health hazards, and the OSHA standards addressing them. Its aim is to assist employers in implementing and maintaining effective safety and health programs, with the goals of lowering injury and illness rates and reducing workplace injury costs.

Key Measures

WSC efforts in the area of safety and health have: 1) resulted in greater voluntary safety and health efforts and improved worker protection through non-adversarial means; 2) led to better allocations of OSHA resources by minimizing duplications of work between enforcement and consultation staff; and 3) enabled MNOSHA consultants to concentrate on workplaces and to assist employers in controlling or eliminating hazards, establishing effective safety and health programs, and reducing workers' compensation costs.





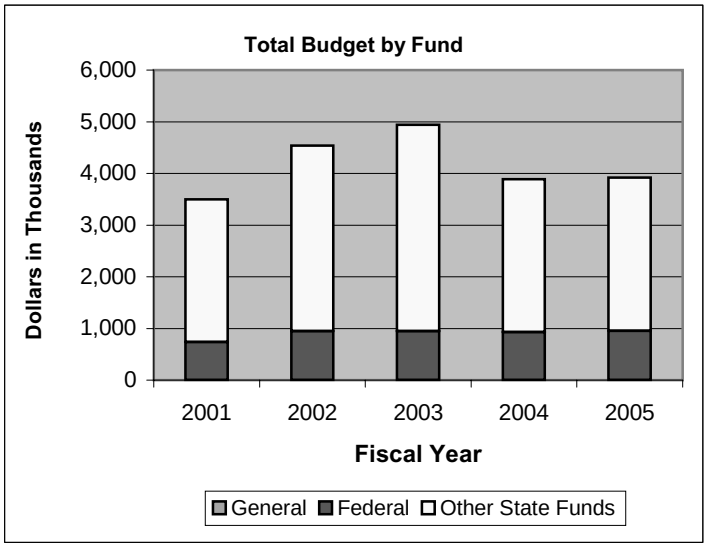


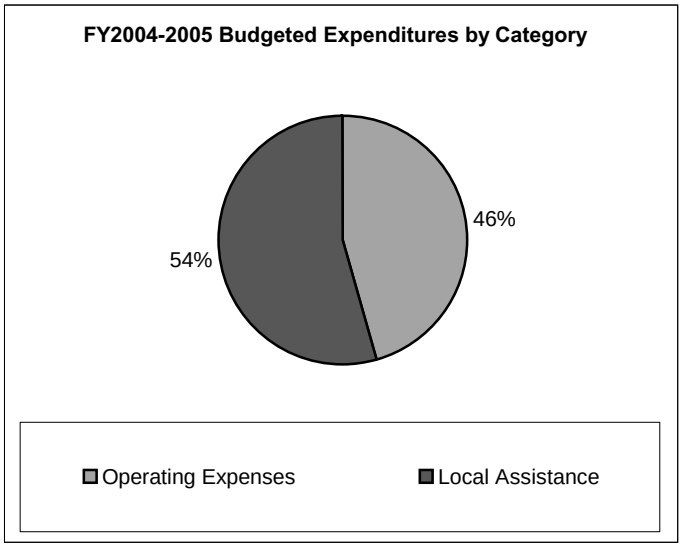
Activity Funding

WSC is financed by a federal grant that is matched with an appropriation from the Workers' Compensation fund. The unit also administers the funding appropriated from the Assigned Risk Safety Account in the Workers' Compensation fund for the Labor Management Safety Committee, Workplace Violence Prevention, and Safety Grant programs. The Loggers' Safety Education program is funded by an assessment paid by wood mills.

Contact

For more information contact Workplace Safety Consultation by phone at (651) 284-5060 or 1-800- DIAL-DLI (1-800-342-5354) or e-mail at OSHA.Consultation@state.mn.us or visit online at http://www.doli.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Workers Compensation	577	468	556	0	0	0
Statutory Appropriations						
Special Revenue	24	4	21	18	18	36
Federal	736	947	946	928	956	1,884
Workers Compensation	2,164	3,119	3,421	2,943	2,943	5,886
Total	**3,501**	**4,538**	**4,944**	**3,889**	**3,917**	**7,806**
Expenditures by Category						
Operating Expenses	1,699	1,741	1,926	1,766	1,797	3,563
Local Assistance	1,802	2,797	3,018	2,123	2,120	4,243
Total	**3,501**	**4,538**	**4,944**	**3,889**	**3,917**	**7,806**
Revenue by Type and Fund						
Dedicated						
Special Revenue	19	7	18	18	18	36
Federal	732	947	946	928	956	1,884
Workers Compensation	3,312	2,977	2,943	2,943	2,943	5,886
Subtotal Dedicated	4,063	3,931	3,907	3,889	3,917	7,806
Total Revenue	**4,063**	**3,931**	**3,907**	**3,889**	**3,917**	**7,806**
Full-Time Equivalents (FTE)	**19.3**	**19.3**	**18.3**	**17.0**	**17.0**	

Program Description

The General Support Division supports internal customers in six management areas: 1) research and statistics; 2) information technology development and support; 3) legal advice and litigation; 4) financial management; 5) communications; and 6) human resources.

Population Served

This division provides leadership to other agency activities serving workers and employers in Minnesota.

Services Provided

The *Research and Statistics* unit collects, analyzes, and reports workplace safety and workers' compensation data. It conducts surveys of employers to estimate work-related injury and illness incidence rates and develops information for policymaking.

Program at a Glance

- Provides support to 390 agency employees located in nine offices statewide
- Administers $157 million budget for FY 2003
- 98,522 Web site visitors in CY 2001
- Maintains federal survey response rate of 100%
- Conducts more than 30 research projects and responds to 180 requests for statistical data annually
- Represents the department in 84 cases involving uninsured employers annually

The *Information Technology Services* unit provides technology and telecommunications support to Department of Labor and Industry (DLI) operations. It manages and leads all computer systems development for DLI and systems shared with the Office of Administrative Hearings and the Workers' Compensation Court of Appeals.

The *Legal Services* unit serves DLI activities as in-house legal counsel, responding to requests for legal advice from agency staff in the performance of their duties. Legal advice requests include issues involving the administration of a state agency, data practices, workers' compensation, occupational safety and health, labor standards, prevailing wage, and high-pressure-piping and boiler code. The unit conducts rulemaking and provides specialized litigation services for matters involving the Special Compensation Fund, Compliance Services, and Occupational Safety and Health Act (OSHA) Compliance. The unit also provides assistance directly to the public, other government entities, and the legislature.

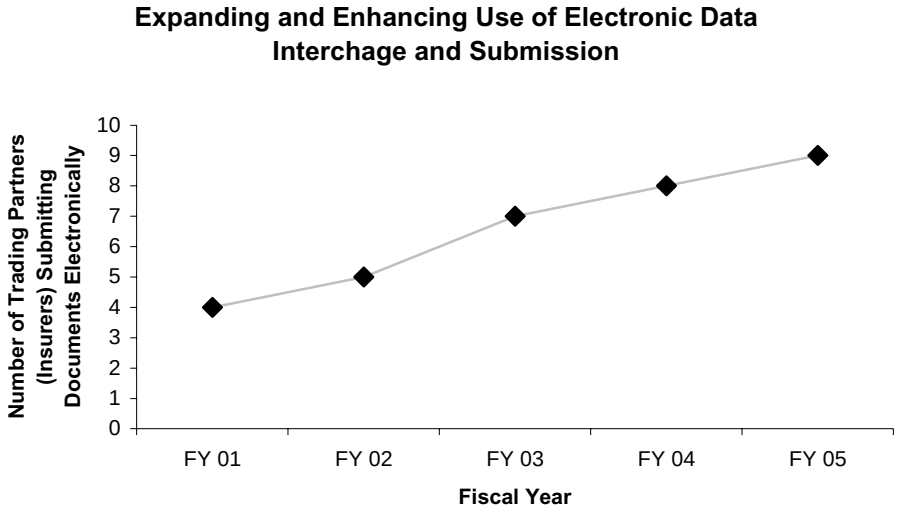
The *Financial Services* unit provides all aspects of agency financial management services, including budgeting, accounting, payroll, purchasing, and financial reporting.

The *Communications* unit manages DLI's communications program, including all internal and external publications, media relations, and Internet/intranet pages.

The *Human Resources* unit manages all labor relations, employee development, staffing, job classification, compensation and benefits, safety, and affirmative action functions.

Key Measures

⇒ Expanding and enhancing use of electronic data interchange and submission.



Program Funding

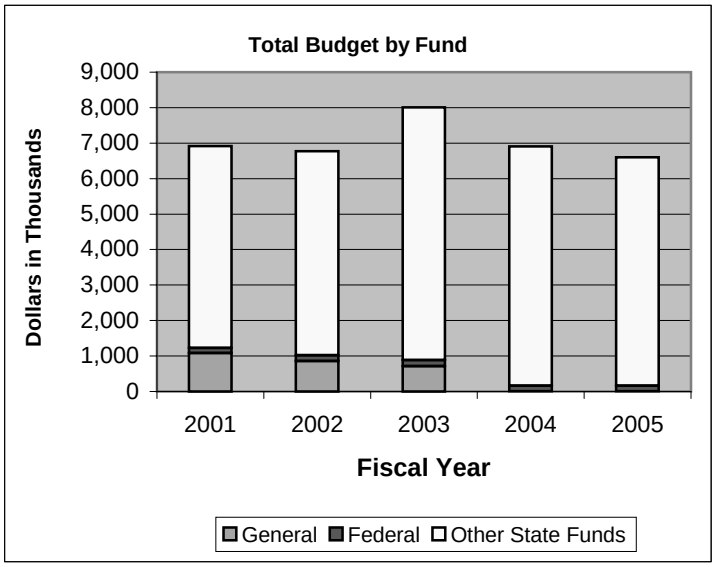
The program is financed by appropriations from the Workers' Compensation and General Funds, and indirect cost revenue recovered from the agency's federal programs. The program also administers two federal research grants from the Bureau of Labor Statistics.

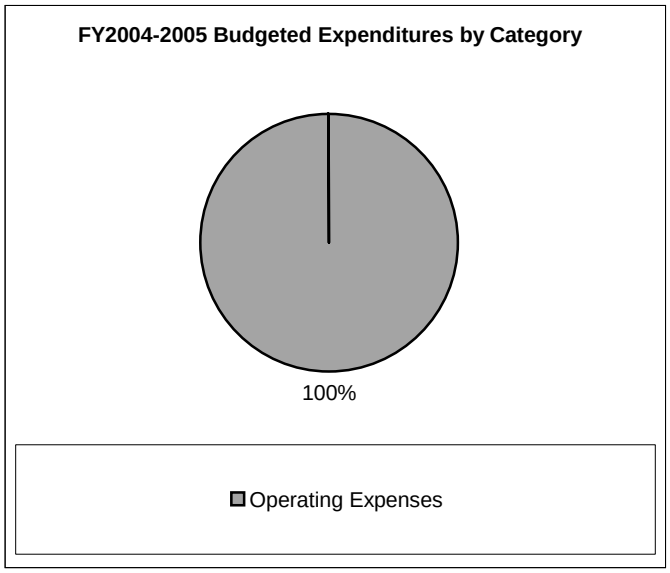
Contact

For more information, contact: James Honerman, Communications director, at (651) 284-5313.

More than a thousand visitors stop by the DLI web site (http://www.doli.state.mn.us) each day to learn more about Minnesota's employment laws, safety and health standards, work-related injuries, and worker training programs.

For information about department goals and results, visit the Minnesota Results web site at: http://www.departmentresults.state.mn.us/doli.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,079	859	710	0	0	0
Workers Compensation	5,139	4,997	6,041	5,592	5,287	10,879
Open Appropriations						
Workers Compensation	146	214	265	265	265	530
Statutory Appropriations						
Special Revenue	409	541	825	885	885	1,770
Federal	145	159	171	166	166	332
Total	**6,918**	**6,770**	**8,012**	**6,908**	**6,603**	**13,511**
Expenditures by Category						
Operating Expenses	6,918	6,770	8,012	6,908	6,603	13,511
Total	**6,918**	**6,770**	**8,012**	**6,908**	**6,603**	**13,511**
Expenditures by Activity						
General Support Division	6,918	6,770	8,012	6,908	6,603	13,511
Total	**6,918**	**6,770**	**8,012**	**6,908**	**6,603**	**13,511**
Revenue by Type and Fund						
Dedicated						
Special Revenue	546	580	755	885	885	1,770
Federal	143	162	166	166	166	332
Subtotal Dedicated	689	742	921	1,051	1,051	2,102
Total Revenue	**689**	**742**	**921**	**1,051**	**1,051**	**2,102**
Full-Time Equivalents (FTE)	**74.9**	**73.5**	**72.4**	**65.9**	**65.9**	

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February 18, 2003

The 2003 Minnesota State Legislature:

The Department of Labor and Industry (DLI) is pleased to submit the Governor's recommendation for its FY 2004-05 biennial budget. DLI's total budget is $211 million for the biennium. This budget reflects a $15 million and 24% reduction in operating costs from the current biennium.

The budget request allows DLI to continue to promote safe and productive work environments for Minnesota's diverse workplaces. The agency will continue activities designed to stimulate economic growth by ensuring that (1) workplaces are free from injury and illness; (2) workers injured on the job are provided medical treatment and benefits; (3) workers have the opportunity to receive critical skills through apprenticeship training; (4) boilers and high-pressure-piping systems are properly constructed and maintained; and (5) employers and workers have a clear understanding of their rights and responsibilities in the workplace.

Two significant areas of reform are included in DLI's budget. The first reform allows the apprenticeship unit to reduce dependence on state funds and become self-sufficient by implementing a new apprenticeship registration fee. This transfers the program's costs to those organizations that receive the benefit of apprenticeship training programs. This change will also make additional funding available to support Minnesota's increasing population of dislocated workers.

The second area of reform reflects turning the agency's private sector OSHA enforcement program back to the federal government. DLI will continue a smaller OSHA program directed towards public sector employers not covered by the federal OSHA regulations. The Workplace Safety Consultation unit will continue to support both private and public sector employers to encourage safe work environments.

DLI's operating costs have been reduced due to advancements in technology, operational efficiencies, and a declining workload. The agency also proposes reductions to grants that are not deemed critical to achieving the agency's core mission — to ensure a safe and a productive workplace.

The agency has attempted to minimize the impact of its reductions to its customers and stakeholders by taking a majority of these reductions in the administrative support areas. DLI can absorb these reductions and continue to provide its core services to the people of Minnesota.

Sincerely,

Jane Volz
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	6,318	213,636	219,954
Open Appr. Forecast Adj.	0	9,183	9,183
Transfers Between Agencies	0	-540	-540
Adjusted Base Funding	6,318	222,279	228,597
Change Items			
Agency Operating Reductions	-1,264	-14,942	-16,206
Apprenticeship Registration Fee	0	0	0
Grant Reductions	0	-1,474	-1,474
Governor's Recommendations	5,054	205,863	210,917
Biennial Change, 2002-03 to 2004-05	-1,148	-79,969	-81,117
Percent Change	-19%	-28%	-28%

Brief Explanation Of Budget Decisions:

The Department of Labor and Industry's open appropriation in the workers' compensation fund has been increased by $9,183,000 over the biennium to reflect projected benefit payments. This increase is primarily due to the completion of the Assigned Risk Plan (ARP) settlement project. The ARP settlement account's liquidation during FY 2003 will eliminate its interest earnings that had been dedicated to pay on-going benefits.

The base has been adjusted to transfer $440,000 over the biennium for the fraud section of the Investigative Services Unit to transfer to the Department of Commerce pursuant to the Laws of 2002, Chapter 331, Section 16.

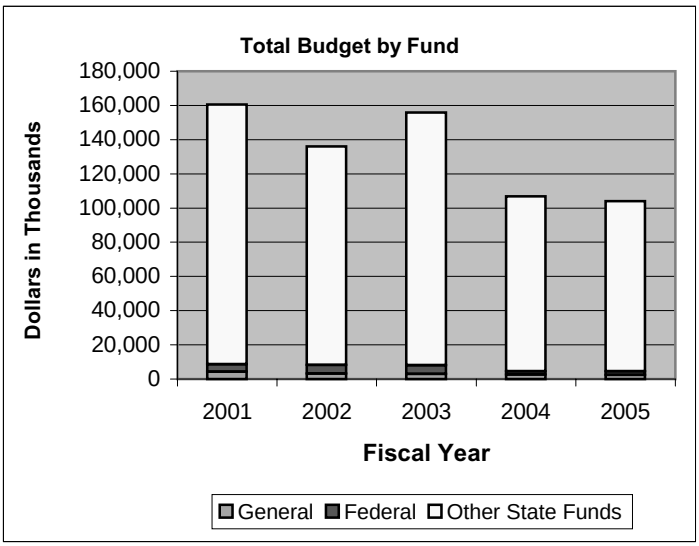
The base also reflects the transfer of $100,000 over the biennium to the Office of Administrative Hearings (OAH) for postage expenses. In FY 1998, the Judicial Services unit of DLI was transferred to OAH, however DLI continued to provide mailroom services to the unit located in St. Paul. During 2001, the St. Paul office was closed and all employees were moved to the OAH Minneapolis location. DLI has continued to reimburse OAH for their postage expenses related to the former St. Paul operation. This transfer will make these funds a permanent part of the OAH base appropriation.

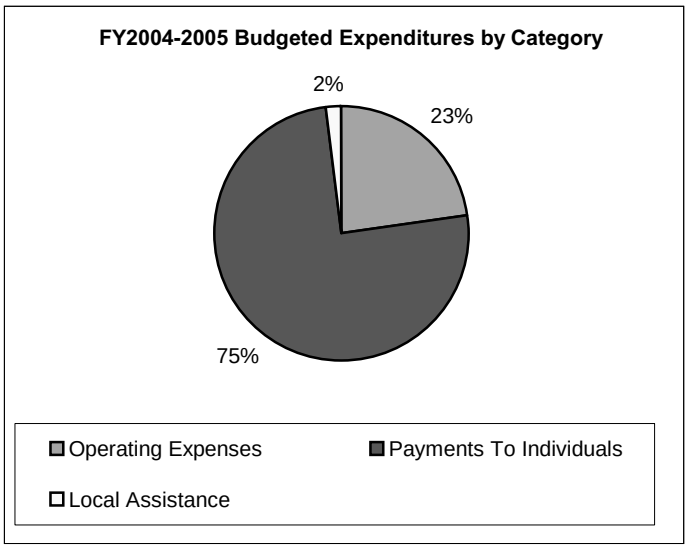
Revenue Summary:

Revenues are expected to decrease by $10,418,000 over the biennium from returning private sector OSHA inspection and enforcement to the federal government. This results in decreased federal revenue, OSHA penalty revenue, and federal indirect cost recoveries.

Revenues are expected to increase by $1,000,000 over the biennium with the implementation of a new Apprenticeship Registration fee.

	FY 2004-05 Revenues ($000s)		
	General Fund	Other Funds	Total
FY 2004-05 Current Law Revenues	4,636	44,614	249,250
Change Items			
Agency Operating Reductions	0	(10,418)	(10,418)
Apprenticeship Registration Fee	0	1,000	1,000
FY 2004-05 Total Revenues	4,636	235,196	239,832
Biennial Change 2002-03 to 2004-05	(327)	(5,602)	(5,929)
Percent Change	(7%)	(2%)	(2%)





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,256	3,206	2,996	2,560	2,494	5,054
Workforce Development	832	739	955	0	0	0
Workers Compensation	21,471	19,324	23,256	17,390	16,480	33,870
Open Appropriations						
Workers Compensation	90,823	72,915	74,809	80,268	78,533	158,801
Statutory Appropriations						
Special Revenue	469	583	893	1,443	1,443	2,886
Federal	4,394	4,979	5,033	1,946	1,984	3,930
Workers Compensation	38,201	34,356	47,951	3,173	3,173	6,346
Miscellaneous Agency	18	17	22	15	15	30
Total	**160,464**	**136,119**	**155,915**	**106,795**	**104,122**	**210,917**

Expenditures by Category						
Operating Expenses	31,857	29,425	33,724	24,501	23,566	48,067
Payments To Individuals	126,476	103,575	118,844	80,171	78,436	158,607
Local Assistance	2,131	3,119	3,347	2,123	2,120	4,243
Total	**160,464**	**136,119**	**155,915**	**106,795**	**104,122**	**210,917**

Expenditures by Program						
Workers Compensation Division	138,379	114,627	131,529	90,484	88,749	179,233
Workplace Services Division	15,167	14,722	16,374	9,403	8,770	18,173
General Support Division	6,918	6,770	8,012	6,908	6,603	13,511
Total	**160,464**	**136,119**	**155,915**	**106,795**	**104,122**	**210,917**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	11	2,546	2,417	2,318	2,318	4,636
Cambridge Deposit Fund	2,140	0	0	0	0	0
Workers Compensation	91,471	79,617	125,788	110,152	111,852	222,004
Subtotal Non Dedicated	93,622	82,163	128,205	112,470	114,170	226,640
Dedicated						
Special Revenue	608	627	813	1,443	1,443	2,886
Federal	4,391	4,980	5,026	1,946	1,984	3,930
Workers Compensation	347,129	13,747	10,173	3,173	3,173	6,346
Miscellaneous Agency	8	12	15	15	15	30
Subtotal Dedicated	352,136	19,366	16,027	6,577	6,615	13,192
Total Revenue	**445,758**	**101,529**	**144,232**	**119,047**	**120,785**	**239,832**
Full-Time Equivalents (FTE)	**406.9**	**389.5**	**374.8**	**266.1**	**265.6**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($599)	($665)	($665)	($665)
Revenues				
Workforce Development Fund				
Expenditures	(204)	(204)	(204)	(204)
Revenues				
Federal Fund				
Expenditures	(3,119)	(3,227)	(3,227)	(3,227)
Revenues	(3,119)	(3,227)	(3,227)	(3,227)
Special Revenue Fund				
Expenditures	(300)	(300)	(300)	(300)
Revenues	(300)	(300)	(300)	(300)
Workers' Compensation Fund				
Expenditures	(3,339)	(4,249)	(4,249)	(4,249)
Revenues	(1,736)	(1,736)	(1,736)	(1,736)
Net Fiscal Impact	($2,406)	($3,382)	($3,382)	($3,382)

Recommendation

The Governor recommends reducing the operating expenditures of the agency by $7,561,000 in FY 2004 and $8,645,000 in FY 2005. These reductions have been designed to minimize the impact to the agency's core services.

Background

The Department of Labor and Industry (DLI) administers laws related to employment, workplace safety and workers' compensation through the following core functions:

- provide training and outreach;
- conduct inspections, audits and investigations;
- review workers' compensation claims and oversee the provision of benefits;
- provide informal dispute resolution services;
- provide vocational rehabilitation services;
- issue penalties for violations of the law;
- issue professional licenses and certifications; and
- register apprenticeship programs.

The agency will implement reductions across all programs to achieve the above targets.

The Workers' Compensation division's expenditures from the Workers' Compensation Fund will be reduced by $2,086,000 and 17.7 FTE over the biennium. Advancements in technology, operational efficiencies, and a declining workload will allow the agency to absorb these reductions and allow core services to continue with minimal impact to stakeholders.

The Workplace Services division's expenditures from the Workers' Compensation Fund, Federal Fund, General Fund, and Workforce Development fund will be reduced by $12,657,000 and 86 FTE over the biennium. The most significant element of reform is returning all private sector OSHA inspection and enforcement authority to the federal government. Minnesota will retain a smaller unit to enforce OSHA regulations for public sector employers who are not covered under federal OSHA regulations. Other units of this division will have reductions primarily in the areas of administrative support and by eliminating non-essential services, while ensuring that core functions continue to be provided.

The General Support division's expenditures from the Workers' Compensation Fund, General Fund, and Special Revenue Fund will be reduced by $1,463,000 and 12.8 FTE over the biennium. These reductions reflect a

reduced administrative activity supporting a smaller agency. The agency is exploring the further use of technology and other operational efficiencies to minimize the impact of these reductions to its customers and streamline the agency's services.

Relationship to Base Budget

This change represents a 25% reduction to the agency's operating budget.

Statutory Change: M.S. 182 (OSHA)

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
Workforce Development Fund				
Expenditures	($500)	($500)	($500)	($500)
Revenues	0	0	0	0
Special Revenue Fund				
Expenditures	500	500	500	500
Revenues	500	500	500	500
Net Fiscal Impact	($500)	($500)	($500)	($500)

Recommendation
The Governor recommends implementing a new apprenticeship registration fee to recover the cost of maintaining the Apprenticeship unit. This change will eliminate the appropriation from the Workforce Development fund of $500,000 in FY 2004 and FY 2005 and allow the Apprenticeship unit to continue its core services.

Background
The Apprenticeship program was established to promote, develop, approve, and monitor quality registered apprenticeship training programs in Minnesota workplaces. Since 1939, registered apprenticeship has assisted both labor and industry to develop skilled workers through apprenticeship training. The primary activity of the unit is to provide support services to apprenticeship sponsors, joint apprenticeship committees, employers, and apprentices.

Through FY 1999, the unit was financed from the General Fund. Beginning in FY 2000, its funding source was changed to the Workforce Development fund. This funding change has resulted in fewer dollars available for providing financial assistance to dislocated workers.

Under this proposal, the Apprenticeship unit will become self-sufficient by implementing a new apprenticeship registration fee. Apprenticeship sponsors will pay an annual fee for each apprentice registered with the agency. The money will be deposited to a special revenue fund and appropriated to DLI to fund the operating costs of the Apprenticeship unit. DLI proposes the new registration fee to be established at $50 per apprentice for an estimated 10,000 apprentices.

The implementation of this change item will allow the Apprenticeship unit to continue to provide its core services of approving new apprenticeship agreements and registering apprentices. It will also make additional funding available to support Minnesota's increasing population of dislocated workers.

Relationship to Base Budget
The new fee will recover 100% of the costs of the Apprenticeship unit.

Statutory Change: A new section would be added to M.S. 178 to implement the fee.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
Workers Compensation Fund				
Expenditures	($533)	($533)	($533)	($533)
Revenues	0	0	0	0
Workforce Development Fund				
Expenditures	(204)	(204)	(204)	(204)
Revenues	0	0	0	0
Net Fiscal Impact	($737)	($737)	($737)	($737)

Recommendation

The Governor recommends eliminating the Labor Education and Advancement Program (LEAP) grants and a grant to the Vinland Employment Program, and reducing the amount of safety grants awarded in FY 2004 and FY 2005 to help resolve the state's projected budget deficit.

Background

Labor Education and Advancement Program (LEAP)

The federal LEAP program was established in 1967 to promote equal employment in apprenticeship for women and minorities. Minnesota community-based organizations began to receive federal LEAP funds in 1969. By 1981, the federal government eliminated funding for this program. At that time, funding to the community-based organizations was replaced by the state through the General fund. Beginning in FY 2000, the funding for this program was changed to the Workforce Development fund. Grants awarded in FY 2003 include:

Minneapolis Urban League	$ 97,645
St. Paul Urban League	$ 66,726
Anishinabe Council of Job Developers	$ 39,629
	$204,000

Only 37% of the apprenticeship placements funded by these grants resulted in placements in registered apprenticeship programs. During FY 2002, only 64 individuals were placed in apprenticeship programs at a cost of $3,188 per placement.

Under this proposal, the LEAP grants would be eliminated and the resources redirected to providing assistance to Minnesota's growing population of dislocated workers.

Vinland Employment Program

The Vinland Employment Program was developed in 1988 to address multiple barriers to employment. It was designed for people whose obstacles to greater independence and self-sufficiency include a self-defeating attitude, poor motivation and dysfunctional lifestyle habits, as well as physical, mental, emotional and/or cognitive work injuries or disabilities.

The Vinland program had received a $100,000 grant from the General Fund from 1988 through 1997. Beginning in 1998, this grant was increased to $125,000 per year and the funding was changed to the Workers' Compensation fund. This shifted the financial burden of this activity to employers and workers' compensation insurers.

The Department of Labor and Industry's (DLI's) Vocational Rehabilitation Unit (VRU) has only utilized a small portion of the services provided by Vinland under this grant. Referrals of DLI clients averaged approximately four each year. The remaining 15 clients served by Vinland under this grant are referred by other governmental and private entities.

Under this proposal, the VRU will continue to refer its clients to the Vinland Employment Program and pay for its services under a professional/technical contract from existing case services funds. The cost to VRU is estimated at $30,000 each fiscal year. The other entities currently using the services of Vinland include the Department of

Economic Security, Hennepin County, and private insurers. These entities would now be required to pay Vinland directly for the use of their services.

Safety Grants
The Assigned Risk Safety Account was established in 1992 by M.S. 79.253. The account is funded by workers' compensation penalties assessed against insurers and employers. The funds were originally appropriated to DLI to provide grants to employers to purchase and install safety equipment designed to reduce the risk of injury to employees. Grants of up to $10,000 are awarded to employers, which require a 100% matching contribution.

In 1997, the statute was amended to allow the use of this account to establish and promote workplace safety and health programs. Some special emphasis programs in the Workplace Safety Consultation unit have been funded from this account including Labor Management Safety Committees and Violence Prevention. During the early years of this account, revenues ranged from $230,000 to $1 million. These revenues have increased to more than $2 million in recent years.

Under this proposal, DLI would reduce its direct appropriation for the Workplace Safety Consultation unit and begin to fund the unit from the dedicated receipts in this account. These funds would then be used as match to the federal OSHA Consultation grant. After adding the Workplace Safety Consultation unit to the other special emphasis programs funded from this account, there would still be more than $1 million each year available to be awarded as safety grants.

Relationship to Base Budget
This change represents 100% of the funding of the LEAP and Vinland grants, and 24% of the safety grants.

Key Measures
This change may result in a slight decline in the participation of women and minorities in registered apprenticeship programs. However, community-based organizations are encouraged to continue to refer their clients into apprenticeship opportunities.

Statutory Change: M.S. 178.11 (LEAP)

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
OSHA Compliance	3,521	SO	3,840	3,877	815	825
OSHA Consultation	575	SO	947	946	928	956
Bureau of Labor Statistics	116	SO	113	124	124	124
OSHA Survey	-0-	SO	49	42	42	42
Veteran's Administration - Apprenticeship	-0-	SO	31	37	37	37
Agency Total	4,212		4,980	5,026	1,946	1,984

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

The OSHA Compliance and OSHA Consultation grants are essential to continue the downward trend in occupational fatalities, injuries, and illnesses, and thereby reduce the suffering of workers and families and contain workers' compensation costs. The Bureau of Labor Statistics and OSHA Survey grants provide funding necessary to conduct surveys to collect, analyze, and report data on workplace injuries. The Veteran's Administration – Apprenticeship grant provides funding necessary to review and approve eligible veteran apprenticeship and on-the-job training programs.

Federal funding contributes to 3% of the agency's operations. Federal funds received through the OSHA Compliance and Bureau of Labor Statistics programs require matching state funds of 50%. The OSHA Consultation program requires matching state funds of 10%. The required state match is provided by a direct appropriation from the Workers' Compensation Fund. The OSHA Survey and Veteran's Administration – Apprenticeship programs are 100% federally funded.

Program Name Federal or State or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted FY 2003	Most Recent Federal Award (cite year)
Safety Hazard Abatement (State) M.S. 79.253	To make grants or loans to employers for the cost of implementing safety recommendations.	Employers	$2,200,000	N/A
Labor Education and Advancement Program (State) M.S. 178.11	To facilitate the participation of women and minorities in apprenticeship trades and occupations.	Community-based organizations	$204,000	N/A
Vinland Center (State) Laws of 2001, 1st Special Session, Chapter 4, Article 1, Section 12, Subd 2	To provide specialized rehabilitation services for injured and disabled workers	Vinland Center	$125,000	N/A

Agency Purpose

The purpose of the combining the Department of Trade and Economic Development and the Department of Economic Security is to make Minnesota the nation's preeminent economic destination for both workers and businesses. While each of these organizations brings its own history and statutes (M.S. 268, 268A, 248; and M.S. 116J *et. al.*), there are at least three common objectives for the merged agency:

- help the private sector generate/fill high-quality jobs;
- stimulate workforce skills and training; and
- help Minnesotans and Minnesota companies compete in the global economy

Core Functions

As the state's economic development and workforce development agency, DTED strives to achieve its goals through:

- technical and financial support, including export assistance, to businesses and communities;
- benefit payment, training, and employment services to workers; and
- local, national, and international promotion of Minnesota as a great place to live, visit and do business.

Marketing activities, research, performance measurement, and partnerships with a variety of federal, state, and local organizations are central to all of these functions.

Operations

The department's diverse program and service activities serve the state's businesses, communities, and workers. The major units of the agency, listed as programs in this budget narrative, are as follows:

Business and Community Development facilitates quality job creation and retention through technical, financial and training services to communities, businesses and economic development professionals.

The **Minnesota Trade Office** offers a variety of export education and technical assistance services to help Minnesota businesses expand foreign sales and to encourage investment in Minnesota by foreign firms.

The **Minnesota Office of Tourism** markets Minnesota as a travel destination; promotes coverage of Minnesota in travel trade media; and initiates, develops and coordinates activity with travel industry buyers and sellers.

Workforce Development Services provides loans and grants to assist Minnesota businesses with their education and training needs, and provides employment and training services to Minnesota's workers and businesses.

At A Glance

Operating Environment

Although DTED's operating environment is fundamentally strong, it does include important challenges that impact department programs and services.

- Minnesota received straight A's from the Corporation for Enterprise Development reflecting great conditions for business investment.
- Weak economic conditions over the past two years has dampened business expansion and increased demand for training and employment services.
- After relatively slow growth through the 1990s, manufactured exports have outpaced the nation since 2000.
- The Unemployment Insurance (UI) Trust Fund is projected to begin borrowing from the federal government during 2003's first quarter.

Performance

The parent agencies made important progress in 2001 and 2002 in strengthening Minnesota's position as a global competitor.

- Assisted 183 business expansion projects that will add more than 8,500 jobs and millions of dollars to the local property tax base;
- Placed 84 percent of dislocated workers into new jobs, at an average of 96 percent of their previous wage;
- Invested more than $380 million in community infrastructure;
- Placed two-thirds of participants in public workforce development programs into jobs that they held for at least three months, at an average hourly wage of $11.40 in 2001;
- Influenced an estimated $115 million in travel expenditures in 2001 via targeted advertising; and
- Achieved strong customer satisfaction index ratings from both jobseekers and employers using the WorkForce Center System.

Workforce Wage Services provides economic relief to individual Minnesotans, as well as economic stimulus to the State, through the payment of Unemployment Insurance (UI) benefits, and determines disability status for adults and children claiming Social Security Disability Insurance benefits. (Disability Determination Services are expected to transfer to the Department of Labor and Industry on July 1, 2003.)

Workforce Rehabilitation Services supports Minnesotans with disabilities with employment and training services, as well as help with wider independent living concerns.

State Services for the Blind assists blind and visually impaired Minnesotans with employment and training services, as well as help with wider self-sufficiency concerns.

The department also has administrative support teams that provide centralized communications, public relations, research and analysis, performance measures, fiscal, human resources, and information systems services.

Budget

For the FY 2002–03 biennium, the combined agencies manage nearly $1.1 billion in combined state, federal, and other funds. (In addition, DTED controls a $230 million appropriation from the Public Facilities Authority. Also, hundreds of millions of dollars annually in Unemployment Insurance Trust Fund transactions and disability benefit payments are outside of the State's accounting system.)

Of the total, $599 million (56 percent) has a federal source, while only $139 million (13 percent) comes from the State General Fund. The rest is from a variety of specially designated funds (such as the Dislocated Worker Program out of the Workforce Development Fund), or gifts for special purposes (such as the Communication Center for State Services for the Blind). $468 million (44 percent) of this biennial figure is local assistance to cities, counties, nonprofit organizations, and partnerships of those entities.

For FY 2003, the combined FTEs for this Department total 1936.

Note that Energy programs were moved from MDES in October 2001 to the Department of Commerce, and so would not be reflected here in future biennia.

Special Circumstances

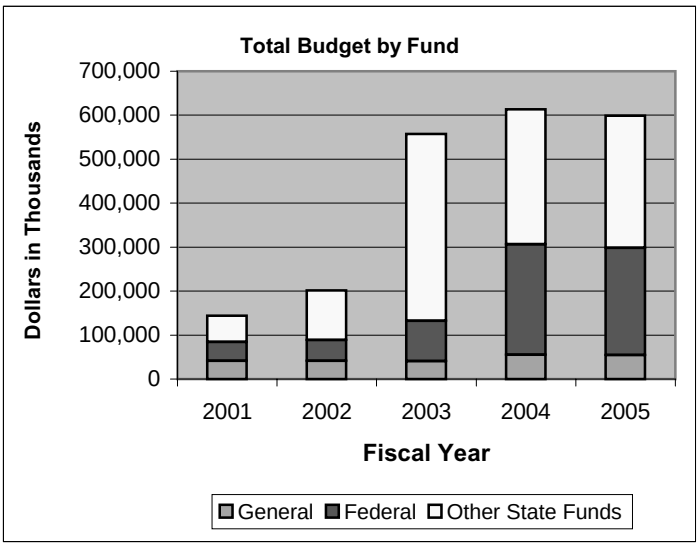
Note that due to the imminent merger creating this agency, some of the details of this narrative may become outdated more rapidly than normal. Assumptions guiding this narrative are that the Disability Determination Services will move to the Department of Labor and Industry, and that all other portions of MDES and DTED will be combined. Please use the contact information below to get the most recent updates on the status of the merger and its implications for programs and budgets.

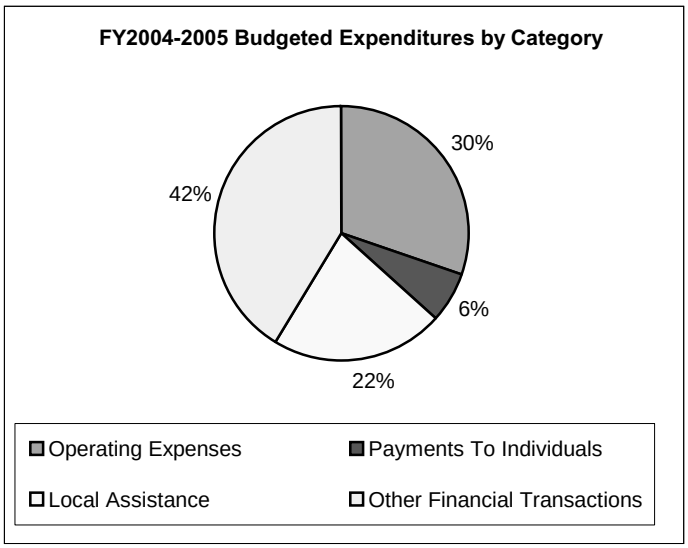
Contact

Commissioner Matt Kramer
Phone: (651) 296-6424
For additional information, contact Anthony Alongi at (651) 282-5185, anthony.alongi@state.mn.us or Elaine Bliss at (651) 296-3373, elaine.bliss@state.mn.us

DTED web site: www.dted.state.mn.us
MDES web site: www.mnwfc.org

Performance results for both parent agencies can be found at http://departmentresults.state.mn.us





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Carry Forward						
Special Revenue	0	0	0	117	0	117
Direct Appropriations						
Environment & Natural Resource	62	0	15	0	0	0
General	41,250	37,877	40,730	54,695	54,295	108,990
Petroleum Tank Release Cleanup	0	0	1,000	0	0	0
Special Revenue	190	39	100	0	0	0
Workforce Development	0	0	0	7,720	7,720	15,440
Trunk Highway	3	0	0	0	0	0
Federal Tanf	0	774	6,476	0	0	0
Environmental	700	700	700	700	700	1,400
Open Appropriations						
General	246	248	250	250	250	500
Statutory Appropriations						
Public Facilities Authority	532	620	230,228	180,411	181,251	361,662
Drinking Water Revolving Fund	0	958	78,171	39,576	39,576	79,152
General	0	3,401	3	0	0	0
Petroleum Tank Release Cleanup	6,194	6,188	6,218	6,200	6,200	12,400
Special Revenue	6,606	16,187	21,461	23,481	26,786	50,267
Workforce Development	44,940	46,078	42,455	28,755	22,372	51,127
Transportation Revolving Fund	813	41,956	44,361	18,351	14,907	33,258
Federal	42,635	46,784	85,076	46,564	42,630	89,194
Mdes Federal	0	0	0	205,009	201,311	406,320
Gift	0	5	11	1,435	508	1,943
Total	**144,171**	**201,815**	**557,255**	**613,264**	**598,506**	**1,211,770**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Category	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Operating Expenses	26,050	23,879	29,891	184,106	184,073	368,179
Capital Outlay & Real Property	8	0	0	0	0	0
Payments To Individuals	0	0	0	38,859	38,879	77,738
Local Assistance	113,319	126,120	161,258	136,663	126,961	263,624
Other Financial Transactions	4,794	51,816	366,106	253,636	248,593	502,229
Total	**144,171**	**201,815**	**557,255**	**613,264**	**598,506**	**1,211,770**
Expenditures by Program						
Business & Community Developmt	67,441	115,581	456,453	300,329	295,726	596,055
Mn Trade Office	3,248	2,962	2,571	2,365	2,365	4,730
Tourism	11,929	11,171	12,436	9,937	9,930	19,867
Workforce Development	55,972	67,209	80,366	53,080	43,897	96,977
Workforce Services	0	0	0	73,431	72,418	145,849
Workforce Rehabilitation Svcs	0	0	0	59,649	60,352	120,001
Workforce Svcs For The Blind	0	0	0	14,553	13,698	28,251
Workforce Wage Assistance	0	0	0	63,512	64,155	127,667
Administration	5,581	4,892	5,429	36,408	35,965	72,373
Total	**144,171**	**201,815**	**557,255**	**613,264**	**598,506**	**1,211,770**
Revenue by Type and Fund						
Non Dedicated						
General	2,472	2,048	1,551	1,606	1,561	3,167
Petroleum Tank Release Cleanup	108	100	75	75	75	150
Subtotal Non Dedicated	2,580	2,148	1,626	1,681	1,636	3,317
Dedicated						
Public Facilities Authority	1,096	1,185	207,403	181,044	181,044	362,088
Drinking Water Revolving Fund	72	1,086	69,734	39,734	39,734	79,468
General	45	3,431	363	486	486	972
Special Revenue	8,538	6,535	5,170	14,906	14,890	29,796
Workforce Development	35,913	28,345	27,750	28,700	30,000	58,700
Transportation Revolving Fund	15,288	24,374	7,690	15,937	15,049	30,986
Federal	42,624	47,282	84,578	46,564	42,630	89,194
Mdes Federal	0	0	0	205,009	201,311	406,320
Gift	0	0	0	1,075	532	1,607
Subtotal Dedicated	103,576	112,238	402,688	533,455	525,676	1,059,131
Total Revenue	**106,156**	**114,386**	**404,314**	**535,136**	**527,312**	**1,062,448**
Full-Time Equivalents (FTE)	**231.1**	**215.8**	**210.6**	**1,898.4**	**1,889.4**	

Program Description

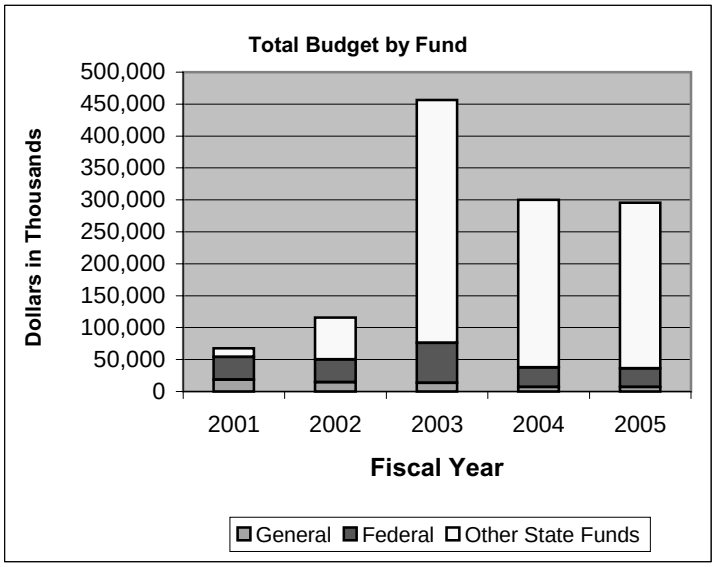
The Business and Community Development Division (BCD) provides technical and financial assistance to Minnesota businesses and communities, often in partnership with local, regional, state or federal agencies, for the purpose of facilitating economic prosperity through quality job creation and retention.

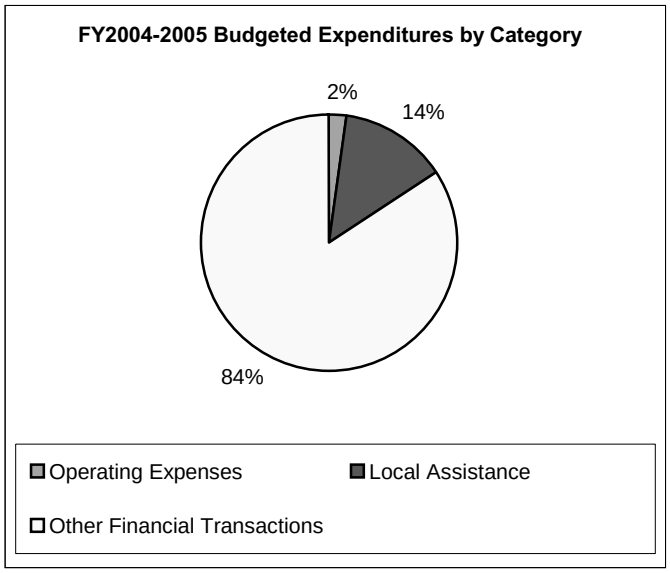
Budget Activities Included:

⇒ Small Business Assistance
⇒ Marketing and Business Development
⇒ Business Finance
⇒ Community Finance
⇒ Business and Community Development Support

Program Funding

This program is funded by a mix of funds: petro tank release cleanup (3.5%), public facilities authority (26.7%), transportation revolving fund (23.3%), drinking water revolving fund (1.2%), environmental (0.4%), federal (27.7%), general (7.0%), and special revenue (10.2%).





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Carry Forward						
Special Revenue	0	0	0	117	0	117
Direct Appropriations						
General	18,531	10,986	13,329	6,949	6,944	13,893
Petroleum Tank Release Cleanup	0	0	1,000	0	0	0
Special Revenue	87	39	100	0	0	0
Environmental	700	700	700	700	700	1,400
Open Appropriations						
General	246	248	250	250	250	500
Statutory Appropriations						
Public Facilities Authority	532	620	230,228	180,411	181,251	361,662
Drinking Water Revolving Fund	0	958	78,171	39,576	39,576	79,152
General	0	3,401	3	0	0	0
Petroleum Tank Release Cleanup	6,194	6,188	6,218	6,200	6,200	12,400
Special Revenue	4,925	14,065	19,455	17,626	16,883	34,509
Workforce Development	0	862	265	0	0	0
Transportation Revolving Fund	813	41,956	44,361	18,351	14,907	33,258
Federal	35,413	35,558	62,362	30,149	29,015	59,164
Gift	0	0	11	0	0	0
Total	**67,441**	**115,581**	**456,453**	**300,329**	**295,726**	**596,055**

Expenditures by Category						
Operating Expenses	5,496	5,098	7,276	6,156	6,704	12,860
Local Assistance	57,298	58,884	83,071	40,537	40,429	80,966
Other Financial Transactions	4,647	51,599	366,106	253,636	248,593	502,229
Total	**67,441**	**115,581**	**456,453**	**300,329**	**295,726**	**596,055**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Activity	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Business Finance	10,078	19,801	26,787	20,237	19,377	39,614
Marketing & Business Dev	4,665	1,884	1,857	1,492	1,492	2,984
Community Finance	50,678	91,284	425,566	275,490	271,752	547,242
Small Business Assist Off	1,676	2,406	1,888	2,854	2,853	5,707
Bcd Support Services	344	206	355	256	252	508
Total	**67,441**	**115,581**	**456,453**	**300,329**	**295,726**	**596,055**
Revenue by Type and Fund						
Non Dedicated						
General	2,465	2,009	1,551	1,606	1,561	3,167
Petroleum Tank Release Cleanup	108	100	75	75	75	150
Subtotal Non Dedicated	2,573	2,109	1,626	1,681	1,636	3,317
Dedicated						
Public Facilities Authority	1,096	1,185	207,403	181,044	181,044	362,088
Drinking Water Revolving Fund	72	1,086	69,734	39,734	39,734	79,468
General	40	3,402	2	0	0	0
Special Revenue	6,724	4,534	3,229	2,467	2,446	4,913
Transportation Revolving Fund	15,288	24,374	7,690	15,937	15,049	30,986
Federal	35,402	35,573	62,347	30,149	29,015	59,164
Subtotal Dedicated	58,622	70,154	350,405	269,331	267,288	536,619
Total Revenue	**61,195**	**72,263**	**352,031**	**271,012**	**268,924**	**539,936**
Full-Time Equivalents (FTE)	**60.7**	**56.6**	**57.0**	**53.6**	**53.6**	

Activity Description

Business Finance supports business development and expansion through a variety of finance programs. Financing activities are aimed at assisting in the creation of high-quality jobs, through statewide programs as well as through targeted programs aimed at serving a specific business financing need. In addition to the job creation goals, these programs are created to leverage private investment, increase the tax base, and enhance business development projects.

Population Served

The financing programs of this division are delivered directly to businesses and communities, or in partnership with economic development service providers, utilities, banks, local governments, and others with a focus on facilitating high-quality job creation and retention.

Activity at a Glance

Business Finance promotes business investment through a variety of financial assistance. The largest program, in terms of both activity and funding (state and federal), is the Minnesota Investment Fund (MIF).

During FY 2001 and FY 2002, MIF

- funded 60 business expansion projects;
- facilitated the expected creation of nearly 3,000 jobs paying an average wage of $13.40 per hour; and
- leveraged more than $200 million in private investment.

Services Provided

Minnesota Investment Fund (M.S. 116J.8731)
The purpose of this program is to help local units of government improve and strengthen their business and economic base by providing financing for business expansions and relocations.

Agricultural and Economic Development Program (M.S. 41A.022)
The Agricultural and Economic Development Board makes direct loans through guarantees and issues tax-exempt revenue bonds for business expansion.

Rural Challenge Grant Program (M.S. 116N)
The Rural Challenge Grant Program helps provide job opportunities for low-income individuals, encourages private investment, and promotes development in rural areas of the state in partnership with the six Minnesota Initiative Funds.

Urban Initiative Program (M.S. 116M)
The Urban Initiative Fund assists minority-owned and -operated businesses and others that will create jobs in low-income areas of the Twin Cities.

Capital Access Program (M.S. 116J.876)
The Capital Access Program targets assistance to small and medium sized businesses obtaining financing for start-up or expansion costs. The program enables bankers and investors to address situations where a fundamentally good loan does not meet all of an investor's underwriting standards.

Tourism Loan Program (M.S. 116J.617)
The Tourism Loan Program provides low-interest financing that would otherwise be unavailable to existing tourism-related businesses that provide overnight lodging and are expanding or renovating their facilities.

Minnesota Minerals 21st Century Fund (M.S. 116J.423)
This fund is used to make strategic investments in mineral and taconite processing to assist the state's mining industry in the global economy.

Key Measures

As noted above, each of Business Finance's assistance programs are unique and designed to meet a specific market need or public policy purpose. The department's biennial performance report details the individual performance of each program. The table below highlights the performance of the department's largest state-funded financing tool – the Minnesota Investment Fund.

Indicators

⇒ Dollars awarded – total amount of awards to local units of government during each fiscal year for specific business projects.

⇒ Job creation – number of jobs that have been created since receiving assistance. This number does represent retained jobs or jobs that are expected to be created as a result of the assistance.

⇒ Percent of new jobs paying more than $12 per hour – represents the share of the new jobs that actually pay a wage in excess of $12 per hour.

⇒ Private investment leveraged – value of additional financial investment that was made in the business expansion project by private sector interests.

Key Measures, FY 1999 – FY 2003
Minnesota Investment Fund – State Funds

	FY 1999	FY 2000	FY 2001	FY 2002	Projected FY 2003
Dollars awarded (millions)	$5.7	$5.0	$4.8	$4.0	$3.8
Job Creation	1,786	1,093	912	917	850
Percent of New Jobs Paying > $12 per hour	57%	57%	71%	63%	70%
Private Investment Leveraged (millions)	$120	$59	$115	$57	$75

Note: Because applicants generally have two years to create the proposed jobs and secure additional project financing, data is preliminary or not available for projects awarded assistance in FY 2001 and FY 2002.

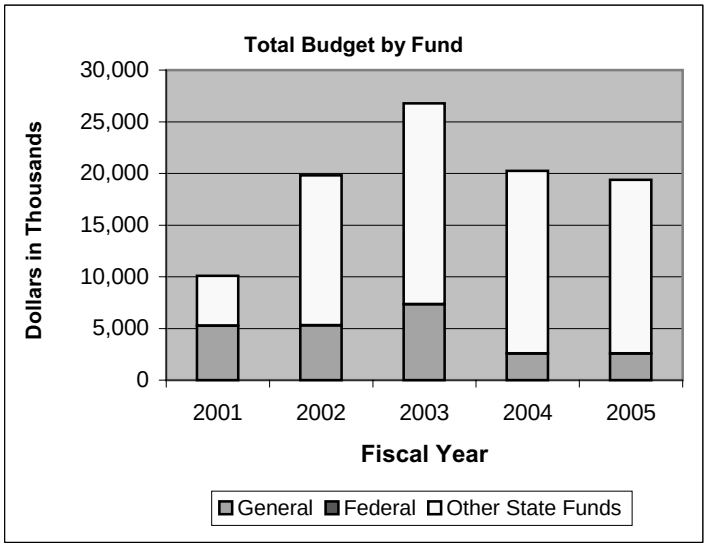
Activity Funding

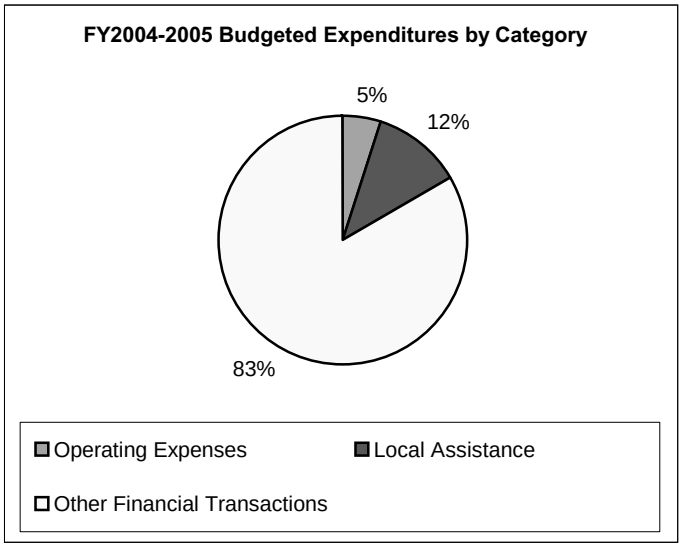
This activity is funded by a mix of funds: public facilities authority (0.2%), general (21.4%), and special revenue (78.4%).

Contact

Paul A. Moe, Director
Business Finance
Phone: (651) 297-1391
E-mail: paul.a.moe@state.mn.us

Information regarding BCD's Business Finance programs is available at **www.dted.state.mn.us**





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Carry Forward						
Special Revenue	0	0	0	117	0	117
Direct Appropriations						
General	5,277	5,279	7,341	2,582	2,582	5,164
Special Revenue	87	39	100	0	0	0
Statutory Appropriations						
Public Facilities Authority	0	0	125	125	125	250
Special Revenue	4,714	13,886	19,221	17,413	16,670	34,083
Workforce Development	0	597	0	0	0	0
Total	**10,078**	**19,801**	**26,787**	**20,237**	**19,377**	**39,614**

Expenditures by Category						
Operating Expenses	667	643	931	992	999	1,991
Local Assistance	5,565	9,317	8,473	2,303	2,303	4,606
Other Financial Transactions	3,846	9,841	17,383	16,942	16,075	33,017
Total	**10,078**	**19,801**	**26,787**	**20,237**	**19,377**	**39,614**

Revenue by Type and Fund						
Non Dedicated						
General	409	1,910	1,551	1,606	1,561	3,167
Petroleum Tank Release Cleanup	108	100	75	75	75	150
Subtotal Non Dedicated	517	2,010	1,626	1,681	1,636	3,317
Dedicated						
Public Facilities Authority	0	0	59	59	59	118
General	40	0	0	0	0	0
Special Revenue	1	1,051	3,142	2,370	2,359	4,729
Subtotal Dedicated	41	1,051	3,201	2,429	2,418	4,847
Total Revenue	**558**	**3,061**	**4,827**	**4,110**	**4,054**	**8,164**
Full-Time Equivalents (FTE)	**6.3**	**6.6**	**7.3**	**4.9**	**4.9**	

Activity Description

Marketing and Business Development ensures that prospective and growing businesses in Minnesota are aware of resources that could assist in creating and retaining high-quality jobs, and works with those businesses to ensure that resources provided by the Department of Trade & Economic Development (DTED) or other agencies are delivered. Regional representatives market the state in direct outreach to businesses and collaborate with local and regional development partners to coordinate funding proposals. The office also administers special programs and grants aimed at improving the climate in which business expansion can occur.

Activity at a Glance

Each year, Marketing and Business Development

- completes more than 1,000 targeted marketing visits to Minnesota companies;
- assists more than 100 business development expansions facilitating the creation of at least 4,000 jobs;
- maintains 400 complete community profiles; and
- promotes Minnesota as a place for business expansions at strategic state and national trade shows.

Population Served

Target populations include businesses served by state marketing staff, and communities and economic development organizations that partner with DTED to market Minnesota and ensure that the state's business climate is favorable to expansion.

Services Provided

Marketing and Business Development, through its nine regional representatives (including three Greater Minnesota field offices), markets and coordinates delivery of financial resources, technical assistance, and training programs administered by DTED and other agencies. Representatives meet with more than 1,000 businesses each year – companies identified by staff as expansion prospects or those seeking information from the department on available resources. The office places a particular emphasis on helping metro companies expand outside the Twin Cities, where the need for business development is more pronounced.

The office includes a marketing support unit, which assists the Communications and Analysis Division in compiling information and preparing proposals, doing background research on companies, and managing the MNPRO database of Minnesota community profiles and available real estate. In 2001, capacity was added to MNPRO for Indian Reservations to maintain a profile. The office coordinates the annual Development Conference and DTED's presence at targeted trade shows and events, and maintains a family of publications and fact sheets to support its marketing and outreach efforts. Marketing and Business Development also maintains a database of Minnesota business expansions.

Additional projects strengthen the climate for business development. In 2003, the office will complete its first round of analysis on the impact of technology catalyst grants – which have brought high speed wireless telecommunications to rural areas, enabling businesses and residents full access to the information highway. The office continues working with DTED's Communications and Analysis Division and other state and local agencies in the development of statewide labor force assessment tools that will help identify skills of underemployed workers, so that expanding businesses can connect with available workforce. The office will continue its implementation of the E-Commerce Certification program, which encourages cities to examine their local telecommunications infrastructure. The office also administers several special appropriations, including WomenVenture and MEDA, for organizations providing business development services to specific clientele.

Historical Perspective

Throughout the 1990s, Minnesota's dramatic economic growth outpaced the national average and was accompanied by rapid improvements in the state's business climate due to legislative changes. During this time, DTED's resources focused on marketing Minnesota's strengths as a global competitor and assisting the needs of rapidly expanding companies. As the recent economic downturn continues, the focus has shifted toward retention strategies and investments to improve productivity. There also was a heightened interest from economic development groups statewide to partner with DTED in marketing the state nationally and internationally to high-

quality industries capable of maintaining the state's vibrant economy. These trends are likely to continue, given the likelihood of a subdued economic recovery.

Key Measures

Marketing and Business Development has two distinct groups of output and outcome measures related to its business and community activities. The business-related measures focus on business expansion activities, including targeted marketing visits. The community-related measures reflect the office's assistance provided to local governments through electronic resources and E-commerce certification.

Key Business Measures, FY 1999 – FY 2003

	FY 1999	FY 2000	FY 2001	FY 2002	Projected FY03
Number of marketing visits	650	1,230	1,060	1,050	1,120
Number of business expansion projects assisted	119	214	118	115	130
Number of jobs created in those projects	6,636	8,619	5,059	4,500	5,000
Percentage of expansions assisted in Greater Minnesota	Not available	80%	80%	68%	75%

Key Community Measures, FY 1999 – FY 2003

	FY 1999	FY 2000	FY 2001	FY 2002	Projected FY 2003
Number of completed Community Profiles on MNPRO	360	375	380	395	410
Number of MNPRO building and property listings	875	1,150	1,400	1,800	2,100
Number of E-commerce certified cities	Not applicable	Not applicable	5	21	40

Activity Funding

This activity is funded by a mix of funds: general (69.2%), special revenue (25.1%), and federal (5.7%).

Contact

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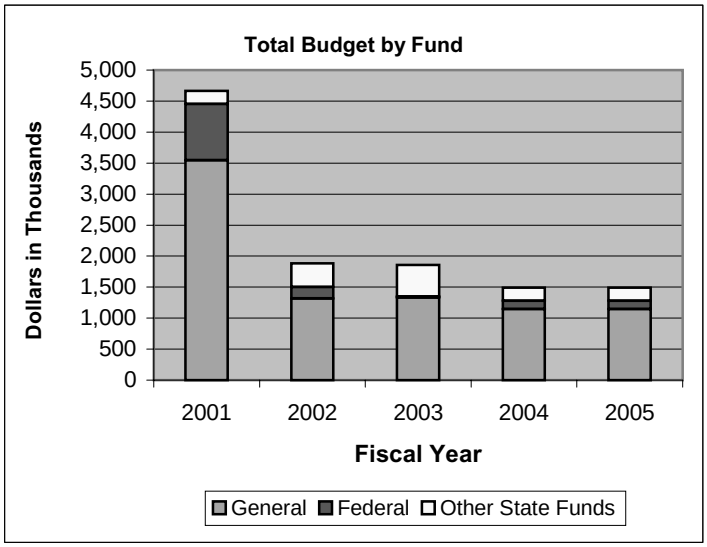
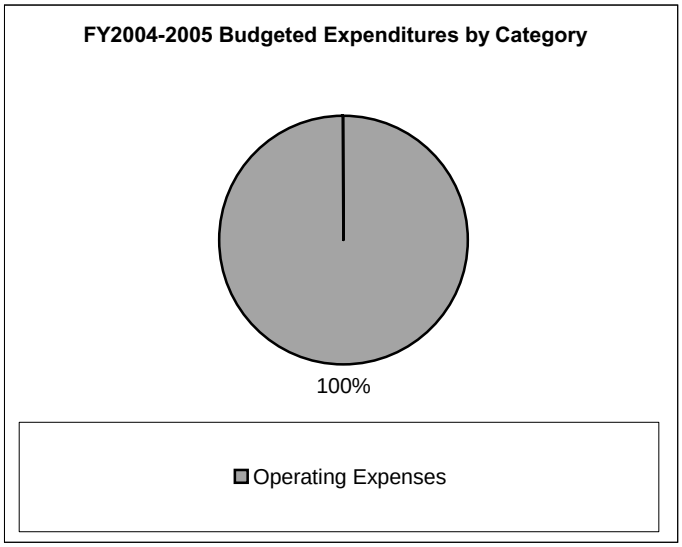
Additional information regarding Business and Community Development (BCD) programs and services is available at www.dted.state.mn.us or at www.mnpro.com.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,543	1,316	1,332	1,144	1,144	2,288
Statutory Appropriations						
Special Revenue	211	119	234	213	213	426
Workforce Development	0	265	265	0	0	0
Federal	911	184	15	135	135	270
Gift	0	0	11	0	0	0
Total	**4,665**	**1,884**	**1,857**	**1,492**	**1,492**	**2,984**
Expenditures by Category						
Operating Expenses	1,640	1,414	1,212	1,492	1,492	2,984
Local Assistance	3,025	470	645	0	0	0
Total	**4,665**	**1,884**	**1,857**	**1,492**	**1,492**	**2,984**
Revenue by Type and Fund						
Non Dedicated						
General	2,056	99	0	0	0	0
Subtotal Non Dedicated	2,056	99	0	0	0	0
Dedicated						
Public Facilities Authority	0	0	0	41	41	82
Special Revenue	6,586	3,339	87	97	87	184
Federal	900	199	0	135	135	270
Subtotal Dedicated	7,486	3,538	87	273	263	536
Total Revenue	**9,542**	**3,637**	**87**	**273**	**263**	**536**
Full-Time Equivalents (FTE)	**16.9**	**15.3**	**14.8**	**14.8**	**14.8**	

Activity Description

Because business development can be stymied by community deterioration, the division's Community Finance office offers financial assistance to communities for critical infrastructure, downtown revitalization, new and rehabilitated housing, and contamination cleanup projects – all for the purpose of assuring that Minnesota's communities continue to attract sustainable business development. Financing is in the form of both grants and loans and is regularly coordinated with similar financial assistance from other state and federal agencies.

Activity at a Glance

Community Finance programs provide grant and loan assistance for community development projects designed to stimulate or support economic growth.

During FY 2002

- the Public Facilities Authority awarded 45 infrastructure loans;
- the Brownfields Unit awarded 21 contamination cleanup grants; and
- the Small Cities Development Program awarded 31 community development/ revitalization grants.

Population Served

Community Finance provides services to communities throughout Minnesota. Residents of these communities are served through the construction/renovation of affordable infrastructure, creating additional tax base through business or housing development, or the removal of public health threats through contamination cleanup. Businesses are also served because of their need for adequate infrastructure to support the business, adequate housing to support their workforce, and a viable commercial area to provide necessary goods and services to their businesses and workers.

Services Provided

Community Finance programs assist communities with critical expensive development needs, which help support urban and rural economic growth. Program funds are designed to fill gaps between the cost of individual projects and the amount local residents and businesses can afford to pay for the project. Funds for this activity are received from the federal government through the Environmental Protection Agency and the Department of Housing and Urban Development, the state General Fund, state petro funds, and state bond proceeds. The following are specific Community Finance programs:

Small Cities Development Program (SCDP) (M.S. 116.401)
This program assists Minnesota communities by providing federal Community Development Block Grant funds for the rehabilitation or construction of housing or municipal infrastructure. Small Cities Development Program funds are also used for downtown revitalization projects.

Contaminated Site Cleanup Program (M.S. 116J.551)
The Contaminated Site Cleanup Program provides grants to local governments and local development agencies to clean up soil and groundwater contamination for the purpose of subsequent reuse as a housing or business location.

Public Facilities Authority (PFA) (M.S. 466A)
The PFA is composed of commissioners from six state agencies and departments including Department of Trade and Economic Development (DTED), Department of Health, Department of Finance, Department of Transportation, Department of Administration, and Pollution Control Agency. DTED is the administering agency for the PFA. The PFA manages financing programs, primarily loans that provide financial assistance to state agencies, local units of government, and special districts to improve drinking water, wastewater, and transportation infrastructure.

The following summarizes the programs of the PFA:

Water Pollution Control Revolving Fund (M.S. 466A.07)
This is the state's primary municipal wastewater treatment funding program. The program provides below market rate loans to municipal borrowers. In addition to traditional wastewater treatment, the fund is also used to

address a variety of non-point source pollution problems. Equity for the fund is provided by Federal Capitalization Grant and state matching funds ($1 state for every $5 federal). Bonds are sold to supplement the fund. The PFA's bond rating is AAA/AAA/Aaa.

Drinking Water Revolving Fund (M.S. 446.81)
This is the state's primary municipal drinking water funding program. The program is financed through federal capitalization grants, state matching funds, and revenue bond proceeds.

The Wastewater Infrastructure Fund (M.S. 446A.071)
This program provides state grants and zero-interest loans to municipalities to construct affordable municipal wastewater treatment systems.

Transportation Revolving Loan Fund (M.S. 466A.085)
The program provides loans for the construction of local transportation related projects. The program is financed through federal funds, state matching funds, and revenue bond proceeds.

County Credit Enhancement Program (M.S. 373.45)
This program provides a limited state guarantee of county general obligation bonds for the construction of jails, correctional facilities, law enforcement facilities, social service facilities, and solid waste facilities.

Special Appropriations
Special appropriations provide for administrative support to ensure proper management, contractual processing, and monitoring of all special appropriations assigned to BCD by the legislature. Special appropriations also include Border City Enterprise tax credits and Mortgage Certificate Aid Grants.

The PFA also provides administrative funds to other state agencies that provide professional and technical services to communities for public infrastructure projects. PFA uses fees to finance program administration.

Key Measures

This budget activity's key measures relate to three principal areas of activity:

⇒ The Public Facilities Authority provides affordable drinking water, wastewater treatment, and transportation infrastructure financing.
⇒ The Small Cities Development Program provides a variety of community improvement financing, including downtown revitalization, new and rehabilitated housing, and critical infrastructure.
⇒ The Contamination Cleanup Grant Program provides contamination remediation financing in order to return unusable, contaminated property to productive industrial, commercial, or residential uses.

Key Measures, FY 1999 – FY 2003

	FY 1999	FY 2000	FY 2001	FY 2002	Projected FY 2003
Public Facilities Authority Projects					
Wastewater	21	22	19	21	20
Drinking Water	34	16	21	16	16
Transportation	2	1	13	8	1
Small Cities Development Program Projects					
Downtown Revitalization	7	6	9	11	10
New/Rehab Housing	27	31	27	26	26
Infrastructure	16	16	15	11	15
Contamination Cleanup Projects	23	19	18	21	20

Activity Funding

This activity is funded by a mix of funds: drinking water revolving fund (1.4%), federal (31.8%), petro tank release cleanup (4.1%), public facilities authority (31.4%), environmental (0.5%), transportation revolving fund (27.4%), and general (3.4%).

Contact

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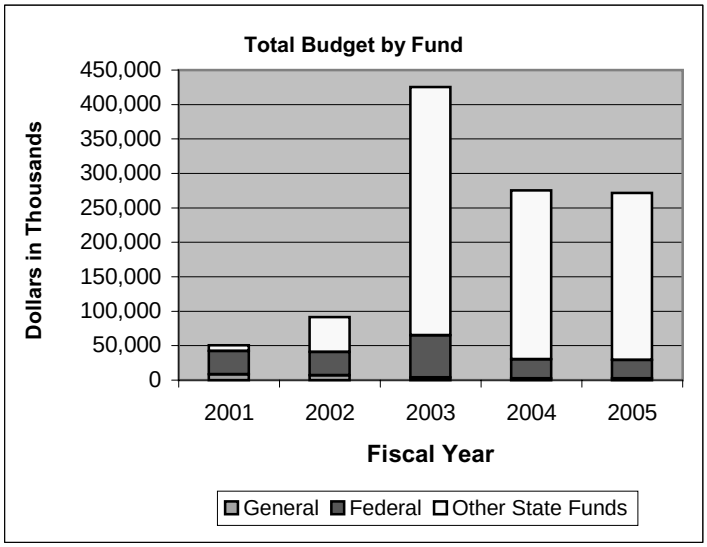
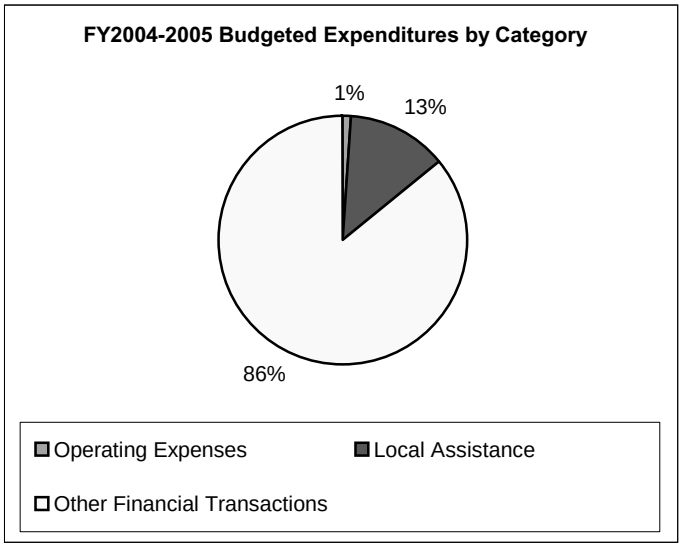
Information on Community Finance programs is available at *www.dted.state.mn.us* by clicking on "Communities." For information on the PFA, contact Terry Kuhlman at (651) 296-4704 or terry.kuhlman@state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	8,231	3,170	3,294	1,913	1,913	3,826
Petroleum Tank Release Cleanup	0	0	1,000	0	0	0
Environmental	700	700	700	700	700	1,400
Open Appropriations						
General	246	248	250	250	250	500
Statutory Appropriations						
Public Facilities Authority	532	620	230,103	180,286	181,126	361,412
Drinking Water Revolving Fund	0	958	78,171	39,576	39,576	79,152
General	0	3,401	3	0	0	0
Petroleum Tank Release Cleanup	6,194	6,188	6,218	6,200	6,200	12,400
Transportation Revolving Fund	813	41,956	44,361	18,351	14,907	33,258
Federal	33,962	34,043	61,466	28,214	27,080	55,294
Total	**50,678**	**91,284**	**425,566**	**275,490**	**271,752**	**547,242**

Expenditures by Category						
Operating Expenses	2,070	2,078	4,102	2,657	3,203	5,860
Local Assistance	47,807	47,448	72,741	36,139	36,031	72,170
Other Financial Transactions	801	41,758	348,723	236,694	232,518	469,212
Total	**50,678**	**91,284**	**425,566**	**275,490**	**271,752**	**547,242**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Dedicated						
Public Facilities Authority	1,096	1,185	207,344	180,944	180,944	361,888
Drinking Water Revolving Fund	72	1,086	69,734	39,734	39,734	79,468
General	0	3,402	2	0	0	0
Special Revenue	137	84	0	0	0	0
Transportation Revolving Fund	15,288	24,374	7,690	15,937	15,049	30,986
Federal	33,962	34,043	61,466	27,214	27,080	54,294
Subtotal Dedicated	50,555	64,174	346,236	263,829	262,807	526,636
Total Revenue	**50,555**	**64,174**	**346,236**	**263,829**	**262,807**	**526,636**
Full-Time Equivalents (FTE)	**24.9**	**22.8**	**25.4**	**24.4**	**24.4**	

Activity Description

Small Business Assistance (SBA) facilitates the start-up, operation, and expansion of small businesses in Minnesota by reducing the cost of timely, accurate, and comprehensive business-related information and assistance. The office develops and publishes business-related publications, responds to inquiries on business structure, regulations, and taxes, and provides – through a network of 20 Small Business Development Centers (SBDC) – direct, firm specific counseling on business planning, financing, marketing, management, and other topics. The office operates pursuant to M.S.16J.68, 116J.69 *et seq.*, and M.S.116C.22 to 34. The SBDC operates with partial federal funding pursuant to 15 U.S.C. 648.

Activity at a Glance

Services provided to Minnesota businesses by Small Business Assistance in 2001 include

- 63,216 hard copies of office authored publications distributed;
- 91,469 digital copies of office-authored publications downloaded;
- 48,000 transactional inquiries answered; and
- 46,530 counseling hours delivered to 3,541 clients.

Population Served

The office serves existing and prospective for-profit Minnesota firms meeting the definition of "small business" given by either M.S. 645.445 or 13 CFR Part 121.

Services Provided

The office develops and publishes, usually in collaboration with local law firms, a number of publications (currently 14) dealing with subjects like business start-up, the employer-employee relationship, intellectual property protection, electronic commerce, franchising, and raising capital. The office responds to inquiries on these and other topics on a transactional basis and provides more in-depth, multi-hour counseling through the network of SBDC located mostly at institutions in the Minnesota State Colleges & Universities (MnSCU) system. All such assistance services are provided at no charge to the user. No-cost or very low-cost seminars on business management topics are also provided. The SBDC services are funded in part with federal funds received under a cooperative agreement with the U.S. Small Business Administration and sub-granted to institutions of higher education and others.

Key Measures

The performance measures used by SBA focus on information distribution and outcomes for business clients. Publications distributed reflect both the number of titles available along with consumer demand while transaction questions answered indicate the volume of business inquiries responded to by staff. The counseling measures are measures used by the SBDC network and reflect consultation via this network. The outcome measures indicate the percent of clients who reported that they experienced the indicated improvement in business operations and that the office had at least "some" contribution to this improvement. These key output and outcome measures reveal the office's increased volume of assistance and impact.

Key Output Measures, FY 1999 – FY 2003

	FY 1999	FY 2000	FY 2001	Projected 2002	Projected 2003
Publications Distributed					
Hard Copy	52,363	52,925	63,216	69,000	70,000
Digital Copy	Not counted	20,482	91,469	100,000	115,000
Transaction Questions Answered	42,806	41,600	48,011	48,000	50,000
Counseling Hours Delivered	41,407	43,772	46,530	47,000	47,500
Counseling Clients	3,298	3,580	3,541	3,600	3,700

Key Outcome Measures, FY 1999 – FY 2003

Percent of clients confirming contribution to affirmative outcomes:	FY 1999	FY 2000	FY 2001	Projected 2002	Projected 2003
Obtained Needed Information	Not Counted	95%	94%	99%	99%
Started a Business	85%	79%	77%	85%	88%
Changed a Business Strategy	75%	85%	86%	86%	87%
Improved Productivity	55%	79%	77%	80%	82%
Obtained Financing	59%	76%	75%	75%	78%
Developed a Business Plan	85%	87%	88%	90%	91%

Activity Funding

This activity is funded by a mix of funds: federal (51.9%), general (46.7%), and special revenue (1.4%).

The office receives direct, unrestricted general funds for operation of its publications, regulatory, and basic, transactional assistance programs. It receives an additional biennial $1,094,000 appropriation to be used as a match to federal dollars received from the U.S. SBA for operation of the SBDC network. Those federal funds are required to be matched on a dollar-for-dollar basis. The state DTED funds account for approximately 40% of that match with the balance being provided by cash and in-kind match from the participating centers.

Contact

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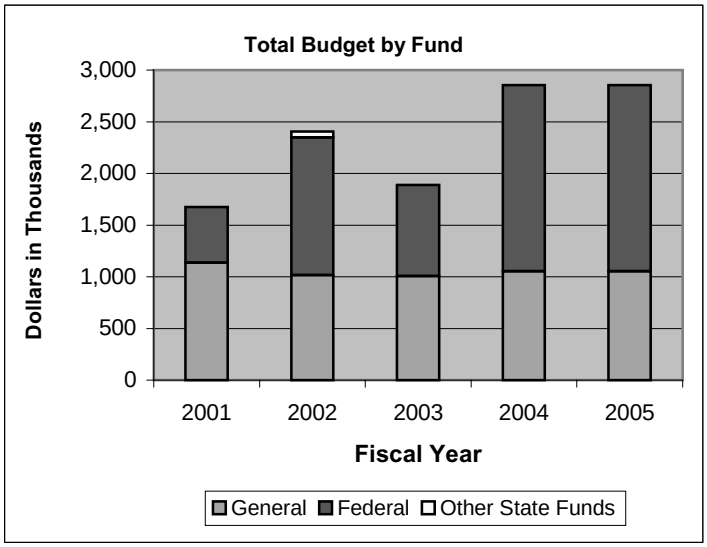
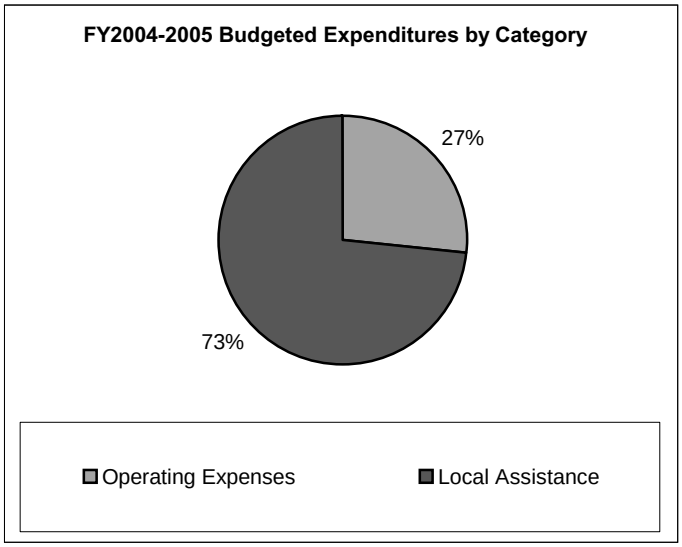
Many of the SBA publications are available at *www.dted.state.mn.us* by clicking on “Business,” and then “Publications.”





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,136	1,015	1,007	1,054	1,053	2,107
Statutory Appropriations						
Special Revenue	0	60	0	0	0	0
Federal	540	1,331	881	1,800	1,800	3,600
Total	**1,676**	**2,406**	**1,888**	**2,854**	**2,853**	**5,707**
Expenditures by Category						
Operating Expenses	775	757	676	759	758	1,517
Local Assistance	901	1,649	1,212	2,095	2,095	4,190
Total	**1,676**	**2,406**	**1,888**	**2,854**	**2,853**	**5,707**
Revenue by Type and Fund						
Dedicated						
Special Revenue	0	60	0	0	0	0
Federal	540	1,331	881	1,800	1,800	3,600
Subtotal Dedicated	540	1,391	881	1,800	1,800	3,600
Total Revenue	**540**	**1,391**	**881**	**1,800**	**1,800**	**3,600**
Full-Time Equivalents (FTE)	**9.0**	**9.0**	**7.5**	**7.5**	**7.5**	

Activity Description
Business and Community Development (BCD) administration includes the deputy commissioner, an executive secretary, and administrative support services staff.

Population Served
This unit serves the commissioner, the governor's office, the legislature, DTED's customers, and BCD staff.

Activity at a Glance

During FY 2002, BCD administration processed more than

- 300 contracts; and
- 200 purchases/payments.

Services Provided
The office provides policy development and implementation services, as well as general management and oversight of the activities of BCD. Support staff provides purchasing, bill paying, grant and loan contract processing, data entry, equipment maintenance and management, and other services in support of the division.

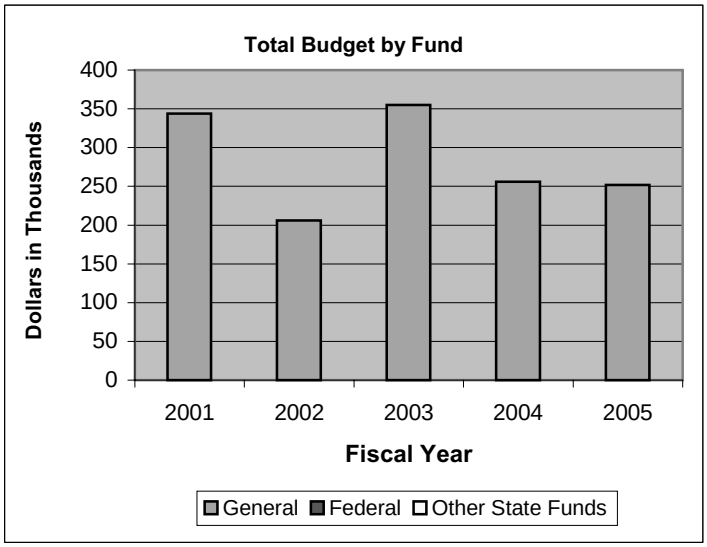
Key Measures
BCD administration measures focus on processing information and facilitating projects:

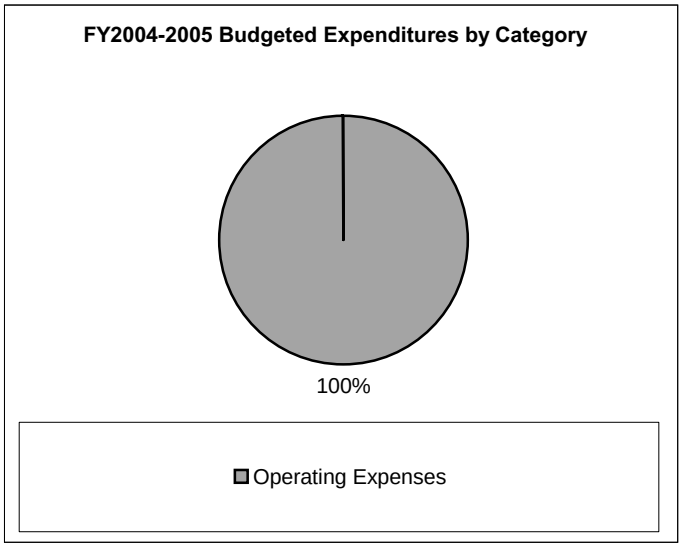
Key Measures, FY 1999 – FY 2003

	FY 1999	FY 2000	FY 2001	FY 2002	Projected FY 2003
Grant and Loan Contract Agreements	343	345	283	305	320
Purchases/Payments	25	75	318	205	215

Activity Funding
This activity is funded solely through the General Fund.

Contact
For additional information on BCD Support, contact Louis Jambois at (651) 297-3172 or louis.jambois@state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	344	206	355	256	252	508
Total	**344**	**206**	**355**	**256**	**252**	**508**
Expenditures by Category						
Operating Expenses	344	206	355	256	252	508
Total	**344**	**206**	**355**	**256**	**252**	**508**
Full-Time Equivalents (FTE)	**3.6**	**2.9**	**2.0**	**2.0**	**2.0**	

Program Description

The Minnesota Trade Office was created in 1983 (M.S. 1161.966) to serve as an advocate for Minnesota businesses pursuing international markets and to promote, assist, and enhance exports and foreign direct investment.

The objective of this program is to strengthen the state's economy by diversifying the markets for Minnesota companies, thus making them more innovative and competitive in today's global economy. The Trade Office's vision to be "the first place Minnesota companies call when they want to export" is accomplished through effective delivery of programs and services; identifying and promoting emerging export opportunities; increasing awareness of the benefits of exporting and of the Minnesota Trade Office; providing comprehensive and responsive export education; and creating strong alliances with agencies and associations involved in exporting.

Program at a Glance

Between January 2000 and June 2002 the Minnesota Trade Office

- provided export services to more than 1,000 companies, answered nearly 2,700 market research telephone inquiries, and received more than 3,100 patrons in the Resource Center;
- conducted nine trade missions involving 141 companies and participated in 31 trade shows; and
- conducted 66 export training classes and trained more than 1,400 people.

Population Served

While the Trade Office serves all Minnesota companies irrespective of size, it especially focuses on small- and medium-sized companies because they are the most likely to need export assistance, are less likely to have in-house expertise or experience, and are the fastest-growing segment of exporters in the nation.

Over the past three years, the number of manufacturers that export has grown slowly but gradually. Harris Info's Minnesota Directory of Manufacturers puts the number of manufacturing companies in the state at about 10,200. Of those, 1,708 identified themselves as exporting companies in 2002, compared to 1,681 in 2000.

Services Provided

The office provides a variety of services for businesses new to exporting or new to specific markets. It also offers ongoing support for businesses that have built an export base in other countries but require further assistance to strengthen their position or expand their global reach.

Export professionals with broad international business experience provide service in two primary areas: export promotion and export education.

Export Promotion

Programs and services focus on the countries and industries with the greatest potential for developing and improving Minnesota's export opportunities:

- arrange international trade shows and missions to promote Minnesota's products and services;
- provide market intelligence and personalized export consultation;
- provide referrals regarding export services;
- assist Minnesota agricultural companies and associations in developing agricultural markets;
- help foreign companies locate facilities in Minnesota by finding appropriate government, legal, and real estate business services; and
- maintain an international information network.

Export Education/Information

By providing export training programs that meet the defined needs of businesses, the state delivers a vital service to its businesses and communities, enhancing their prospects for significant economic growth and contributing substantially to the economic vitality of Minnesota:

- conduct intensive export-training seminars and workshops statewide;
- maintain the International Business Resource Center, an exhaustive repository of information on foreign markets, current trends, and general export information and statistics; and
- provide professional researchers and online products to assist clients in gathering information on foreign markets and learning the basic mechanics of exporting.

Historical Perspective

Since the office was created in 1983, the role of international trade to our state's economy has grown significantly. Just since 1999, Minnesota's total exports for manufactured goods, agricultural products, and services are estimated to have grown from $15 billion to $17 billion. According to the U.S. Department of Commerce, one in six Minnesota manufacturing jobs is export related. Moreover, companies that export are generally more productive, enjoy faster employment growth, pay higher salaries and benefits, and are less likely to go out of business than companies that are strictly domestic.

From purely a market standpoint, exports hold the greatest potential for economic growth. With more than 95% of the world's population and two-thirds of its purchasing power located outside the United States, the international market for goods and services is growing significantly faster than the domestic market.

Key Measures

The Minnesota Trade Office is increasingly relying on performance measures to guide program operation. In addition to continued use of overall export growth statistics, the office has developed (or is in the process of developing) three new measures to better understand program performance.

1. Because Minnesota companies need to be aware of global opportunities, awareness of Trade Office services is a key element of potential success. Business awareness is derived through a random survey of all Minnesota companies in those industries likely to export. The indicator reflects the percent of businesses that are aware of the Minnesota Trade Office.
2. Client satisfaction is universally considered a reliable measure of an organization's services/product quality. Although the office currently measures client satisfaction with education courses, an indicator that will measure client satisfaction with all Trade Office services is currently under development. The table data shows the percent of respondents who rated educational seminars "good" or "excellent."
3. Because exporting companies are generally better performers, Minnesota needs more companies to begin exporting for our economic growth to reach its highest potential. As a result, the office is developing an indicator that will measure the number of new-to-export companies served by the Minnesota Trade Office.

Key Measures, FY 2000 – FY 2003

	FY 2000	FY 2001	FY 2002	FY 2003 Projected
Manufacturing Export Growth Rates				
Minnesota	12.5%	2.4%	-3.2%*	2%
United States	12.8%	-7.2%	-15.5%*	-
Business Awareness of Minnesota Trade Office Services	Not available	Not available	34%	50%
Overall Client Satisfaction	Not available	Not available	Under development	95%
Client Satisfaction with Education Seminars	94%	97%	97%	98%
Number of New-to-Export Companies Served by Trade Office	Not available	Not available	Under development	-

Program Funding

This program is funded by a mix of General Fund (84%) and the special revenue fund (16%).

Contact

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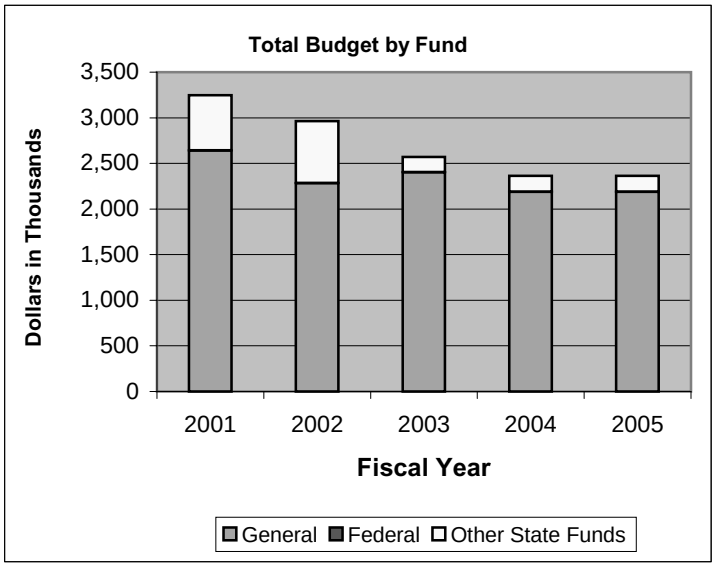
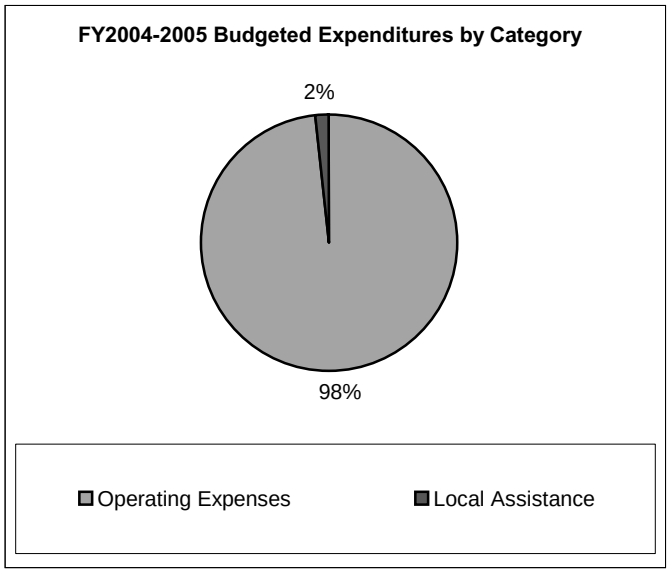
Information regarding Minnesota Trade Office programs and services is available at www.dted.state.mn.us by clicking on "Trade," or at www.exportminnesota.com





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,641	2,283	2,402	2,187	2,187	4,374
Statutory Appropriations						
Special Revenue	607	679	169	178	178	356
Total	**3,248**	**2,962**	**2,571**	**2,365**	**2,365**	**4,730**
Expenditures by Category						
Operating Expenses	3,191	2,905	2,505	2,313	2,343	4,656
Local Assistance	57	59	66	52	22	74
Other Financial Transactions	0	-2	0	0	0	0
Total	**3,248**	**2,962**	**2,571**	**2,365**	**2,365**	**4,730**
Expenditures by Activity						
Mn Trade Office	3,248	2,962	2,571	2,365	2,365	4,730
Total	**3,248**	**2,962**	**2,571**	**2,365**	**2,365**	**4,730**
Revenue by Type and Fund						
Non Dedicated						
General	0	5	0	0	0	0
Subtotal Non Dedicated	0	5	0	0	0	0
Dedicated						
Special Revenue	641	718	142	134	134	268
Subtotal Dedicated	641	718	142	134	134	268
Total Revenue	**641**	**723**	**142**	**134**	**134**	**268**
Full-Time Equivalents (FTE)	**27.3**	**23.5**	**21.8**	**20.8**	**20.8**	

Program Description

The mission of the Minnesota Office of Tourism is to promote and facilitate increased travel to and within the state of Minnesota by increasing nonresident travel, stimulating travel in-state by Minnesota residents and sustaining and growing travel-related sales. The office markets Minnesota in North America and internationally as a travel destination to consumers, tour operators, group tours, and travel agents, promotes coverage of Minnesota by domestic and international travel media, and initiates, develops, and coordinates activity with travel industry buyers and sellers. The Office of Tourism leverages its resources by generating over $3.5 million in cash and in-kind partnerships.

Program at a Glance

- In 2001, Minnesota hosted more than 24 million travelers, including nearly 12 million visitors from other countries and U.S. states.
- In 2001, travel and tourism generated gross sales of nearly $10 billion, 135,000 Minnesota jobs, and $3.5 billion in wages.
- St. Paul Contact Center serves nearly 500,000 customers, Travel Information Centers assist over 2.6 million travelers, and the Office of Tourism web site annually has nine million web site page views.
- The office leverages more than $5.8 million in public/private partnerships.
- For every $1 spent on Minnesota Office of Tourism advertising, nearly $5 is generated in state and local tax revenue.

Population Served

The Minnesota tourism industry includes over 2,600 lodging businesses, over 1,700 attractions, and hundreds of tourism promotion organizations, such as convention and visitors bureaus and chambers of commerce. In addition, hundreds of other businesses – restaurants, shops, and service stations – derive a significant part of their revenue from travelers. The Office of Tourism promotes state facilities and services such as state parks and historic sites. The economic health of these businesses, their employees, and their communities depends on tourism expenditures.

The Minnesota tourism industry generates nearly $9.8 billion in gross sales, more than $1 billion in state and local tax receipts, and 135,000 jobs. More than 24 million people travel in Minnesota each year, including nearly 12 million non-residents.

Services Provided

To fulfill its mission and achieve its strategic objectives, the Office of Tourism is organized into four areas: Advertising and Marketing, Operations and Fulfillment, Traveler Services, and Industry Relations.

Advertising and Marketing

This area includes advertising and promotions directed to potential travelers. The Office of Tourism uses a variety of advertising tactics involving print media, television and radio, direct mail and electronic marketing. The primary market is the 12-state North Central Region, which generates about 83% of Minnesota's U.S. visitors. Public relations and media relations efforts are conducted to generate positive media coverage of Minnesota travel opportunities. The office also engages in consumer shows, and publishing partnerships.

This area also markets Minnesota as a travel destination to international markets, group tour operators, and travel agents. Marketing targets are North American tour operators and international markets including Canada, Japan, the United Kingdom, Germany, and Scandinavia. Tactics include trade shows, trade missions and sales calls, promotions, consumer advertising, foreign language publications, and hosting domestic and international tour operators, travel agents, and travel media.

Operations and Fulfillment

Operations and Fulfillment handles customer inquiries and provides travel information to prospective travelers. Consumer inquiries are handled via phone, fax, and Internet and in response to consumer advertising programs. The unit is responsible for an extensive database of approximately 2,600 accommodations, 1,700 attractions, and 2,500 arts and events. The database is available to consumers on the Internet and through travel counselors using the Journey customized travel planning service. In addition, this unit is responsible for office-wide operations, measurement, and evaluation of office programs.

Traveler Services
Traveler Services delivers person-to-person tourism information services to visitors at six highway Travel Information Centers (TICs) located on interstates around the state and the Explore Store at Mall of America. In addition, this unit manages partnerships with local tourism organizations to distribute statewide tourism information at six non-interstate locations. This unit facilitates training for the industry at the annual Travel Counselor Institute.

Industry Relations
Industry Relations is responsible for facilitating two-way communication between the Minnesota Office of Tourism and the state's tourism industry, and providing education, product development, planning assistance, and regional and community based marketing, including organizational partnerships and partnerships with regional tourism associations. It also monitors public policy issues that may affect tourism in Minnesota. To provide these services, regional staff is located in Brainerd, Duluth, Mankato, and Thief River Falls, as well as St. Paul.

In accordance with M.S. 116J.58, Subd. 3, the Minnesota Office of Tourism awards grants and enters into tourism-related marketing partnerships with nonprofit organizations to maximize both state and local resources to generate non-resident travel expenditures within Minnesota and to retain travel dollars from Minnesotans within the state. All grants and marketing partnerships must meet established criteria and strategic objectives are based on performance outcomes.

Historical Perspective
Travel throughout the U.S. was significantly affected by the events of 9-11-01 and the economic slowdown that followed. Business travel and leisure travelers are being more cautious in spending patterns. Economic concerns, changes in weather, and some reluctance to fly have more travelers planning vacations by car closer to home. Since Minnesota draws most of its travelers from its own residents and the Midwest, it will be both an opportunity and a challenge to promote Minnesota at a time when travel patterns have changed and competition for travelers has increased.

Key Measures
The office uses a variety of performance measures to allocate resources and direct program activities. Three key measures are: Number of travelers in Minnesota, Minnesota sales generated by travel/tourism activity, and Minnesota expenditures influenced by Office of Tourism printed materials. As shown below, even with the travel decline due to the 9/11 tragedy, travel and tourism continues to generate a significant level of economic activity. The table also reveals marked improvement in the office's influence on spring/summer sales.

Key Measures, 1999 – 2003

	1999	2000	2001	Projected 2002	Projected 2003
Residents Traveling in Minnesota (million person trips)*	10.5	12.1	11.6	11.8	12.0
Domestic Non-Residents Traveling in Minnesota (million person trips)*	11.7	13.0	11.7	11.9	12.1
Minnesota Sales Generated by Travelers (billions)**	$8.3	$9.0	$9.8	$10.0	$10.2
Minnesota Spring/Summer Traveler Expenditures Influenced by Office of Tourism (millions)***	$104	$87	$118	$123	$128

* General traveler data is derived through Travelscope surveys administered by the U.S. Travel Industry Association.

** Traveler-generated sales is derived through an economic impact analysis of Minnesota traveler/tourist spending. It includes direct (travel/tourism), indirect (industry suppliers) and induced (employee spending) impacts.

*** Influenced expenditures are derived through surveys administered by the department's Analysis and Evaluation Office in partnership with the Minnesota Office of Tourism. This data represents travel expenditures by office inquirers who reported that the printed information they received influenced their decision to take a pleasure trip to Minnesota.

Program Funding

This program is funded by a mix of funds: general (85.7%), special revenue (11.1%), and federal (3.2%).

Contact

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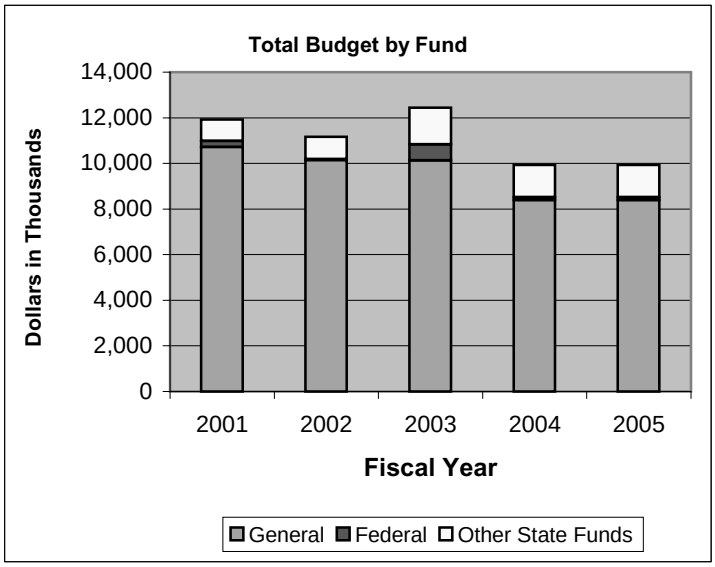
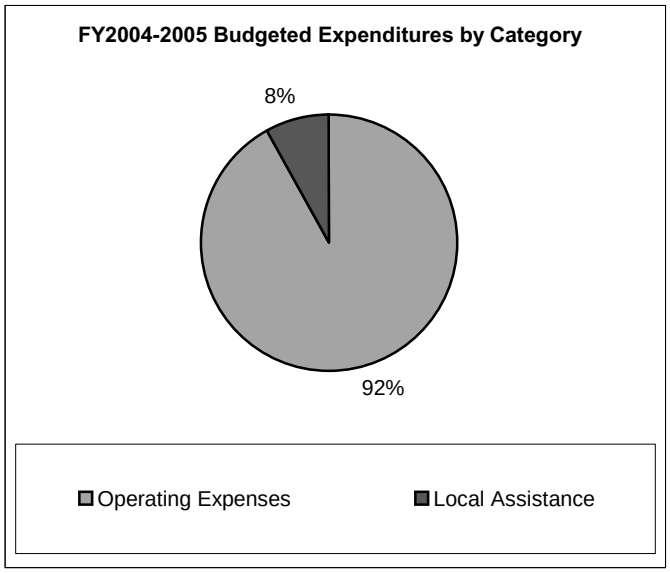




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	62	0	15	0	0	0
General	10,713	10,143	10,127	8,391	8,384	16,775
Trunk Highway	3	0	0	0	0	0
Statutory Appropriations						
Special Revenue	885	986	1,590	1,421	1,421	2,842
Federal	266	42	704	125	125	250
Total	**11,929**	**11,171**	**12,436**	**9,937**	**9,930**	**19,867**
Expenditures by Category						
Operating Expenses	9,936	9,326	10,536	9,142	9,141	18,283
Capital Outlay & Real Property	1	0	0	0	0	0
Local Assistance	1,867	1,844	1,900	795	789	1,584
Other Financial Transactions	125	1	0	0	0	0
Total	**11,929**	**11,171**	**12,436**	**9,937**	**9,930**	**19,867**
Expenditures by Activity						
Tourism Marketing	11,929	11,171	12,436	9,937	9,930	19,867
Total	**11,929**	**11,171**	**12,436**	**9,937**	**9,930**	**19,867**
Revenue by Type and Fund						
Non Dedicated						
General	6	5	0	0	0	0
Subtotal Non Dedicated	6	5	0	0	0	0
Dedicated						
General	5	16	0	0	0	0
Special Revenue	980	990	1,581	1,421	1,421	2,842
Federal	266	42	704	125	125	250
Subtotal Dedicated	1,251	1,048	2,285	1,546	1,546	3,092
Total Revenue	**1,257**	**1,053**	**2,285**	**1,546**	**1,546**	**3,092**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Full-Time Equivalents (FTE)	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
	70.2	**62.0**	**55.4**	**49.9**	**49.9**	

Program Description

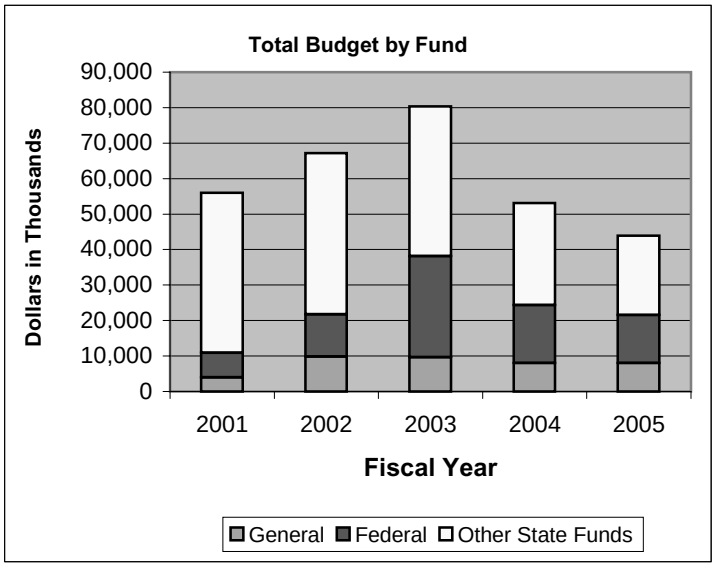
The Workforce Development Division (WDD) is the newest division of the department. Its purpose is to focus on the workforce needs of Minnesota's businesses, workers, and communities. It also provides staff for carrying out the activities of the Minnesota Job Skills Partnership Board.

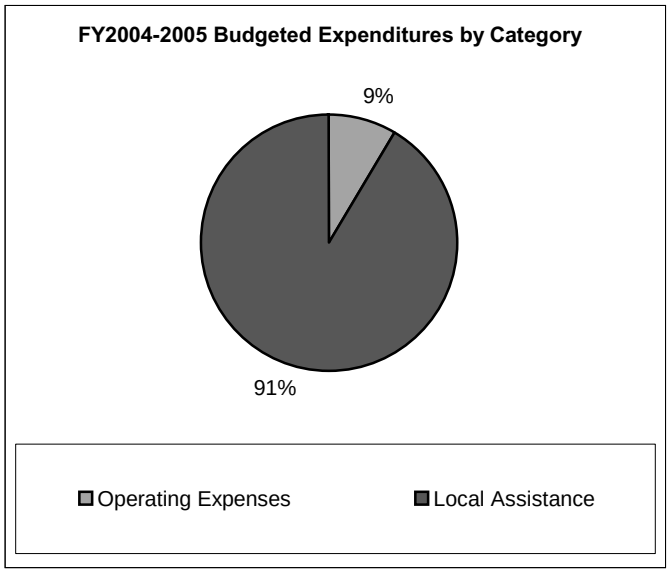
Budget Activities Included:

- Job Skills Partnership
- Dislocated Worker Program

Program Funding

This program is funded by a mix of funds: special revenue (58.0%), federal (22.7%), general (13.9%), and federal Temporary Assistance for Needy Families (TANF) (5.4%).





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,951	9,817	9,689	8,035	8,035	16,070
Special Revenue	103	0	0	0	0	0
Federal Tanf	0	774	6,476	0	0	0
Statutory Appropriations						
Special Revenue	22	218	1	0	0	0
Workforce Development	44,940	45,216	42,190	28,755	22,372	51,127
Federal	6,956	11,184	22,010	16,290	13,490	29,780
Total	**55,972**	**67,209**	**80,366**	**53,080**	**43,897**	**96,977**
Expenditures by Category						
Operating Expenses	1,853	1,658	4,145	4,120	4,132	8,252
Local Assistance	54,097	65,333	76,221	48,960	39,765	88,725
Other Financial Transactions	22	218	0	0	0	0
Total	**55,972**	**67,209**	**80,366**	**53,080**	**43,897**	**96,977**
Expenditures by Activity						
Job Skills Partnership	13,162	11,757	17,554	8,035	8,035	16,070
Dislocated Worker	42,810	55,452	62,812	45,045	35,862	80,907
Total	**55,972**	**67,209**	**80,366**	**53,080**	**43,897**	**96,977**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	1	27	0	0	0	0
Subtotal Non Dedicated	1	27	0	0	0	0
Dedicated						
General	0	13	361	0	0	0
Special Revenue	4	57	53	53	53	106
Workforce Development	35,913	28,345	27,750	28,700	30,000	58,700
Federal	6,956	11,667	21,527	16,290	13,490	29,780
Subtotal Dedicated	42,873	40,082	49,691	45,043	43,543	88,586
Total Revenue	**42,874**	**40,109**	**49,691**	**45,043**	**43,543**	**88,586**
Full-Time Equivalents (FTE)	**18.2**	**18.0**	**22.4**	**21.4**	**21.4**	

Activity Description

The Minnesota Job Skills Partnership (MJSP) offers several grant programs and a loan program that allow businesses to partner with education and training providers and create training projects that address the critical needs of our state's businesses. The programs administered by MJSP include the Minnesota Job Skills Partnership Program, the Pathways Program, the Health Care and Human Services Training Program, the Distance Work Program, a Pilot Project to Train Low-Income Workers, the Critical Careers Grant Program, and the HIRE Education Loan Program.

Activity at a Glance

- From 1999 through 2002, MJSP invested nearly $40 million in new and incumbent worker training projects, and leveraged an additional $82 million in private dollars from partnering businesses and trained more than 58,000 Minnesota workers.
- The Job Skills Partnership currently administers eight separate grant programs and a loan program, and manages a portfolio of over 200 active training grants.

Population Served

Job Skills Partnership programs have the threefold purpose of ensuring the economic viability of Minnesota's businesses, enabling Minnesota's workers to become economically self-sufficient, and establishing partnerships between businesses and Minnesota's educational institutions so that the institutions are more responsive to business needs. Minnesota's businesses must have well-trained and highly skilled workers in order to be competitive and prosper in the global economy. The training projects funded by Job Skills Partnership grants are focused on meeting the needs of business for the most current and cutting-edge skills. This, in turn, raises the skill level of our workforce and builds new capacity in our educational system. These programs play a leading role in the state's effort to train incumbent workers.

Services Provided

Minnesota Job Skills Partnership Program (M.S. 116L.01 – M.S. 116L.05)
MJSP program grants can be for up to $400,000 and the training projects can last up to three years. The grants are awarded to educational institutions who partner with at least one business and then design, develop, and deliver training that meets the specific needs of the business(es). The partnering business(es) must match the grant amount dollar-for-dollar.

Pathways (M.S. 116L.04)
Pathways grants are similar but assist businesses in employing and training people making the transition from public assistance to work, and the training projects require demonstrated career ladders and educational pathways.

Health Care and Human Services (M.S. 116L.10 – 116L.15)
These grants are similar in concept to the Pathways grants, but focus specifically on training projects for the healthcare and human services industries. The program was funded in the past by the state's allotment of federal Temporary Assistance for Needy Families (TANF) dollars.

Distance Work Program (M.S. 116L.16)
The Distance Work Program was created to promote distance-work training projects that involve implementing technology in rural areas.

Pilot Project to Train Low-Income Workers (2001 SS Ch.4 Art. 2, Sec. 30)
This program provides training vouchers for low-income workers, who may be marginally attached to the workforce, to upgrade their skills.

Critical Careers Grant Program
The Critical Careers Grant Program allows educational providers to award scholarships to individuals who wish to train for careers and in industries that are critical to the state's economy.

Hire Education Loan Program (HIRE) (M.S. 116L.06)
HIRE provides a zero interest loan directly to businesses to assist them in training or retraining their workforce.

Extension of Services (M.S. 116L.146)
In keeping with DTED's commitment to meeting the needs of Minnesota's businesses and workers, small grants of $50,000 or less are now available to target smaller employers for MJSP and Health Care and Human Services Grants. Another new program provides grants of up to $50,000 for the planning and pre-development of large training projects.

Grant proposals are submitted during publicized open grant rounds and the grant awards are made by the MJSP Board at a public meeting. Job Skills Partnership staff provides assistance to the board as well as administration and oversight of all training projects for the duration of the projects. All grant funds are paid on a reimbursement basis based on meeting the outcomes specified in each grant agreement.

Historical Perspective
The Job Skills Partnership has been in existence since 1983, when it received $1 million appropriation to operate a single grant program. Since that time, the Partnership has expanded to approximately eight grant and loan programs and has awarded over 200 grants. The Partnership currently operates a portfolio of over $160 million.

Because the Partnership is responsive to changing market conditions, grants reflect the most current business needs and industry trends. Beginning in the 1990s, Minnesota businesses have identified worker retention and training, and improved productivity as two of the most critical factors in remaining competitive in the global economy. These priorities are reflected in the dramatic increase in the number of requests for training grants from the MJSP program. In 2000, there were 22 requests for training grants, and by 2002, that number had increased to 50. This trend will almost certainly continue as "baby-boomers" begin to retire and Minnesota businesses are faced with a structural worker shortage.

Key Measures
From 1999 through 2002, MJSP awarded nearly $40 million to new and incumbent worker training projects, and leveraged another $82 million from partnering businesses to train more than 58,000 workers. Nearly 96% of those trainees will be placed with the participating businesses.

Key Measures, FY 1999 – FY 2003

	FY 1999	FY 2000	FY 2001	FY 2002	Projected FY 2003
Training Project Awards (millions)	$4.4	$14.1	$11.4	$10.0	$7.8
Private Leverage (millions) (Business Contributions)	$10.9	$30.0	$21.5	$19.8	$15.1
Number of Workers to be Trained	10,548	16,871	16,017	15,459	11,470
Placement Rate of Trained Workers	92%	*99%	*99%	*99%	96%

*Planned placement rates for ongoing training projects

Activity Funding
This activity is funded by a mix of funds: general (66.8%), federal TANF (26.0%), special revenue (5.5%), and federal (1.7%).

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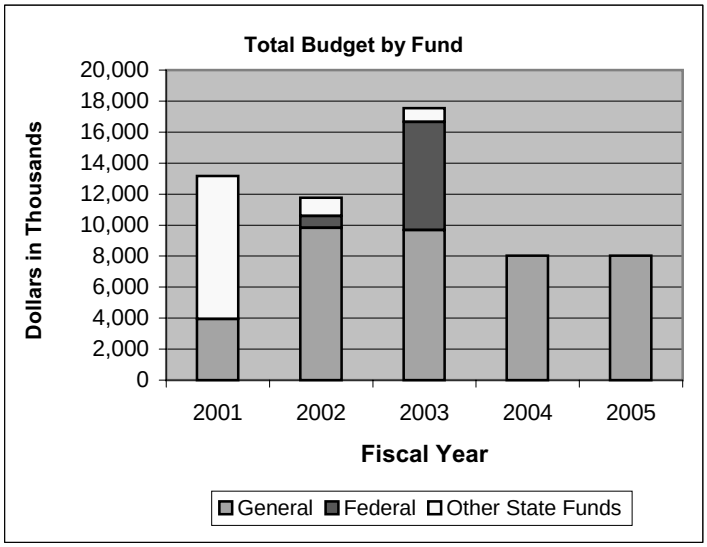
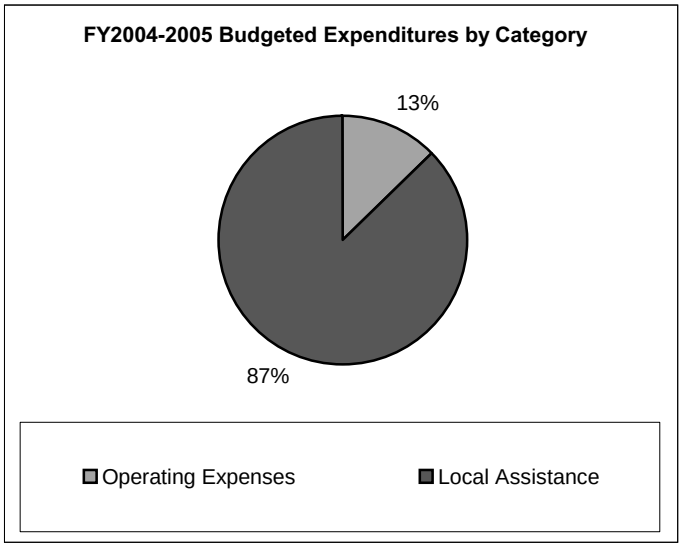
Information on the Minnesota Job Skills Partnership programs is available at www.dted.state.mn.us by clicking on "Workforce".





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,951	9,817	9,689	8,035	8,035	16,070
Special Revenue	103	0	0	0	0	0
Federal Tanf	0	774	6,476	0	0	0
Statutory Appropriations						
Special Revenue	22	218	0	0	0	0
Workforce Development	9,086	948	906	0	0	0
Federal	0	0	483	0	0	0
Total	**13,162**	**11,757**	**17,554**	**8,035**	**8,035**	**16,070**
Expenditures by Category						
Operating Expenses	494	538	694	1,022	1,028	2,050
Local Assistance	12,646	11,001	16,860	7,013	7,007	14,020
Other Financial Transactions	22	218	0	0	0	0
Total	**13,162**	**11,757**	**17,554**	**8,035**	**8,035**	**16,070**
Revenue by Type and Fund						
Non Dedicated						
General	1	27	0	0	0	0
Subtotal Non Dedicated	1	27	0	0	0	0
Dedicated						
General	0	13	0	0	0	0
Special Revenue	0	49	48	48	48	96
Workforce Development	0	24,819	0	0	0	0
Federal	0	483	0	0	0	0
Subtotal Dedicated	0	25,364	48	48	48	96
Total Revenue	**1**	**25,391**	**48**	**48**	**48**	**96**
Full-Time Equivalents (FTE)	**8.4**	**6.4**	**8.5**	**7.5**	**7.5**	

Activity Description

The Minnesota Dislocated Worker Program is funded by the Minnesota Workforce Development Fund, the General Fund, and the Federal Workforce Investment Act. It is governed by Minnesota Job Skills Partnership Board. The goal of the program is to assist workers by offering services and training that will enable them to become quickly re-employed at a wage that is similar to pre-layoff earnings. The program offers both state and federally funded "formula" funds, which serve small groups and individual workers who have been laid off. The program also offers "project" funds for programs specifically designed to serve workers affected by mass layoffs of over 50 workers from a single company who have similar backgrounds and needs.

Activity at a Glance

- The Dislocated Worker Program provides services through a network of service providers, including 16 Workforce Service Areas, two independent grantees, and eight certified service providers.
- At the end of FY 2002, the program was administering approximately 150 active grants.
- In FY 2001, the number of clients served by the program jumped 32% to total 19,000. The number served increased another 47% to total 28,000 in FY 2002.

Population Served

Although the Minnesota Dislocated Worker Program serves all Minnesotans who become unemployed through no fault of their own, priority for service focuses on those workers who have outdated skills, need basic skill training, older workers, single parents, workers with disabilities, and those facing other barriers to re-employment.

Services Provided

All program participant's skills and interests are assessed and an individual service strategy plan is created to prepare the worker for re-employment in careers with growth potential. Counselors work with participants to identify services that will help the participant to meet his or her employment goals. Examples of services provided include assessment, job placement, job search, relocation, career counseling, short term prevocational services, internships, academic skills training, occupational skills training, entrepreneurial skills training, English as a Second Language training, GED training, literacy training, on-the-job training, and customized training. Support services offered to participants as needed include family care, transportation, health care, emergency financial assistance, and financial, legal, and personal counseling.

Historical Perspective

The Dislocated Worker Program was established in 1982 and received its first full year of federal funding in 1984, when mining and manufacturing were the two major industries most affected by dislocation. In 1989, Congress enacted the Economic Dislocation and Worker Retraining Act (EDWAA), which replaced Title 3 of the Job Partnership Act and established the requirement that a Rapid Response team be available to respond within 48 hours of receiving notice of lay-offs and/or impending plant closings.

The same year, the Minnesota state legislature provided supplemental funding for the program out of the General Fund. State law established that companies required to provide a federal WARN (Worker Adjustment Retraining Notification) notice at least 60 days in advance of a layoff or plant closing would provide this notice in all cases where 50 or more people were affected.

In 1998, Congress replaced EDWAA with the Workforce Investment Act (WIA), which instituted a number of administrative changes and refocused the funding strategy. The state-funded program continues to provide strong support for dislocated workers needing assistance to return to the workplace. Annual federal funding is about $10 million, while the state-funded program receives about $27 million a year.

Key Measures

Federally mandated performance standards are the program's key measures of success with "Entered Employment Rate" and "Average Wage at Placement Rate" being among the most important. The program has generally exceeded federal performance requirements for these measures.

Key Measures, FY 1999 – FY 2003

	FY 1999	FY 2000	FY 2001	FY 2002	Projected FY 2003
Entered Employment Rate (Placement Rate)	83%	84%	79%	82%	83%
Average Wage at Placement Rate (Percent of Previous Wage at Placement)	93%	93%	96%	87%	92%

Activity Funding

This activity is funded by special revenue funds (71.8%) and federal funds (28.2%).

Contact

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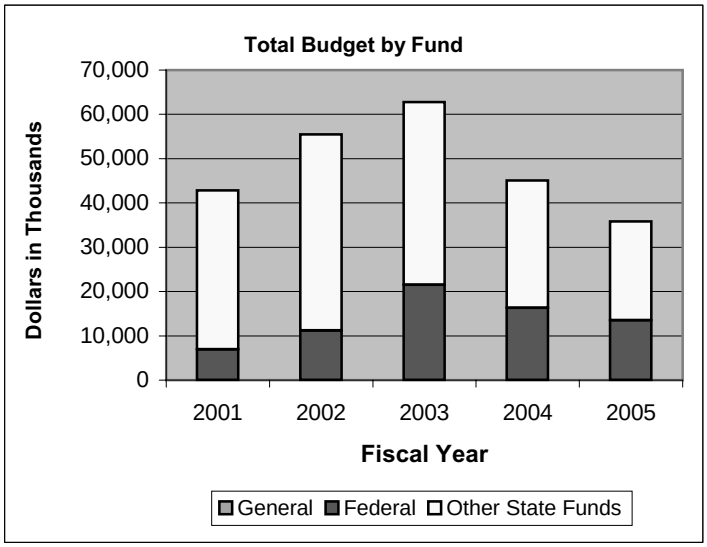
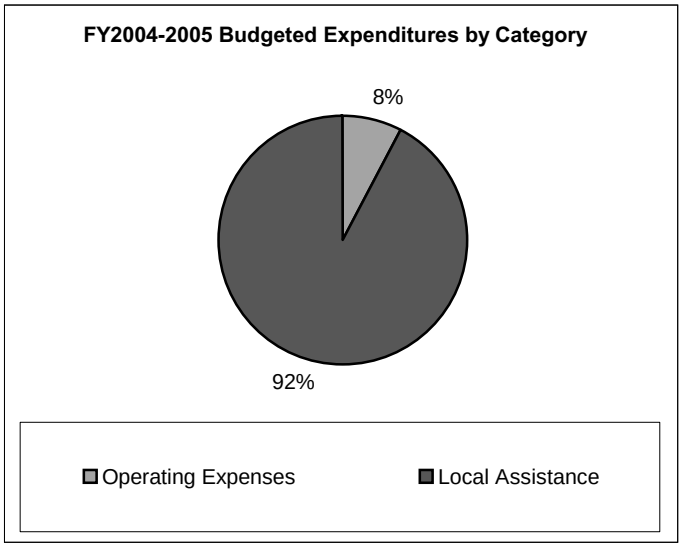
Information on the Dislocated Worker Program is available at www.dted.state.mn.us by clicking on the "Workforce" button.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Special Revenue	0	0	1	0	0	0
Workforce Development	35,854	44,268	41,284	28,755	22,372	51,127
Federal	6,956	11,184	21,527	16,290	13,490	29,780
Total	**42,810**	**55,452**	**62,812**	**45,045**	**35,862**	**80,907**
Expenditures by Category						
Operating Expenses	1,359	1,120	3,451	3,098	3,104	6,202
Local Assistance	41,451	54,332	59,361	41,947	32,758	74,705
Total	**42,810**	**55,452**	**62,812**	**45,045**	**35,862**	**80,907**
Revenue by Type and Fund						
Dedicated						
General	0	0	361	0	0	0
Special Revenue	4	8	5	5	5	10
Workforce Development	35,913	3,526	27,750	28,700	30,000	58,700
Federal	6,956	11,184	21,527	16,290	13,490	29,780
Subtotal Dedicated	42,873	14,718	49,643	44,995	43,495	88,490
Total Revenue	**42,873**	**14,718**	**49,643**	**44,995**	**43,495**	**88,490**
Full-Time Equivalents (FTE)	**9.8**	**11.6**	**13.9**	**13.9**	**13.9**	

Program Description

The WorkForce Services Branch provides a full complement of employment and training services to a wide range of category-eligible populations, as well as workforce exchange services to employers and broad services to the wider public. The branch recognizes both the statewide need to build a more skilled workforce, and the untapped potential of so many people who seek rewarding, well-paid work. The branch receives its authority from multiple subsections of M.S. 268 (including 268.89, 268.364, and several others) and several federal laws (most notably the Workforce Investment Act of 1998).

Program at a Glance

The WorkForce Services branch serves over 370,000 people through over 50 WorkForce Centers across Minnesota. About 94,000 of those people are in eligibility-based programs; the rest are members of the public who use the Centers' open Resource Areas and workshops.

The branch is renewing a focus on its employer customers, about 12,000 of whom already place ads in the Minnnesota Job Bank.

Population Served

Economically disadvantaged youth, adults, older workers, veterans, public assistance recipients, and new entrants to the workforce all receive services with specific, dedicated funds. Customers served by those funds must pass specific eligibility criteria. A limited set of generic jobseeking and training services is *open to the public* through the Resource Areas and workshops at WorkForce Centers statewide. The department as a whole continually seeks ways to serve *Minnesota businesses* directly by connecting them with qualified workers; this branch's budget activities are critical to those efforts.

Services Provided

The range of services provided within this branch is wide – at least 19 distinct programs are spread across five distinct units (listed as budget activities in this narrative). These programs are listed below. The units – *Adult Training, Employment Transition, Youth Services, Job Service Employment Programs, and Job Service Field Operations* – all contain direct service components as well as grant-making to local governments and nonprofits.

The primary direct service vehicle for the department is the *WorkForce Center System*. This system, described in the overall agency profile, provides jobseeking customers with a "one-stop shopping" source for their employment and training needs.

This system will also soon pilot a dedicated Employer Service Center that would redirect a core of existing staff both knowledgeable about employer services across funding streams, and capable of serving as resources to employer customers and other WorkForce Center System staff. Employers already receive free, Internet-based labor exchange services through the *Minnesota Job Bank*. The Job Bank links job seekers and employers through the state's largest searchable electronic database of job openings and job seeker resumes.

The two primary local entities that provide services relevant to this branch are the 16 local Workforce Service Areas (WSAs), and the Job Service partners, as provided through the federal Workforce Investment Act.

Historical Perspective

The federal Workforce Investment Act has been critical to the branch's efforts to integrate services at the one-stop WorkForce Centers, to put more decisionmaking in the hands of local partnerships, and to make helpful resources available to the wider public. Since that time, focus group research has shown that both customers and staff of the Centers feel that the state's workforce development system is more responsive and customer-driven than the system that preceded it

Program Funding

⇒ This branch mirrors Minnesota Department of Economic Security (MDES) as a whole in its heavy reliance on federal funding to meet the needs of Minnesota jobseekers and employers. The federal Job Service program has had flat funding for the past 20 years.

Key Measures

Federal Fiscal Years (FFYs) run from October of the previous year through September of the named year. Individual customer satisfaction data for WorkForce Center programs is incomplete.

MEASURE	FFY 1999	FFY 2000	FFY 2001	FFY 2002 GOAL
Total jobseeking customers served by branch	Not available	360,000	375,000	400,000
Total employer customers using Job Bank	Not available	13,433	11,629	14,776
Percentage of jobseeking customers employed three months after completing a public workforce development program	63%	55%	66%	68%
Jobseeking customers' hourly wage after completing a public workforce development program	$11.17	$11.65	$11.40	$12.24
Satisfaction for individuals using WorkForce Center programs, indexed scale of 1 to 100. (Federal targets in parentheses.)	Not available	73.5	74.6 (66.0) partial data	76.0 (68.0)
Satisfaction for employers using WorkForce Center programs, indexed scale of 1 to 100. (Federal targets in parentheses.)	Not available	70.3	77.2 (68.0)	76.0 (70.0)

NOTE: The placement and wage indicators work in tandem - looking at placement alone might encourage pushing any job, whether or not it leads to economic self-sufficiency. Measuring wages alone might result in a high average hourly wage but a low placement rate. These indicators reflect the success of those public workforce programs for which the relevant data was available, and for which employment is the desired outcome of the program (such as the Food Stamp Employment & Training Program, Workforce Investment Act Title IB Adults Program, and others).

Note also that the customer satisfaction data is based on the American Customer Satisfaction Index (ASCI), which is used extensively in both public and private sectors. Comparable state ACSI scores for workforce services range from 68 to 83 for individuals and 61 to 82 for employers.

Finally, note that many customers who come to WorkForce Centers are there for programs and services not in this branch (e.g., Rehabilitation Services).

In future biennia, we hope to have the following branch-level indicators available:

⇒ *Wage boost* – data exists on an individual program basis for wage boosts, and we are attempting to find a reasonable way to aggregate the data across very different customer pools.
⇒ *Employer satisfaction* – while the department does a limited employer survey now, we plan wider customer satisfaction polling across more intensive services in the very near future.
⇒ *Employer market penetration* – we hope to make a reasonable estimate of how many employers might make use of our services, and what percentage of those we are reaching.

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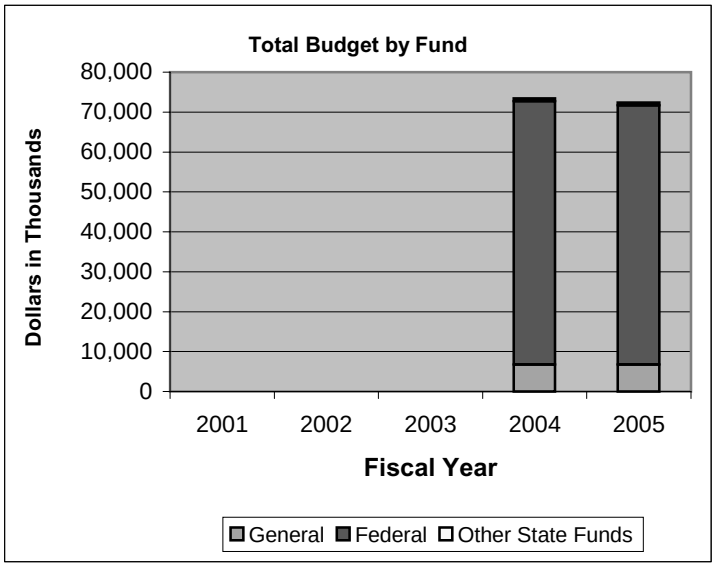

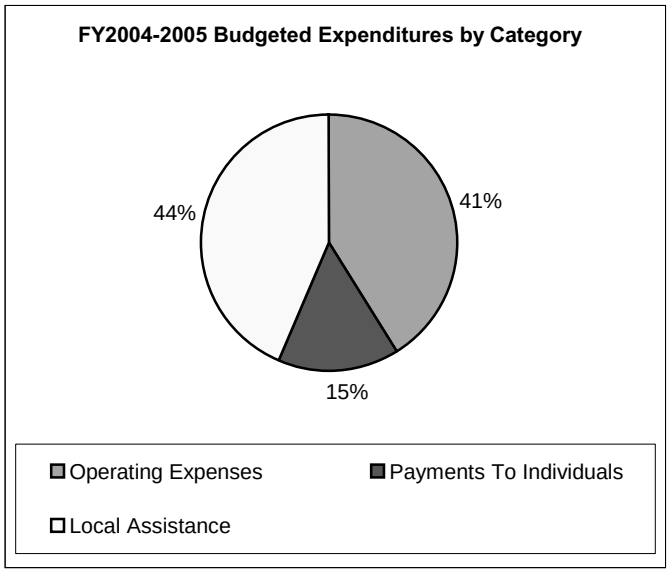

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	0	0	6,697	6,697	13,394
Workforce Development	0	0	0	760	760	1,520
Statutory Appropriations						
Mdes Federal	0	0	0	65,974	64,961	130,935
Total	**0**	**0**	**0**	**73,431**	**72,418**	**145,849**
Expenditures by Category						
Operating Expenses	0	0	0	30,283	29,633	59,916
Payments To Individuals	0	0	0	11,200	11,200	22,400
Local Assistance	0	0	0	31,948	31,585	63,533
Total	**0**	**0**	**0**	**73,431**	**72,418**	**145,849**
Expenditures by Activity						
Employment Transition Services	0	0	0	2,222	1,209	3,431
Youth Services	0	0	0	19,488	19,488	38,976
Adult Training	0	0	0	13,583	13,583	27,166
Employment Programs	0	0	0	38,138	38,138	76,276
Total	**0**	**0**	**0**	**73,431**	**72,418**	**145,849**
Revenue by Type and Fund						
Dedicated						
General	0	0	0	449	449	898
Mdes Federal	0	0	0	65,974	64,961	130,935
Subtotal Dedicated	0	0	0	66,423	65,410	131,833
Total Revenue	**0**	**0**	**0**	**66,423**	**65,410**	**131,833**
Full-Time Equivalents (FTE)	**0.0**	**0.0**	**0.0**	**399.1**	**390.2**	

Activity Description

The Employment Transition Services (ETS) budget activity addresses the needs of Minnesotans who require intensive services or training to obtain employment and self-sufficiency. Many of the customers of this activity's services are on public assistance. Some are also facing significant economic disadvantages as a result of basic skills deficiencies. The broad, common goal of all five programs contained within this activity is to place these disadvantaged customers in a satisfying and appropriate career path, and help keep them there.

The five programs are:

- the federal Welfare-to-Work Program (WtW);
- the Employment Services portion of the Minnesota Family Investment Program (MFIP);
- the Food Support Employment and Training (FSET) program;
- the Opportunities Industrialization Centers (OICs); and
- the Displaced Homemaker Program (DHP).

Authority for these programs comes respectively from: WtW Section 5001 of the Balanced Budget Act of 1997 and U.S. Code, Title 42, Chapter 603(a)(5); MFIP M.S. 256J.49 to 256J.73 and U.S. Code, Title 42, Section 603; FSET M.S. 256D.051 and U.S. Code, Title 7, Chapter 51, Section 2015(d); OICs M.S. 268.011, Subd. 4 and 268.871, Subd. 2; and DHP M.S. 268.96.

Activity at a Glance

A major purpose to Employment Transition Services (ETS) is to provide services to those experiencing significant barriers to employment:

- The Minnesota Family Investment Program, Food Support Employment and Training, and Welfare-to-Work programs primarily serve mandatory clients with a limited period of eligibility for assistance. The goal is placement, support, retention and job progression towards self sufficiency.
- The Displaced Homemaker Program and Opportunity Industrialization Centers provide specialized pre-employment and employment services to targeted populations.
- The ETS staff develops and facilitates enhancement and technical assistance programs such as Money Smart, nontraditional jobs for women, counselor training, fathers projects and specialized assessments.

Population Served

There are differences in the customers within this activity from program to program:

WtW: Primary customers include long-term recipients of public assistance (MFIP). There are eligibility requirements based in long-term assistance status, exhaustion or near-exhaustion of benefits, and other strong at-risk factors. Seventy percent of Minnesota's federal allocation *must* serve long-term recipients or non-custodial parents.

MFIP Employment Services: The program's customers are Minnesota families currently on welfare. For most recipients, participation in this program is mandatory during their receipt of TANF (Temporary Assistance for Needy Families).

FSET: The program serves Minnesotans 18–55 years old in households not receiving other public assistance. There are work requirements for recipients.

OICs - Participants are unemployed, underemployed, and otherwise economically disadvantaged persons: minorities, welfare recipients, at-risk youth, refugees, and ex-offenders. This group is often not as well served by traditional employment providers.

DHP - Customers are women or men who have worked in the home for a minimum of two years caring for home and family but due to specific circumstances (separation, divorce, death, or disability of spouse or partner, or other loss of financial support) must support themselves and their family. Eligibility is based on income guidelines.

Services Provided

Services differ from program to program:

WtW and **MFIP Employment Services**: Given the common pool of customers across both programs, state and local partners work hard to align services statewide and leverage funds. These services include assessment, career planning, job search and retention skills training, wage subsidy, and work experience. Support services are provided on an individual basis as necessary. Employment services providers vary throughout the state and include the Minnesota WorkForce Center Partners, community action agencies, educational agencies, county agencies, and other non-profit entities. Through an interagency agreement, Minnesota Department of Economic Security (MDES) jointly administers the employment component of the MFIP program with the Department of Human Services.

FSET - Services include assessment, career planning, and job and skills training. Support services are provided on an individual basis as necessary. FSET services are administered statewide by counties, usually through service providers such as WorkForce Centers, community action agencies, and appropriate county offices. Through an interagency agreement, MDES jointly administers the employment component of FSET with the Department of Human Services.

OICs - Comprehensive services to customers include outreach/recruitment; counseling; remedial education; motivational and pre-vocational training; skills training; job development and placement. With over 90% of customers representing one or more minority populations, services are often specific to the needs and issues those populations face. OICs operate in Minneapolis and St. Paul, as well as on the Mille Lacs Indian Reservation and in Bemidji. The OIC State Council is the administrator of state funds to the OIC programs; it coordinates all state-level activities, provides technical assistance and resource development, and develops new OICs.

DHP – The Department administers the twelve programs that provide services to displaced homemakers statewide. Workshops, support groups and networking, one-to-one personal or vocational counseling, job-seeking methods, leadership development, decision-making skills, and assistance with action plans are among the resources available. Other services may include referral for remedial education, child care, legal assistance, and other support services. Transportation, child care, and work or school expenses are covered when funds are available.

Activity Funding

Employment Transition is one of the areas at the Department where state funding plays a critical role. Workforce Development Fund (WDF) and TANF appropriations support OICs and the Displaced Homemaker Program. FSET and MFIP ES administrative operations are conducted through interagency agreement with the Department of Human Services. Due to the availability of the required 50% state match, Minnesota was able to draw down all available WtW dollars.

Legislative action during the 2001 session reduced 2004-05 TANF base funding by $827,000 for the Displaced Homemaker Program and $100,000 for OICs.

Key Measures

All measures are based on the regular state fiscal year. NA = not available at the time of printing.

MEASURE	FY 2000	FY 2001	FY 2002	FY 2002 GOAL
Total WtW customers served*	5,567	8,005	9,326	9,650
Percentage of WtW customers who leave program*	50%	67%	79%	82%
Percentage of leaving customers (WtW) who gain employment*	33%	33%	35%	38%
Average hourly wage of customers (WtW) who gain employment*	$8.68	$8.11	$8.07	$8.00
Total MFIP ES customers served	49,500	49,400	56,300	NA
Percentage of MFIP ES customers who left the program employed	45%	43%	40%	NA
Average hourly wage of those leaving MFIP ES	$8.60	$9.00	$9.33	$9.00
Total FSET customers served	6,970	7,487	10,441	NA
Percentage of leaving customers (FSET) who gain employment	41.5%	40%	34.4%	34%
Average hourly wage of customers (FSET) who gain employment	$7.74	$8.19	$8.30	$8.00
Percentage of OIC customers who complete employability skills training	69%	79%	76%	75%
Percentage of OIC customers completing who gain employment (other positive goals in parentheses, including higher education)	62% (38%)	45% (25%)	69% (31%)	70% (30%)
Percentage of displaced homemaker customers who gain employment (other positive goals in parentheses, including higher education)	39% (75%)	30% (70.5%)	30% (74.1%)	70%
Average hourly wage of newly employed displaced homemaker customer	$9.04	$9.34	$9.66	$9.00+

** Asterisked figures are calculated from the start of the federal grant in 1999.*

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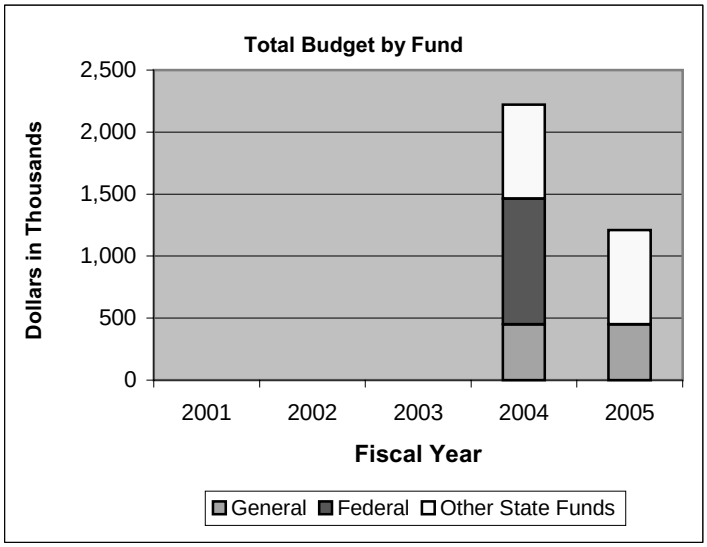

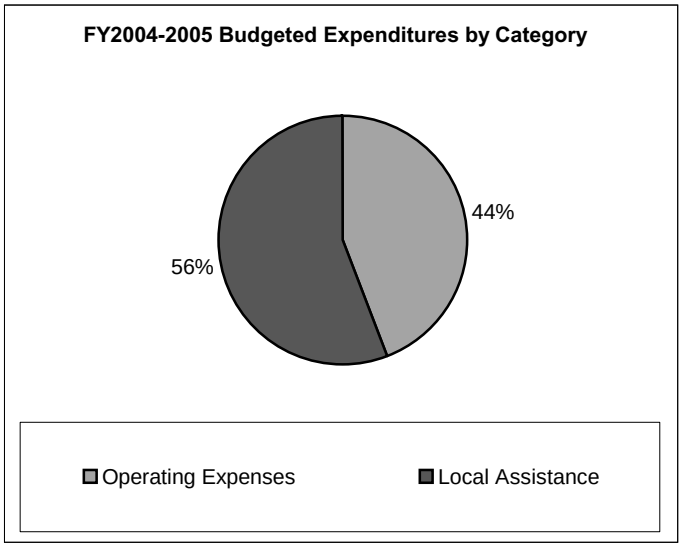

Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	0	0	0	449	449	898
Workforce Development	0	0	0	760	760	1,520
Statutory Appropriations						
Mdes Federal	0	0	0	1,013	0	1,013
Total	**0**	**0**	**0**	**2,222**	**1,209**	**3,431**
Expenditures by Category						
Operating Expenses	0	0	0	1,084	434	1,518
Local Assistance	0	0	0	1,138	775	1,913
Total	**0**	**0**	**0**	**2,222**	**1,209**	**3,431**
Revenue by Type and Fund						
Dedicated						
General	0	0	0	449	449	898
Mdes Federal	0	0	0	1,013	0	1,013
Subtotal Dedicated	0	0	0	1,462	449	1,911
Total Revenue	**0**	**0**	**0**	**1,462**	**449**	**1,911**
Full-Time Equivalents (FTE)	**0.0**	**0.0**	**0.0**	**14.2**	**5.4**	

Activity Description

The Youth Services budget activity gives youth statewide important resources and skills for transition into the career they choose. This activity encompasses six specific grants/programs – Workforce Investment Act (WIA) Youth Formula Grant, Minnesota Youth Program (MYP), Minnesota YouthBuild, Juvenile Accountability Incentive Block Grant (JAIBG), Juvenile Justice, and Youth Intervention Program (YIP). Authority for this budget activity therefore comes from multiple sources: M.S. 268.30, 268.361–367, 268.56–561, and various federal laws including the Workforce Investment Act of 1998, the Juvenile Justice and Delinquency Prevention Act of 1974 (as amended), and the U.S. Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act of 2001

Activity at a Glance

Youth Services encompasses six specific programs that serve over 75,000 Minnesota youth and their families. These "high risk" youth face significant economic and other disadvantages; the department uses a mixture of federal and state resources to meet their needs.

Population Served

While specific age limits and eligibility criteria differ by program, this activity generally serves those youth in or just out of their teenage years who are economically disadvantaged and/or at risk of not completing their high school education. These youth often face hurdles such as homelessness, pregnancy or parenting, trouble with the law, abuse at home, basic skills deficiency, chemical abuse, and limited English proficiency. Statewide, there are approximately 10,000 at-risk youth on local waiting lists for employment and training services.

Services Provided

Services differ significantly by program:

WIA Youth Formula Grant – The program operates statewide through the local Workforce Service Areas and the local Workforce Councils. Services include assessment, work experience, basic skills training, follow-up, supportive services as needed, and providing mentoring and leadership skills to help youth develop as citizens and leaders. Individualized assessments determine the specific services provided to in-school and out-of-school youth between the ages of 14 and 21.

MYP - The program operates through the local Workforce Councils and is available in all 87 counties. Staff assess youth needs and use those needs as the basis of designing individualized service strategies. Youth customers (ages 14-21) can access work experience, basic skills training, work-based learning, career counseling, personal counseling, life skills training, mentoring, and peer support groups, as well as support services such as transportation and child care.

MYP serves high-risk youth with severe barriers to employment: 100% are economically disadvantaged, 50% are from families receiving public assistance, and 45% are at risk of involvement with the juvenile justice system. Other barriers may include (but are not limited to) pregnant or parenting youth, homeless, runaway, recovering chemically dependent youth and foster children. Many MYP participants fit into several of these categories.

Minnesota YouthBuild – The program provides construction skills training, work experience, job readiness training, leadership development, and basic academic skills to dropouts, youth offenders, and other "high-risk" youth between the ages of 16 and 24. The program then provides affordable housing to low-income families and homeless individuals. The program is available from twelve different providers located in the Twin Cities, Bemidji, Chaska, Detroit Lakes, Virginia, Monticello, St. Cloud, and Rochester.

JAIBG – Funds are used by units of general local government for activities such as: truancy reduction, expediting juvenile court cases, transitional services including employment and education for youth returning to the community, training, information-sharing programs, and restorative justice programs. Federal requirements are very clear and specify "program purpose areas." Over 60 Minnesota counties, cities, and regional partnerships receive entitlement grants and have the flexibility to use JAIBG funds for activities which fit into the "program purpose areas."

Activity Funding

Legislative action during the 2002 session reduced Minnesota Youth Program *base* funding by $500,000.

Juvenile Justice - Examples of services for at-risk youth under the age of 18 include gender and culturally specific programs; diversion, intervention, and restorative justice programs that includes services to the offender, the offender's family, and the victim(s); programs delivering mentoring, tutoring, and other one-on-one experiences for youth to assist them in their maturation; and programs that assist at-risk youth to develop a focus on employment and training for career development. Providers include community based nonprofit organizations and units of local and tribal government, especially law enforcement and other justice agencies.

YIP - The program provides direct services to youth and families, including: youth development services (such as leadership development, mentoring, positive peer-centered activities, follow-up and support services); restorative justice services (such as restitution/community service supervision, family group conferencing, victim/offender mediation); pre-court diversion services; counseling services (including individual, family, and group counseling); educational programs related to specific offenses (such as theft, vandalism, alcohol, tobacco, and other drug offenses); and gender and/or culturally specific services. Public and private nonprofit agencies operate 52 community-based programs statewide. Twenty-nine programs operate in the Twin Cities metropolitan area and 23 serve youth in Greater Minnesota.

Key Measures

The WIA Youth Formula Grant provides outcome data for the Program Year that matches the state fiscal year, from 7-1-2000 through 6-30-02 data is estimated.

MEASURE	PY 2000	PY 2001*	PY 2002 (est.)
Total youth aged 14–18 served	3,686	3,981	(3,840)
Percentage of youth aged 14–18 who attain prescribed basic skills, work readiness skills, and/or occupational skills (goal in parentheses)	85.0% (67.0%)	86.6% (69.0%)	(71.0%)
Percentage of youth aged 14–18 who achieve placement and retention in post-secondary education/advanced training; military; unsubsidized employment, or qualified apprenticeship (goal in parentheses)	70.4% (50.0%)	76.6%** (52.0%)	(55.0%)
Total youth aged 19–21 served	927	1,049	(960)
Percentage of youth aged 19–21 who enter into unsubsidized employment (goal in parentheses)	73.5% (60.0%)	75.9% (62.0%)	(65.0%)
Percentage of youth aged 19–21 who remain employed for at least six months (goal in parentheses)	80.3% (72.0%)	71.3%** (74.0%)	(76.0%)
Average earnings over those six months, for those youth (goal in parentheses)	$3,901 ($2,850)	$2,262** ($3,000)	($3,150)

**Based on preliminary data (as of 8-21-02).*
***Preliminary outcomes based on only two quarters of data (10-1-00 – 3-31-01); additional outcomes pending.*

MYP uses the standard state fiscal year. 2002 data is estimated.

MEASURE	FY 1999	FY 2000	FY 2001	FY 2002 (est.)
Youth customers placed in jobs	5,659	5,851	6,407	6,200*
Percentage of youth who increased reading and math skill levels	82%	77%	79%	80%*
Percentage of youth customers who received academic credit for their program experience	49%	47%	45%	50%*

YouthBuild, YIP, JAIBG and Juvenile Justice programs use calendar years for program measures. 2002 data is estimated.

For YouthBuild:	CY 1999	CY 2000	CY 2001	CY 2002 (est)
Youth customers served	399	387	355	370
Percentage of youth customers who successfully completed program	70%	70%	70%	80%
Percentage of program completers who obtained high school diploma or GED	70%	85%	85%	87%
Percentage of program completers who immediately enrolled in post-secondary institutions	27%	35%	35%	44%
Percentage of program completers who immediately enrolled in building trades	15%	33%	33%	36%
Percentage of completers who entered unsubsidized employment with a starting wage averaging $10/hour.	45%	72%	70%	77%
Units of affordable housing constructed or renovated by YouthBuild participants	N/A	95	136	125
Homeless and low-income individuals and families who received affordable housing or other positive impact from youth customers' work	N/A	350	740	800
For YIP:	CY 1999	CY 2000	CY 2001	CY 2002 (est.)
Number of youth and families	21,674	15,195	20,170	20,000
Hours of community service performed by youth	50,000	41,268	51,765	50,000
Restitution dollars paid by youth	$75,000	$102,096	$77,553	$75,000
Percentage of youth customers who successfully complete the program	82%	92%	86%	90%
For JAIBG:	CY 1999	CY 2000	CY 2001	CY 2002 (est.)
Reduced truancy rates	N/A	80%	80%	80%
Reduced juvenile caseload	N/A	50%	50%	50%
For Juvenile Justice Programs	CY 1999	CY 2000	CY 2001	CY 2002 (est.)
Number of youth and families served	21,300	15,876	25,800	12,500
Percentage who complete program successfully	80%	82%	85%	85%
Reduced juvenile recidivism rate	N/A	N/A	40%	40%
Reduced truancy rate	N/A	N/A	60%	60%

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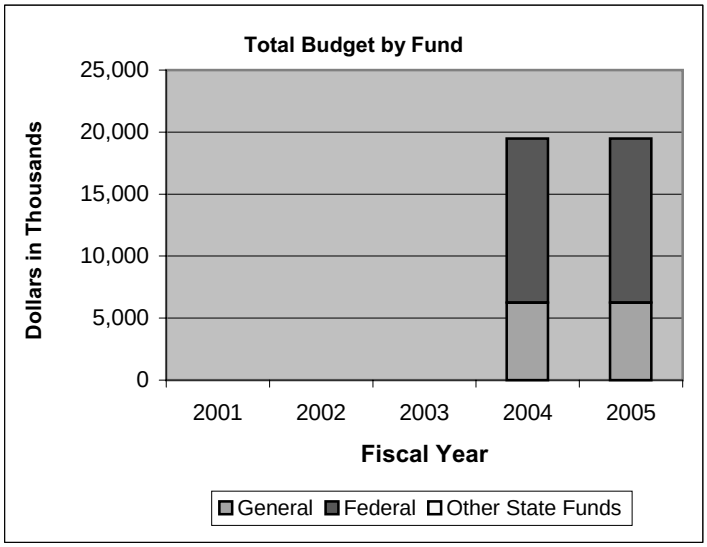
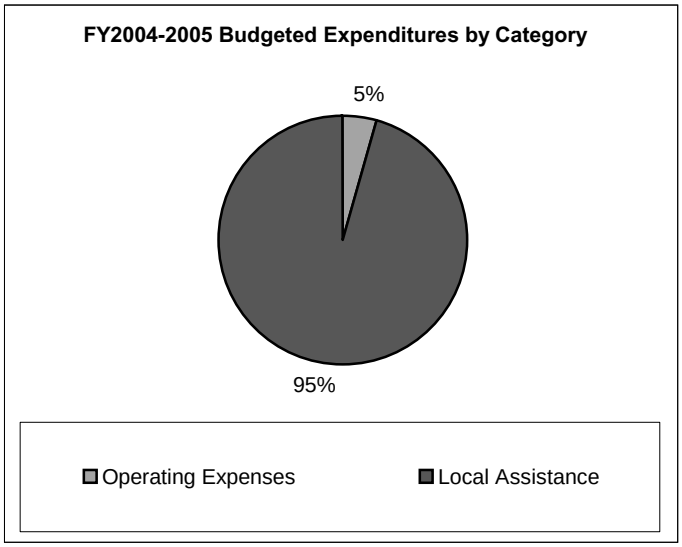
For more information, visit: www.mnwfc.org/youth





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	0	0	6,248	6,248	12,496
Statutory Appropriations						
Mdes Federal	0	0	0	13,240	13,240	26,480
Total	**0**	**0**	**0**	**19,488**	**19,488**	**38,976**
Expenditures by Category						
Operating Expenses	0	0	0	889	889	1,778
Local Assistance	0	0	0	18,599	18,599	37,198
Total	**0**	**0**	**0**	**19,488**	**19,488**	**38,976**
Revenue by Type and Fund						
Dedicated						
Mdes Federal	0	0	0	13,240	13,240	26,480
Subtotal Dedicated	0	0	0	13,240	13,240	26,480
Total Revenue	**0**	**0**	**0**	**13,240**	**13,240**	**26,480**
Full-Time Equivalents (FTE)	**0.0**	**0.0**	**0.0**	**10.8**	**10.7**	

Activity Description

The Employment Programs and Job Service Field Offices budget activity combines two units and eight different programs of the WorkForce Services Branch, in an array of services to employers seeking qualified applicants and individuals seeking assistance in employment. The two units are combined on this narrative since they tend to reflect "headquarters" and "branch" aspects of the same programs.

While the primary program here is the federally funded Job Service, the activity also includes: Veterans Programs; employer incentive initiatives such as the Work Opportunity and Welfare-to-Work Tax Credits; global economy adjustment aids including Foreign Labor Certification (FLC) and dislocated worker assistance under the Trade Adjustment Act and North American Free Trade Agreement; information products and services including Career Information and Labor Market Information; and a statewide labor exchange in the Minnesota Job Bank.

While the federal Wagner-Peyser Act, Trade Adjustment Act (TTA), and North American Free Trade Agreement (NAFTA) all contribute to this activity's authority, we recommend http://www.mnwfc.org/burgundy/index.htm as a reliable, complete listing of all relevant federal and state statutes.

Activity at a Glance

Job Service Employment Programs and Job Service Field Offices are the "headquarters" and "branches" of a variety of labor exchange programs. While some of these programs look similar to specialized programs elsewhere in the WorkForce Services Branch, others are unique employer incentives, and still others are critical information products and services that every Minnesotan can use.

Job Service forms the backbone of this budget activity, serving nearly 150,000 Minnesota job seekers and employers directly per year and many more indirectly.

Population Served

The primary customers of the Job Service program and information products and services are Minnesota job seekers and employers. Special efforts are made to serve veterans, youth, seasonal migrant farm workers, and people with disabilities. Other public employment and training programs in Minnesota are important secondary customers. The other programs in this budget activity – veterans, trade adjustment, tax credit, enterprise zone, foreign labor certification – all have specific eligibility requirements.

Services Provided

Services differ by program:

Job Service – Job Service provides job preparation assistance and job placement assistance to job seekers at WorkForce Centers throughout Minnesota. Minnesota's Job Bank is an Internet-based labor exchange system that links job seekers and employers through the largest employment database in the state, and provides a direct seamless link to America's Job Bank. While job attainment is the principal focus, Job Service also provides other services to that end, such as jobseeking classes, employment counseling, referrals to community-based services, and a wide range of employer-focused services.

Veterans – Customers receive career assessment, preparation, and placement assistance through the WorkForce Center System, tailored to their specific needs.

Work Opportunity and Welfare-to-Work Tax Credits – Employers receive a federal income tax credit when they hire persons from targeted groups.

Foreign Labor Certification - The department assists employers with the application process to hire foreign labor, provides prevailing wage information, and pre-screens applications prior to submittal to the Department of Labor Regional Certifying Officer in Chicago.

Trade adjustment – Programs include several benefits and reemployment services – such as training, job search allowances, relocation allowances, and cash benefits called Trade Readjustment Allowances (TRA). TRA may be paid to eligible workers following their exhaustion of unemployment insurance.

Career and labor market information – Products and services are extensive, and can best be described through three web sites the department manages or contributes to: www.iseek.org, www.mncareers.org, and www.mnwfc.org/lmi/. Products and services are also available in print and other formats.

Employer services - Job Service provides employers with current labor market information, program information to reduce business and hiring costs, and recruitment assistance with finding qualified applicants for job openings. Specific services include (but are not limited to) on-site recruiting, on-site interview facilities, Internet recruitment training and publications, and on- or off-site educational presentations. See www.mnwfc.org/employers.htm for a detailed listing of employer services.

Key Measures

These measures use the regular state fiscal year. Note that Job Service is a strong contributor to measures found on the WorkForce Services Branch narrative. Also note that because of internal systems changes, data earlier than 2001 is not available (NA).

MEASURE	FY 2000	FY 2001	FY 2002	FY 2002 GOAL
Number of jobseekers receiving reportable service from Job Service	NA	141,974	181,122	NA
Number of veterans receiving a reportable service from veteran-oriented programs	NA	22,326	23,873	NA
Percentage of veterans customers who gain new employment after receiving service	NA	22%	23%	NA
Total number (and value) of Work Opportunities and Welfare-to-Work Tax Credits provided to employers	NA	6,521 ($32.5M)	6793 ($33.4M)	NA
Percentage of reportable data produced on-time (by U.S. Bureau of Labor Statistics standards)	NA	100%	100%	NA
Average response rate to Labor Market Information surveys	NA	75%	90%	NA

Activity Funding

All funding for this activity comes from federal sources, primarily from the U.S. Department of Labor. Job Service is the largest activity. TAA and NAFTA Adjustment services often go to supplement assistance given by the Dislocated Worker Program at the Department of Trade and Economic Development.

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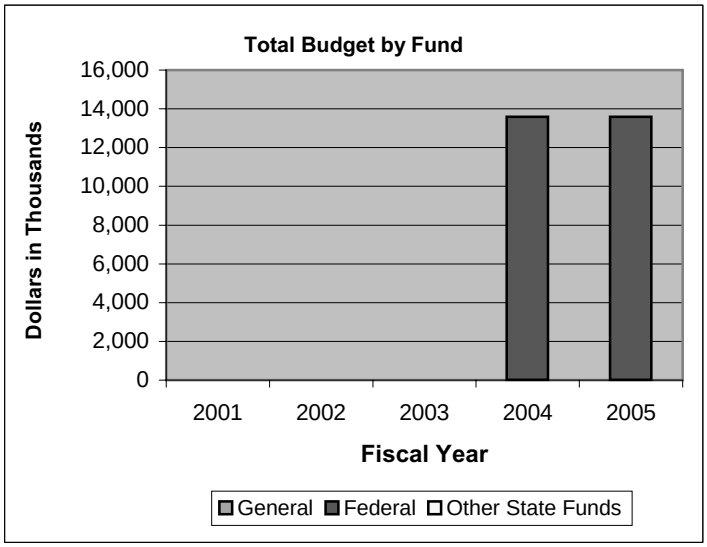
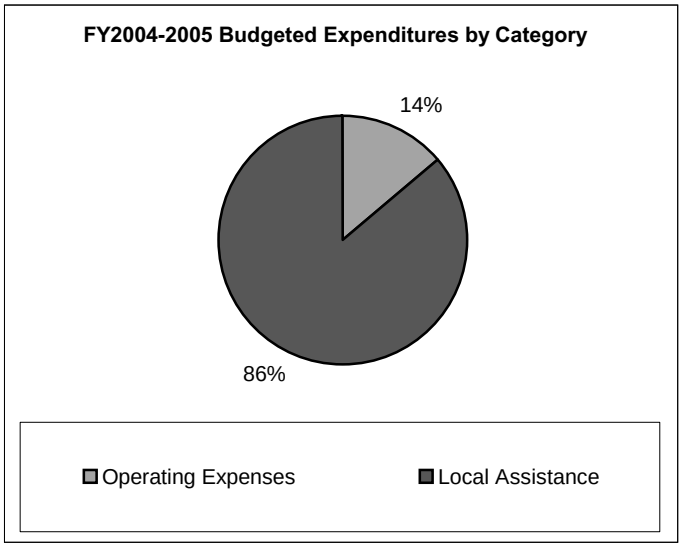
TRADE & ECON DEVELOPMENT DEPT
Program: WORKFORCE SERVICES
Activity: ADULT TRAINING

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Mdes Federal	0	0	0	13,583	13,583	27,166
Total	**0**	**0**	**0**	**13,583**	**13,583**	**27,166**
Expenditures by Category						
Operating Expenses	0	0	0	1,872	1,872	3,744
Local Assistance	0	0	0	11,711	11,711	23,422
Total	**0**	**0**	**0**	**13,583**	**13,583**	**27,166**
Revenue by Type and Fund						
Dedicated						
Mdes Federal	0	0	0	13,583	13,583	27,166
Subtotal Dedicated	0	0	0	13,583	13,583	27,166
Total Revenue	**0**	**0**	**0**	**13,583**	**13,583**	**27,166**
Full-Time Equivalents (FTE)	**0.0**	**0.0**	**0.0**	**28.7**	**28.7**	

Activity Description

The Adult Training budget activity provides employment and training assistance to adults to obtain and improve their employment, increase job retention, improve earnings, and earn occupational skill credentials. The activity encompasses two distinct programs – Workforce Investment Act (WIA) Title IB Adults, and the Senior Community Service Employment Program (SCSEP). Authority comes respectively from: the federal Workforce Investment Act of 1998, and Title V of the Older Americans Act of 1965 as amended by the Comprehensive Older Americans Act of 2000;

Activity at a Glance

Adult Training activities are based in two pieces of Federal Legislation – the Workforce Investment Act of 1998 (Title IB) and the Older Americans Act of 1965 (Title V) (as amended). In the year ending 9-30-01, this activity registered about 3,500 customers across both programs. This total clearly understates the number of individuals who benefited from these programs since a large number of individuals utilize Title IB funded WorkForce Center services throughout the state without the requirement of registering.

Title IB puts a great deal of emphasis on not just immediate employment, but job retention and credentialling of skills. Federal authorities require annual reports; these reports are available from the department.

Population Served

Customers of WIA Title IB Adults are adults in Minnesota who want to improve their participation in the workforce. Although the program is designed to serve all adults, often the program's customers are individuals who are: economically disadvantaged individuals with disabilities, individuals with offender status, and/or are basic skills deficient. Customers of SCSEP are Minnesotans 55 years of age or older, with an income of less than 125% of the poverty levels established by the U.S. Department of Health and Human Services, who want or need additional income.

Services Provided

Services differ from program to program:

WIA Title I – Adult: Services available to assist job seekers include preliminary assessment of skill levels, aptitudes, and abilities; support services; occupational training; on-the-job training; job search assistance; placement assistance; and career counseling. Information is also available on a full array of employment-related services, including information about local education and training service providers, labor market information, job vacancies, and skills necessary for in-demand jobs. Sixteen local WorkForce Service Areas select the menu of services and the providers who deliver the services (WorkForce Center partners, city or county services, community-based organizations, or other vehicles).

SCSEP – Places low-income individuals 55 years of age and older in subsidized part-time employment in community service. Additional services may include annual physical exams, personal and job-related counseling, and job training. The goal of the program is to place a minimum of 20% of individuals into unsubsidized employment annually. The department subgrants SCSEP operations to 15 local agencies that serve older workers in 60 counties throughout the state. In addition, five National sponsors provide services in the remaining counties. Together the local agencies and the national sponsors provide programs in all 87 Minnesota counties.

Key Measures

All measures are based on the regular state fiscal year. FY 2000 data is not available (NA) because of the timing of WIA's implementation. FY 2002 data is preliminary.

MEASURE	FY 2000	FY 2001	FY 2002 (preliminary)	FY 2002 GOAL
Percentage of adult customers (Title I) who entered employment after receiving services.	NA	70%	74%	75%
Percentage of employed adult customers (Title I) who retained their job for at least six months	NA	82%	74%	78%
Average annualized earnings change after six months for adult customers (Title I)	NA	$4,169	$3,771	+$3,600
Percentage of adult customers (Title I) who both enter employment and receive a formal skills credential	NA	33%	56%	45%
Percentage of older adult customers (SCSEP) who enter unsubsidized employment (federal target = 20%)	27%	24%	20%	20%

Activity Funding

Federal funding supports Title I Adult and SCSEP programming. These programs do not receive state funding.

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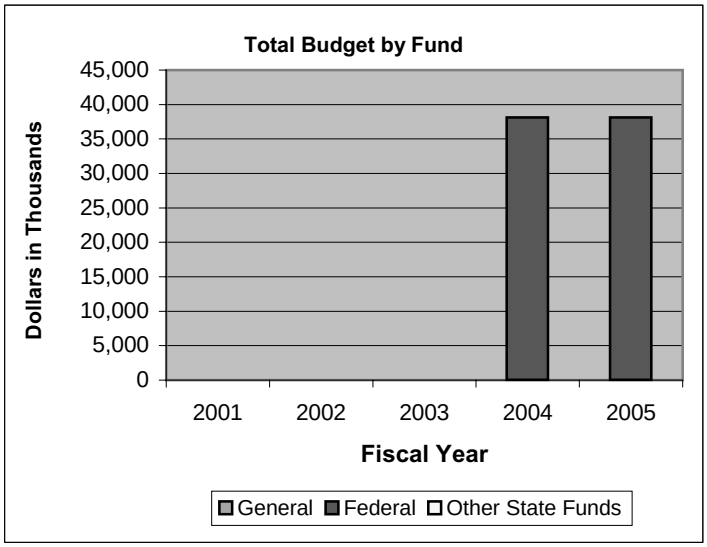

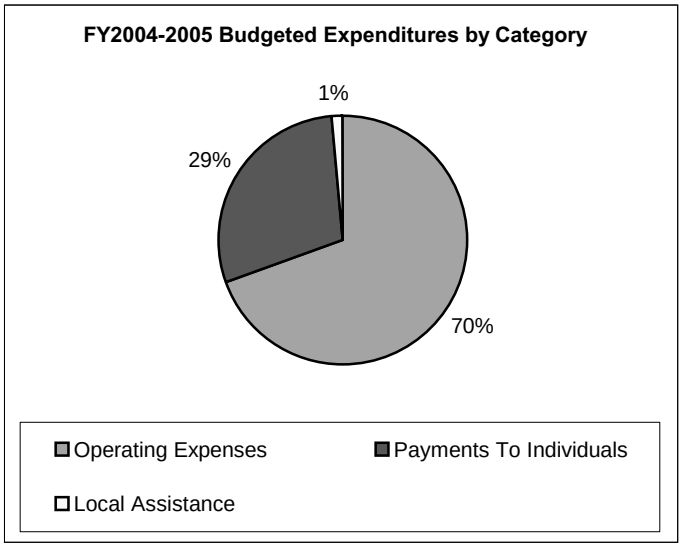

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Mdes Federal	0	0	0	38,138	38,138	76,276
Total	**0**	**0**	**0**	**38,138**	**38,138**	**76,276**
Expenditures by Category						
Operating Expenses	0	0	0	26,438	26,438	52,876
Payments To Individuals	0	0	0	11,200	11,200	22,400
Local Assistance	0	0	0	500	500	1,000
Total	**0**	**0**	**0**	**38,138**	**38,138**	**76,276**
Revenue by Type and Fund						
Dedicated						
Mdes Federal	0	0	0	38,138	38,138	76,276
Subtotal Dedicated	0	0	0	38,138	38,138	76,276
Total Revenue	**0**	**0**	**0**	**38,138**	**38,138**	**76,276**
Full-Time Equivalents (FTE)	**0.0**	**0.0**	**0.0**	**345.4**	**345.4**	

Program Description

The WorkForce Rehabilitation Services (RS) Branch helps Minnesotans with disabilities integrate into society. The branch's emphasis is on serving those with severe disabilities, and on encouraging the participation of all Minnesotans with disabilities in the social and economic life of their communities. Authority comes from M.S. 268A, the federal Rehabilitation Act of 1973 as amended, and the federal Social Security Act.

Program at a Glance

The WorkForce Rehabilitation Services (RS) Branch uses three different budget activities to help Minnesotans with disabilities integrate into society. Seventeen different grant programs help over 41,000 such Minnesotans every year; and thousands of Minnesota employers, as well as the state as a whole, benefit from the increased role our customers can play as citizens, workers, and community members.

Population Served

RS provides services to those Minnesota employers seeking qualified workers; those Minnesotans with severe disabilities who wish to prepare for, secure, and maintain employment; and the wider community of Minnesotans with disabilities who wish to live with greater independence in their homes and communities. (Children and the elderly typically receive age-appropriate services from other departments.) According to 2002 Census data, the total number of Minnesotans aged 21-64 with a disability is a bit over 303,000, or 10.8% of the state's population.

Services Provided

Four hundred branch staff and 140 state-certified community agencies provide services through three major programs, all available statewide (and detailed further on subsequent narrative pages). First, the *Extended Employment* program offers ongoing employment support services to individuals through a variety of employment settings – including manufacturing, service, and retail operations managed by community rehabilitation programs. The *Independent Living* program provides comprehensive services to people with severe disabilities who wish to live more independently and participate in their communities; the five sets of services include skills training, individual and systems advocacy, peer counseling, information and referral, and transition services for youth and young adults. The *Vocational Rehabilitation Services* program supplies basic services to customers including assessment, vocational evaluation, training, rehabilitation counseling, assistive technology, and job placement. Certain special services are also available, based on individual circumstances.

The branch provides services through the statewide network of WorkForce Centers and a variety of private, nonprofit service providers (including eight Centers for Independent Living).

Key Measures

The extent to which people with disabilities are employed reflects general economic conditions, the success of programs serving people with disabilities, and overall attitudes about employing people with disabilities.

Program Funding

The majority of RS funding is federal. State funding for RS activities is primarily pass-through money intended for service providers in Extended Employment and Independent Living Services. Significant matching funds ($7.5 million) support Vocational Rehabilitation Services. State operations constitutes less than 2% of state funding.

Minnesota's employment of people with disabilities ranks *first* among the states and compares quite favorably to the national average of 49%.

	1990	2000	2003 Goal
Percentage of Minnesotans with disabilities employed	48%	65%	66%

Budget activity pages contain performance data specific to the three broad areas within this branch.

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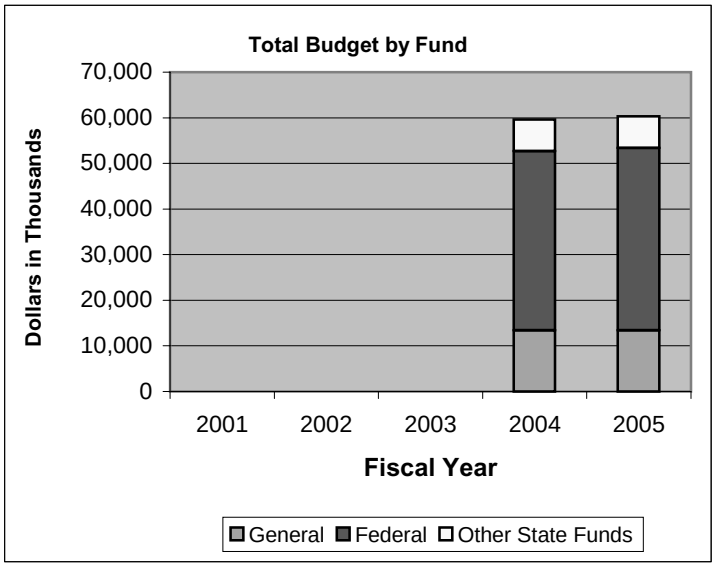

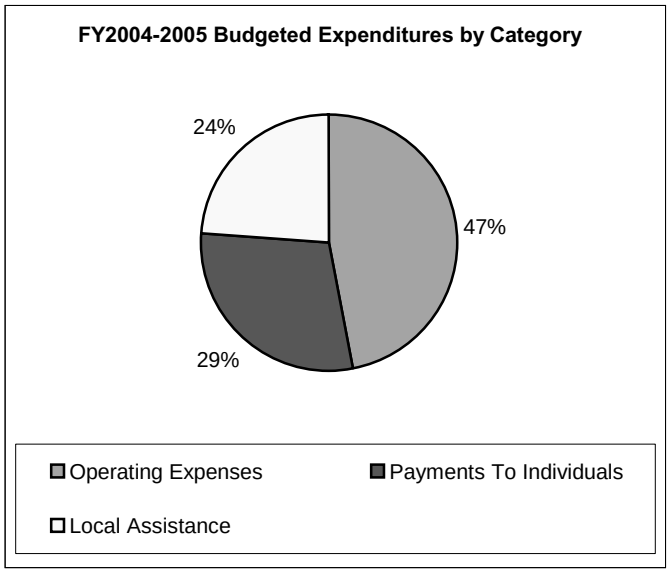

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	0	0	13,388	13,388	26,776
Workforce Development	0	0	0	6,945	6,945	13,890
Statutory Appropriations						
Mdes Federal	0	0	0	39,310	40,013	79,323
Gift	0	0	0	6	6	12
Total	**0**	**0**	**0**	**59,649**	**60,352**	**120,001**
Expenditures by Category						
Operating Expenses	0	0	0	27,792	28,595	56,387
Payments To Individuals	0	0	0	17,457	17,357	34,814
Local Assistance	0	0	0	14,400	14,400	28,800
Total	**0**	**0**	**0**	**59,649**	**60,352**	**120,001**
Expenditures by Activity						
Vocational Rehabilitation	0	0	0	45,478	46,181	91,659
Independent Living	0	0	0	1,359	1,359	2,718
Extended Employment	0	0	0	12,812	12,812	25,624
Total	**0**	**0**	**0**	**59,649**	**60,352**	**120,001**
Revenue by Type and Fund						
Dedicated						
Mdes Federal	0	0	0	39,310	40,013	79,323
Gift	0	0	0	6	6	12
Subtotal Dedicated	0	0	0	39,316	40,019	79,335
Total Revenue	**0**	**0**	**0**	**39,316**	**40,019**	**79,335**
Full-Time Equivalents (FTE)	**0.0**	**0.0**	**0.0**	**375.3**	**375.3**	

Activity Description

The Vocational Rehabilitation (VR) budget activity is the state's comprehensive, statewide program that assists persons with significant disabilities to seek, gain, and retain employment. Authority comes from M.S. 268A and the federal Rehabilitation Act of 1973, as amended

Activity at a Glance

Persons with disabilities are a valuable source of skilled labor for employers. Vocational Rehabilitation (VR)'s experience demonstrates that Minnesotans with severe disabilities are eager and ready to work – and Minnesota employers are eager and ready to hire them.

- Over 4,200 customers employed in 2001
- Over 2,600 employers employing them
- Active caseload of nearly 20,000

Services Provided

VR supplies basic services to customers including assessment, vocational evaluation, training, rehabilitation counseling, assistive technology, and job placement. Customers receive these services through 176 VR counselors located across the statewide network of WorkForce Centers and school districts. The department purchases many services from local, nonprofit community rehabilitation providers.

Historical Perspective

Funding for VR has been essentially flat for the last several years – in fact, due to funding formulas, Minnesota's proportion of allocated federal funds has actually decreased. During the same period, demand for VR services has increased dramatically because of the greater need for skilled workers and the growth in the number of our customers seeking employment. Finally, inflationary pressure has made resources even tighter.

The federal Rehabilitation Act stipulates that when there are insufficient resources to serve all eligible individuals, the state must put in place an “order of selection” to ensure individuals with the most severe disabilities are served first. An order of selection has been in effect in Minnesota since 1994. Absent a significant increase in federal funding for Minnesota’s Vocational Rehabilitation program this year, the cumulative effect of the above factors will lead to a more stringent order of selection starting 10-1-02.

Key Measures

Measures are based on a federal fiscal year (October 1 of previous year through September 30 of listed year). Note that customers of this program often take more than a year to reach key milestones. As a result, comparisons between one measure and another are difficult.

Activity Funding

The clear majority of VR funds come from the federal government. However, these funds cannot come without critical state matching funds. Each state dollar appropriated for the VR Program brings 3.7 federal dollars for these services. (In FY 2003, the state is providing $7.5 million from the General Fund.)

MEASURE	FFY 1999	FFY 2000	FFY 2001	FFY 2002 GOAL
Number of new customers accepted for service	8,579	9,678	10,297	10,500
Number of customers completing an employment plan during the year	6,000	6,658	6,409	6,500
Number of customers with an employment plan attaining work during the year	3,781	3,989	4,278	4,000
Number of participating employers	2,484	2,566	2,623	1,900

This past year the department began a new method of gauging customer satisfaction with many of its key programs. An independent contractor surveys a statewide sample of WorkForce Center customers each month and reports the results (see www.mnwfc.org/customersurvey/). The department calculates a Minnesota Customer Satisfaction Index from responses to questions on overall satisfaction. For the first six months of the survey (November 2001 - April 2002), the index for this program was *72.1* on a scale of 1 to 100. This number will contribute to the first year baseline data and will be critical in monitoring patterns of customer satisfaction over time. Future budget narratives will report these trends.

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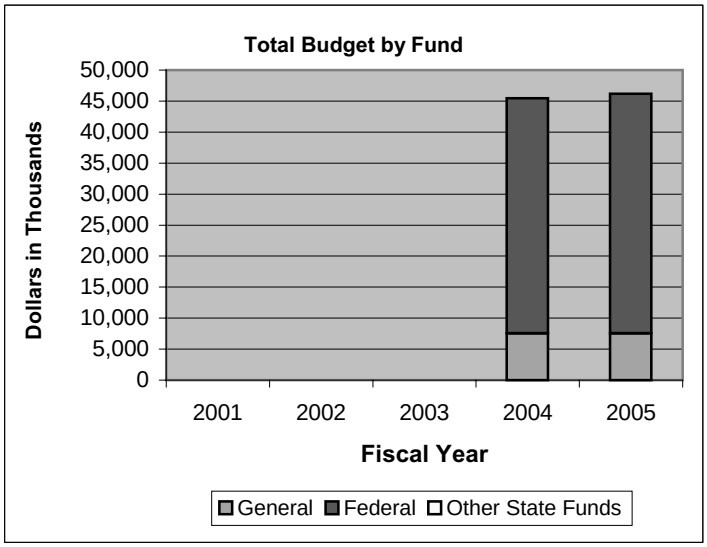

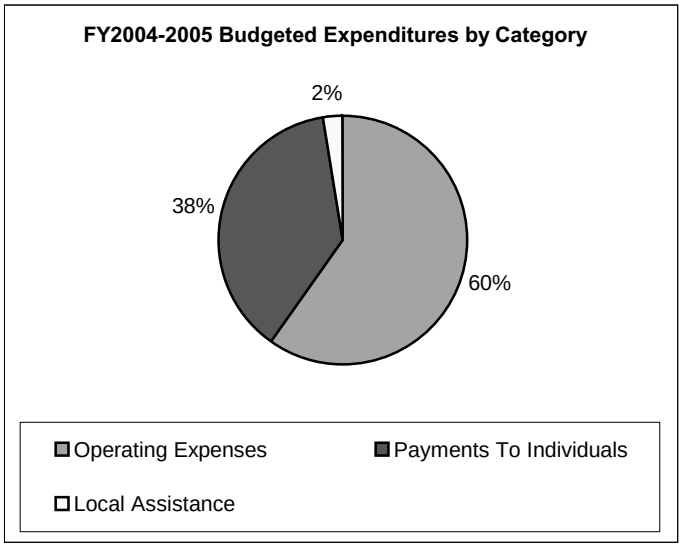

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	0	0	7,521	7,521	15,042
Statutory Appropriations						
Mdes Federal	0	0	0	37,951	38,654	76,605
Gift	0	0	0	6	6	12
Total	**0**	**0**	**0**	**45,478**	**46,181**	**91,659**
Expenditures by Category						
Operating Expenses	0	0	0	27,015	27,818	54,833
Payments To Individuals	0	0	0	17,337	17,237	34,574
Local Assistance	0	0	0	1,126	1,126	2,252
Total	**0**	**0**	**0**	**45,478**	**46,181**	**91,659**
Revenue by Type and Fund						
Dedicated						
Mdes Federal	0	0	0	37,951	38,654	76,605
Gift	0	0	0	6	6	12
Subtotal Dedicated	0	0	0	37,957	38,660	76,617
Total Revenue	**0**	**0**	**0**	**37,957**	**38,660**	**76,617**
Full-Time Equivalents (FTE)	**0.0**	**0.0**	**0.0**	**366.3**	**366.3**	

Activity Description

The Independent Living (IL) budget activity is a non-residential program that helps people with disabilities live independently. Authority comes from M.S. 268.A11 and the federal Rehabilitation Act of 1973, as amended.

Population Served

IL customers are persons with significant disabilities who request services to help them live independently in their communities.

Services Provided

There are four core IL services: skills training, individual and systems advocacy, peer counseling, and information and referral. All eight Independent Living Centers offer these core services, as well as transition services for youth and young adults. IL services seek to maximize the leadership, empowerment, independence, and productivity of people with disabilities. Customers may be eligible to receive services in two ways: 1) through the state's Vocational Rehabilitation Program (VR) and its 17 VR/IL counselors; and 2) through the state's network of eight regional, private nonprofit Centers for Independent Living.

Activity at a Glance

Independent Living (IL) helps Minnesotans with disabilities develop and find the skills and resources to achieve their maximum potential as citizens, workers, leaders, and family members.

Engagement with customers is intensive: less than 6,000 customers generated almost 40,000 instances of high-quality service in the year ending 9-30-01.

Key Measures

MEASURE	FFY 1999	FFY 2000	FFY 2001	FFY 2002 GOAL
Total IL customers served	4,406	5,644	5,906	6,000
Total instances of service (include duplicate customers)	13,430	23,487	39,643	40,000
Percentage of IL goals met across all customers (that is, IL goals set divided by IL goals attained)	41%	76%	65%	70%

Activity Funding

IL funds provided from the state General Fund are primarily pass-through to local delivery, with a small portion dedicated to match federal dollars. Federal funding is from the U.S. Department of Education. This activity receives no state appropriation for administrative operations.

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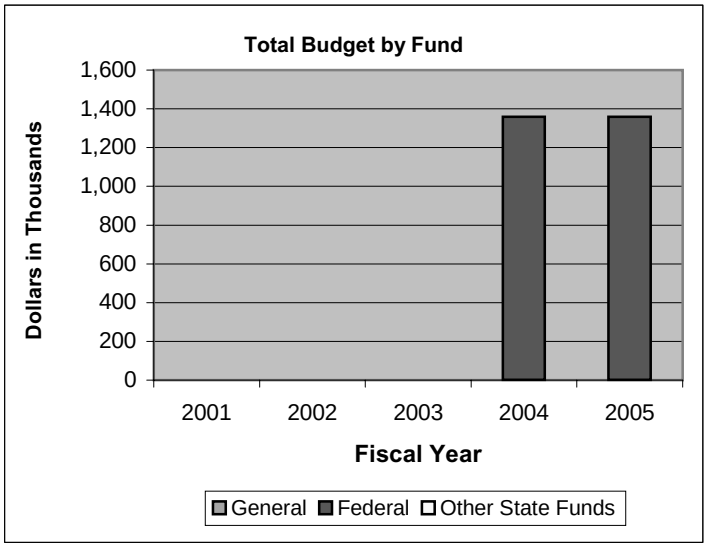

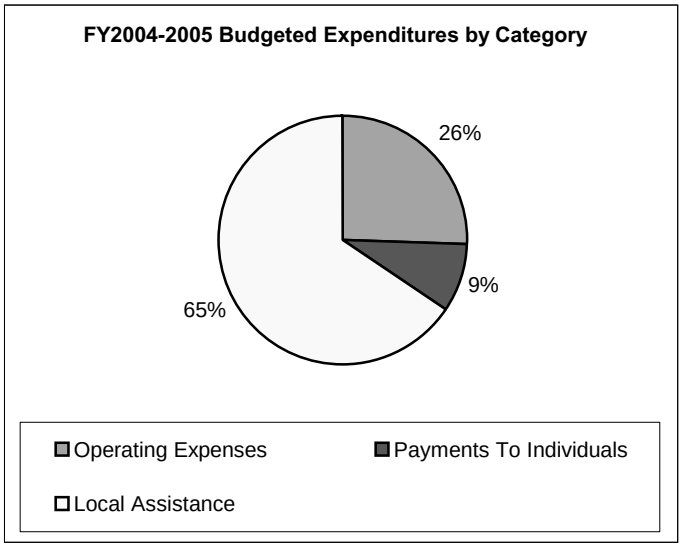

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Mdes Federal	0	0	0	1,359	1,359	2,718
Total	**0**	**0**	**0**	**1,359**	**1,359**	**2,718**
Expenditures by Category						
Operating Expenses	0	0	0	349	349	698
Payments To Individuals	0	0	0	120	120	240
Local Assistance	0	0	0	890	890	1,780
Total	**0**	**0**	**0**	**1,359**	**1,359**	**2,718**
Revenue by Type and Fund						
Dedicated						
Mdes Federal	0	0	0	1,359	1,359	2,718
Subtotal Dedicated	0	0	0	1,359	1,359	2,718
Total Revenue	**0**	**0**	**0**	**1,359**	**1,359**	**2,718**
Full-Time Equivalents (FTE)	**0.0**	**0.0**	**0.0**	**3.7**	**3.7**	

Activity Description

The Extended Employment (EE) budget activity makes it possible for persons with significant disabilities to maintain jobs and careers in the community. Authority comes from M.S. 268.A13–15

Population Served

EE consumers are Minnesotans with significant disabilities who require ongoing employment services and supports to maintain or advance their employment in the community. Portions of EE services are reserved for specific populations (e.g., persons with serious and persistent mental illness, or those who are deaf or hard of hearing), as detailed below.

Activity at a Glance

Extended Employment (EE) provides supported and center-based employment to Minnesotans with severe disabilities. Over 30 community rehabilitation programs (CRPs) are critical to the effort since they operate manufacturing, service, and retail enterprises.

Nearly 7,000 customers receive opportunities to work an average of 16 hours per week. Many of these customers include the public assistance system's "hardest to serve."

Services Provided

The basic EE Program provides funding for supported and center-based employment of persons with severe disabilities through a statewide network of 31 community rehabilitation programs (CRPs). *Supported employment* provides ongoing support for persons working in the larger community in a variety of employment settings. *Center-based employment* provides ongoing support for persons who work in manufacturing, service, and retail enterprises operated by the CRP.

Supported employment services are also provided to persons with serious and persistent mental illness who secure employment through the innovative Coordinated Employability Projects in collaboration with the Mental Health Division of the Department of Human Services. Similarly, supported employment services are also provided to persons who are deaf or hard of hearing through a grant to the Minnesota Employment Center for Persons who Are Deaf or Hard of Hearing.

Activity Funding

EE is one of the few budget activities at the department that is completely reliant on state funding. In addition, a portion of these funds draw down a federal match for exclusive use in the Vocational Rehabilitation budget activity. EE receives appropriations from the General Fund and Workforce Development Fund; General Fund cuts during the 2002 session did impact this program by $192,000.

Historical Perspective

The program history of EE is tightly bound to its funding history. Over the past decade, EE funding has not kept up with increases in the Consumer Price Index. Community rehabilitation providers who receive EE funds experience significant staff turnover due to their inability to keep wages competitive.

Key Measures

MEASURE	FFY 1999	FFY 2000	FFY 2001	FFY 2002 GOAL
EE/BASIC				
Number of customers employed (100% are employed)	6,638	6,291	6,402	6,635
Total number of hours worked	5,689,511	5,652,660	5,434,353	5,386,086
Average number of hours worked	857 (16/wk)	899 (17/wk)	849 (16/wk)	812 (16/wk)
Total wages earned	$22,895,619	$23,912,780	24,157,029	$25,442,521
Average wages earned	$3,449 ($64/wk)	$3,883 ($72/wk)	$3,773 ($72/wk)	$3,835 ($76/wk)
EE/SPMI				
Number of customers employed (100% are employed)	360	423	470	527
Total number of hours worked	192,090	205,817	182,056	228,311
Average number of hours worked	534 (10/wk)	487 (9/wk)	387 (7.5/wk)	433 (8/wk)
Total wages earned	$1,289,015	$1,438,599	$1,234,734	$1,696,054
Average wages earned	$3,581 ($69/wk)	$3,401 ($65/wk)	$2,627 ($50/wk)	$3,218 ($62/wk)

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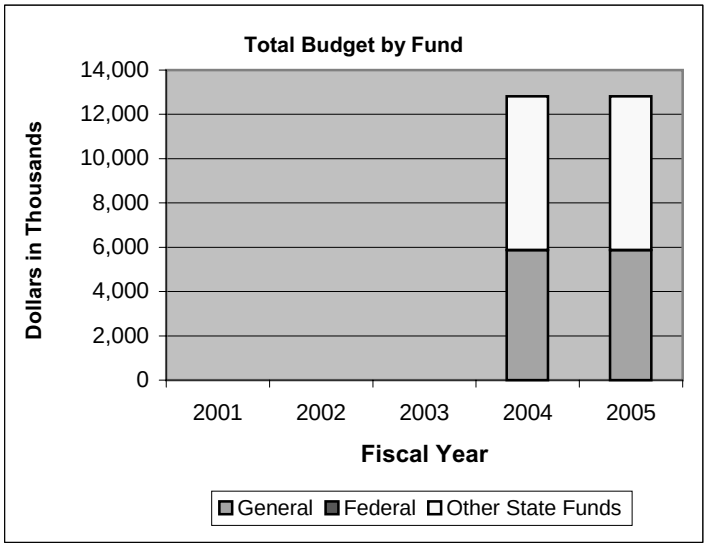
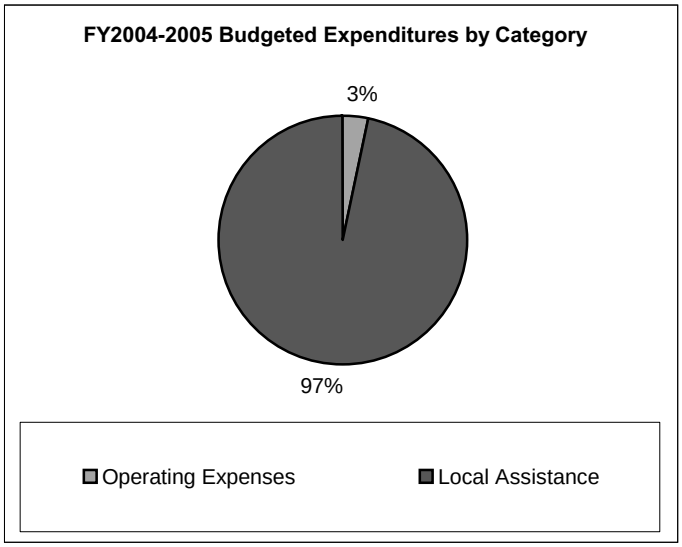
TRADE & ECON DEVELOPMENT DEPT
Program: WORKFORCE REHABILITATION SVCS
Activity: EXTENDED EMPLOYMENT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	0	0	5,867	5,867	11,734
Workforce Development	0	0	0	6,945	6,945	13,890
Total	**0**	**0**	**0**	**12,812**	**12,812**	**25,624**
Expenditures by Category						
Operating Expenses	0	0	0	428	428	856
Local Assistance	0	0	0	12,384	12,384	24,768
Total	**0**	**0**	**0**	**12,812**	**12,812**	**25,624**
Full-Time Equivalents (FTE)	**0.0**	**0.0**	**0.0**	**5.3**	**5.3**	

Program Description

The State Services for the Blind (SSB) branch helps blind and visually impaired Minnesotans maximize their vocational and personal independence. Authority for the branch's services comes from M.S. 248, 160.28, and 273.13; Minnesota Rules, Chapter 3321 and 3325; and various federal laws and regulations.

Population Served

SSB serves blind, visually impaired, and print-impaired Minnesotans.

Program at a Glance

State Services for the Blind (SSB) helps blind and visually impaired Minnesotans maximize their vocational and personal independence:

- about 100 customers annually find paid work as a result of workforce development programming;
- about 1,000 customers annually achieve their self-sufficiency goals;
- paid staff and volunteers produce 700,000–800,000 pages of Braille translation annually.

Services Provided

There are five sections within SSB (which serves as a single budget activity) – Workforce Development, Self-Sufficiency, Business Services, Assistive and Adaptive Technology, and Administrative Services.

Workforce Development is the primary purpose of the federal program and receives funding under Title I of the Rehabilitation Act. Workforce Centers spread across Minnesota and an SSB office in St. Paul deliver services that emphasize adjustment to blindness, vocational counseling and training, and job placement.

Self-Sufficiency, funded largely by the state, primarily serves Minnesotans age 55+ who are not seeking employment and need to learn the skills necessary to regain or maintain their personal independence. Services are available throughout Minnesota through community hubs including field offices, senior centers, public libraries, churches, and a variety of community buildings. These services include information seminars on vision loss, solutions inventory, low vision evaluations, mobility instruction, household management instruction, and assistive devices.

Assistive and Adaptive Technology is federally and state funded and provides support to the Workforce Development section to deliver solutions for blind and visually impaired customers so they can have access to the printed word at work and in their daily lives. This section also conducts fund raising, as well as research and development in new technology that will assist all of our customers in being productive and independent citizens.

Business Services are federally and state funded and deliver access to the printed word through the Communication Center. The Communication Center produces Braille and tape transcription, radio programming (Radio Talking Book), 24-hour audio information (Dial-in-News and News-Line), and distribution of special equipment for the Library of Congress. Business Services also provides the certification of legal blindness for the Homestead Tax Credit. In addition, it manages and operates the Business Enterprise Program which promotes small business franchise opportunities to blind or visually impaired customers.

Administrative Services are federally and state funded and provide for policy development, case review, program evaluation, financial management, purchasing, contract management, staff training and development, and administrative and technical support.

Historical Perspective

In the 2002 session, the legislature adjusted the department's overall budget through across-the-board cuts. SSB accounts for $2.32 million of the $3.19 million defined by the legislature as available to the Department for cuts. While other branches were able to help minimize the impact to SSB (reducing this branch's share of the cuts to 46% instead of 73%), the $416,000 cut faced by SSB required layoffs in multiple areas (including administrative staff), discontinuation of the Store, and reduced service levels at the Communication Center and Self-Sufficiency Program. In addition, a voluntary undertaking to assist the Department of Children, Families, and Learning with blind child rehabilitation is now limited to information and referral, instead of full counseling.

These cuts are among the most severe that SSB and its customers have ever experienced. The $416,000 reduction represents 18% of the branch's budget for state operations.

Key Measures

Federal Fiscal Years (FFYs) run from October of the previous year through September of the named year. *FFY 2002 data is partial* (as of August 2002 only). Braille pages figure only is based on state fiscal year.

MEASURE	FFY 2000	FFY 2001	FFY 2002 (partial)	FFY 2002 GOAL
Rate of customers exiting workforce development program who achieve paid work	106-303 (35%)	91-459 (20%)	119-271 (44%)	146
Average hourly earnings in that program	$9.93	$11.51	$13.60	$12.00
Rate of customers exiting self-sufficiency program who accomplish all communication and self-care goals	878-1284 (68%)	1024-1224 (84%)	935-1214 (77%)	(75%)
Braille pages provided (State Fiscal Year)	753,236	815,788	715,883	Not available
Customers accessing audio services	14,631	14,507	14,670	14,700
Blind vendors maintaining or improving income: number (and percentage of total)	38 (59%)	37 (60%)	Not yet available	40 (65%)

This past year the department began a new method of gauging customer satisfaction with many of its key programs. An independent contractor surveys a statewide sample of WorkForce Center customers each month and reports the results (see www.mnwfc.org/customersurvey/). The department calculates a Minnesota Customer Satisfaction Index from responses to questions on overall satisfaction. For the first six months of the survey (November 2001 - April 2002), the index for the SSB workforce development program was *67.6* on a scale of 1 to 100. This number will contribute to the first year baseline data and will be critical in monitoring patterns of customer satisfaction over time. Future budget narratives will report these trends.

Program Funding

SSB receives a single state appropriation, to be divided across various services. About half ($2.2 million) of the appropriation must go to match federal dollars; another half million is direct customer support. The remainder ($2.3 million for state operations) went to the Store, the Communications Center, the Child Rehabilitation support, and the Self-Sufficiency program.

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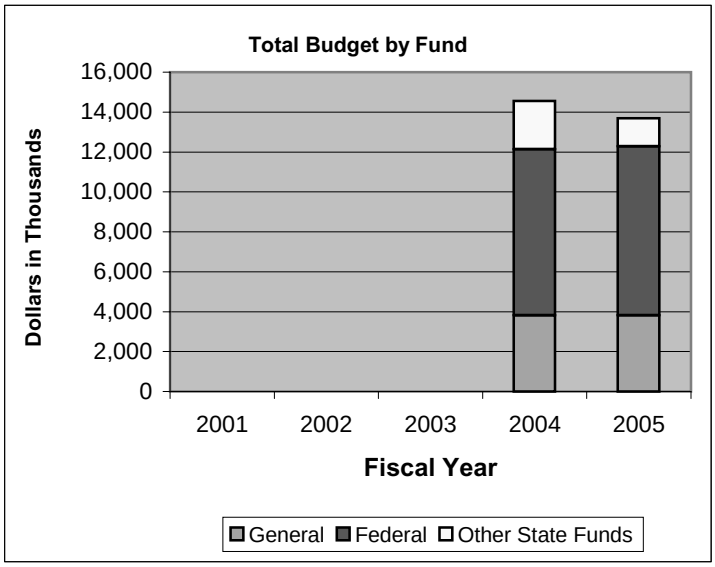

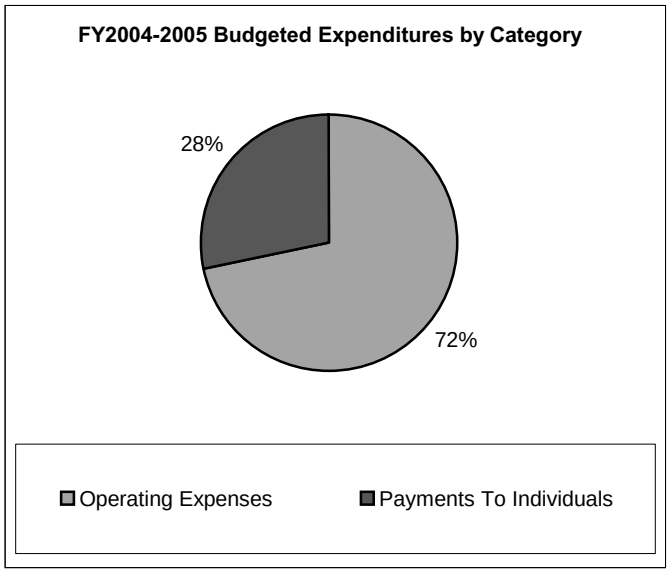

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	0	0	3,819	3,819	7,638
Statutory Appropriations						
Special Revenue	0	0	0	987	921	1,908
Mdes Federal	0	0	0	8,318	8,456	16,774
Gift	0	0	0	1,429	502	1,931
Total	**0**	**0**	**0**	**14,553**	**13,698**	**28,251**
Expenditures by Category						
Operating Expenses	0	0	0	10,560	9,705	20,265
Payments To Individuals	0	0	0	4,022	4,022	8,044
Local Assistance	0	0	0	-29	-29	-58
Total	**0**	**0**	**0**	**14,553**	**13,698**	**28,251**
Expenditures by Activity						
Services For The Blind	0	0	0	14,553	13,698	28,251
Total	**0**	**0**	**0**	**14,553**	**13,698**	**28,251**
Revenue by Type and Fund						
Dedicated						
Special Revenue	0	0	0	866	871	1,737
Mdes Federal	0	0	0	8,318	8,456	16,774
Gift	0	0	0	1,069	526	1,595
Subtotal Dedicated	0	0	0	10,253	9,853	20,106
Total Revenue	**0**	**0**	**0**	**10,253**	**9,853**	**20,106**
Full-Time Equivalents (FTE)	**0.0**	**0.0**	**0.0**	**105.5**	**105.5**	

Program Description

The WorkForce Wage Assistance Branch helps Minnesotans remain economically self-sufficient through unemployment and/or disability. The *Unemployment Insurance (UI)* budget activity manages the payment of benefits to unemployed Minnesotans; and the *Disability Determination Services (DDS)* budget activity determines if Minnesotans claiming disability under the federal Social Security Disability Insurance and Supplemental Security Income programs qualify for those benefits.

The UI activity receives its authority from M.S. 268.001 through 268.23 and U.S. Code, Title 42, Chapter 7; U.S. Code, Title 26, Chapter 23. The DDS activity receives its authority from U.S. Code, Title 42, Chapter 7, Subchapter II, Section 421.

Program at a Glance

The federally mandated programs in this branch provide critical self-sufficiency services to a large pool of Minnesotans suffering short- or long-term distress. About a quarter of a million Minnesotans require services from this branch annually:

- Unemployment Insurance (approx. 210,000)
- Disability Determination Services (approx. 40,000)

Population Served

The primary customers of the UI program are the 130,000 Minnesota *employers* subject to the UI Benefit Tax and their 2.7 million *employees*. Over 210,000 Minnesota employees applied for unemployment insurance during calendar 2001. The primary customers of the DDS are the 40,000 *Minnesota residents* each year who file applications for disability benefits or are reviewed for continuing eligibility for payments.

Services Provided

In UI, services consist of benefit application, eligibility determination, and benefit provision for individuals; and tax collection and information gathering for employers. Both workers and employers have access to fair and timely adjudication and appeals assistance. Service centers (651-284-3033 or toll free 1-877-504-5050) and the Internet (www.mnwfc.org/ui/index.htm) are the primary delivery mechanisms.

In DDS, services consist of eligibility determination and appropriate referrals to services elsewhere in the Department (especially Vocational Rehabilitation Services and State Services for the Blind), as well as to the Department of Health where children with special health needs are concerned. Customers apply for disability benefits by calling the Social Security Administration's 800 number, or by filing for benefits at their local Social Security office.

While benefit payment is a critical "bridge" for distressed Minnesotans, both activities in this branch depend on the WorkForce Center System for re-employment services so that families can regain long-term economic security

Key Measures

The two activities under this branch have their own distinct performance measures. Please see the UI and DDS budget activity pages for specific performance data.

Program Funding

UI is funded by employer-paid taxes that are maintained in specially-designated federal funds for benefit provision and administrative costs. UI Trust Fund figures are not shown here. DDS receives a federal Social Security Administration appropriation for its work. No activities in this branch receive allocations from Minnesota's General Fund or Special Revenue funds.

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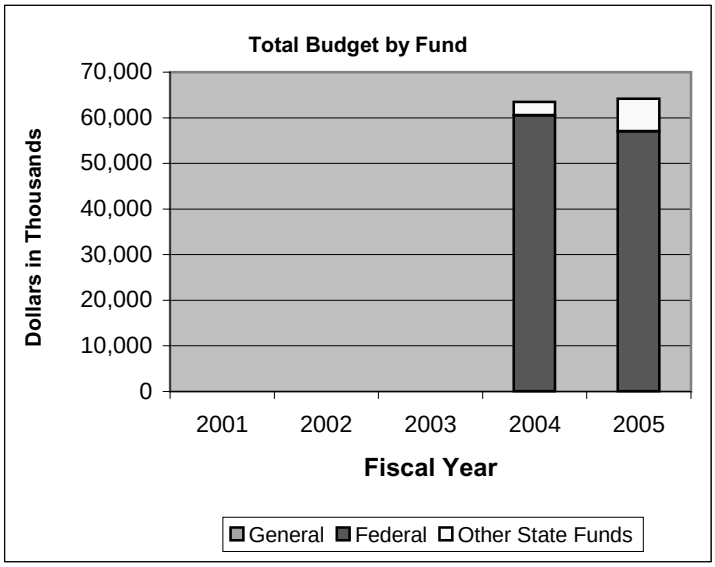

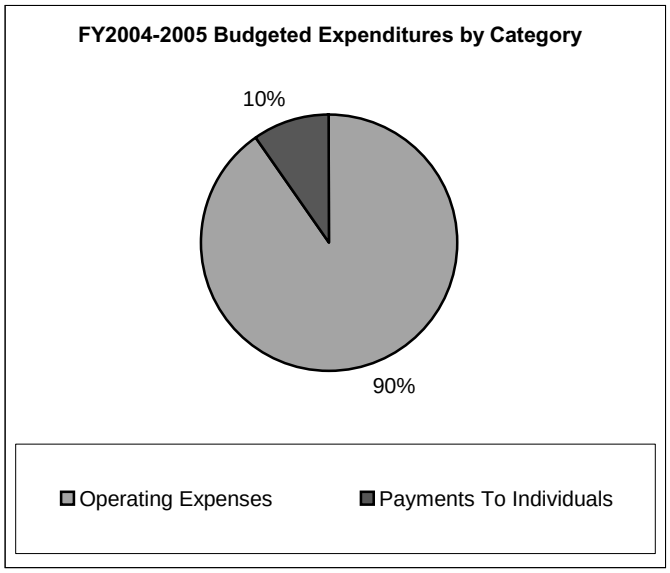

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Special Revenue	0	0	0	2,986	7,100	10,086
Mdes Federal	0	0	0	60,526	57,055	117,581
Total	**0**	**0**	**0**	**63,512**	**64,155**	**127,667**
Expenditures by Category						
Operating Expenses	0	0	0	57,332	57,855	115,187
Payments To Individuals	0	0	0	6,180	6,300	12,480
Total	**0**	**0**	**0**	**63,512**	**64,155**	**127,667**
Expenditures by Activity						
Unemployment Insurance	0	0	0	45,118	45,232	90,350
Disability Determination	0	0	0	18,394	18,923	37,317
Total	**0**	**0**	**0**	**63,512**	**64,155**	**127,667**
Revenue by Type and Fund						
Dedicated						
Special Revenue	0	0	0	9,800	9,800	19,600
Mdes Federal	0	0	0	60,526	57,055	117,581
Subtotal Dedicated	0	0	0	70,326	66,855	137,181
Total Revenue	**0**	**0**	**0**	**70,326**	**66,855**	**137,181**
Full-Time Equivalents (FTE)	**0.0**	**0.0**	**0.0**	**577.0**	**577.0**	

Activity Description

The Unemployment Insurance (UI) program provides economic relief through the payment of unemployment benefits to unemployed Minnesotans. Authority comes from M. S. Section 268.029 through 268.23. See also U.S. Code, Title 42, Chapter 7 and U.S.Code, Title 26, Chapter 23.

Population Served

The primary customers of UI are the individuals who apply for unemployment benefits, in 2001, 210,000 Minnesotans. Of the persons who applied, over 165,000 received unemployment benefits. 130,000 Minnesota employers are also customers of the system; they pay into the UI Trust Fund through a special payroll tax on their 2.7 million employees. The amount of the tax is based upon their "experience" with unemployment.

Activity at a Glance

Unemployment Insurance (UI) is a federally mandated program that covers Minnesotans statewide. Virtually all Minnesota employers participate through payroll-based taxes, placed in a special trust fund used exclusively for the payment of unemployment benefits.

- $675 million in regular unemployment benefits was paid in 2001.
- 210,000 individuals filed applications for unemployment benefits in 2001.
- 130,000 employers are involved in the UI program, covering 97% of all work performed in the state.

Services Provided

Each year, the UI program determines the tax liability of 130,000 Minnesota employers, each receiving an individually computed tax rate based upon the "experience" with unemployment. The program collects these revenues, audits employer accounts to ensure proper payments, determines benefit entitlement to applicants who apply for benefits, and pays weekly unemployment benefits to over 165,000 eligible applicants, provides impartial due process hearings for applicants and employers who wish to appeal UI decisions, and administers state and federal laws relating to unemployment insurance. (Such laws include special federal extended benefit programs, federal disaster unemployment assistance programs, and special state extensions.)

Service centers (651-284-3033 or toll free 1-877-504-5050) and the Internet (www.mnwfc.org/ui/index.htm) are the primary initial benefit delivery mechanisms.

Historical Perspective

The UI Trust Fund as of 6-30-02 had a balance of $266 million. This balance is over $260 million *less* than at the same time last year. The department expects unemployment benefit payouts in 2002 to exceed $850 million and unemployment taxes to amount to $440 million. Federal law does provide for borrowing from the federal treasury to pay unemployment benefits if necessary, and the department predicts the UI Trust Fund will borrow from the federal treasury in February 2003.

Even at its peak ($750 million in March 2001), the UI Trust Fund did not meet federal solvency standards. An Office of Legislative Auditor report in January 2002 reinforced the department's concerns. During the 2002 session, the Minnesota legislature directed the UI Advisory Council to begin an analysis of steps necessary to ensure long-term solvency of the fund and to make specific legislative recommendations during the 2003 session. See Laws 2002, Chapter 370, Article 1, Section 8.

Key Measures

The UI program measures follow a calendar year system. 2002 data is as of 8-16-02. NA = Not available.

MEASURE	CY 2000	CY 2001	CY 2002	CY 2002 GOAL
Number of initial determinations on contested issues	41,774	56,657	NA	NA
Percentage of separation determinations accurate	NA	79.0%	NA	80.0%
Percentage of initial appeals decided within 45 days	79.9%	49.4%	43.17%	80.0%
UI benefit overpayments (as percentage of $ spent)	10.8%	8.8%	NA	8.0
Percentage of first payments made within 14 days	92.7%	91.4%	90.3%	87.0%
Percentage of new employer status determinations made within 90 days of quarter end-date	81.7%	80.8%	73.5%	60%
Recovery rate on fraudulent UI claims	NA	82.0%	NA	NA

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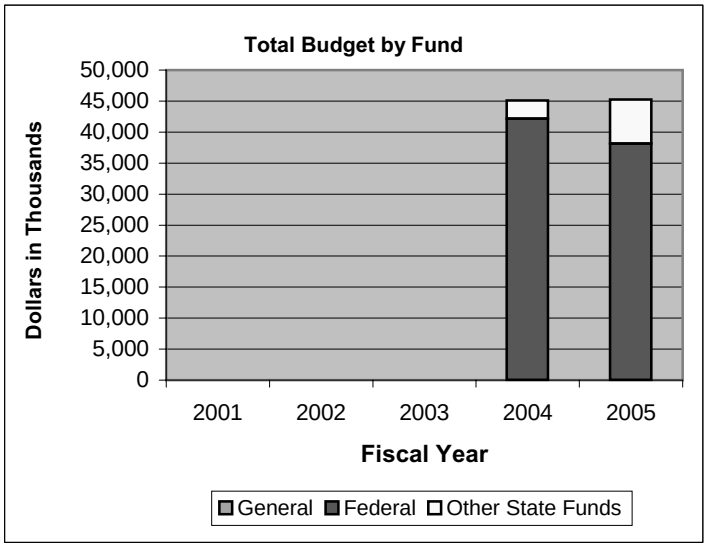

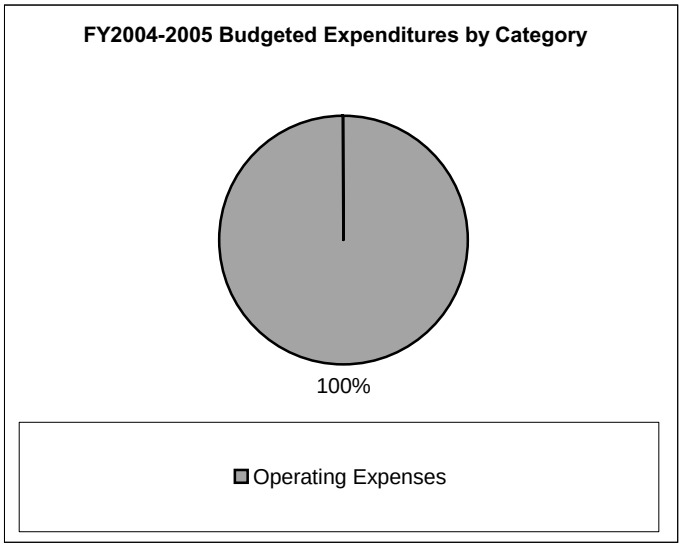

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Special Revenue	0	0	0	2,986	7,100	10,086
Mdes Federal	0	0	0	42,132	38,132	80,264
Total	**0**	**0**	**0**	**45,118**	**45,232**	**90,350**
Expenditures by Category						
Operating Expenses	0	0	0	45,118	45,232	90,350
Total	**0**	**0**	**0**	**45,118**	**45,232**	**90,350**
Revenue by Type and Fund						
Dedicated						
Special Revenue	0	0	0	9,800	9,800	19,600
Mdes Federal	0	0	0	42,132	38,132	80,264
Subtotal Dedicated	0	0	0	51,932	47,932	99,864
Total Revenue	**0**	**0**	**0**	**51,932**	**47,932**	**99,864**
Full-Time Equivalents (FTE)	**0.0**	**0.0**	**0.0**	**444.3**	**444.3**	

Activity Description

The Disability Determination Services (DDS) budget activity determines if Minnesota applicants meet federal criteria for disability cash benefits under Social Security's Disability Insurance or Supplemental Security Income program. Authority comes from U.S. Code, Title 42, Chapter 7, Subchapter II, Section 421.

Activity at a Glance

Disability Determination Services (DDS) is bound by Social Security Administration regulations to determine the status of Minnesota applicants for Social Security Disability Insurance and/or Supplemental Security Income benefits.

- about 40,000 new applicants each year
- about $67 million in federal benefits monthly

Population Served

The primary customers of the DDS are the approximately 40,000 Minnesota residents annually who file applications for disability benefits or are reviewed for continuing eligibility for payments. The secondary customers are the state and federal taxpayers who pay for these benefits and deserve an accurate determination process.

Services Provided

In addition to providing determinations on eligibility for disability payments, the DDS also refers disability applicants who may benefit from rehabilitation services to Vocational Rehabilitation Services, State Services for the Blind, and to the Department of Health's section of Children with Special Health Needs. Customers apply for disability benefits by calling the Social Security Administration's 800 number, or by filing for benefits at their local Social Security office.

Key Measures

(NA = Not applicable)

MEASURE	CY 1999	CY 2000	CY 2001	CY 2002 GOAL
Individuals receiving SSD	115,000	118,000	121,000	NA
Benefits paid (average monthly)	$66 million	$68 million	$71 million	NA
New determinations reviewed	39,386	40,111	42,000	44,600
Days in decision making	101	101	103	115
Percentage of decisions accurate	97%	97.5%	97.1%	NA
Percentage of cases reviewed (compared to federal target)	108%	105%	105%	100%

Activity Funding

DDS is funded entirely by the Social Security Administration. The Chicago regional office of the Social Security Administration monitors spending. There is very little discretion with the funds.

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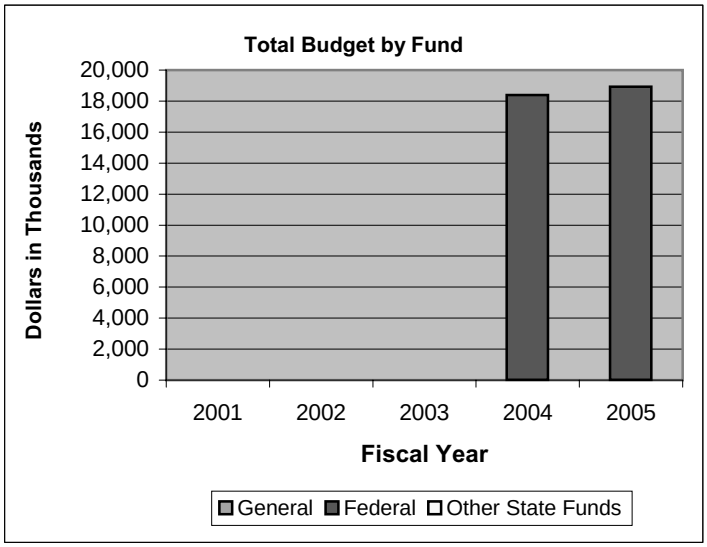
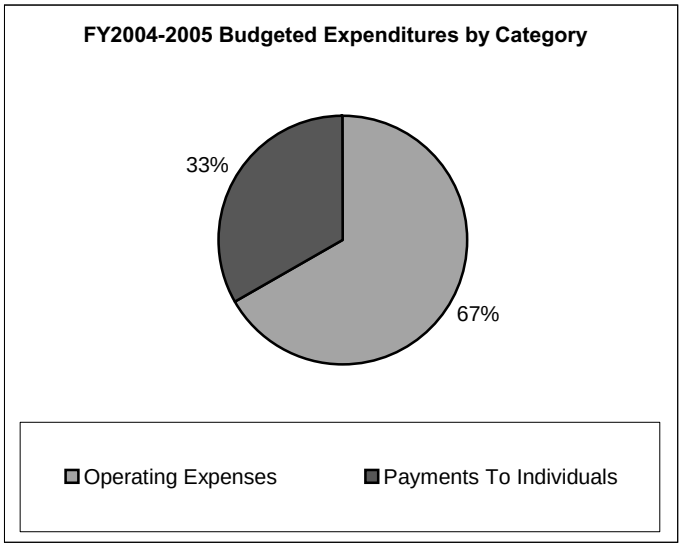
TRADE & ECON DEVELOPMENT DEPT
Program: WORKFORCE WAGE ASSISTANCE
Activity: DISABILITY DETERMINATION

Fiscal Report





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Statutory Appropriations						
Mdes Federal	0	0	0	18,394	18,923	37,317
Total	**0**	**0**	**0**	**18,394**	**18,923**	**37,317**
Expenditures by Category						
Operating Expenses	0	0	0	12,214	12,623	24,837
Payments To Individuals	0	0	0	6,180	6,300	12,480
Total	**0**	**0**	**0**	**18,394**	**18,923**	**37,317**
Revenue by Type and Fund						
Dedicated						
Mdes Federal	0	0	0	18,394	18,923	37,317
Subtotal Dedicated	0	0	0	18,394	18,923	37,317
Total Revenue	**0**	**0**	**0**	**18,394**	**18,923**	**37,317**
Full-Time Equivalents (FTE)	**0.0**	**0.0**	**0.0**	**132.7**	**132.7**	

Program Description

Administration provides administrative, fiscal, human resource, communications and research analysis for the entire agency. The Commissioner's office is also included in this program.

Population Served

The division's services directly support the department's operating divisions, the legislature, the governor's office and the departments of Finance and Administration.

Services Provided

Fiscal Services – This unit performs accounting, budgeting, financial reporting and purchasing functions. Also provides general oversight to ensure compliance with state and federal laws, rules, policies and guidelines for sound fiscal management.

Program at a Glance

The Administration area provides staff and clients with:

- Fiscal and budgetary support for a $1.2 billion budget with 12 funding types.
- Products that are downloaded more than 100,000 times from the web.
- HR resources support to 1,889 employees.
- Technical and desktop support to more than 1,800 users.
- Coordinated marketing, public relations, and research analysis.

Human Resources – This unit administers the department's personnel and labor relations programs including, recruitment, selection, classification, affirmative action and other HR activities. Also responsible for payroll functions, assisting managers in the administration of the state personnel system and agency employees in all aspects for their employment.

Administrative Services – Provides agency support including reception services, mail processing, property management, fixed asset inventory, telecommunications support.

Computer and Data Services – Provides centralized computer and information services support agency wide. This includes data resources, application resources and technology resources. They ensure the agency is in compliance with state policies, goals and guidelines relative to information technology.

Research and Statistics – Services begin with several specific, federally funded statistical programs that serve the direct needs of customers all over Minnesota. As the designated state labor market information (LMI) and career information entity, it produces and disseminates key data and analysis on Minnesota's labor market. Businesses, policymakers, media job seekers, students, economic development professionals and the general public use the office as a critical resource to develop, research, and understand everything from regional unemployment rates to state budget revenue projections.

Statutory authority for the work and funding for this office is provided under United States Code Title 29, Section 2. The majority of funding comes from specific partnerships with the Bureau of Labor Statistics and the Employment Training Administration. (For more information, visit http://www.mnwfc.org/lmi/.

Additional evaluation services analyze LMI and data from a variety of other sources to promote job creation and a positive environment for business formation and expansion in Minnesota. The office provides unique and cost-effective strategic economic development information, analysis, and research to clients. The office supports business location and expansion with strategic market research and impact analysis, and assists in policy development by providing research/analysis of business and development trends; legislative reports (e.g. business subsidy report); program evaluation; impact measurement; and economic information that cuts across nearly all state agencies.

Communications and Marketing – The Communications office coordinates the department's external relations efforts and provides professional marketing products and public relations services to agency clients and economic development partners. The office ensures consistent messages and design standards by providing centralized communication services, including brand development, media campaigns, Internet promotions, web design and maintenance, publications and content development.

Historical Perspective

The administrative functions have been centralized in one department in order to increase operational efficiencies and ensure consistent levels of support throughout the agency. These functions had been centralized in DTED but distributed throughout the organization in DES. Budget constraints and reduced staffing levels have required the departments to improve efficiencies.

Key Measures

Satisfaction surveys administered to DTED clients reflect how external clients judged the department's services/products. The chart reflects the staff's high rating on division's ability to deliver the products and services needed by our business and community clients.

Internal Client Overall Satisfaction for Communications and Analysis Activities (DTED) Satisfaction Rating (1=low, 4=high)				
FY 1999	FY 2000	FY 2001	FY 2002	Target FY 2003
3.8	3.8	3.9	3.9	4.0

A key measure in the fiscal area is the percent of vendor payments completed within 30 days of invoice.

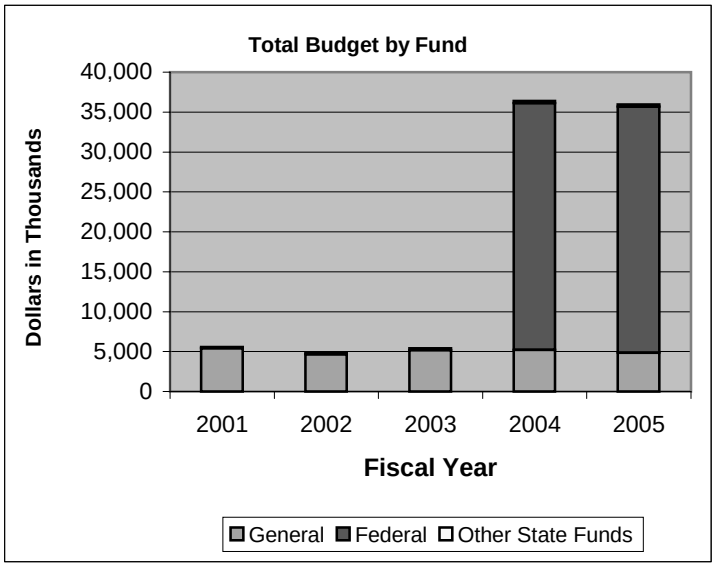
Percent of Vendor Payments completed within 30 days			
FY 2000	FY 2001	FY 2002	Target FY 2003
95.8	95.1	93.7	97.0

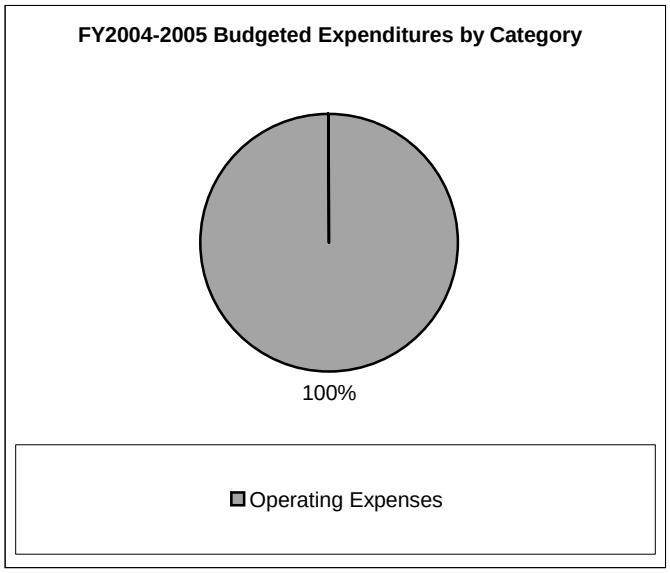
Program Funding

This program is funded through a mix of funds: general, special revenue, federal.

Contact

Elaine Bliss, Deputy Commissioner
Administration Division
(651) 297-4222 or Elaine.Bliss@state.mn.us





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	5,414	4,648	5,183	5,229	4,841	10,070
Workforce Development	0	0	0	15	15	30
Statutory Appropriations						
Special Revenue	167	239	246	283	283	566
Mdes Federal	0	0	0	30,881	30,826	61,707
Gift	0	5	0	0	0	0
Total	**5,581**	**4,892**	**5,429**	**36,408**	**35,965**	**72,373**
Expenditures by Category						
Operating Expenses	5,574	4,892	5,429	36,408	35,965	72,373
Capital Outlay & Real Property	7	0	0	0	0	0
Total	**5,581**	**4,892**	**5,429**	**36,408**	**35,965**	**72,373**
Expenditures by Activity						
Administration	5,581	4,892	5,429	36,408	35,965	72,373
Total	**5,581**	**4,892**	**5,429**	**36,408**	**35,965**	**72,373**
Revenue by Type and Fund						
Non Dedicated						
General	0	2	0	0	0	0
Subtotal Non Dedicated	0	2	0	0	0	0
Dedicated						
General	0	0	0	37	37	74
Special Revenue	189	236	165	165	165	330
Mdes Federal	0	0	0	30,881	30,826	61,707
Subtotal Dedicated	189	236	165	31,083	31,028	62,111
Total Revenue	**189**	**238**	**165**	**31,083**	**31,028**	**62,111**
Full-Time Equivalents (FTE)	**54.7**	**55.7**	**54.0**	**295.8**	**295.7**	

February 18, 2003

The 2003 Minnesota Legislature:

As commissioners of the Departments of Trade and Economic Development (DTED) and Economic Security (DES), we hereby submit the Governor's recommendation for our combined budget for the FY 2004-05 biennium. The soon-to-be formed agency with a total biennial budget of $737.7 million will be key to the economic success of Minnesota. This amount is the total dollars available from all funds with the exception of $474 million in Public Facilities Authority bond funds. It should be noted that 68% of the total agency's budget is federal funding. The majority of that funding is used to support the state's unemployment insurance program. The Governor's recommended budget for the new agency's budget represents a $23.3 million reduction in general fund appropriations or almost 20% of our current general fund base. The Pawlenty Administration's goal for the new agency is to support the economic success of individuals, businesses, and communities by improving opportunities for growth.

Our economy requires an integrated approach to economic development, marrying the key components of workforce availability and training with business vitality and expansion. We must recognize that to create and maintain good jobs for Minnesotans, we cannot have separate economic and workforce development strategies. By combining the missions of DTED and DES, we will match responsibility with accountability, and ensure that our workers and businesses achieve the value and service they deserve.

During the preparation of this budget proposal we focused on several key factors to guide us in setting priorities. These factors include: a continued weakness in the economy, the current historically low interest rates, the powerful benefits a skilled workforce provides and the upcoming merger of DTED and DES. It is important to note that over four-fifths of the DES budget comes from federal sources including matching dollars. In addition, the agency manages hundreds of millions of dollars each year in unemployment insurance benefit payments that do not register on the state's accounting system. Our budget recommendation reflects how we will utilize our appropriations to ensure the greatest degree of economic benefit for the state.

Spending priorities will continue to focus on workforce training, placement, and retention. Four department branches — Workforce Services, Rehabilitation Services, State Services for the Blind, and Wage Assistance — will maintain their focus on helping Minnesotans cope with job loss, train for new work, and/or stay on the career path they've chosen. In the current economic climate, our customers need the tools, resources, and services we provide to forge new futures for themselves.

Several programs are either not core to our mission or are able to leverage other funding sources. The Filmboard and the Snobate program focus on a very narrow and non-core industry sector and we are recommending the elimination of their state funding. The Center for Rural Policy has been very successful in convincing private funding sources to concentrate on rural development and thus, in our opinion, has succeeded in becoming self - sustaining. The Independent Living Services program will continue to receive federal funds that will enable it to continue its mission.

We have also reduced the general fund portion of the Contaminated Cleanup fund. The Contaminated Cleanup fund does access other funding sources and will have $16.762 million available for projects during the FY 2004-05 biennium.

We keep Minnesotans financially afloat in the wake of mass layoffs. We provide counseling, workshops, training, and information to hundreds of thousands of job seekers and students looking for the right career path. We give employers reliable resources to find and hire skilled workers. And we help Minnesotans overcome some of the most difficult barriers – disability, poverty, and many others – to find fulfilling work on the road to self-sufficiency.

The current record low interest rates have driven our decision to eliminate the Tourism Loan program. While small resorts play an important role in our state's economy, banks in the local community can better serve the need for these loans at rates that are essentially comparable. The proposed reduction in the Minnesota Investment Fund reflects a shift in focus from broad based development to the JOBZ program that is specifically targeted at the state's most economically distressed communities. The Investment Fund will continue its statewide emphasis on quality jobs and will have $4.406 million to fund project during the biennium.

The Job Skills Partnership program is essential as we continue to develop a workforce with the skills required to compete in a global economy. This program is an excellent example of how businesses, the state and our educational system can work together. The $16.1 million we will invest in 2004-05 will leverage approximately $32 million in additional private sector dollars. The Displaced Homemaker Program serves a population who may also access services through our general Dislocated Worker Program and so we are recommending discontinuation of this program.

During the past year our agencies have been very diligent in their efforts to reduce spending and to create the highest level of efficiency in the organization. An example is the development of private/public partnerships in the Office of Tourism to manage several Travel Information Centers. We will continue our efforts to minimize administrative expenses without jeopardizing the effectiveness of our programs especially as we move forward with the merger.

We look forward to the upcoming merger. This will provide us with further opportunities to increase efficiencies and provide a more unified approach to workforce development. The end result will be an agency focused on growing our economic base and preparing our workforce to meet the needs of Minnesota.

Sincerely,

Matt Kramer
Commissioner
Department of Trade and Economic Development

Harry Mares
Deputy Commissioner
Department of Economic Security

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	138,807	1,111,199	1,250,006
Legislatively Mandated Base	-2,020	0	-2,020
One-Time Appropriations	-7,770	-4,354	-12,124
Adjusted Base Funding	129,017	1,106,845	1,235,862
Change Items			
DES Displaced Homemakers Program	0	-2,000	-2,000
DES Grants Reductions	-8,230	0	-8,230
DES Operation Reductions	-1,534	0	-1,534
DTED Grant Reduction	-7,934	0	-7,934
DTED Miscellaneous Reductions	-361	-1,065	-1,426
DTED Operational Reductions	-1,468	0	-1,468
DTED TANF Funding Reduction	0	-1,500	-1,500
Governor's Recommendations	109,490	1,102,280	1,211,770
Biennial Change, 2002-03 to 2004-05	26,981	425,719	452,700
Percent Change	33%	63%	60%

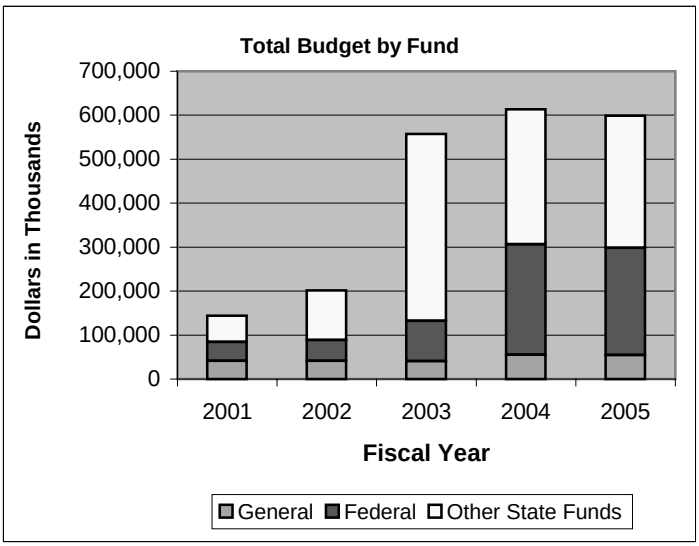
Brief Explanation Of Budget Decisions:

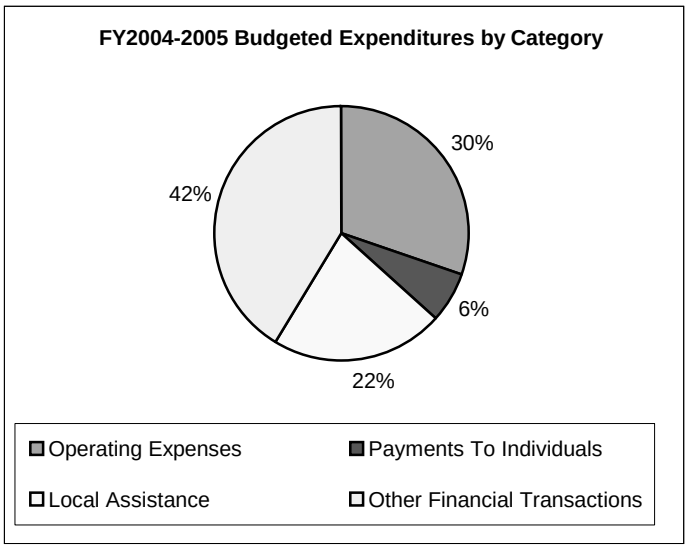
Base Adjustments:
The base adjustments reflected on the table above include adjustments for one-time appropriations, base changes as a result of the 2002 session, and fund transfers.

The one-time appropriations include funding from the Temporary Assistance to Needy Families (TANF) Fund for the Displaced Homemakers, Opportunities Industrialization Centers, and the Lifetrack Resources programs. In addition, funding from the Workforce Development Fund for the Lifetrack Resources program and the Women Venture grant; and General Fund adjustments were made for the Metro Economic Development Association (MEDA), Twin Cities Rise, ISEEK, and the Rural Policy grant programs. Finally, adjustments were made for the Petro Tank Relief and Minnesota Investment Fund programs, also in the General Fund, but from appropriations made in the 2002 special flood session.

Base reductions as a result of the 2002 session include those in the four youth programs – Youthbuild, Youth Intervention, Minnesota Youth, and Learn to Earn. In addition, operational costs in Business and Community Development, Trade Development, Tourism, and the Information and Analysis programs were reduced as well as the grant to the Minnesota Film Board. Anticipating the merger, the legislature implemented base reductions of $200,000 in FY 2004 and a $600,000 in FY 2005. A base increase from the 2002 session was provided for a grant to the Rural Policy and Development Center.

The last item is an adjustment for a fund transfer. The 2001 session transferred $799,000 of Extended Employment base funding from the Workforce Development Fund to the General Fund.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Carry Forward						
Special Revenue	0	0	0	117	0	117
Direct Appropriations						
Environment & Natural Resource	62	0	15	0	0	0
General	41,250	37,877	40,730	54,695	54,295	108,990
Petroleum Tank Release Cleanup	0	0	1,000	0	0	0
Special Revenue	190	39	100	0	0	0
Workforce Development	0	0	0	7,720	7,720	15,440
Trunk Highway	3	0	0	0	0	0
Federal Tanf	0	774	6,476	0	0	0
Environmental	700	700	700	700	700	1,400
Open Appropriations						
General	246	248	250	250	250	500
Statutory Appropriations						
Public Facilities Authority	532	620	230,228	180,411	181,251	361,662
Drinking Water Revolving Fund	0	958	78,171	39,576	39,576	79,152
General	0	3,401	3	0	0	0
Petroleum Tank Release Cleanup	6,194	6,188	6,218	6,200	6,200	12,400
Special Revenue	6,606	16,187	21,461	23,481	26,786	50,267
Workforce Development	44,940	46,078	42,455	28,755	22,372	51,127
Transportation Revolving Fund	813	41,956	44,361	18,351	14,907	33,258
Federal	42,635	46,784	85,076	46,564	42,630	89,194
Mdes Federal	0	0	0	205,009	201,311	406,320
Gift	0	5	11	1,435	508	1,943
Total	**144,171**	**201,815**	**557,255**	**613,264**	**598,506**	**1,211,770**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Category	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Operating Expenses	26,050	23,879	29,891	184,106	184,073	368,179
Capital Outlay & Real Property	8	0	0	0	0	0
Payments To Individuals	0	0	0	38,859	38,879	77,738
Local Assistance	113,319	126,120	161,258	136,663	126,961	263,624
Other Financial Transactions	4,794	51,816	366,106	253,636	248,593	502,229
Total	**144,171**	**201,815**	**557,255**	**613,264**	**598,506**	**1,211,770**
Expenditures by Program						
Business & Community Developmt	67,441	115,581	456,453	300,329	295,726	596,055
Mn Trade Office	3,248	2,962	2,571	2,365	2,365	4,730
Tourism	11,929	11,171	12,436	9,937	9,930	19,867
Workforce Development	55,972	67,209	80,366	53,080	43,897	96,977
Workforce Services	0	0	0	73,431	72,418	145,849
Workforce Rehabilitation Svcs	0	0	0	59,649	60,352	120,001
Workforce Svcs For The Blind	0	0	0	14,553	13,698	28,251
Workforce Wage Assistance	0	0	0	63,512	64,155	127,667
Administration	5,581	4,892	5,429	36,408	35,965	72,373
Total	**144,171**	**201,815**	**557,255**	**613,264**	**598,506**	**1,211,770**
Revenue by Type and Fund						
Non Dedicated						
General	2,472	2,048	1,551	1,606	1,561	3,167
Petroleum Tank Release Cleanup	108	100	75	75	75	150
Subtotal Non Dedicated	2,580	2,148	1,626	1,681	1,636	3,317
Dedicated						
Public Facilities Authority	1,096	1,185	207,403	181,044	181,044	362,088
Drinking Water Revolving Fund	72	1,086	69,734	39,734	39,734	79,468
General	45	3,431	363	486	486	972
Special Revenue	8,538	6,535	5,170	14,906	14,890	29,796
Workforce Development	35,913	28,345	27,750	28,700	30,000	58,700
Transportation Revolving Fund	15,288	24,374	7,690	15,937	15,049	30,986
Federal	42,624	47,282	84,578	46,564	42,630	89,194
Mdes Federal	0	0	0	205,009	201,311	406,320
Gift	0	0	0	1,075	532	1,607
Subtotal Dedicated	103,576	112,238	402,688	533,455	525,676	1,059,131
Total Revenue	**106,156**	**114,386**	**404,314**	**535,136**	**527,312**	**1,062,448**
Full-Time Equivalents (FTE)	**231.1**	**215.8**	**210.6**	**1,898.4**	**1,889.4**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Workforce Development Fund				
Expenditures	($1,000)	($1,000)	($1,000)	($1,000)
Revenues	0	0	0	0
Net Fiscal Impact	($1,000)	($1,000)	($1,000)	($1,000)

Recommendation
The Governor recommends an annual reduction of $1 million out of the Workforce Development Fund to the Displaced Homemaker program. The Governor further recommends transfer of those monies to the General Fund. This is a full cut in program funding and will result in elimination of 2.1 state-funded FTEs.

Background
The Displaced Homemaker program provides pre-employment services that empower participants to enter or re-enter the labor market after having been homemakers. Customers are women or men who have worked in the home for a minimum of two years caring for home and family but due to separation, divorce, death or disability of spouse or partner, or other loss of financial support, must support themselves and their family. Eligibility is based on income guidelines. Participants in this program will continue to be eligible for the Dislocated Worker Program.

Relationship to Base Budget
This reduction will eliminate the program.

Alternatives Considered
Due to the size and scope of the required budget cuts, no alternatives are available.

Statutory Change: The following statutes would require review and possible change or deletion: M.S. 268.96, 268.665, 268.0111, 256J.49, 256D.05, 124D.68.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($4,115)	($4,115)	($4,115)	($4,115)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($4,115)	($4,115)	($4,115)	($4,115)

Recommendation
The Governor recommends an annual reduction of $4,115,000 out of the General Fund to the agency's grants budget.

Background
The $4,115,000 pass-through reduction breaks down as follows:

State Services for the Blind: This will reduce case services money available within the Self-Sufficiency unit by $50,000. The unit will otherwise continue service.

Rehabilitation Services: Three programs will participate in a $2,312,000 reduction: the Mental Illness Support Program ($241,000), the Minnesota Center for Deaf or Hard of Hearing Minnesotans ($197,000), and Independent Living Services ($1,874,000). While the first two will likely continue services at reduced state spending levels, the Independent Living Services cut is an elimination of state funding (the program gets about $1.4 million annually from the federal government).

Workforce Services: Four youth-oriented programs will be affected by a $1,753,000 reduction – Minnesota Youth, Youth Intervention, Youthbuild, and Learn to Earn. These programs will continue at reduced service levels.

Relationship to Base Budget
The agency receives 12% (or $29.4 million) of its base annual funding from the General Fund. More than half ($15.1 million, or 51%) of that amount represents pass-through grants. (The remainder is operations or required matching dollars.) The proposed cut is 27% of total pass-through appropriations.

Alternatives Considered
Given the size and scope of the required budget cuts, no alternatives are available.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($767)	($767)	($767)	($767)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($767)	($767)	($767)	($767)

Recommendation
The Governor recommends an annual reduction of $767,000 out of the General Fund to the agency's operational budget. This will result in elimination of 8.0 state-funded FTEs.

Background
The $767,000 operations reduction breaks down as follows:

State Services for the Blind. With the largest portion of general fund operational dollars, this takes an appropriate share of the cut. A $579,000 annual reduction includes 6.0 FTEs. Affected services will include the Self-Sufficiency program, web site operations, and the Homestead Tax Credit.

Rehabilitation Services. An operational reduction of $70,000 to the Mental Illness Support Employment program and will eliminate 0.6 FTEs. The program will continue at a reduced service level.

Workforce Services: Three youth-oriented programs – Minnesota Youth, Youth Intervention, and Youthbuild will share a total operational cut of $118,000, and a loss of 1.4 FTEs. These programs will continue at reduced service levels.

Relationship to Base Budget
The agency receives 12% (or $29.4 million) of its base annual funding from the General Fund. About 13% (or $4 million) of that goes to operations. (The rest represent pass-through or required matching dollars). The proposed cut is 19% of total operations.

Alternatives Considered
Due to the size and scope of the required budget cuts, no alternatives are available.

Statutory Change: The only statute requiring review for potential change is M.S. 273.13, regarding the Homestead Tax Credit.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($3,967)	($3,967)	($3,967)	($3,967)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($3,967)	($3,967)	($3,967)	($3,967)

Recommendation

The Governor recommends a reduction in the amounts of $779,000 in FY 2004 and $779,000 in FY 2005 of the appropriation for the Minnesota Film Board; $150,000 in FY 2004 and $150,000 in FY 2005 of the appropriation for the Rural Policy Grant Programs; $1.324 million in FY 2004 and $1.324 million in FY 2005 of the appropriation for Contaminated Site Cleanup grants; $1.314 million in FY2004 and $1.314 million in FY2005 of the appropriation for Minnesota Investment Fund grants; and $400,000 in FY 2004 and $400,000 in FY 2005 of the appropriation for Job Skills Partnership grants. These reductions will result in the layoff of 2.0 FTE during FY 2004.

Background

This reduction eliminates the funding for the grant to the Minnesota Film Board that includes the Snobate program.

It also reduces the funding for the Rural Policy Grant program. The program activity includes studies that are produced on topics concerning rural Minnesota. The Rural Policy Center does not rely solely on this money for administrative costs or program activity.

Based on Contaminated Site program history, this reduction will result in the loss of funds to be used for redevelopment of a site each year that may result in creating 219 jobs or, if the redevelopment is for housing, 90 housing units. Projected staff layoff of one FTE.

The Minnesota Investment Fund program would continue but at a reduced level. The existing base would be reduced to $4.406 million for the biennium. Based on historical averages, this reduction would mean approximately 10 fewer business expansion financings during the biennium (about 75% of these are in greater Minnesota). Staff layoff of one FTE is possible.

With the reduction of the Job Skills Partnership appropriation, two large grants each year (or three or four smaller ones) would not be funded. A vacant position will be eliminated as a result of this reduction.

Relationship to Base Budget

The total FY2004-05 General Fund budget reduction for the department is $12.3 million or 17.5%. This change item is a portion of that reduction.

Alternatives Considered

Due to size of the required reduction in relation to the over DTED budget, it was not possible to consider other alternatives.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$(361)	$0	$0	$0
Revenues	555	510	422	480
Other Fund				
Expenditures		(510)	(422)	(480)
Revenues	(555)	(510)	(422)	(480)
Net Fiscal Impact	$(361)	($510)	($422)	$480)

Recommendation
The Governor recommends the cancellation of the Tourism Loan Program and balance of its' funds in the amount of $800,000; cancellation of $700,000 of the remaining general fund appropriation for Wastewater Infrastructure grants; and $361,000 in the Pathways general fund balance. As a result of cancellation of the Tourism Loan Program, principal and interest revenue in the amount of $555,000 for FY2004 and $510,000 for FY 2005 will be deposited to the general fund and will continue into future years. This cancellation will result in the layoff of 1.0 FTE during FY 2004.

Background
Cancellation of the Tourism Loan Program will result in the inability to provide loan funding to small resort operators for repair and renovation of their facilities. Based on historical averages, the loss of this funding would result in the inability to issue approximately 27 loans to resorts and non-leverage of $1.8 million. With the current interest rates, private financing can be an acceptable alternative to this program. A layoff of one FTE will result.

Shifting of an obligation within the pool of funds available for Wastewater Infrastructure makes available a reduction of $700,000 in general fund appropriations.

The Pathways general fund balance is from a prior year appropriation and is the result of multiple Pathways training projects that ended in 2002 with balances remaining.

Relationship to Base Budget
The total FY 2004-05 General Fund budget reduction for the department is $12.3 million or 17.5%. This change item is a portion of that reduction.

Alternatives Considered
Due to size of the required reduction in relation to the overall DTED budget, it was not possible to consider other alternatives.

Statutory Change: M.S. 116J.617

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($734)	($734)	($734)	($734)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($734)	($734)	($734)	($734)

Recommendation
The Governor recommends operational reductions in the amounts of $734,000 in FY 2004 and $734,000 in FY 2005. These reductions will result in the layoff of 5.5 FTE.

Background
The Minnesota Trade Office's budget will be reduced $100,000 each year. This will result in the elimination of one position; reduced trade mission expenditures, library holdings and other operating expenses.

The Office of Tourism's budget will be reduced $200,000 each year. This will reduce spending and staff on international marketing programs, consolidate programs, reduce travel and increase marketing in cooperation with private industry and other states. It will also reduce and replace general fund fulfillment expenses with private industry revenue generated by profits from Minnesota Explorer and Statewide Guide Ad sales.

Additionally, the Mall of America Store will be developed into a public/private partnership store. Tourism will continue to provide statewide travel information but in cooperation with state and local tourism associations.

The administrative budget will be reduced by $280,000 each year by eliminating one vacancy and a shift in position funding.

Also included in the reduction are savings ($154,000 each year) from subsidized parking for employees being eliminated and the re-negotiation of the Metro Square lease.

Relationship to Base Budget
The total FY 2004-05 General Fund budget reduction for the department is $12.3 million or 17.5%. This change item is a portion of that reduction.

Alternatives Considered
Due to size of the required reduction in relation to the overall DTED budget, it was not possible to consider other alternatives.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	($750)	($750)	($750)	($750)
Revenues	0	0	0	0
Net Fiscal Impact	($750)	($750)	($750)	($750)

Recommendation
The Governor recommends the reduction of $750,000 in FY 2004 and $750,000 in FY 2005 of TANF funds from the Health Care and Human Services Worker Program, currently administered by the Minnesota Job Skills Partnership.

Background
This program was created in 1999 and added to the base budget. It is being canceled to address the overall TANF shortfall. The Governor's Self-Sufficiency Task Force has accepted this recommended reduction.

The Minnesota Job Skills Partnership has the grant making authority to serve health care and human services workers. However, these grants will have to compete alongside all other job-training requests as a result of this base budget appropriation's elimination.

Relationship to Base Budget
This reduction is 100% of the TANF funds available within DTED for this program.

Alternatives Considered
Health Care and Human Services employers will compete for the same job training General Fund appropriation made to the Job Skills Partnership Board as all other employers. Qualifications under TANF funding have been limited at best for many employers and are difficult to administer from an employer perspective.

Statutory Change: Not Applicable.

USEPA Clean Water Capitalization Grant/Drinking Water Capitalization Grant:

Wastewater and drinking water are basic services to political subdivisions of the state provided to residents and business statewide. Without adequate wastewater treatment and safe drinking water at affordable rates, the rural areas of the state could not compete for business expansion and relocations essential for rural diversification. Without adequate capacity, businesses could not expand and communities could not undertake smart growth principles. The results would be added pressure for sprawl type developments on septic systems and private wells.

The drinking water fund is also used for improving operations, training, viability of the drinking water systems statewide with various set asides authorized in the Safe Drinking Water Act.

FHA State Infrastructure Bank:

Transportation is an essential public service. With the growing gap between needs and funding Congress authorized seed funds for the states to develop infrastructure banks to accelerate projects and to seek other (additional) sources of revenues to help pay for transportation infrastructure.

USHUD-Small Cities Community Development Block Grant Program:

The federal Community Development Block Grant Program is the sole source of funding for DTED's Small Cities Development Program and an important source of funds for DTED's Minnesota Investment Fund. The program is central to the big plan initiative of Improving the Competitive Position of Rural Minnesota. Without the federal money, DTED would fund fewer sewer, water and economic development projects and no new housing, commercial building or housing rehabilitation projects. This year, the federal program will also provide DTED with nearly $600,000 in administrative funds.

USSBA-Small Business Development Centers:

The Small Business Development Center (SBDC) program enables DTED to deliver free one-on-one business management counseling and training programs at modest cost to small business owners and managers across Minnesota. DTED provides overall program management and grants federal and state funds to nine subcenters, primarily state colleges and universities, to deliver services. Without the resources supplied by federal funds, DTED would not be able to provide the assistance that helps small Minnesota companies achieve these results.

Workforce Investment Act (WIA):

The Workforce Investment Act of 1998 funds many programs and activities within this agency, including:

The **Dislocated Worker** program is designated to provide workforce investment activities that will increase the employment, retention, and earnings of employees dislocated from work. The program seeks to improve the quality and skill of Minnesota's workforce in an effort to improve productivity while at the same time reducing the burden on other social service networks. The program offers employers the skilled and retrained workers they need to remain competitive. This vital program provides needed funds to be used for both small (less than 50) and large (50 or more workers) layoffs. The state's rapid response team immediately investigates these layoffs and creates a plan for providing services to those workers. Service plans are designed to allow flexibility in tailoring specific services to the workers affected.

Youth Services provides year-round employment and training services to economically disadvantaged youth (ages 14-21) in all 87 Minnesota counties. The program operates through the local Workforce Service Areas (WSA)/Workforce Councils. Services include assessment, work experience, basic skills training, mentoring, follow-up, supportive services as needed, and leadership skills training to help youth develop as citizens and leaders.

Adult Training provides employment and training assistance to adults to increase their employment, retention, earnings and occupational skill attainment. Services available include preliminary assessment of skill levels, aptitudes, and abilities; support services; occupational training; on-the-job training; job search assistance; placement assistance; and career counseling. Information is also available on a full array of employment-related services. Sixteen local WorkForce Service Areas select the menu of services and the providers who deliver the services.

Employment Programs:

Employment Programs includes an array of services to employers seeking qualified workers and job seekers looking for appropriate employment. Most are funded by the U.S. Department of Labor: through the Wagner-Peyser Act, the North American Free Trade Agreement, and the Trade Adjustment Assistance Act, among others.

Vocational Rehabilitation:

The Vocational Rehabilitation (VR) Program is the state's comprehensive, statewide program that assists persons with significant disabilities to seek, gain and retain employment. Funding is authorized through the U.S. Department of Education via the Rehabilitation Act.

Unemployment Insurance:

Unemployment Insurance (UI) receives U.S. Department of Labor funds for administrative functions. The actual benefit payments are kept outside of the state's accounting system, in a federal trust. This employer-funded program provides financial benefits to recently unemployed persons statewide.

Disability Determination Services:

Disability Determination Services (DDS) receives federal Social Security Administration funds. This program determines if Minnesota applicants meet federal criteria for disability cash benefits under the Social Security Administration's Disability Insurance or Supplemental Security Income program.

Federal Program ($ In Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
WIA-Dislocated Workers	Yes	Training	9,161	13,133	11,440	11,440
USHUD Small Cities Comm Dev Block Grant	Yes	GPS	33.915	61,466	27,214	27,080
USSBA Small Business Devel Centers	Yes	OP/GPS	1,331	881	1,300	1,300
USDOA Mn Rural Partners	Yes	SO	133	0	135	135
National Emergency Grant-DOL	Yes	GPS	2,506	8,394	4,850	2,050
EPA Brownfield Cleanup	Yes	GPS	0	0	1,000	0
Minnesota Scenic Byways	Yes	SO	42	704	125	125
USEPA Federal Hardship Grants (one-time)	Yes	GPS	194	0	0	0
DOL-Proj Gate	Yes	GPS	0	0	500	500
Employment Transition Services	-0-	GPS	5,394	2,249	1,068	-0-
Youth Services	9,182	GPS	18,641	13,291	13,291	13,291
Adult Training	-0-	GPS	17,800	14,774	14,774	14,774
Employment Programs	-0-	SO	41,680	51,960	51,960	51,960
Vocational Rehabilitation	7,521	SO,GPS,GI	35,457	39,745	40,833	41,536
Independent Living	1,900	SO,GPS,GI	1,241	1,385	1,385	1,385
Services for the Blind	4,880	SO,GPS,GI	10,921	9,023	9,157	9,295
Unemployment Insurance	-0-	SO	44,892	53,500	52,750	48,750
Disability Determination	-0-	SO	17,670	19,235	19,791	20,320
Energy / Weatherization	-0-	GPS	57,838	-0-	-0-	-0-
Displaced Homemakers TANF	-0-	GPS	827	827	-0-	-0-
OIC TANF	-0-	GPS	100	100	-0-	-0-
Welfare to Work TANF	-0-	GPS	4,993	5,000	-0-	-0-
Extended Employment TANF	4,680	GPS	146	-0-	-0-	-0-
Agency Total	28,163		304,882	295,667	251,573	243,941

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

Agency Purpose

The Minnesota Department of Education (DOE) provides leadership and works in partnership with communities, districts and service providers to support early childhood care and learning, the K-12 education system, lifelong learning and stable environments for families.

Seven agency goals provide a framework for implementing agency responsibilities.

⇒ Improve student achievement by ensuring that all children reach challenging academic standards taught by quality licensed educators.
⇒ Ensure that children receive targeted, coordinated services to improve performance, access, and equity in education.
⇒ Strengthen families and build a solid foundation for living and learning.
⇒ Create a culture of achievement and accountability.
⇒ Ensure that schools have financial resources to support safe, adequately maintained, and well managed schools.
⇒ Help children and adults become self-sufficient and successful in post-secondary education and training, productive employment, and community involvement.
⇒ Make DOE a high-performing organization with an efficient, effective infrastructure that emphasizes service quality, partnerships, customer service, and results.

At A Glance

- DOE's Customers: 851,384 Pre-Kindergarten – grade 12 students and their parents; 343 school districts; 69 charter schools; 62,475 licensed educators; 15,619 licensed child care providers; legislators and other policymakers; all Minnesota citizens.
- District/Charter Revenue processed annually (est. FY 2003)

Federal	5%	$0.4 billion
Local	20%	$1.7 billion
State	75%	$6.2 billion

- State and federal grants administered annually: $650 million.
- Public Access: Every year, DOE responds to over 3.5 million e-mails; 7,000 citizen letters; and 750 media contacts.

Core Functions

The following core functions define the agency's efforts:

- provide information, training, and technical assistance to schools, school districts, counties, and local service providers;
- administer state and federal aids, subsidies, and grants;
- calculate school district property tax levy limitations;
- license teachers and administrators;
- develop and administer statewide student and school performance/accountability systems;
- ensure compliance with federal and state laws that guarantee the individual rights of all learners; and
- establish and maintain information technology systems that gather and disseminate data about children, students, schools, services, and finances.

DOE provides support and assistance in the areas of:

- special education
- alternative education, including charter schools and open enrollment options
- standards-based curriculum and instruction
- lifelong and service learning
- adult basic education
- career and technical education
- statewide testing and assessment
- personnel licensing
- library services
- state and federal information technology
- financial and management services
- K-12 education funding
- desegregation/equity
- Indian education
- food and nutrition, early childhood, and school readiness
- violence and abuse prevention
- homelessness/self sufficiency
- compliance with state/federal requirements

Operations

The department serves a wide and varied customer base. Our primary customers are local school districts and schools, educators, local service providers, children, families, learners, citizens, and state policy-makers.

Teaching and Learning provides leadership and service in the design and implementation of standards-based reform for Minnesota's K-12 public education system and collaborates with institutions dealing with early childhood education, post-secondary, and other adult education programs. Efforts are directed towards issues related to special needs, lifelong learning, and assessment standards and measurement.

Community Services works with communities, school districts, counties, and family service providers to promote improved delivery of services for children and families through grant programs in the areas of early childhood, prevention, economic opportunity and nutrition.

Management Services administers the state's pre K–12 education data and funding systems, oversees library development and services, and provides human resources, information technology, and administrative support for the agency. The office collects, analyzes, and reports on student, staffing, and financial data for school districts and charter schools, calculates aid payments and levy limitations, and provides technical advice and assistance to local education agencies and state policy-makers.

Public Affairs and Policy Development coordinates policy and budget initiatives, communicates accurate, useful information to the public and policy-makers regarding the agency's work and priorities, enforces compliance with state, and federal laws applicable to local education agencies, oversees rulemaking activities, licenses educators and school administrators, and encourages equity in academic opportunities for all students.

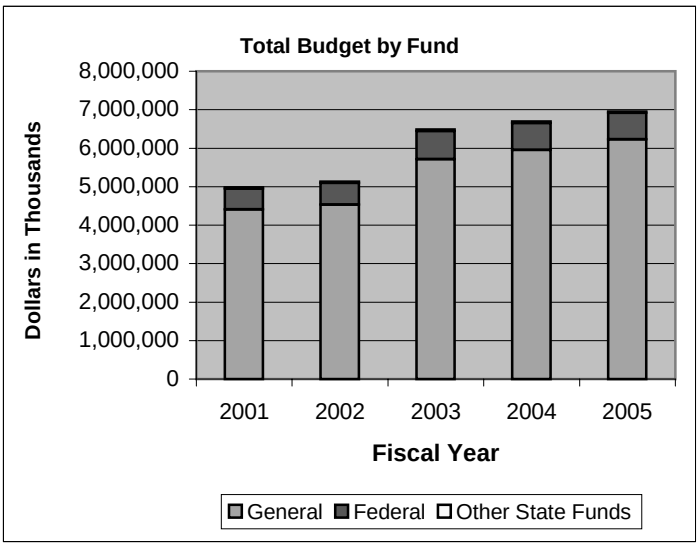
Budget

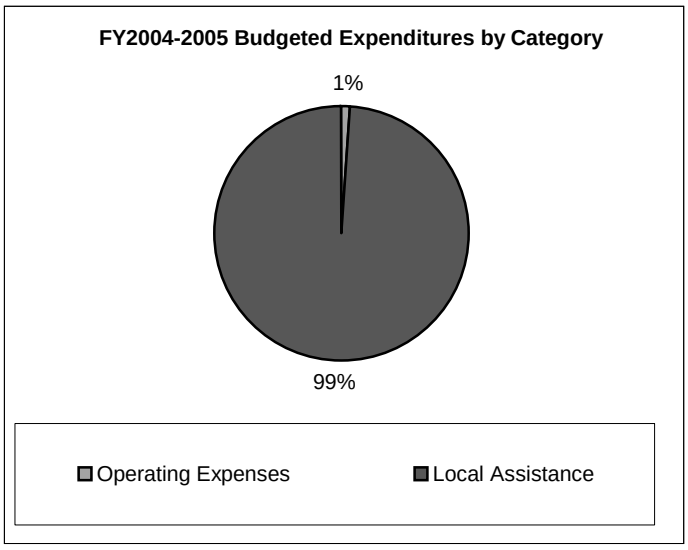
In FY 2003, the agency will administer over $6 billion in state K-12 and early childhood funding and calculate property tax limitations of $1 billion annually. In addition to state and local funding, the agency administers over $700 million in federal funds such as early childhood, prevention, self-sufficiency, education excellence, special education, facilities and technology, nutrition, and libraries.

Agency Contact: (651) 582-8200
Department of Education Web Site: http://cfl.state.mn.us/

Minnesota Department of Education
1500 Highway 36 West
Roseville, Minnesota 55113-4266

For information on how this agency measures whether it is meeting its statewide goals, please refer to http://www.departmentresults.state.mn.us/





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	4,403,836	4,528,482	5,709,212	5,957,097	6,230,759	12,187,856
State Government Special Revenue	96	101	96	96	96	192
Trunk Highway	21	0	0	0	0	0
Federal Tanf	1,811	3,015	4,684	0	0	0
Open Appropriations						
Endowment School	24,053	21,368	19,282	19,634	19,986	39,620
Statutory Appropriations						
General	243	158	140	139	139	278
State Government Special Revenue	302	0	0	0	0	0
Special Revenue	6,333	13,312	14,262	13,861	11,437	25,298
Federal	544,697	566,284	733,891	698,626	690,868	1,389,494
Miscellaneous Agency	632	723	850	777	777	1,554
Gift	1,013	1,455	276	74	74	148
Total	**4,983,037**	**5,134,898**	**6,482,693**	**6,690,304**	**6,954,136**	**13,644,440**

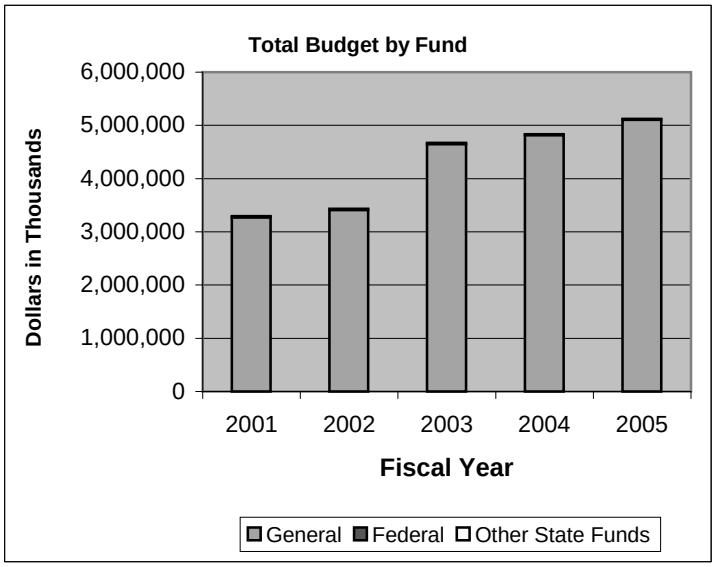
Expenditures by Category						
Operating Expenses	70,358	66,615	89,665	76,337	71,236	147,573
Payments To Individuals	2,762	2,734	2,673	8,058	5,634	13,692
Local Assistance	4,909,324	5,064,903	6,389,655	6,605,209	6,876,566	13,481,775
Other Financial Transactions	593	646	700	700	700	1,400
Total	**4,983,037**	**5,134,898**	**6,482,693**	**6,690,304**	**6,954,136**	**13,644,440**

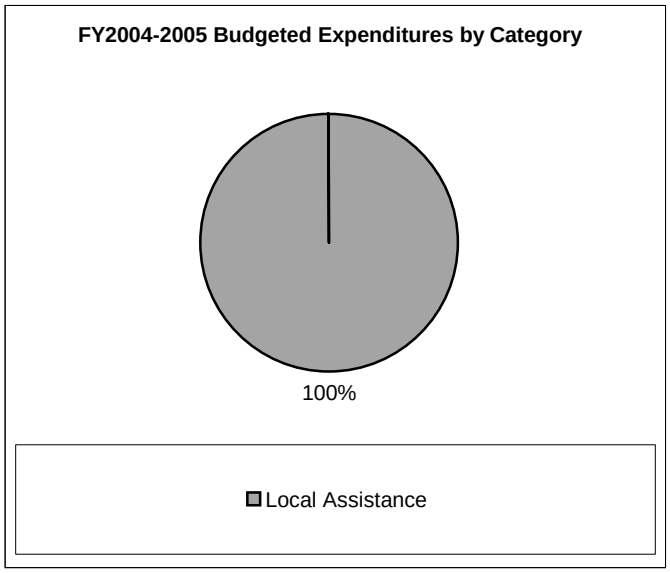
Dollars in Thousands						
	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Program	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
General Education	3,296,451	3,430,409	4,668,968	4,833,163	5,123,323	9,956,486
Other General Programs	7,173	6,819	3,802	3,508	3,929	7,437
Nonpublic Pupil Programs	31,909	31,864	36,252	37,205	37,607	74,812
Charter Schools	18,207	20,102	19,555	23,790	27,789	51,579
Desegregation Programs	55,259	64,240	53,011	68,159	68,585	136,744
American Indian Programs	3,588	5,363	5,783	6,524	6,657	13,181
Accountability & Reform	30,619	31,929	66,175	65,490	63,490	128,980
Prgs For Special Populations	117,888	115,711	179,172	174,342	174,288	348,630
Special Programs	662,773	707,882	692,681	770,916	777,921	1,548,837
Facilities & Technology	64,620	61,393	60,831	69,212	53,173	122,385
Nutrition Programs	155,366	166,058	168,405	168,533	169,181	337,714
Libraries	14,546	12,246	14,433	14,632	14,836	29,468
Discontinued Programs (K-12)	108,879	48,206	21,015	0	0	0
Child Care Programs	189,698	212,576	252,163	244,130	237,190	481,320
Early Childhood & Family	60,314	57,645	56,539	57,556	48,501	106,057
Prevention	37,585	39,309	32,090	21,422	18,697	40,119
Self-Suff & Lifelong Learning	65,582	63,288	73,075	64,354	63,702	128,056
Discontinued Programs (Ec)	1,399	200	401	0	0	0
Agency	61,181	59,658	78,342	67,368	65,267	132,635
Total	**4,983,037**	**5,134,898**	**6,482,693**	**6,690,304**	**6,954,136**	**13,644,440**

Revenue by Type and Fund						
Non Dedicated						
General	2	1,638	1,707	2,017	2,017	4,034
Cambridge Deposit Fund	1,630	0	0	0	0	0
Subtotal Non Dedicated	1,632	1,638	1,707	2,017	2,017	4,034
Dedicated						
General	256	143	139	139	139	278
State Government Special Revenue	0	5	0	0	0	0
Special Revenue	8,362	12,553	11,267	10,666	10,542	21,208
Federal	546,887	563,482	733,575	698,626	690,868	1,389,494
Maximum Effort School Loan	1,060	940	940	940	940	1,880
Miscellaneous Agency	643	730	777	777	777	1,554
Gift	1,399	518	42	74	74	148
Subtotal Dedicated	558,607	578,371	746,740	711,222	703,340	1,414,562
Total Revenue	**560,239**	**580,009**	**748,447**	**713,239**	**705,357**	**1,418,596**
Full-Time Equivalents (FTE)	**543.6**	**518.7**	**511.0**	**509.7**	**505.7**	

Budget Activities Included:

⇒ General Education
⇒ Property Tax Shift (information only)
⇒ State Paid Property Tax Credits (information only)
⇒ Referendum Tax Replacement Aid





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,272,398	3,409,041	4,649,686	4,813,529	5,103,337	9,916,866
Open Appropriations						
Endowment School	24,053	21,368	19,282	19,634	19,986	39,620
Total	**3,296,451**	**3,430,409**	**4,668,968**	**4,833,163**	**5,123,323**	**9,956,486**
Expenditures by Category						
Local Assistance	3,296,451	3,430,409	4,668,968	4,833,163	5,123,323	9,956,486
Total	**3,296,451**	**3,430,409**	**4,668,968**	**4,833,163**	**5,123,323**	**9,956,486**
Expenditures by Activity						
General Education	3,296,451	3,430,409	4,662,039	4,825,081	5,115,357	9,940,438
Referendum Tax Replacement	0	0	6,929	8,082	7,966	16,048
Total	**3,296,451**	**3,430,409**	**4,668,968**	**4,833,163**	**5,123,323**	**9,956,486**

Activity Description

Citation: M.S. 122A.61; 123A.27; 123B.05; 126C; 127A.47; 127A.51

General Education is the largest single item of state general fund spending, and also the largest resource available to school districts. The following is a description of the purposes, uses, history and measures of General Education as a funding source for school finance, as well as a detailed explanation of each of the component parts that make up total funding.

Activity at a Glance

- 853,000 pre-kindergarten – grade 12 students – FY 2003
- 343 school districts and 77 charter schools
- $5.2 billion in state aid and $0.2 billion in referendum levies for FY 2003 (est.)
- $6,364 average revenue per pupil – (est.) FY 2003 Average Daily Membership (ADM)

The purpose of this activity is to promote a general and uniform, thorough and efficient system of public schools throughout the state by providing the following.

⇒ **Adequate and equitable core funding for students** – General education revenue provides sufficient funding to ensure that each student receives an adequate education (excluding unique needs funded through categorical programs). This includes a large base of funding on a uniform per pupil basis, and additional revenues for variations in 1) the cost of delivering equivalent educational programs and services to students; and 2) the cost of programs to meet the unique needs of different student populations.

⇒ **Equity for taxpayers** – Core educational programs are funded by the state with proceeds from uniform statewide taxes. Discretionary programs and services are funded with local operating referendum levies, which are equalized by the state to enable participation by districts with low tax base.

⇒ **Efficient use of resources** – This program encourages school districts to provide programs and services efficiently by allocating resources based on uniform formulas applied to demographic and economic factors that are beyond local control, and by giving districts flexibility in the use of funds.

⇒ **Limited local control** – The referendum levy permits local school districts to raise limited additional revenues, with voter approval, to supplement state allocations.

⇒ **Facilitate state priorities** – This program encourages the development of programs and services identified as priorities by the state, such as class size reduction, staff development, and basic skills.

⇒ **Stability** – This program provides stable funding to ensure continuity of programs for students and stability in tax rates for taxpayers.

Population Served

General education revenue is provided for all public school students in kindergarten through grade 12 and for pre-kindergarten students with disabilities. In addition to students attending schools operated by school districts, this includes charter school students, students in grades 11 and 12 attending Minnesota higher education institutions under the Post Secondary Enrollment Options (PSEO) program, students enrolled in private, nonsectarian schools that have contracted with a public school district to provide educational services (contract alternative), and students attending public schools on a part-time basis while also attending nonpublic schools (shared time).

The table below shows the estimated state total number of students served in FY 2003 by grade level grouping and program type. The student counts shown are average daily membership (ADM), or the average number of students enrolled throughout the school year.

	Regular District	Charter School	PSEO College	Contract Alternative	Shared Time	Total ADM
Disabled Pre-K	5,111	5	0	0	5	5,122
Disabled Kndgrtn	3,377	24	0	0	28	3,428
Regular Kndgrtn	53,253	1,175	0	88	10	54,526
Grades 1-3	177,376	3,628	0	178	156	181,338
Grades 4-6	190,836	2,822	0	112	243	194,013
Grades 7-12	404,480	4,880	3,592	2,526	326	415,804
TOTAL ADM	834,433	12,534	3,592	2,904	768	854,231

Historical and projected ADM state totals can be found on the Division of Program Finance web site. Historical ADM by school district is also available on the Division of Program Finance web site.

Services Provided

General education revenue is the primary source of general operating funds for school districts and charter schools. In FY 2003, it accounts for 84% of school district general fund state aid and levy revenues.

⇒ Programs supported by general education revenue include regular instruction, vocational instruction, special education, instructional support services, pupil support services, operations and maintenance of school facilities, pupil transportation, district and school administration, district support services, and capital expenditures.

⇒ The *School District Profiles* report, available on the Department of Education (DOE) web site provides a breakdown of FY 2001 operating expenditures for each school district, as well as regional and state totals.

Most general education revenue is unrestricted, and can be used for any school operating purpose. Exceptions are as follows:

⇒ *Class-size reduction* (M.S. 126C.12). The additional basic revenue generated by the portion of the pupil unit weight for regular kindergarten students exceeding 0.5 and the portion of the pupil unit weight for students in grades 1 – 6 exceeding 1.0 is reserved for class-size reduction, beginning with kindergarten through grade three.

⇒ *Staff development* (M.S. 122A.61). An amount equal to 2% of basic revenue ($92.02 per pupil unit in FY 2003) must be reserved for staff development. This requirement is waived for school districts in statutory operating debt, and may be waived by a majority vote of the school board and the teachers in any district.

⇒ *Basic skills* (M.S. 126C.15). This revenue, which includes compensatory education revenue and Limited English Proficiency (LEP) revenue, must be used to meet the educational needs of students who enroll under-prepared to learn and whose progress toward meeting state or local content or achievement standards is below the level that is appropriate for learners of their age. Compensatory revenue must be allocated to the buildings where the children generating the revenue are served; however, an amount up to 5% of the prior year's revenue may be allocated according to a local plan approved by the commissioner.

⇒ *Operating capital* (M.S.126C.10, Subd. 13, 14). This revenue must be used for facilities, equipment, or personnel costs directly related to the acquisition, operation, and maintenance of telecommunications systems, computers, related equipment, and software. For FY 2001 - FY 2003 only, $5 per pupil unit of this revenue is set aside for telecommunications access.

⇒ *Class-size, all-day kindergarten, or special education* (M.S. 126C.125). In addition to the class-size reduction set-aside, $11 per pupil unit must be reserved for class-size reduction, all-day kindergarten, or reducing special education student-to-instructor ratios.

Historical Perspective

The General Education program has undergone several changes since its inception in the late 1980s, including the following:

⇒ The General Education program was initiated in FY 1989, replacing the foundation program and numerous categorical programs, including teacher retirement aid, summer program aid and levy, gifted and talented aid, arts education aid, chemical dependency aid, programs of excellence grants, and the liability insurance levy.

⇒ In FY 1994, FY 1995, and FY 2000, the pupil weighting factors for regular kindergarten and elementary students were increased to provide additional funding for elementary class-size reduction.

⇒ Beginning in FY 1997, funding for regular transportation and operating capital is included in the general education program.

⇒ Beginning in FY 1998, compensatory education revenue is computed using building-level free and reduced-price lunch counts, instead of district-level Aid to Families with Dependent Children (AFDC) counts.

⇒ Beginning in FY 2000, additional funding is provided for districts with declining enrollments through the use of "marginal cost" pupil units, which reflect a mix of current and prior-year data.

⇒ Beginning in FY 2001, district cooperation revenue was rolled into the general education formula, increasing the formula allowance by $67.

⇒ Beginning in FY 2003, the general education levy is eliminated, and the general education formula is fully funded by the state. In addition, $415 per pupil unit was transferred from referendum revenue to the general education formula.

Additional information on the history of Minnesota School Finance is available on the Division of Program Finance web site.

Key Measures

Indicators of the adequacy and equity of general education revenue include the following:

⇒ *Growth in Revenue per ADM*. The table below shows the change in general education revenue per ADM from FY 1996 through FY 2003 in current and constant (2001) dollars. Between FY 1996 and FY 2003, general education revenue per ADM increased by 33.5%. After adjusting for inflation using the consumer price index (CPI), the increase was 13.5%.

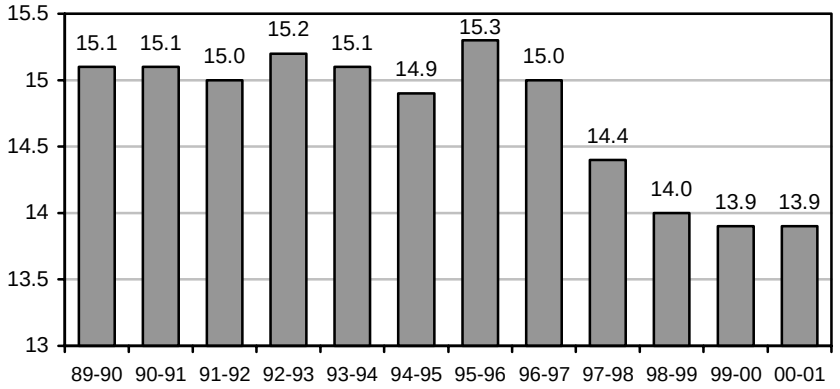
General Education Revenue per ADM, FY 1996 - FY 2003
(Including amounts rolled into General Education Revenue since FY 1996)

	Revenue per ADM Current Dollars		Revenue per ADM Constant (2001) Dollars	
	Amount	Cumulative % Change	Amount	Cumulative % Change
1996	4,875	NA	5,523	NA
1997	4,946	1.5%	5,450	-1.3%
1998	5,152	5.7%	5,577	1.0%
1999	5,294	8.6%	5,635	2.0%
2000	5,602	14.9%	5,794	4.9%
2001	5,844	19.9%	5,844	5.8%
2002	6,044	24.0%	5,943	7.6%
2003	6,364	30.5%	6,129	11.0%

Excludes revenues and pupils for PSEO College Shared Time and Contract Alternative Adjustments.

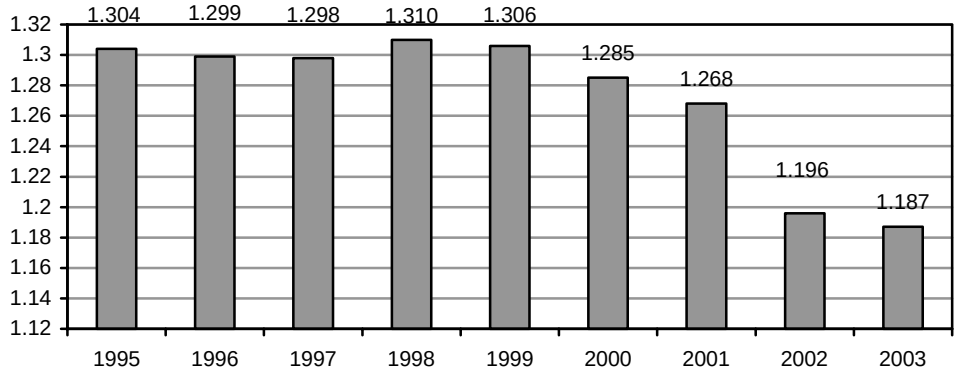
⇒ *Pupil – staff ratios*. Compensation for teachers and other district staff constitutes the districts' largest operating cost. The graph shows the ratio of ADM pupils to licensed professional staff. From FY 1990 to FY 1997 there was little variation in the ratio. Since then the ratio has decreased. For FY 2000 and FY 2001 the ratio was 13.9.

Pupils : Staff



⇒ *Disparity in revenue per pupil unit.* M.S. 127A.51 requires the department to report annually on the disparity in general education revenue per pupil unit, as measured by the ratio of the 95th percentile to the 5th percentile of general education revenue per pupil unit. The General Education Disparity Report can be found on the Division of Program Finance web site. Beginning in FY 2003, equity revenue is included in the analysis. Therefore, for comparison purposes, the numbers in the following chart have been adjusted to include equity revenue for all years. According to this measure, the disparity in general education revenue per pupil unit remained fairly constant between FY 1995 and FY 1997; then increased for FY 1998 and FY 1999. Since then, there has been a steady decline in the ratio.

Ratio of 95th to 5th Percentile of General Education
Revenue Per Pupil, Excluding Cost Differentials



⇒ *Other Measures.* Except for the portion of revenue attributable to compensatory revenue, which must be passed through to each school site, each local school board determines how to allocate the general education revenue among school sites and programs subject to certain legislative restrictions. Information on *school performance* and *school district spending* can be found on the department's web site.

Activity Funding

⇒ Funding is based primarily on the average daily membership (ADM) of students in pre-kindergarten through grade 12. ADM is computed by dividing the number of student membership days by the number of days school is in session.

⇒ To reflect cost differences; the ADM is weighted by grade level to determine the number of pupil units:

Disabled Pre-K	1.25	Grades 1 – 3	1.115
Disabled Kindergarten	1.0	Grades 4 - 6	1.06
Regular Kindergarten	0.557	Grades 7 – 12	1.30

⇒ Most revenues are computed using adjusted marginal cost pupil units (AMCPU). "Adjusted" means that the resident pupil units have been adjusted by adding the pupil units generated by nonresident students served in the district under alternative attendance programs such as open enrollment, and subtracting the pupil units generated by resident students served in another district under an alternative attendance program. "Marginal cost" means that pupil units are computed using a mix of current and prior year data, recognizing that school districts have fixed costs that do not decline in direct proportion to enrollment decline. Adjusted marginal cost pupil units equal the greater of the adjusted pupil units for the current year or 77% of the adjusted pupil units for the current year plus 23% of the adjusted pupil units for the prior year.

General education revenue includes several components, as shown in the table below. Beginning in FY 2003, all components except referendum revenue are funded entirely with state aid. Referendum revenue is funded with a mix of local property taxes, state referendum equalization aid, and state tax base replacement aid.

Spreadsheets showing general education revenue by component for FY 1999 – FY 2003 for individual districts, groupings of districts and the state are at End of 2002 Session District Revenue Estimates by Strata and by District. Detailed spreadsheets showing the calculation of each revenue component for each school district and charter school for each fiscal year are on the Division of Program Finance web site.

General Education Revenue by Component – FY 2003 (est.)

	Number of Districts	Number of Charter Schools	Amount (Millions)	Percent of Total
1. Basic	343	77	$ 4,513.5	83.1%
2. Basic Skills:				
a) Compensatory	341	75	250.3	4.6%
b) LEP (incl. Concentration)	209	22	51.0	0.9%
3. Sparsity	78	77	15.7	0.3%
4. Transportation Sparsity	343	31	56.6	1.0%
5. Operating Capital	343	77	199.2	3.7%
6. Training & Experience	216	77	17.7	0.3%
7. Equity	322	77	34.7	0.6%
8. Alternative Attendance Adjust.	218	73	2.0	0.0%
9. Misc. Adjustments				
a) Pension Adjustment	342	77	(46.6)	
b) PSEO-College	N/A	N/A	18.8	0.3%
c) Shared Time	N/A	N/A	4.1	0.1%
d) Contract Alternative	N/A	N/A	17.6	0.3
SUBTOTAL	**343**	**65**	**$5,134.6**	**94.5%**
10. Operating Referendum	267	0	296.6	5.5%
GRAND TOTAL REVENUE	**343**	**77**	**$5,431.5**	**100.0%**

DETAIL OF REVENUE COMPONENTS. For FY 2003 and later, the components of general education revenue are as follows:

Basic Revenue

⇒ Basic revenue provides all districts with a uniform allocation per pupil unit.

⇒ Basic revenue for a district equals the product of the district's adjusted marginal cost pupil units times the formula allowance established in law.

⇒ The formula allowance for FY 2003 and later is $4,601.

⇒ The change in the formula allowance is not a reliable indicator of the growth in school district revenue per student over time because of several factors, including changes in pupil weights, changes in formulas for allocating additional pupil units to districts with declining enrollment, transfers of various funding programs into or out of the general education formula, offsets to the formula for changes in other funding components, and changes in other funding components.

Basic Skills Revenue

Basic skills revenue includes compensatory revenue and LEP revenue:

Compensatory Revenue is based on the concentration of poverty in a school building.

⇒ A site's compensatory revenue for each eligible pupil increases as the concentration of eligible pupils at the site increases. The maximum compensatory funding per free-lunch pupil is 60% of the formula allowance in

sites where the free lunch count plus 1/2 of the reduced-price lunch count is 80% or more of the total enrollment. Funding is based on the October 1 count for the prior school year.

LEP Revenue is based on the number and concentration of LEP students enrolled in the district. There are two components to LEP revenue: regular LEP revenue and concentration aid.

⇒ For districts and charter schools with at least one LEP student, regular LEP revenue equals $584 times the greater of 20 or the marginal cost number of LEP pupils enrolled in the district (greater of current year count or 77% of current year plus 23% of prior year).

⇒ LEP concentration aid provides additional funding of $190 times the LEP enrollment, times the lesser of one or the ratio of the district's LEP concentration percent to 11.5%.

Beginning in FY 2004, an LEP pupil ceases to generate revenue in the school year following the school year in which the pupil attains the state cut-off score on the Test of Emerging Academic English (TEAE). This test is designed to provide information about how well students with limited English language proficiency are learning academic English required for achievement of the high standards in reading and writing.

Sparsity Revenue

⇒ This revenue funds the added costs of operating small schools that are too isolated to reduce costs by cooperating or consolidating. The smaller the enrollment, the greater the potential sparsity revenue per student. The greater the isolation, the greater the portion of potential revenue that is paid. Sparsity revenue is calculated on a school-by-school basis.

⇒ Separate formulas are used for elementary schools and secondary schools:

For a secondary school to generate sparsity revenue, it must have a secondary ADM (grades 7-12) less than 400, and an isolation index greater than 23. The isolation index equals the square root of 55% of the attendance area of the school district, plus the distance to the nearest other high school. The isolation index approximates the longest travel distance that would be necessary after consolidation.

For an elementary school to generate sparsity revenue, it must have an elementary ADM (grades K-6) less than 140, and be located at least 19 miles from the nearest other elementary school.

Transportation Sparsity Revenue

⇒ This revenue funds the added cost of pupil transportation in areas with low population density, supplementing the 4.85% of basic revenue, ($223 per pupil unit in FY 2003), provided to all districts for transportation purposes. The transportation sparsity allowance for a district increases as the number of pupil units per square mile decreases.

Training and Experience (T & E) Revenue

⇒ This revenue adjusts for cost variations associated with differences in the training and experience of the faculty. It is being phased out as teaching staff employed in FY 1997 leave the district.

Operating Capital Revenue

⇒ This revenue, which is reserved for facilities and equipment purposes, equals $173 per pupil unit, plus an adjustment of up to $50 per pupil unit, based on the average age of the district's buildings.

Equity Revenue

⇒ This formula provides additional revenue for districts with referendum revenue per pupil unit below the 95th percentile for the region where the district is located (metro or rural).

⇒ Minneapolis, St. Paul, and Duluth are not eligible for this revenue.

⇒ For qualifying districts with no referendum levy, the revenue allowance is $10 per pupil unit.

⇒ For qualifying districts with a referendum levy, the revenue allowance is $10 plus an amount up to $55 per pupil unit, depending on how far the district's referendum revenue per pupil unit is below the regional 95th percentile (sliding scale).

Alternative Attendance Adjustment

⇒ Referendum equalization aid follows the student to the nonresident district or charter school the student attends. The resident district loses the aid generated by the student.

⇒ If the student enrolls in another school district, that district's aid is increased by the nonresident district's referendum equalization aid per pupil unit.

⇒ If the student enrolls in a charter school, the charter school's aid is increased by the amount subtracted from the aid paid to the resident district.

Miscellaneous Adjustments to General Education Revenue

⇒ *Post-Secondary Enrollment Options (PSEO) Aid* is paid to Minnesota higher education institutions for courses taken by 11th and 12th grade students for high school credit. For institutions granting quarter credit, the reimbursement per credit hour is 88% of the formula allowance times 1.3, and divided by 45. For institutions granting semester credit, the reimbursement per credit hour is 88% of the formula allowance times 1.3, and divided by 30. Additional information on this program can be found on the department's PSEO web site.

⇒ *Contract Alternative Aid* is paid to districts for students eligible to participate in the graduation incentives program who enroll in nonpublic, nonsectarian schools that have contracted with the serving school district to provide education services.

⇒ *Shared Time Aid* is paid to districts for students who attend public schools on a part-time basis while also attending private schools. Revenue for shared time pupils equals their full-time equivalent pupil units times the formula allowance.

⇒ *Pension Adjustment.* General education aid is adjusted to offset the impact of certain changes in employer contribution rates for members of the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA). General education aid is reduced by an amount equal to 2.34% of the FY 1997 salaries for TRA members, and is increased by an amount equal to 0.7% of FY 1997 salaries for PERA members. In addition to these adjustments, an adjustment is made for a 1984 PERA rate change.

Referendum Revenue

⇒ A school board may increase its revenue for general education, beyond the level otherwise provided by state law, by obtaining approval from district voters for a referendum levy.

⇒ A district's gross referendum revenue equals the allowance per resident marginal cost pupil unit specified on the ballot times the school district's resident marginal cost pupil units.

⇒ A district's referendum allowance per pupil unit may not exceed the greater of a) 18.2% of the formula allowance, ($837 in FY 2003), or b) 116.2% of the district's referendum allowance in FY 1994 minus $415. The referendum allowance cap does not apply to districts receiving sparsity revenue.

Referendum Aid and Levy

⇒ School districts receiving referendum revenue make an additional levy for this purpose. The levy is spread based on the referendum market value of property, which excludes seasonal recreational cabin property and agricultural land (the house, garage and one acre of farm properties are taxable).

⇒ The state funds a portion of referendum revenue with referendum equalization aid and tax base replacement aid. Beginning in FY 2003, a two-tiered referendum equalization formula is used. For the first $126 of revenue per pupil unit, the local levy share equals the lesser of 100% of the revenue or the product of the revenue times the ratio of the district's referendum market value per resident marginal cost pupil to $476,000. For revenue over $126 per pupil unit, up to the referendum allowance cap, the local levy share equals the lesser of 100% of the revenue or the product of the revenue times the ratio of the district's referendum market value per resident marginal cost pupil to $270,000. For districts qualifying for sparsity revenue, the referendum allowance cap does not apply, and the full referendum revenue over $126 per pupil unit is eligible for equalization using the $270,000 equalizing factor.

⇒ For districts with an FY 2002 referendum allowance levy exceeding $415, the state pays tax base replacement aid equal to the unexpired portion of the district's referendum levy for taxes payable in 2002 attributable to the portion of the referendum allowance exceeding $415 levied against seasonal recreational cabin property and agricultural land. Because tax base replacement aid is subtracted from referendum equalization aid, in FY 2003 it provides a net reduction in taxes only for 26 school districts where the tax base replacement aid exceeds the referendum equalization aid.

Replacements of General Education Revenue
A district's general education aid is reduced by the amount that it receives from the following sources:

⇒ *School Endowment Fund.* This fund is apportioned twice a year to all districts on the basis of the previous year's ADM (M.S.127A.33). The School Endowment Fund distributes investment earnings transferred to it from the Permanent School Fund. The principle of the permanent school fund, which must remain perpetual and inviolate, has been generated by land sales, mining royalties, timber sales, lakeshore and other leases, and other miscellaneous sources.

⇒ *County Apportionment Deduction*. School districts receive revenue from the apportionment of certain county receipts (M.S. 127A.34). This revenue is derived from penalties on real estate taxes, taxes on transmission and distribution lines, liquor license fees, fines, and other sources.

⇒ *Taconite Aid*. Certain districts may receive a small portion of their general education revenue from various taconite taxes (M.S. 294.21-294.28; M.S. Chapter 298). Taconite receipts of a school district for a fiscal year exceeding the amount needed to offset the taconite levy limitation reduction recognized for that fiscal year are subtracted from general education aid under M.S. 126C.21, subd. 4.

Contact
Additional information is available from the Minnesota Department of Children, Families & Learning, Division of Program Finance, (651) 582-8868.

DEPARTMENT OF EDUCATION
Program: GENERAL EDUCATION
Activity: GENERAL EDUCATION

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	3,335,885	3,443,918	5,206,329	5,178,288	5,136,671	10,314,959
2. Statutory Excess/(Shortfall)						
3. Appropriated Entitlement	3,335,885	3,443,918	5,206,329	5,178,288	5,136,671	10,314,959
4. State Aid Entitlement	3,335,885	3,443,918	5,206,329	5,178,288	5,136,671	10,314,959
5. Local Levy	1,652,917	1,706,052	228,631	355,657	470,640	826,297
6. Revenue (Total of Aid & Levy)	4,988,802	5,149,970	5,434,960	5,533,945	5,607,311	11,141,256
7. Total School District Revenue - All Funds	4,988,802	5,149,970	5,434,960	5,533,945	5,607,311	11,141,256
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	310,442	333,756	335,163	857,432	853,045	1,710,477
Cancellation	(8)	(4,835)	(7,420)			
Current Year (90% FY 01-02) (83% FY 03-05)	2,962,174	3,080,412	4,297,515	4,133,467	4,240,046	8,373,513
Cancellation	(210)	(292)				
Advance Payment Appropriation			17,500			
Total State Aid - General Fund	**3,272,398**	**3,409,041**	**4,642,758**	**4,990,899**	**5,093,091**	**10,083,990**
Other Approp. Federal Plus Other State Funds	24,053	21,368	19,283	19,634	19,986	39,620
TOTAL APPROPRIATIONS	**3,296,451**	**3,430,409**	**4,662,041**	**5,010,533**	**5,113,077**	**10,123,610**

Activity Description

Citation: M.S. 123B.75, Subd.5

This accounting mechanism was first implemented in 1983 to help balance the state's budget and lessen cuts in education programs.

Activity at a Glance

Early Recognition Amounts
- FY 2000 $135.1 million
- FY 2001 $150.5 million

Population Served

This activity, in earlier years, provided benefits to both the state and its citizens by allowing the state to balance the state budget without making severe cuts in education aid. Districts benefit from current provisions of the law that allow districts to preserve fund balance created by historic early recognition of the specific levies including referendum, health benefits and insurance, and reemployment.

History

While property taxes are paid on a calendar year basis, school districts operate on a fiscal year that runs from July 1 to June 30. The first half of the property taxes payable for the calendar year are due in May and the second half are due in October or November.

Prior to FY 1983, all of the school districts' May property tax collections were held and recognized as revenue in the following fiscal year, beginning July 1. Beginning in FY 1983, the revenue recognition policy was changed so that a portion of the spring proceeds were recognized as revenue in the fiscal year of collection. The shift provision was structured to be revenue neutral to school districts[1] by adjusting state aid payments by the difference between the current year's early levy recognition amount and the previous year's early levy recognition amount. This accounting change provided the state with one-time savings in aid payments, without reducing the overall revenue recognized by a school district.

The state began repaying the revenue neutral portion of the shift in 1994. The following amounts were appropriated to eliminate the revenue neutral portion of the shift between FY 1994 and FY 1999.

FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	TOTAL
$171,290	$710	$314,832	$180,000	$18,700	$90,200	$775,732

The referendum levy portion of the recognition change amount (along with several other smaller levies) is not revenue neutral and was not eliminated in FY 1999. Districts with first-time referendum levies recognized a portion of the levy a year early, while districts levying for the last time recognized only the balance not recognized the previous year. The continued early recognition of the referendum levy portion prevented school districts from experiencing a revenue loss when in the year the revenue neutral portion of the shift was eliminated. The continued early recognition of the other specified levies matches the timing of revenue recognition to district expenditure.

For FY 2000 school districts were required to recognize the lesser of 1) tax settlements received in May, June, and July, or 2) the sum of 31% of the referendum levy certified in the prior calendar year and 100% of levies for integration, reemployment insurance, health insurance, health benefits, retirement, and levy adjustments for retroactive formula changes.

Implementation of the education homestead and agricultural homestead credits reduced tax receipts for some districts to an amount less than the amount of the specific levies statute directs for early recognition. This resulted in revenue losses for some school districts, particularly those also receiving taconite property tax relief.

[1] Except for the referendum levy and other levies (such as health insurance) specified in law.

The formula was changed so for FY 2001 school districts were required to recognize the lesser of 1) tax settlements received in May, June, and July ***plus general education aid received in July and August***, or 2) the sum of 31% of the referendum levy certified in the prior calendar year and 100% of levies for integration, reemployment insurance, health insurance, health benefits, retirement, and levy adjustments for retroactive formula changes. This prevents a one-time revenue loss to districts where the spring tax settlements are not large enough to cover the amount of levy to be recognized early.

For FY 2002 and later, school districts are required to recognize the lesser of 1) tax settlements received in May, June, and July ***plus general education aid received in July and August***, or 2) the sum of 31% of the referendum levy ***certified in calendar year 2000*** and 100% of levies for integration, reemployment insurance, health insurance, health benefits, retirement, and levy adjustments for retroactive formula changes. This change to the formula prevents a one-time revenue loss to districts where the referendum levy is reduced for taxes payable in 2002 and later due to the $415 transfer of referendum authority to the general education formula, tax base replacement aid, and equalization aid provided on the remaining referendum revenue.

The continued early recognition of these categories 1) prevent school districts from experiencing a revenue loss in a year; or 2) match the timing of revenue recognition to district expenditure.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8566

Activity Description

Citation: M.S 469.170; M.S. 273.1398

Information Only

Property tax credits and aids administered by the Department of Revenue provide a vehicle for property tax reform or relief for targeted real property classes. The effect of these state paid property tax credits and aids is to shift a portion of property tax burden for education from property owners to the state.

Activity at a Glance

- 7 credit programs in FY 2003
- $81.4 million total amount of credits FY 2003

Population Served

All school districts in the state receive some form of state paid property tax credits. The number and the amount of state paid tax credits that districts and property tax owners in the district receive is dependent upon the local conditions.

Activity Funding

Current property tax credit and aid programs paid to school districts by the Department of Education (DOE) affect property tax in one of two ways:

Programs reducing the property tax rate applied to the property value to calculate property tax.

⇒ Homestead and Agricultural Credit Aid became effective for taxes payable in 1990, replacing the homestead credit and the agricultural credit programs. It reduced the overall net levy and tax rate of a school district. It was eliminated in FY 2003.

⇒ Disparity Reduction Aid provides relief to high tax rate areas. The Department of Revenue calculates a reduction to the initial tax rate to reduce the rate as much as 10%.

Programs providing a reduction to the calculated property tax, (listed in the order applied to the tax).

⇒ Disaster Credit provides relief to homesteads located in declared disaster or emergency areas.

⇒ Agricultural Preserves Credit provides relief to owners of agricultural property in the seven county metropolitan area.

⇒ Enterprise Zone Credit provides relief to commercial and industrial properties in economically depressed areas designated as enterprise zones with the purpose of retaining business base and generating employment.

⇒ Disparity Reduction Credit provides relief to apartments, commercial, industrial, and public utilities in economically depressed areas located at Minnesota borders designated as enterprise zones.

⇒ Education Homestead Credit, the largest of the property tax credits, was implemented as a property tax reform measure for taxes payable in 1998. The credit targeted homesteaded property and replaced 83% of the general education tax, up to a maximum of $390. It was eliminated in FY 2003 with the state takeover of the basic general education levy.

⇒ Education Agricultural Credit, the second largest of the property tax credits, targeted homesteaded agricultural property and was implemented for taxes payable in 2000. It replaces 70% of the general education tax for agricultural homestead property with a market value of up to $600,000 and 63% for other agricultural and timberland properties. It was eliminated in FY 2003 with the state takeover of the basic general education levy.

⇒ Residential Homestead Market Value Credit, implemented in 2002, provides relief to residential homestead property, including the house, garage, and one acre of land for farm homesteads and certain resort homesteads. The credit is computed as 0.4% of the first $76,000 market value of each homestead property. The maximum credit is $304, and is phased out at a rate of .09% of the value over $76,000.

⇒ Agricultural Land Market Value Credit, implemented in 2002 provides relief to agricultural homestead property, excluding the house, garage, and one acre. The credit is computed as 0.2% of the market value of each homestead property. The maximum credit is $230.

In addition to the property tax relief aids and credits listed above, school districts may receive others paid by the county, including power line credit, county conservation credit, and taconite homestead credit. Taconite homestead credit targets Iron Range homeowners with a credit of either 66% or 57%, depending on characteristics of the mining industry within the school district. The 66% credit has a maximum of $315.10 per property. The 57% credit has a maximum of $289.80 per property.

Key Measures

Open appropriations are provided for the following aids and credits paid to school districts by DOE. The amounts include credits and aids for mobile home properties. The Department of Revenue reports the property tax credit appropriation within its budget.

Source: Tax Research Division, Department of Revenue, February 8, 2002

State Paid Property Tax Credits

Dollars in Thousands

	FY 2001 99 Pay 00	FY 2002 00 Pay 01	FY 2003 01 Pay 02	FY 2004 02 Pay 03	FY 2005 03 Pay 04
HACA	$ 28,406.6	$ 17,198.9	N/A	N/A	N/A
Homestead Market Value Credit	N/A	N/A	$ 67,768.0	$ 69,564.0	$ 71,302.0
Agricultural Land Market Value Credit	N/A	N/A	3,674.0	3,766.0	3,860.0
Disparity Reduction Aid	10,343.9	10,398.4	8,150.8	7,252.1	7,072.4
Disaster Credit	N/A	9.4	N/A	N/A	N/A
Agricultural Preserves Credit	147.7	162.9	162.9	162.9	162.9
Enterprise Zone Credit	1.2	0.8	0.8	0.8	0.8
Disparity Reduction Credit	1,332.0	1,433.0	748.6	786.2	825.4
Education Agriculture Credit	45,979.2	55,116.0	N/A	N/A	N/A
Education Homestead Credit	396,897.5	405,886.7	* 875.6	* 221.0	N/A
TOTAL	**$483,108.1**	**$490,206.1**	**$ 81,380.7**	**$ 81,753.0**	**$ 83,223.5**
Prior Year Adjustment	16.0	16.7	16.7	16.7	16.7
Adjusted TOTAL	**$483,124.1**	**$490,222.8**	**$ 81,397.4**	**$ 81,769.7**	**$ 83,240.2**

*Prior year adjustment

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available the Minnesota Department of Education, Division of Program Finance, (651) 582-8868.

Activity Description

Citation: M.S. 126C.17, Subd. 7a

This activity ensures that the removal of agricultural land and seasonal recreational cabin properties from the referendum tax base beginning with taxes payable in 2002 will not increase tax burdens for other taxpayers in a district for the portion of pre-existing referendum authorizations that remain in effect for later years.

Activity at a Glance

- FY 2003 State Aid Entitlement $8,347,239
- Districts Participating 122
- Average Aid Amount $68,419.99

Population Served

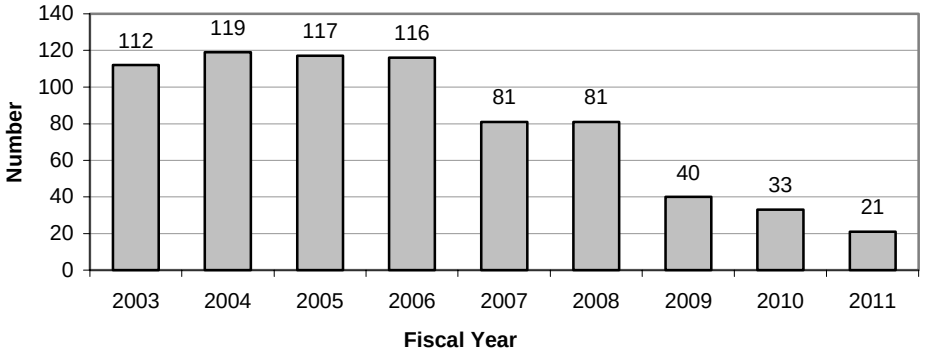
Referendum tax base replacement aid provides property tax relief to property owners who would otherwise have experienced tax increases as a result of the removal of farmland and seasonal recreational cabin property from referendum market value. All else being equal, the removal of these properties from the referendum tax base would have increased tax burdens on other taxpayers in a school district.

Services Provided

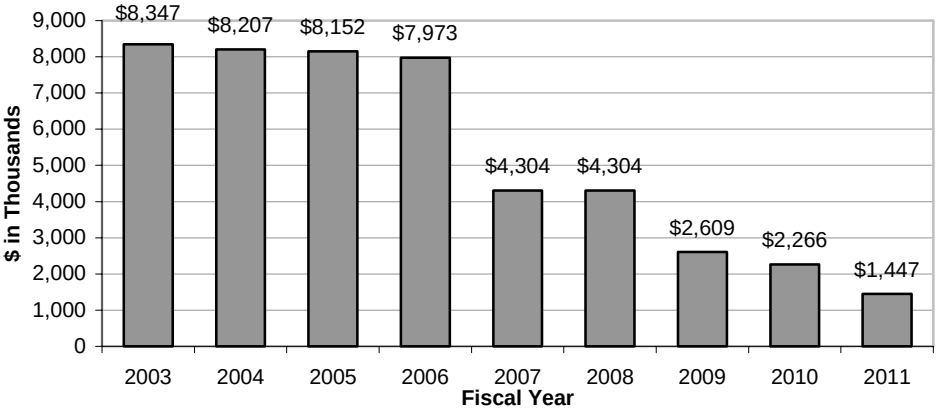
School districts do not receive additional revenue as a result of this aid.

Key Measures

Participating Districts



State Aid Dollars



Activity Funding

The referendum tax base replacement aid for a district equals the amount of the FY 2002 referendum levy attributable to the portion of the referendum allowance exceeding $415 per pupil unit that was levied against agricultural land and seasonal recreational cabin properties. When the FY 2002 referendum authority for a district expires, the corresponding referendum tax base aid also expires. Since all referendums in effect for FY 2002 will expire by 2012, all referendum tax base replacement aid will expire by FY 2012.

Because referendum tax base replacement aid is subtracted from referendum equalization aid otherwise due the school district, it provides a net reduction in property taxes only for 26 school districts where the tax base replacement aid exceeds the referendum equalization aid.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8851.

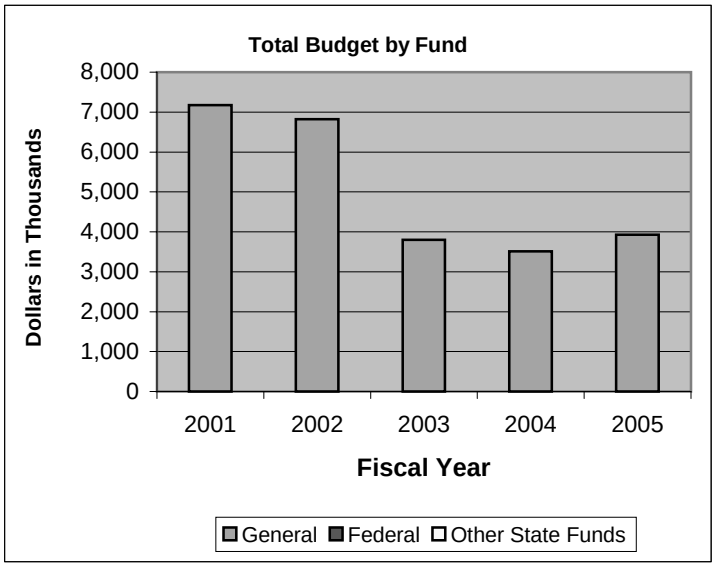
DEPARTMENT OF EDUCATION
Program: GENERAL EDUCATION
Activity: REFERENDUM TAX REPLACEMENT AID

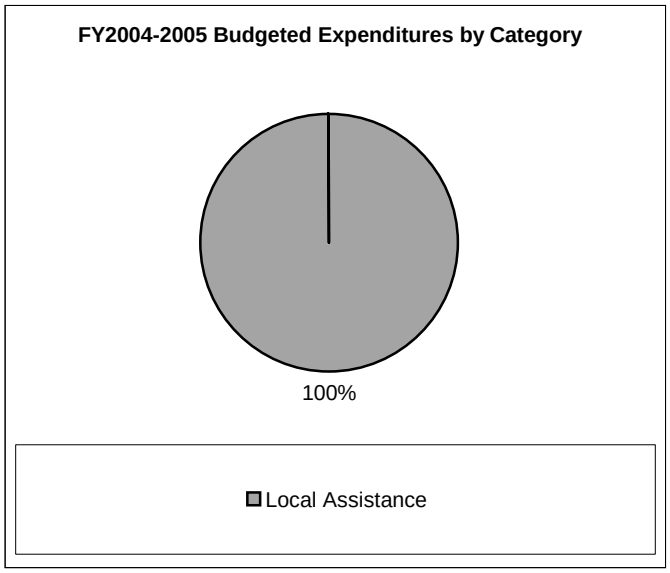
Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	0	0	8,348	8,027	7,954	15,981
2. Total School District Revenue - All Funds	0	0	8,348	8,027	7,954	15,981
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	0	0	0	1,419	1,364	2,783
Current Year (90% FY 01-02) (83% FY 03-05)	0	0	6,929	6,663	6,602	13,265
Total State Aid - General Fund	**0**	**0**	**6,929**	**8,082**	**7,966**	**16,048**
Other Approp. Federal Plus Other State Funds	0	0	0	0	0	0
TOTAL APPROPRIATIONS	**0**	**0**	**6,929**	**8,082**	**7,966**	**16,048**

Budget Activities Included:

⇒ Enrollment Options Transportation
⇒ Abatement Revenue
⇒ Consolidation Revenue
⇒ Special Provisions for Selected Districts
⇒ Miscellaneous Levies





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	7,173	6,819	3,802	3,508	3,929	7,437
Total	**7,173**	**6,819**	**3,802**	**3,508**	**3,929**	**7,437**
Expenditures by Category						
Local Assistance	7,173	6,819	3,802	3,508	3,929	7,437
Total	**7,173**	**6,819**	**3,802**	**3,508**	**3,929**	**7,437**
Expenditures by Activity						
Enrollment Options Transport	27	26	45	50	55	105
Abatement Revenue	6,681	5,698	2,870	2,762	2,945	5,707
Consolidation Transition	465	539	230	213	620	833
Tornado Impact-Yellow Medicine	0	156	117	78	39	117
Declining Pupil-Albert Lea	0	0	300	225	150	375
Declining Pupil-Mesabi East	0	0	200	150	100	250
Declining Pupil-Roseau	0	0	40	30	20	50
Little Falls Payback	0	400	0	0	0	0
Total	**7,173**	**6,819**	**3,802**	**3,508**	**3,929**	**7,437**

Activity Description

Citation: M.S. 124D.03; 124D.09; 124D.10

Activity at a Glance

- 36 students served
- $614 average reimbursement

This state aid program helps low-income students participate in the Post-Secondary Enrollment Options (PSEO), School District Enrollment Options (SDEO), and Results-Oriented Charter Schools (ROCS) programs by providing state aid to school districts that reimburse families for transportation expenses associated with these programs. (See Student Choice/Tax Incentives narrative for more information.)

Population Served

Low-income students participating in PSEO, SDEO and ROCS programs are served by this program.

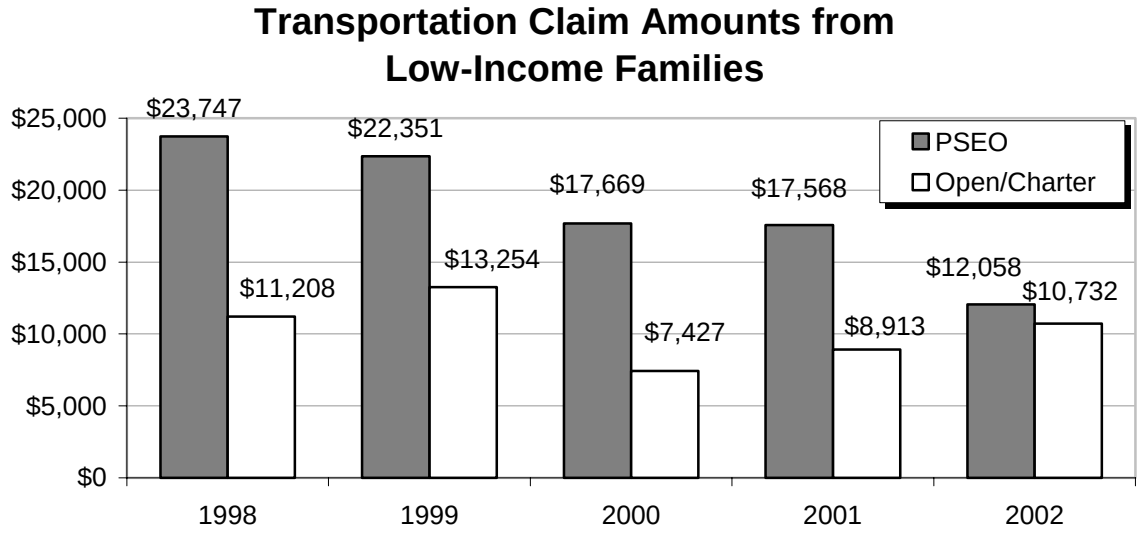
Services Provided

State aid is paid to school districts to reimburse transportation costs to families whose income is at or below the federal poverty income guideline level.

Some students, because of disabilities, cannot participate in this program unless they receive district-provided transportation services. For disabled students participating in open enrollment, districts may be forced to travel beyond district boundaries to transport the students. Some charter schools, even though they elected to use district-provided transportation, may be forced to transport nonresident students with disabilities within those students' resident districts. In all these cases, these potentially high cost transportation services are not authorized for state special education transportation aid. This program assures that disabled students of low income families will not be discouraged from participating in options programs due to high cost transportation.

Historical Perspective

Beginning in FY 1999, the program was expanded to allow PSEO mileage reimbursement to students attending nonpublic schools (including home schools).



Key Measures

All students meeting eligibility are reimbursed.

Activity Funding

The mileage reimbursement rate is set at 15 cents per mile and is limited to 250 miles per week. There is an exception to the 250 miles per week limit in the PSEO program if the nearest post-secondary institution is more than 25 miles from the student's home or high school. School districts and post-secondary institutions receive notification of this program on an annual basis. Students provide their own transportation in this program. PSEO students apply through their resident districts (or the post-secondary institutions, if nonpublic). Open enrollment students submit their applications to the enrolling districts. Charter school students apply to their charter schools.

The low eligibility threshold for this program (100% of federal poverty guidelines) excludes many students qualifying for other poverty-based measures (e.g., free and reduced-priced lunch).

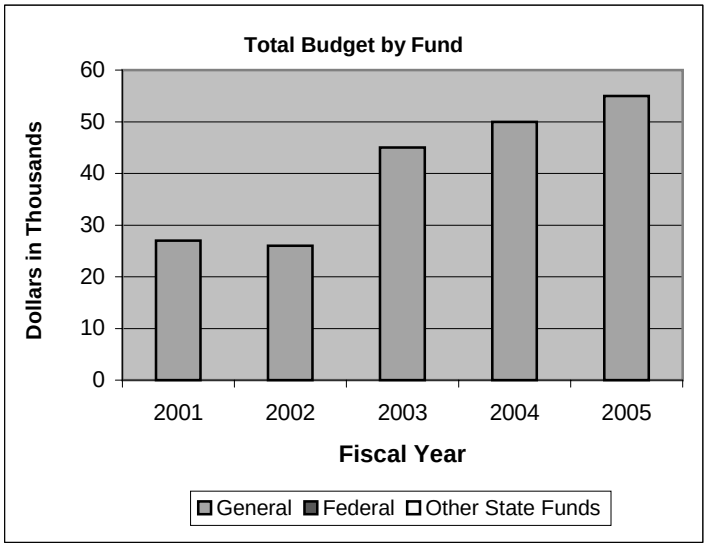
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

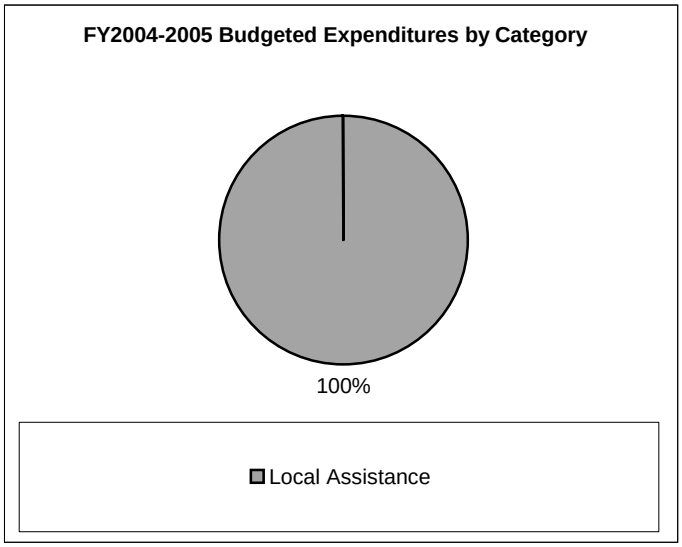
Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8855. Additional information is available at the following web site:
http://cfl.state.mn.us/dpf/transportation.html.

DEPARTMENT OF EDUCATION
Program: OTHER GENERAL PROGRAMS
Activity: ENROLLMENT OPTIONS TRANSPORT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	27	26	45	50	55	105
Total	**27**	**26**	**45**	**50**	**55**	**105**

Expenditures by Category						
Local Assistance	27	26	45	50	55	105
Total	**27**	**26**	**45**	**50**	**55**	**105**

Activity Description

Citation: M.S. 126C.46; 127A.49, Subd.2

This state aid and local levy program maintains equity for students and taxpayers by replacing revenue to which the district was entitled but did not receive due to abatements.[1] The objective is to replace the revenue in the same proportion of aid and levy as the original entitlement.

Activity at a Glance

In calendar year 2001:

♦ Taxes Abated	$12.4 million
♦ Abatement Aid	$2.8 million
♦ Abatement Levy	$9.6 million
♦ Number of Districts	258

Population Served

All eligible school districts in Minnesota participate in this program.

Services Provided

Abatement revenue is provided to school districts to prevent permanent revenue losses. The amount of abatement revenue for a school district is determined from data on net revenue losses as certified by the county auditors.

Historical Perspective

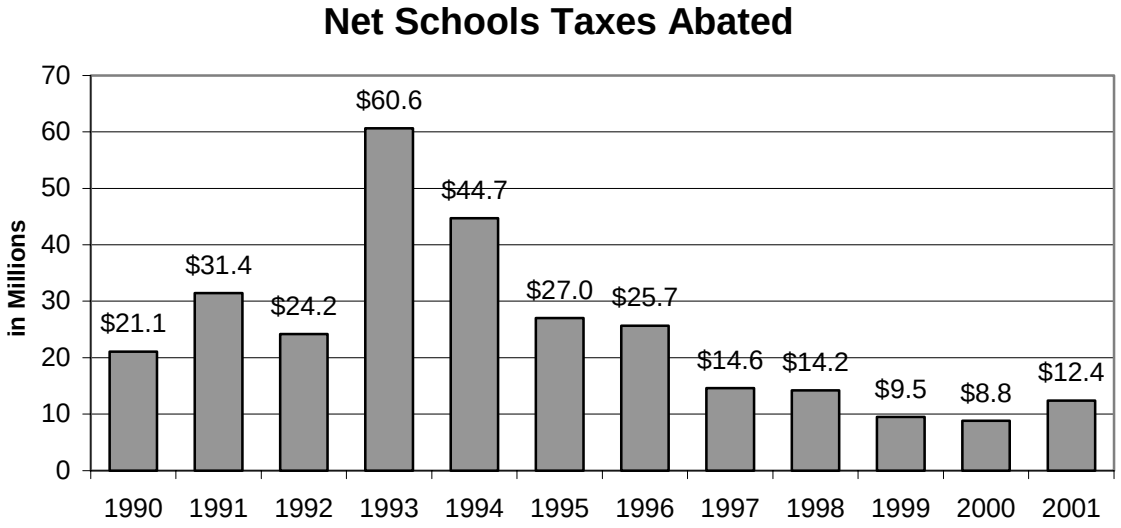
Funding for abatement revenue began in the late 1970s and was expanded in 1993 to include interest paid by the district on abatement refunds.

Key Measures

Educational funding policies that better enable schools, communities and local governments to manage fiscal resources for the most effective and efficient delivery of services are implemented.

⇒ A total of 258 school districts receive abatement revenue in FY 2003 for taxes abated in calendar 2001.

⇒ The following graph shows the amount of school taxes abated each year since 1990. These amounts would be losses to school district budgets without the abatement revenue formula.



[1] Court-ordered net reductions in the tax capacity of the district after taxes have been spread by the county auditor.

Activity Funding

Net revenue loss due to abatements is replaced with state aid and levy authority. The intent is to pay approximately the same amount in abatement aid as would have been paid to the district in general education and other equalized aids if the adjusted net tax capacity could have been adjusted to the lower level.

In general, school taxes abated in one calendar year are reported to the state in the following calendar year and included in the levy certified in the fall of that year for taxes payable in the next calendar year. For example, school taxes abated in 2001 are reported in the spring of 2002 and included on the 2002 payable 2003 levy.

A district may levy a year early for the net revenue loss incurred during the first six months of the calendar year (advance abatement levy) or choose to spread the levy over two years (three years with approval of the commissioner).

A district's aid entitlement is equal to its revenue loss multiplied by the ratio of: a) the amount certified by the district in equalized referendum, health and safety, and community education levies for which the district received corresponding state aid in the second preceding year, to b) the district's total certified levy in the preceding fall, plus or minus auditor's adjustments.

Abatement levy authority is the total of the three following components:

- the net revenue loss minus abatement aid after any proration is deducted,
- the net revenue loss for the first six months of the following calendar year, less any amount certified for the first six months of the prior calendar year, and
- an amount for any interest paid by the district on abatement refunds.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8566.

DEPARTMENT OF EDUCATION
Program: OTHER GENERAL PROGRAMS
Activity: ABATEMENT REVENUE

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	6,407	5,620	2,780	2,759	2,982	5,741
2. Local Levy	3,140	3,194	9,606	7,638	8,294	15,932
3. Total School District Revenue - All Funds	9,547	8,814	12,386	10,397	11,276	21,673
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	914	640	562	472	469	941
Current Year (90% FY 01-02) (83% FY 03-05)	7,365	5,058	2,308	2,290	2,476	4,766
Cancellation	(1,598)					
Total State Aid - General Fund	**6,681**	**5,698**	**2,870**	**2,762**	**2,945**	**5,707**
TOTAL APPROPRIATIONS	**6,681**	**5,698**	**2,870**	**2,762**	**2,945**	**5,707**

Activity Description
Citation: M.S. 123A.485

The purpose of this state aid program is to support districts that have recently consolidated by providing funds for one-time reorganization costs and to foster conditions that better promote student success.

Activity at a Glance

- Number of districts FY 2003 2
- FY 2003 State Appropriation $225,000

Population Served
Students and communities in eligible districts are served by this activity.

Services Provided
Voluntary school district reorganizations help to expand programs and services to students and families in greater Minnesota at a lower cost. This program provides an incentive for district consolidation and addresses some of the one-time costs associated with district consolidation. This program provides an alternative means of dealing with fiscal issues, such as staff reduction and operational debt reduction that often prevent permanent school district reorganization. Revenue may be used to cover district costs for early retirement incentives granted by the district under M.S. 123A.48, Subd. 23; to reduce operating debt as defined in M.S. 123B.82; to enhance learning opportunities; and to cover reorganization expenses.

A school district is eligible for revenue if it has reorganized under M.S. 123A.48 after 06-04-94, and has not received cooperation and combination revenue for at least six years. M.S. 123A.48 provides for the process of school consolidation, including approval procedures and timelines.

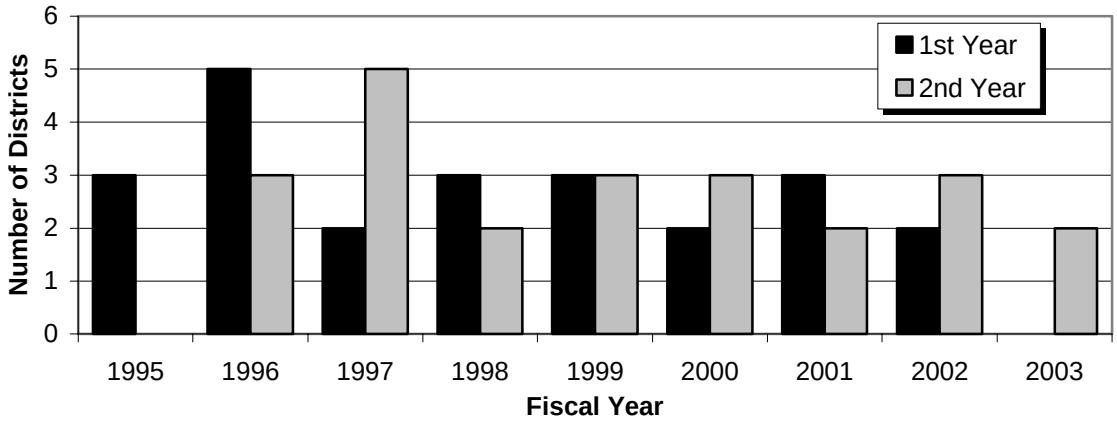
Historical Perspective
This program was enacted by the 1994 legislature. This revenue replaced the pre-existing cooperation and combination (C & C) revenue and transition and severance levies for consolidating districts.

Key Measures
While there are financial implications to consolidation, the primary reason for districts to consolidate is to address the academic needs of students. School districts that have consolidated through this program have reported that the consolidation has provided additional opportunities to meet student academic needs, increased efficiency in district operations, and improved the likelihood of long-term financial health of the newly formed district. The potential cost efficiencies that could be attributed to this program vary by district due to the unique financial, operating, and facility characteristics of the combining districts.

Jackson Country Central ISD 2895 was formed by consolidation of two existing districts in FY 2001. On a per student measure, expenditures for the new district decreased by 22% for district support services, 11% for pupil support services, and 15% for operations and maintenance costs when compared to the sum of previous year expenditures for the two districts that combined. The savings are primarily due to the closing of the Sioux Valley school site.

Activity Funding
This program is funded with state aid and a local property tax levy. State aid is equal to $200 times the actual pupil units in the first year after consolidation and $100 times the actual pupil units in the second year after consolidation. A maximum of 1,500 pupils may be counted for the purpose of aid calculation. If consolidation transition aid is not sufficient to cover the eligible district costs, school districts may levy the difference, spreading the levy over up to three years.

District Participation



*No districts consolidated in FY 2003.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8757. Additional information is also available at the Department of Education web site http://cfl.state.mn.us/TECH/reorg.htm.

DEPARTMENT OF EDUCATION
Program: OTHER GENERAL PROGRAMS
Activity: CONSOLIDATION TRANSITION

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	459	549	211	214	706	920
2. Statutory Excess/(Shortfall)	(10)					
3. Appropriated Entitlement	449	549	211	214	706	920
4. Adjustment(s)						
a. Excess Funds Transferred In / (Out)	10					
5. State Aid Entitlement	459	549	211	214	706	920
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	50	44	54	35	35	70
Current Year (90% FY 01-02) (83% FY 03-05)	405	495	176	178	585	763
Transfers per M.S. 127A.41, subdivision 8 & 9	10					
Total State Aid - General Fund	**465**	**539**	**230**	**213**	**620**	**833**
TOTAL APPROPRIATIONS	**465**	**539**	**230**	**213**	**620**	**833**

Activity Description

The following state aid programs provide financial assistance to five public school districts with declining pupil units due to industry plant closings, natural disasters, or airport expansion, and to one district experiencing cash flow problems due to a large audit finding.

Population Served

All students and communities in selected school districts are served by these programs.

Activity at a Glance

Target Districts
- Albert Lea
- Mesabi East
- Richfield
- Yellow Medicine East
- Little Falls
- Roseau

Services Provided

Declining Pupil Unit Aid – Albert Lea
Citation: Laws 2002, Chapter 220, Article 4, Section 10, Subd 1,2,3,4.

This program provides declining pupil aid to the Albert Lea school in the amount of $300,000 in FY 2003, $225,000 in FY 2004, $150,000 in FY 2005, and $75,000 in FY 2006. This program was implemented by the 2002 legislature in response to the anticipated loss of pupils and revenues in the Albert Lea public schools due to the closure of the Farmland Foods plant.

Declining Pupil Unit Aid – Mesabi East
Citation: Laws 2002, Chapter 220, Article 4, Section 11, Subd 1,2,3,4.

This program provides declining pupil aid for the Mesabi East school district in the amount of $200,000 in FY 2003, $150,000 in FY 2004, $100,000 in FY 2005, and $50,000 in FY 2006. This program was implemented by the 2002 legislature in response to the anticipated loss of pupils and revenues in the Mesabi East schools due to the closure of the LTV plant in Hoyt Lakes.

Richfield Airport Impact Aid
Citation: Laws 2000, Chapter. 489, Art. 2, Sec.36; Laws 2001, First Special Session, Chapter 6, Article 1, Section 36

This program provides financial assistance to the Richfield Public School District for the loss of students due to the Minneapolis-St. Paul International Airport expansion and the resulting demolition of residential housing. The airport expansion project requires the demolition of residential housing within the airport expansion zone which is defined in Laws 1999, Chapter 243, Art. 16, Sec. 35.

This aid program, authorized for FY 2004-08, will replace a portion of the revenues attributable to students residing in the airport expansion zone in the 1998-99 school year. For FY 2004-05, the statutory formula provides aid of 70% of the general education formula allowance multiplied by the 1998-99 pupil units attributed to the airport impact zone defined in Laws 1999, Ch. 243, Art. 16, Sec. 35. That percentage declines to 52.5% in FY 2006, 35% in FY 2007, and 17.5% in FY 2008, as the district adapts to the student losses. The program is eliminated in FY 2008.

Declining Pupil Unit Aid - Yellow Medicine East
Citation: Laws 2001, First Special Session, Chapter 6, Article 1, Section 49

This program provides declining pupil aid for the Yellow Medicine East school district in the amount of $156,000 in FY 2002, $117,000 in FY 2003, $78,000 in FY 2004, and $39,000 in FY 2005. This program was implemented by the 2001 legislature in response to the anticipated loss of pupils and revenues in the Yellow Medicine East schools due to the tornado destruction of homes in the district.

Little Falls Payback
Citation: Laws 2001, First Special Session, Chapter 6, Article 1, Section 54, Subd. 12

This program requires the Minnesota Department of Children, Families & Learning to allow the Little Falls School District five years to repay a $500,000 state aid overpayment resulting from the district's miscalculation of pupil units in FY 1998 and FY 1999. The district must repay the aid in equal payments of $100,000 each year on June 20. Repayments began on June 20, 2002.

Flood Enrollment Impact Aid – Roseau
Citation: Laws 2002, First Special Session, Chapter 1, Section 6

This program provides declining pupils aid to the Roseau School District. In FY 2003, the aid is equal to lesser of the general education formula allowance times the reduction, if any, in the district's adjusted marginal cost pupil unit decline between FY 2002 and FY 2003 or $40,000. In FY 2004, the aid is equal to lesser of the general education formula allowance times the reduction, if any, in the district's adjusted marginal cost pupil unit decline between FY 2002 and FY 2004 or $30,000. In FY 2005, the aid is equal to lesser of the general education formula allowance times the reduction, if any, in the district's adjusted marginal cost pupil unit decline between FY 2002 and FY 2005 or $20,000. In FY 2006, the aid is equal to the lesser of the general education formula allowance times the reduction, if any, in the district's adjusted marginal cost pupil decline between FY 2002 and FY 2006 or $10,000.

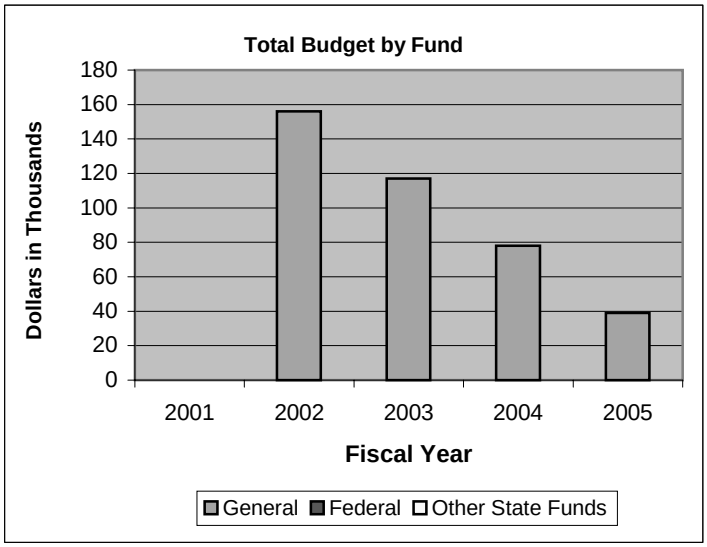
Key Measures
These programs address specific and unique financial circumstances for impacted districts. No specific measurement data is collected.

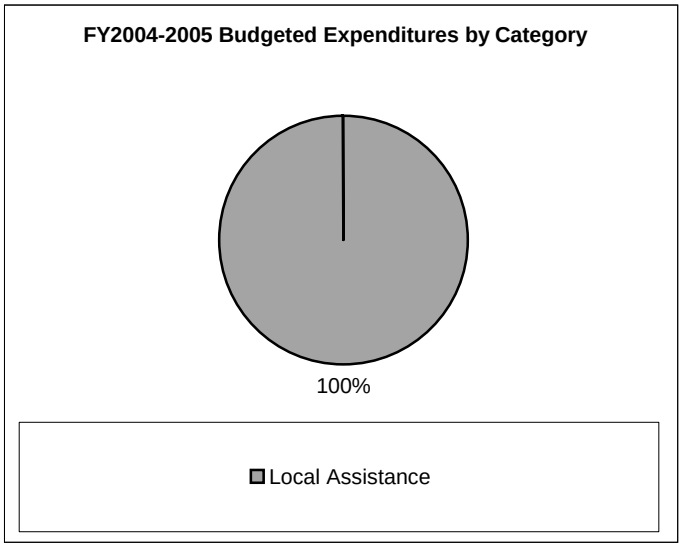
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact
Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8851.

DEPARTMENT OF EDUCATION
Program: OTHER GENERAL PROGRAMS
Activity: TORNADO IMPACT-YELLOW MEDICINE

Fiscal Report

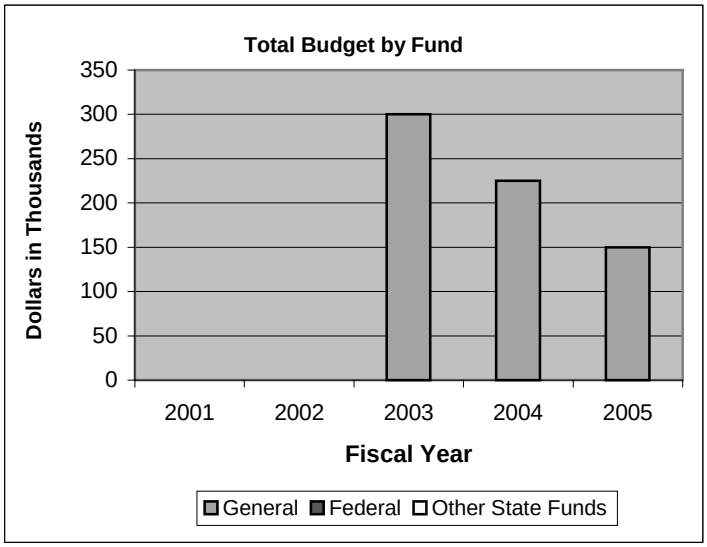


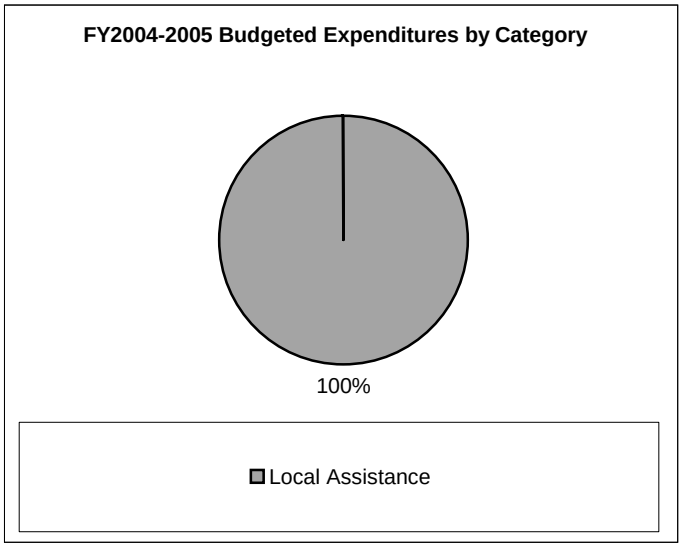


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	156	117	78	39	117
Total	**0**	**156**	**117**	**78**	**39**	**117**
Expenditures by Category						
Local Assistance	0	156	117	78	39	117
Total	**0**	**156**	**117**	**78**	**39**	**117**

DEPARTMENT OF EDUCATION
Program: OTHER GENERAL PROGRAMS
Activity: DECLINING PUPIL-ALBERT LEA

Fiscal Report



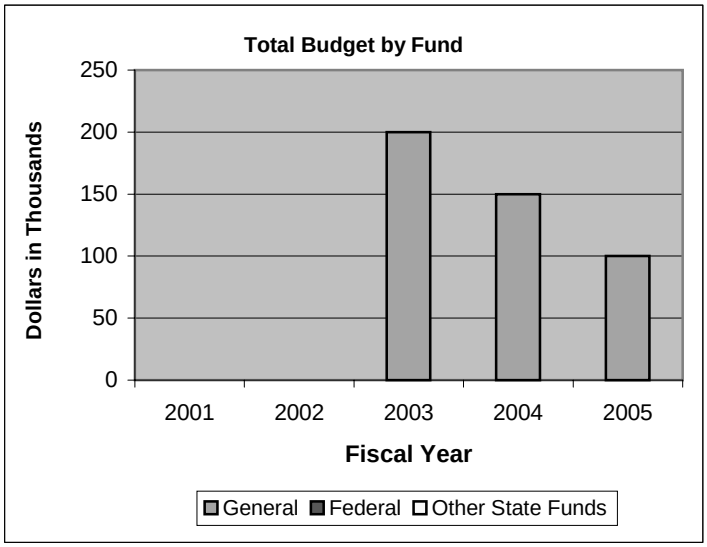


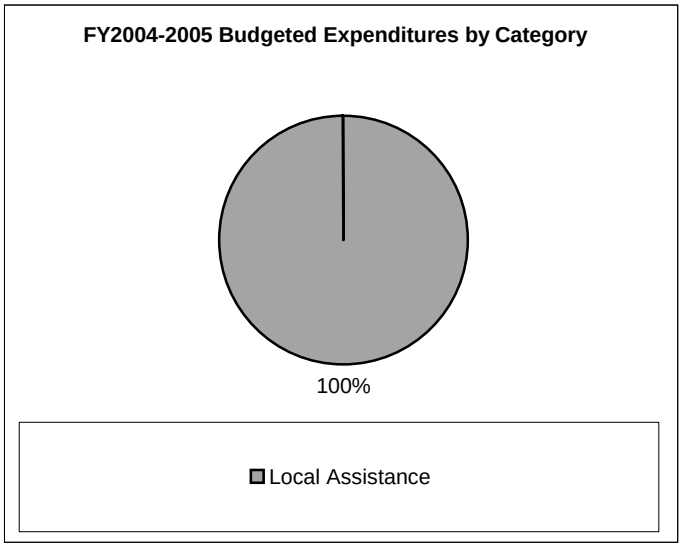
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	0	300	225	150	375
Total	**0**	**0**	**300**	**225**	**150**	**375**

Expenditures by Category						
Local Assistance	0	0	300	225	150	375
Total	**0**	**0**	**300**	**225**	**150**	**375**

DEPARTMENT OF EDUCATION
Program: OTHER GENERAL PROGRAMS
Activity: DECLINING PUPIL-MESABI EAST

Fiscal Report

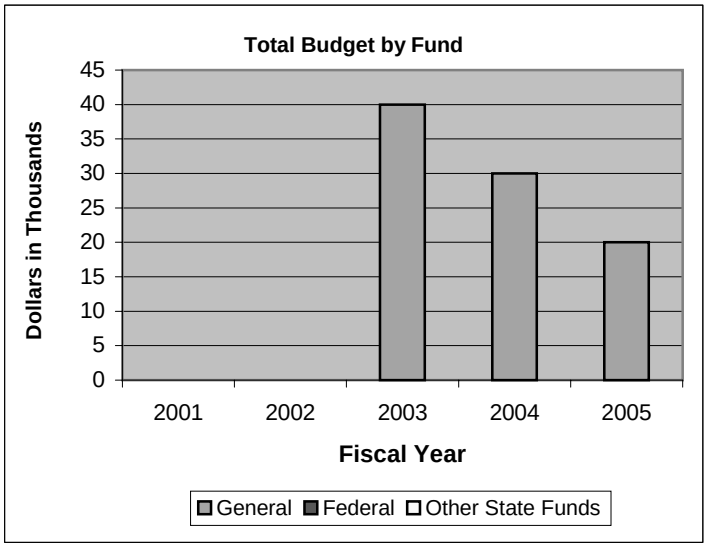


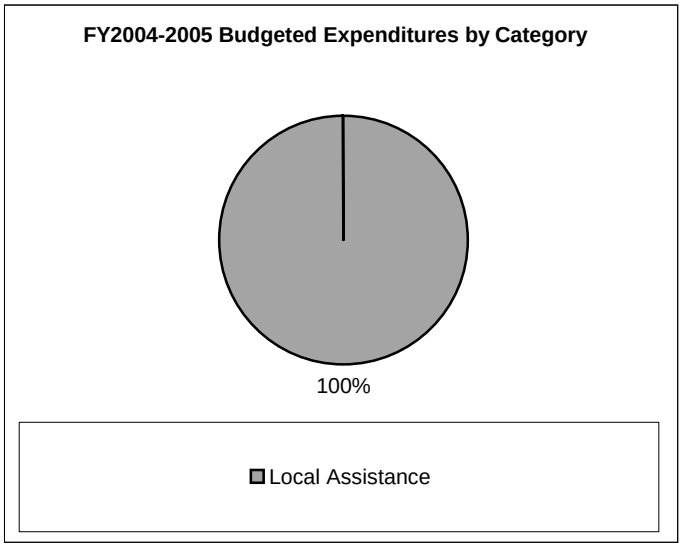


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	0	200	150	100	250
Total	**0**	**0**	**200**	**150**	**100**	**250**
Expenditures by Category						
Local Assistance	0	0	200	150	100	250
Total	**0**	**0**	**200**	**150**	**100**	**250**

DEPARTMENT OF EDUCATION
Program: OTHER GENERAL PROGRAMS
Activity: DECLINING PUPIL-ROSEAU

Fiscal Report



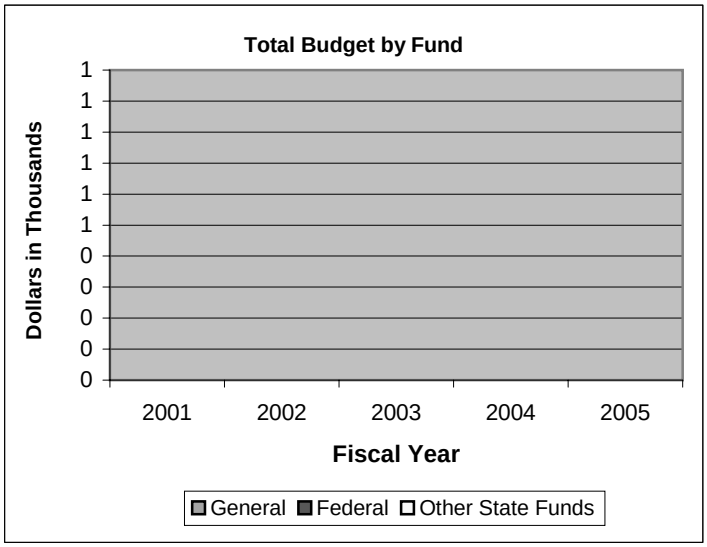


Dollars in Thousands						
Expenditures by Fund	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	0	0	40	30	20	50
Total	**0**	**0**	**40**	**30**	**20**	**50**

Expenditures by Category						
Local Assistance	0	0	40	30	20	50
Total	**0**	**0**	**40**	**30**	**20**	**50**

DEPARTMENT OF EDUCATION
Program: OTHER GENERAL PROGRAMS
Activity: RICHFIELD AIRPORT IMPACT AID

Fiscal Report



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**

Expenditures by Category						
	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**

Activity Description

Citation: See individual activities.

Activity at a Glance	
♦ Number of Levy Programs	20

The following state programs exist to provide additional local property tax levy revenue to school districts to fund specific obligations of the district's general fund. School districts must meet statutory requirements for each levy program. Local school boards must annually approve each levy authority.

⇒ *Reemployment Insurance Levy* (M.S. 126C.43, Subd. 2). A school district may levy the amounts necessary to pay the district's obligations for unemployment insurance under M.S. 268.052, Subd. 1, and for job placement services offered to employees who may become eligible for benefits under M.S. 268.085.

⇒ *Statutory Operating Debt Levy* (M.S. 126C.42, Subd. 1). Only district 695, Chisholm; is still required to levy to retire the operating debt as of 06-30-77. (Last year of levy is Pay 03.)

⇒ *Operating Debt Levy* (M.S. 126C.42). Under the 1992 operating debt levy, a school district that has filed a statutory operating debt plan and has received approval by the commissioner may levy the lesser of

- 1.0% of the adjusted net tax capacity of the district;
- $100,000; or
- the amount needed to retire the deficit in the district's operating funds as of 06-30-92, reduced by any referendum revenue in the statutory operating debt plan.

Payable 2003 is the last year of levy for districts under this authority.

⇒ *Judgment Levy* (M.S. 126C.43, Subd. 3 and 126C.47). A school district may levy the amounts necessary to pay the district's obligations for judgments against the district, including interest costs. The levy is limited to only the costs incurred since the last proposed levy was adopted.

⇒ *Health Insurance Levy* (M.S. 126C.41, Subd. 1 and Laws 1993, Chap. 224, Art. 8, Sec. 18). As an early retirement incentive, a school district may levy for health, medical, and dental expenses for certain eligible employees who retired between 05-15-92 and 07-21-92 and between 05-17-93 and 08-01-93. The levy is authorized for the retiree's expenses up to age 65. The levy is limited to the costs for the current fiscal year.

⇒ *Health Benefit Levy* (M.S. 126C.41, Subd. 2). A school district may levy for the district's obligations under the collective bargaining agreement in effect on 03-30-92 for health insurance and unreimbursed medical expenses of employees who retired before 07-01-92. The district levy authority may not exceed $600,000. The levy is limited to the costs for the current fiscal year.

⇒ *Minneapolis Civil Service Retirement Levy* (M.S. 126C.41 Subd. 3). The Minneapolis school district may levy the amount levied for retirement in 1978, reduced each year by 10% of the difference between the amount levied for retirement in 1971 and the amount levied for retirement in 1975. Beginning in 1991, the Minneapolis school district may also levy an additional amount required for contributions to the Minneapolis Employees Retirement fund as a result of the maximum dollar amount limitation on state contributions to the fund.

⇒ *Minneapolis and St. Paul Additional Retirement Levy* (M.S. 126C.41, Subd. 3). The Minneapolis and St. Paul school districts may levy for the increased costs of Teachers Retirement Association contributions due to changes in the contribution rates.

⇒ *Minneapolis Health Insurance Subsidy Levy* (M.S. 126C.41, Subd. 4). The Minneapolis school district may levy 0.10% of the district's adjusted net tax capacity to subsidize health insurance costs for retired teachers who were basic members of the Minneapolis Teachers Retirement Fund Association, who retired before 05-01-74, and who are not eligible to receive the hospital insurance benefits of the federal Medicare program without payment of a monthly premium.

⇒ *St. Paul Severance Levy* (Laws of 1989, Chap. 329, Art 13, Sec. 18). The St. Paul school district may levy 0.34% of the district's adjusted net tax capacity to pay for severance costs.

⇒ *Crime Levy* (M.S. 126C.44). A school district may levy up to $30 times the estimated adjusted marginal cost pupil units to provide a drug abuse prevention program in the elementary schools, to provide liaison services in the schools, to provide a gang resistance education program in the schools, to pay the costs for security on school property, and/or pay for other crime prevention, drug abuse, student and staff safety, and violence prevention measures taken by the school district.

- ⇒ *Ice Arena Levy* (M.S. 126C.45). A school district that operates and maintains an ice arena may levy for the net operational costs of the ice arena for the previous fiscal year. The school district must demonstrate that it will offer equal access for male and female students.
- ⇒ *Staff Development Levy* (M.S. 122A.62). A school district with a site that has implemented an ongoing outplacement program for teachers and a teacher mentorship program may levy up to $8.15 times the number of teachers at the site.
- ⇒ *Reorganization Operating Debt Levy* (M.S. 123A.73, Subd. 9 and M.S. 123B.82). A school district that reorganizes under consolidation or dissolution and attachment may levy to retire the net negative undesignated fund balance in the operating funds. The levy may be spread over a period up to five years.
- ⇒ *Severance Levies* (M.S. 123A.30, Subd. 6; M.S. 123A.73, Subd. 12; M.S. 123A.444; M.S. 124D.05, Subd. 3). A school district that reorganizes under dissolution and attachment may levy the costs of severance pay or early retirement incentives for licensed and nonlicensed employees who resign or retire early as a result of the reorganization. A school district with a secondary agreement with another district must pay severance to licensed employees placed on unrequested leave and may levy for the expenses.
- ⇒ *Consolidation/Transition Levies* (M.S. 123A.76). A school district that reorganizes under dissolution and attachment may levy for transition expenses associated with the reorganization.
- ⇒ *Attached Machinery Aid Adjustment* (M.S. 273.138, Subd. 6). School districts that receive attached machinery aid have a corresponding negative reduction made to their general education levy. Attached machinery aid was enacted in 1973 to replace the revenue loss when attached machinery was exempted from real property taxation.
- ⇒ *Swimming Pool Levy* (M.S. 126C.455). Each year, a school district with its home office located in a county that has (i) a population density of ten or fewer persons per square mile according to the 2000 census of population; (ii) an international border; and (iii) more than one school district within its boundaries, may levy for the net operational costs of a swimming pool. The levy may not exceed the net actual costs of operation of the swimming pool for the previous year.
- ⇒ *Career and Technical Education Levy* (Laws 2001, 1st Special Session Chapter 6, Article 2, Section 75, Laws 2002,Chapter 220 Article 3, Section 5). FY 2002- For taxes payable in 2002, a district that receives revenue during FY 2001 under M.S. 1245D.453 may levy an amount equal to the districts FY 2001 entitlement for Career and Technical Education or $7,500, whichever is greater. FY 2003 - for taxes payable in 2003, a district may levy an amount equal to the district's FY 2001 entitlement for Career and Technical Education or $10,000, whichever is greater.
- ⇒ *Economic Development Abatement Levy* (M.S. 469.1812 through M.S. 469.1815). The governing body of a political subdivision may grant an abatement of the taxes imposed by the political subdivision on a parcel of property, or defer the payments of the taxes and abate the interest and penalty that otherwise would apply, if: (a) it expects the benefits to the political subdivision of the proposed abatement agreement to at least equal the costs to the political subdivision of the proposed agreement or intends the abatement to phase in a property tax increase; and (b) it finds that doing so is in the public interest. The political subdivision must add to its levy amount for the current year the total estimated amount of all current year abatements granted. No abatement aid is generated for these abatements.

Minnesota school districts will generate revenue to the extent needed for various general fund obligations, thereby contributing to their overall financial health. School districts will not need to allocate general education formula funding to these identified costs.

Activity Funding

The following table shows certified levy amounts and number of school districts participating in each program:

	Dollars in Thousands				
	FY 1999 97 PAY 98	**FY 2000 98 PAY 99**	**FY 2001 99 PAY 00**	**FY 2002 00 PAY 01**	**FY 2003 01 PAY 02**
1. Reemployment Ins. (1)	0	$1,351.6	$1,441.5	$1,989.4	$3,775.2
# of Districts	0	85	102	114	155
2. Statutory Oper Debt	42.4	45.2	47.0	50.4	49.7
# of Districts	2	2	2	2	2
3. Operating Debt	1,033.3	1,309.1	1,130.8	593.1	502.9
# of Districts	23	27	19	16	11
4. Judgment Levy	435.7	339.5	647.6	451.8	494.9
# of Districts	8	11	10	11	12
5. Health Insurance	4,528.7	4,404.0	3,498.8	2,613.7	1,592.6
# of Districts	199	190	177	156	125
6. Health Benefit	5,029.6	5,157.2	4,629.2	3,625.4	4,071.4
# of Districts	107	96	85	72	42
7. Mpls. Retirement (2)	558.9	358.8	158.7	0	0
8. Additional Retirement	6,427.0	7,464.6	7,645.7	8,391.3	9,168.1
# of Districts	2	2	2	2	2
9. Mpls. Health Ins.	291.4	269.5	0	0	261.9
10. St. Paul Severance	399.3	419.6	456.8	525.9	433.3
11. Crime Levy (3)	5,969.3	6,256.3	6,590.6	9,984.5	10,065.9
# of Districts	215	227	248	263	275
12. Ice Arena Levy	306.4	490.0	447.1	608.4	751.4
# of Districts	5	7	7	8	9
13. Staff Dev. Levy	30.4	27.8	29.3	34.9	33.7
# of Districts	6	3	3	4	4
14. Reorg. Oper. Debt	700.3	674.7	606.6	705.4	378.1
# of Districts	10	8	5	7	5
15. Severance Levies	731.5	1,275.9	783.5	1,330.7	866.0
# of Districts	5	7	6	8	8
16. Consol/Transition	27.7	159.7	52.2	0	0
# of Districts	1	1	1	0	0
17. Attached Machinery	-808.7	-808.7	-808.7	-808.7	-810.1
# of Districts	11	11	11	11	12
18. Swimming Pool (4)	0	0	0	0	411.7
# of Districts	0	0	0	0	4
19. Career and Technical (4)	0	0	0	0	12,498.0
# of Districts	0	0	0	0	292
20. Econ. Dev. Abatement	0	0	0	0	353.0
# of Districts	0	0	0	0	5

(1) Formula Change resulted in no Pay 1998 levy
(2) Discontinued after Pay 2000
(3) Renamed Safe Schools Levy for Pay 2003
(4) New Levy for Pay 2002

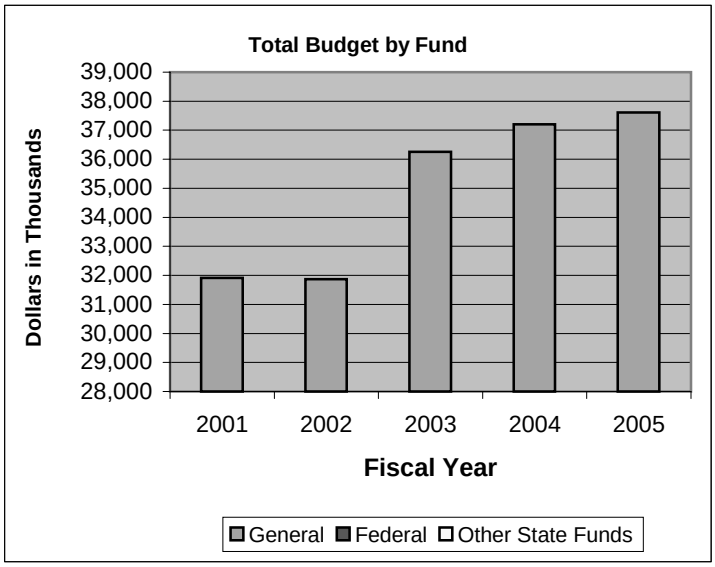
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

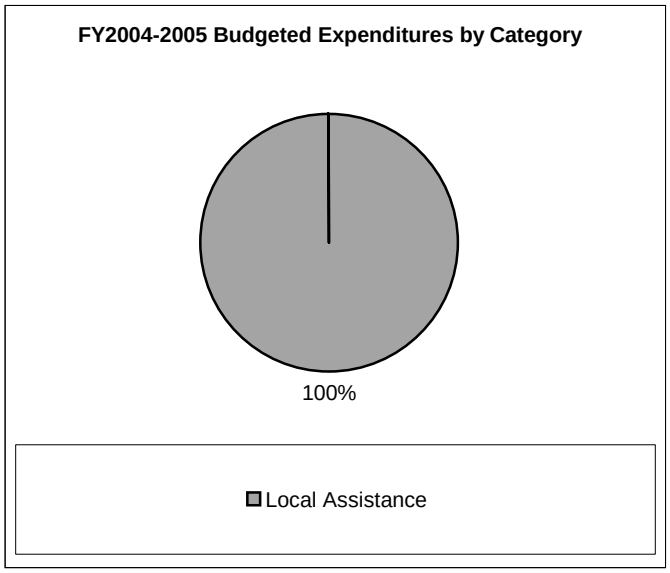
Contact

Additional information is available from the Minnesota Department of Education, Division of Program Division, (651) 582-8566.

Budget Activities Included:

⇒ Nonpublic Pupil Aid
⇒ Nonpublic Transportation Aid





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	31,909	31,864	36,252	37,205	37,607	74,812
Total	**31,909**	**31,864**	**36,252**	**37,205**	**37,607**	**74,812**
Expenditures by Category						
Local Assistance	31,909	31,864	36,252	37,205	37,607	74,812
Total	**31,909**	**31,864**	**36,252**	**37,205**	**37,607**	**74,812**
Expenditures by Activity						
Nonpublic Pupil Aid	11,964	11,704	14,695	15,073	15,620	30,693
Nonpublic Transportation Aid	19,945	20,160	21,557	22,132	21,987	44,119
Total	**31,909**	**31,864**	**36,252**	**37,205**	**37,607**	**74,812**

Activity Description

Citation: M.S. 123B.40; 123B.41; 123B.42; 123B.43; 123B.44; 123B.445; 123B.45; 123B.46; 123B.47; 123B.48.

This state aid program provides every pupil in the state with equitable access to secular study materials and pupil support services.

Population Served

Services are provided to Minnesota students attending nonpublic and home schools.

Services Provided

Funding is allocated to public school districts for the benefit of nonpublic school students, and not directly to nonpublic schools, in order to maintain the separation of church and state as required by the First Amendment to the U.S. Constitution.

School districts are reimbursed for the costs of the educational materials loaned to the nonpublic pupil (textbooks, individualized instructional materials, and standardized tests) or for the costs of providing support services (health services and secondary guidance and counseling services) to the nonpublic pupil. School districts receive additional funds to cover administrative costs. This amount is equal to 5% of their total aid reimbursement amount.

There are three basic categories of nonpublic pupil aid supporting the following services

Textbooks, Individualized Instructional Materials, and Standardized Tests

⇒ Public school districts, upon formal request, must provide nonpublic pupils with instructional materials that are secular, neutral, nonideological, and not able to be diverted to religious use. These items are loaned to the nonpublic pupil and remain the property of the district.

Health Services

⇒ Public school districts, upon formal request, provide nonpublic pupils with student health services provided to public pupils. Health services may be provided to nonpublic students at a public school, a neutral site, the nonpublic school, or any other suitable location.

Guidance and Counseling Services

⇒ Public school districts, upon formal request, provide nonpublic secondary pupils with guidance and counseling services provided to public secondary pupils. This does not include guidance or counseling in the planning or selection of particular courses or classroom activities of the nonpublic school. Eligible services must be provided either at the public school, the nonpublic school, or a neutral site.

Activity at a Glance

- Number of students participating (FY 2002):
  - Text Book/Materials 87,837
  - Health Services 82,274
  - Guidance & Counseling 27,460
- Percentage of nonpublic students participating in program (FY 2002):
  - Text Book/Materials 91%
  - Health Services 85%
  - Guidance & Counseling (grades 7-12) 86%
- FY 2003 rates per nonpublic pupil:
  - Text Book/Materials $63.93
  - Health Services $49.32
  - Guidance & Counseling $161.02
- All nonpublic students requesting materials and/or services by the statutory deadline have been and are being accommodated.

Key Measures

Textbooks, Individualized Instructional Materials, and Standardized Tests

⇒ The percentage of nonpublic school pupils participating in this category has increased from 89% in FY 1990 to 91% in FY 2002.

Health Services

⇒ The percentage of nonpublic school pupils participating in this category decreased slightly from 88% in FY 1990 to 85% in FY 2002.

Guidance and Counseling Services

⇒ The percentage of nonpublic secondary school pupils participating in this category has increased from 76% in FY 1990 to 86% in FY 2002.

Activity Funding

Nonpublic Pupil Aid is funded exclusively with state funds.

Textbooks

⇒ The districts are reimbursed for the cost of purchasing and distributing eligible materials. This is calculated as an amount equal to the statewide average expenditure per public school pupil for similar materials in the second preceding school year, adjusted by the percent of increase in the general education formula allowance from the second preceding school year to the current school year, multiplied by the number of nonpublic pupils served. For purposes of this formula, kindergarten pupils are weighted at 0.5.

⇒ The formula for computing the per pupil rate is as follows for FY 2001:

$$\text{FY 2003 Per Pupil Rate} = \text{FY 2001 Avg. Expend per Public Pupil for like materials} \times \frac{\text{FY 2003 Gen. Ed. Form. Allow.}}{\text{FY 2001 Gen. Ed. Form. Allow.}}$$

Health Services

⇒ Each participating district is reimbursed for the cost of providing these services up to an amount equal to the statewide average expenditure per public school pupil for similar services in the second preceding school year, times the number of nonpublic pupils served.

⇒ For FY 2003, the maximum per pupil rate for health services is $49.32.

Guidance and Counseling Services

⇒ Each participating district is reimbursed for the cost incurred in providing eligible services up to an amount equal to the statewide average expenditure per public secondary pupil for similar services in the second preceding school year, times the number of nonpublic secondary pupils served.

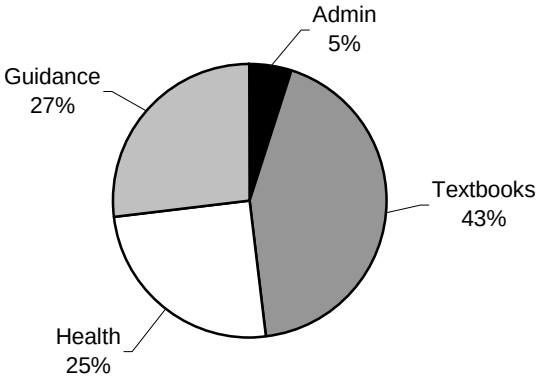
⇒ For FY 2003, the maximum per pupil rate for guidance and counseling is $161.02.

Administration

⇒ A district may claim and receive an additional amount equal to 5% of the district's aid for administrative costs.

The chart below provides a breakdown of estimated Nonpublic Pupil Aid for FY 2001. Money is allocated based on the number of participating nonpublic students and actual program expenditures.

Fiscal Year 2001



The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8858. Additional information is available at the Department of Education's Nonpublic web site.

DEPARTMENT OF EDUCATION
Program: NONPUBLIC PUPIL PROGRAMS
Activity: NONPUBLIC PUPIL AID

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	12,001	12,655	15,975	14,888	15,771	30,659
2. Statutory Excess/(Shortfall)	0	1,705				
3. Appropriated Entitlement	12,001	14,360	15,975	14,888	15,771	30,659
4. Adjustment(s)						
a. Excess Funds Transferred In / (Out)		(1,705)				
5. State Aid Entitlement	12,001	12,655	15,975	14,888	15,771	30,659
6. Total School District Revenue - All Funds	12,001	12,655	15,975	14,888	15,771	30,659
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	1,175	1,330	1,436	2,715	2,530	5,245
Cancellation		(845)				0
Transfers per M.S. 127A.41, subdivision 8 & 9	(727)					
Current Year (90% FY 01-02) (83% FY 03-05)	12,273	12,924	13,260	12,358	13,090	25,448
Cancellation	(757)	(190)				
Transfers per M.S. 127A.41, subdivision 8 & 9		(1,515)				
Total State Aid - General Fund	**11,964**	**11,704**	**14,696**	**15,073**	**15,620**	**30,693**
TOTAL APPROPRIATIONS	**11,964**	**11,704**	**14,696**	**15,073**	**15,620**	**30,693**

Activity Description

Citation: M.S. 123B.92, Subd. 9, 123B.84, 123B.85, 123B.86 and 123B.87

This program exists to ensure that nonpublic school students receive the same level of transportation services as public school students receive and that the school districts are able to provide this transportation without significant cross-subsidy from the district's general fund.

Activity at a Glance

- FY 2001, 73,266 nonpublic students were transported to and from schools.
- FY 2001, 219 districts transporting students.

Population Served

Minnesota students attending nonpublic schools are provided transportation services.

Services Provided

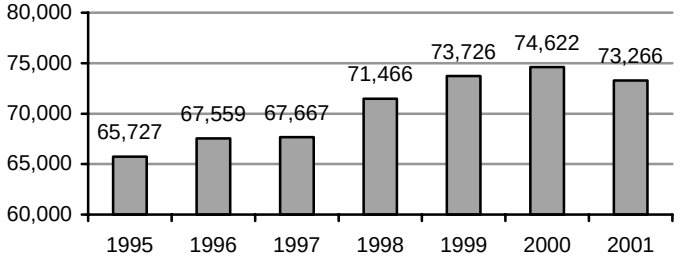
School districts must provide equal transportation within the district for public and nonpublic school students. This means that the district where a non-disabled pupil resides must provide transportation for the nonpublic pupil within the district in like manner as that provided to the public school student residing in the district. If the district transports nonpublic students to a school in another district because there is not a suitable nonpublic school located within the district, the nonpublic school or the parents pays the cost of transportation outside the district boundaries.

Public schools must also provide nonpublic school pupils with transportation within the district boundaries between the private school and public school or neutral site for health and secondary guidance and counseling services provided to nonpublic school pupils. The public school district must also transport nonpublic school students on late activity bus routes if it provides that service for public school students.

Historical Perspective

Since FY 1997, funding for the transportation of nonpublic students has been calculated using a separate formula based on average second prior year costs and the number of current year nonpublic students transported. The following graph shows the number of nonpublic students transported to and from school for FY 1995-2002.

Nonpublic Students Transported To and From School



Key Measures

There are no measures for this program.

Activity Funding

Nonpublic Transportation Aid equals the sum of:

- for regular and excess transportation, an amount equal to the product of the district's actual cost per public and nonpublic pupil transported in the regular and excess categories for the second preceding year, times the number of nonpublic pupils receiving regular or excess transportation in the current year, times the ratio of the formula allowance for the current year to the formula allowance for the second preceding year; plus
- for non-regular (e.g., shared time, support services) and late activity transportation, an amount equal to the product of the district's actual cost in the second preceding year, times the ratio of the formula allowance for the current school year to the formula allowance for the second preceding year.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8858 and at the Department of Education's Program Finance Nonpublic Transportation web site.

DEPARTMENT OF EDUCATION
Program: NONPUBLIC PUPIL PROGRAMS
Activity: NONPUBLIC TRANSPORTATION

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	19,888	20,231	23,476	21,858	22,013	43,871
2. Statutory Excess/(Shortfall)	0	474				
3. Appropriated Entitlement	19,888	20,705	23,476	21,858	22,013	43,871
4. Adjustment(s)						
a. Excess Funds Transferred In / (Out)		(474)				
5. State Aid Entitlement	19,888	20,231	23,476	21,858	22,013	43,871
6. Total School District Revenue - All Funds	19,888	20,231	23,476	21,858	22,013	43,871
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	2,057	2,000	2,071	3,990	3,715	7,705
Current Year (90% FY 01-02) (83% FY 03-05)	19,276	18,634	19,486	18,142	18,272	36,414
Cancellation	(1,388)	(474)				
Total State Aid - General Fund	**19,945**	**20,160**	**21,557**	**22,132**	**21,987**	**44,119**
TOTAL APPROPRIATIONS	**19,945**	**20,160**	**21,557**	**22,132**	**21,987**	**44,119**

Program Description

In 1991, Minnesota became the first state in the nation to authorize charter schools (then called Results Oriented Outcome-Based Schools). The law (M.S. 124D.10-11) permits teachers, parents and other community members to form and operate independent charter schools. To promote innovation, these schools are exempt from some statutes and rules governing school districts but held accountable for results. A charter school is a public school, part of the state's public education system.

The law requires that a charter school must meet one or more of the following purposes:

- Improve student learning;
- Increase learning opportunities for students;
- Encourage the use of different and innovative teaching methods;
- Require the measurement of learning outcomes and create different and innovative forms of measuring outcomes;
- Establish new forms of accountability for schools; or
- Create new professional opportunities for teachers, including the opportunity to be responsible for a learning program at the school site.

Establishing a School

Those wishing to start a charter school must obtain a sponsorship from a school board, intermediate district board, education district, eligible private college, community college, technical college, the University of Minnesota or an eligible charitable organization. A sponsor must obtain approval from the Commissioner of the Department of Education to authorize a charter school.

In addition to starting a new school, a school board may convert one or more of its schools to charter school status if 60 percent of a school's teachers sign a petition approving conversion.

Organization

The parents of students enrolled in the school and staff employed at the school elect a Board of Directors in a timely manner after the school begins operation. Licensed teachers employed by the school must constitute a majority of the Board unless the Commissioner waives that requirement. The Board determines all aspects of the school's education program, management and administration.

Funding

Charter schools are eligible to participate in any state aid program that does not require a local levy. Since charter schools do not have the authority to levy property taxes, charter schools do not qualify for school revenue programs that require a local levy.

Like other school districts, General Education revenue provides the majority of charter school support. General Education revenue is earned by for each adjusted marginal cost pupil unit at the state formula amount. Basic skills revenue is calculated as for other school districts. Referendum aid equal to the referendum equalization aid adjustment allowance in the pupil’s district of residence follows the charter school student. As a part of the general education formula, charter schools receive the state average per adjusted marginal cost pupil unit for sparsity aid, operating capital, training and experience and equity aid. Charter schools may also receive transportation revenue based on the amount per pupil received by the district where the school is located if the charter school provides the pupil transportation.

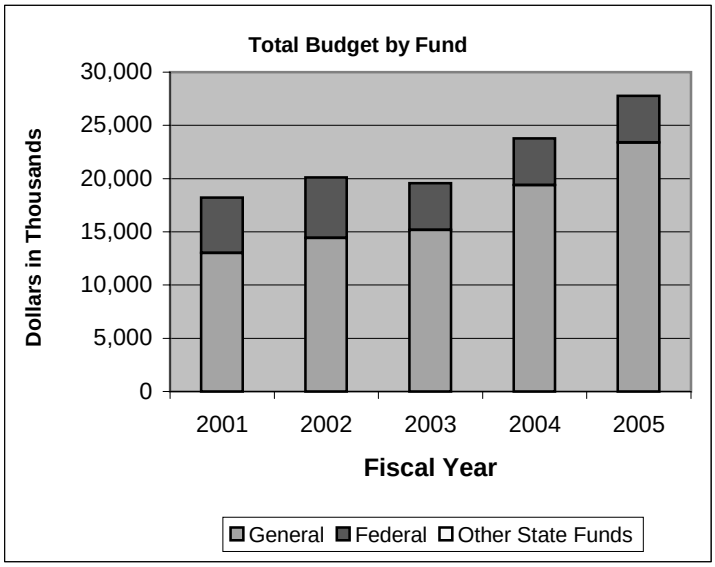
In addition to General Education revenue, charter schools are commonly eligible for state and federal special education funding, state charter school lease aid, state and federal charter school start-up aid,

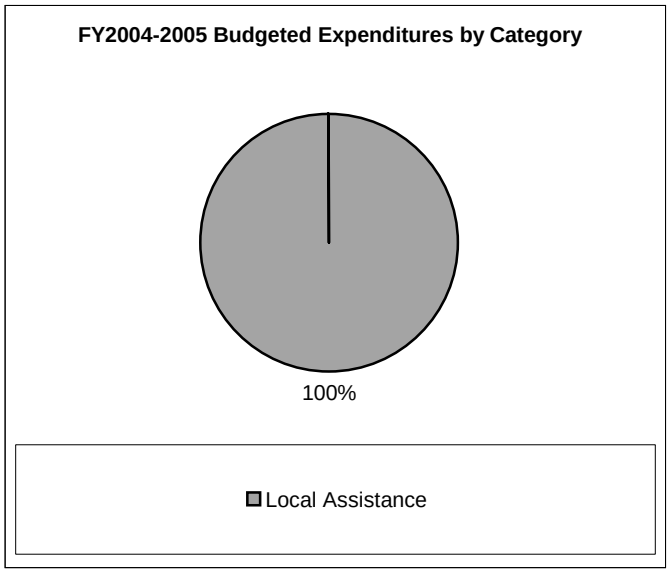
state charter school integration aid, and state and federal school nutrition programs. Federal Planning and Startup Grant Funds may be awarded by CFL based on application from charter schools. Funds must be used for planning or startup purposes. Charter schools may also apply for funding provided by the various federal title programs.

For FY 2002, total state aid earned by students attending charter schools is estimated at $80.7 million. Almost $63 million of this amount is General Education aid. Charter School Lease aid is estimated at $12.4 million. Special education aid is estimated at $3.4 million..

Budget Activities Included:

⇒ Charter School Lease Aid
⇒ Charter School Startup Aid
⇒ Charter School Integration





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	13,006	14,426	15,167	19,402	23,401	42,803
Statutory Appropriations						
Federal	5,201	5,676	4,388	4,388	4,388	8,776
Total	**18,207**	**20,102**	**19,555**	**23,790**	**27,789**	**51,579**
Expenditures by Category						
Local Assistance	18,207	20,102	19,555	23,790	27,789	51,579
Total	**18,207**	**20,102**	**19,555**	**23,790**	**27,789**	**51,579**
Expenditures by Activity						
Charter School Lease Aid	10,379	12,399	13,850	17,689	21,120	38,809
Charter School Startup Aid	7,750	7,658	5,663	6,093	6,669	12,762
Charter School Integration	78	45	42	8	0	8
Total	**18,207**	**20,102**	**19,555**	**23,790**	**27,789**	**51,579**
Revenue by Type and Fund						
Dedicated						
Federal	5,402	5,888	4,856	4,856	4,856	9,712
Subtotal Dedicated	5,402	5,888	4,856	4,856	4,856	9,712
Total Revenue	**5,402**	**5,888**	**4,856**	**4,856**	**4,856**	**9,712**

Activity Description
Citation: M.S. 124D.11, Subd. 4

This program provides funding to charter schools to access appropriate facilities for instructional purposes.

Activity at a Glance

- Pupil units served FY 2003 - 14,010
- Lease aid per PU (max) FY 2003 - $1,500
- Average gross aid per PU FY 2003 - $1,121

Population Served
All charter schools that lease a facility are eligible to participate in this program.

Services Provided
This program provides funding to charter schools to access appropriate facilities for instructional purposes. Charter schools may apply to the commissioner to receive additional funding for lease costs, after having determined that the total operating capital revenue under M.S. 126C.10, subd. 13 is insufficient for their capital financial needs.

Eligibility criteria are specified in M.S. 124D.11, subd. 4. Approval criteria include:
- the reasonableness of the price based on current market conditions;
- the appropriateness of the proposed lease in the context of the space needs and financial circumstances of the charter school; and
- conformity of the lease to the laws and rules of the state of Minnesota.

Historical Perspective
This program began in FY 1998 with 24 charter schools receiving aid; 67 schools received lease aid in FY 2002.

Key Measures

Charter School Lease Statistics

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Eligible Net Lease	1,757,852	3,645,157	7,882,451	12,443,440	14,126,065	17,526,510
Max Aid Per PU	416	440	1,500	1,500	1,500	1,500
Total Gross Aid	1,141,177	2,093,894	6,904,968	10,705,174	12,449,958	15,705,210
Average Aid	330.68	386.11	822.31	1,031.23	1,081.76	1,121.00
PU	3,451	5,423	8,397	10,381	11,509	14,010
Average Per PU	509.37	672.17	938.72	1,198.67	1,227.39	1,251.00

Activity Funding
Aid is limited to the lesser of
- 90% of actual net lease costs, or
- $1,500 times the charter school's pupil units served for the current year.

The maximum aid per pupil unit increased from $416 in FY 1998 to $440 in FY 1999 and to $1,500 in FY 2000. FY 1998 and FY 1999 lease aid was limited to 80% of the actual net lease costs.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact
Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8801. Additional information about charter school laws, school formation, and operation is available at the Department of Education's Minnesota's Charter Schools web site.

DEPARTMENT OF EDUCATION
Program: CHARTER SCHOOLS
Activity: CHARTER SCHOOL LEASE AID

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	10,750	12,626	15,133	18,270	21,704	39,974
2. Statutory Excess/(Shortfall)	0	(213)				
3. Appropriated Entitlement	10,750	12,413	15,133	18,270	21,704	39,974
4. Adjustment(s)						
a. Excess Funds Transferred In / (Out)		213				
5. State Aid Entitlement	10,750	12,626	15,133	18,270	21,704	39,974
6. Total School District Revenue - All Funds	10,750	12,626	15,133	18,270	21,704	39,974
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	643	1,114	1,241	2,524	3,105	5,629
Cancellation		(100)				
Current Year (90% FY 01-02) (83% FY 03-05)	10,164	11,172	12,609	15,165	18,015	33,180
Cancellation	(428)					
Transfers per M.S. 127A.41, subdivision 8 & 9		213				
Total State Aid - General Fund	**10,379**	**12,399**	**13,850**	**17,689**	**21,120**	**38,809**
TOTAL APPROPRIATIONS	**10,379**	**12,399**	**13,850**	**17,689**	**21,120**	**38,809**

Activity Description

State Citation: M.S. 124D.11, Subd. 8
Federal Citation: Title V, Part C Elementary and Secondary Education Act, CFDA 84.282A

This state and federal funded program provides start-up funding for charter schools. State funding is available for the first two-years of operation and federal funding is available for three years (typically one year for planning and the first two years of operations).

Population Served

This program serves charter school organizers, charter schools, students, and their parents.

Activity at a Glance

Charter School Start-Up

- Number of Charter Schools FY 2003 77
- Number of Students Served FY 2003 12,534
- Number of Elementary Charters 26
- Number of Secondary Charters 30
- Number of K-12 Charters 17
- Number of Middle School Charters 5
- Number of Charters Receiving
  - State Start-Up FY 2003 20
  - Federal Start-Up FY 2003 40

Services Provided

State and federal aids for start up charter schools provide funding for the costs associated with start-up. State and federal start-up funds may be used for costs such as

- accountability/evaluation development,
- curriculum/instruction planning,
- student recruitment,
- staff development/governance training,
- minor facility renovation, and
- classroom materials.

Additionally, the federal program provides funding to charter schools in at least the fourth year of operation to support dissemination of charter school best practice.

Key Measures

Charter Schools Receiving for Start-Up Revenue

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
State	11	20	28	32	26	20
Federal	39	47	53	48	40	40

In addition, five charter schools received federal dissemination grants in FY 2000.

The best measurement for this program would be to collect data regarding the use of these funds and the impact on the long-term financial health of the charter. There are no specific requirements in law to collect or report this data.

Activity Funding

The state funded start-up aid is available for two years and for each year equals the greater of $50,000 per charter school or $500 times the charter school's pupil units for that year.

Federal Funding (Public Charter School Program) planning and start-up aid is available for three years of funding. Schools receive a first year planning award base of $100,000. In addition, new charter schools are eligible for $10,000 incentive grants. The first year operating grant is $150,000. The second year operating grant is $125,000.

Dissemination awards may total 20% of the total federal award, based on the total planning and start-up awards made. Awards may vary depending upon the grant award made to the state of Minnesota.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Learner Options Division, (651) 634-2304. Additional information about charter school laws, school formation, and operation is available at the Department of Education's Minnesota's Charter Schools web site.

DEPARTMENT OF EDUCATION
Program: CHARTER SCHOOLS
Activity: CHARTER SCHOOL STARTUP AID

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	2,609	1,960	1,295	1,788	2,383	4,171
2. Statutory Excess/(Shortfall)	0	46				
3. Appropriated Entitlement	2,609	2,006	1,295	1,788	2,383	4,171
4. Adjustment(s)						
a. Excess Funds Transferred In / (Out)		(46)				
5. State Aid Entitlement	2,609	1,960	1,295	1,788	2,383	4,171
6. evenue (Total of Aid & Levy)	2,609	1,960	1,295	1,788	2,383	4,171
7. Federal Funds	5,402	5,888	4,856	4,856	4,856	9,712
8. Total School District Revenue - All Funds	8,011	7,848	6,151	6,644	7,239	13,883
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	206	258	200	220	303	523
Cancellation	(44)	(36)				
Current Year (90% FY 01-02) (83% FY 03-05)	2,720	1,806	1,075	1,485	1,978	3,463
Balance Forward	33					
Cancellation	(366)	(46)				
Total State Aid - General Fund	**2,549**	**1,982**	**1,275**	**1,705**	**2,281**	**3,986**
Other Approp. Federal Plus Other State Funds	5,402	5,888	4,856	4,856	4,856	9,712
TOTAL APPROPRIATIONS	**7,951**	**7,870**	**6,131**	**6,561**	**7,137**	**13,698**

Activity Description
Citation: 124D.11. Subd.6(e)

This state program allows charter schools to apply for grants consisting of the aid portion of integration revenue under M.S. 124D.86.

Population Served
Students attending eligible charter schools benefit from this program.

Activity at a Glance

- Six Twin Cities charter schools received a total of $44,659 for integration activities in FY 2002.
- Charter schools are exempt from the state's Desegregation Rule. Their participation in integration activities is voluntary.

Services Provided
The majority of Minnesota's charter schools enroll students from districts eligible for integration revenue under M.S. 124D.86. The current level of funding provides limited resources for grants to charter schools to contribute to integration/desegregation efforts.

Key Measures
Activities funded included student field trips, staff training, transportation, training in conflict mediation, an intramural sports program and expansion of a library collection.

Six Twin Cities charter schools received a total of $44,659 in FY 2002:
- Aurora Charter School,
- Excell Academy,
- New Visions Charter School,
- New Spirit Charter School,
- Skills for Tomorrow, and
- Twin Cities Academy.

Schools competing for grants must demonstrate that activities and pupil enrollment will advance desegregation or integration, such as through partnerships with a school district or other charter schools.

Activity Funding
Funds are distributed through a competitive grant process.

To apply for a grant, the schools must
- create a collaboration council to determine integration issues, develop integration/desegregation goals, and design activities to meet those goals;
- determine the educational justification for the integration/desegregation activities; and
- evaluate results.

This revenue first became available in FY 2000 and was not a grant program. No charter schools applied or qualified for the revenue in FY 2000. The 2001 legislature gave authority to the commissioner of the Department of Education to distribute these grants through a competitive process. FY 2001 was the first year that charter schools received funding through this competitive grant.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Office of Equity, (651) 582-8616. Additional information about charter school laws, school formation, and operation is available at the Department of Education's Minnesota's Charter Schools web site. For additional information about integration programs, refer to the Integration Revenue and to the Integration Programs budget narratives.

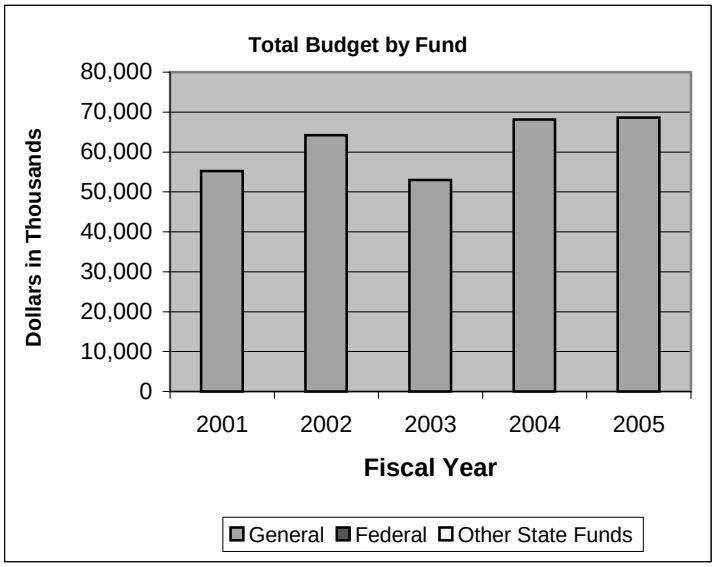
DEPARTMENT OF EDUCATION
Program: CHARTER SCHOOLS
Activity: CHARTER SCHOOL INTEGRATION GRANTS

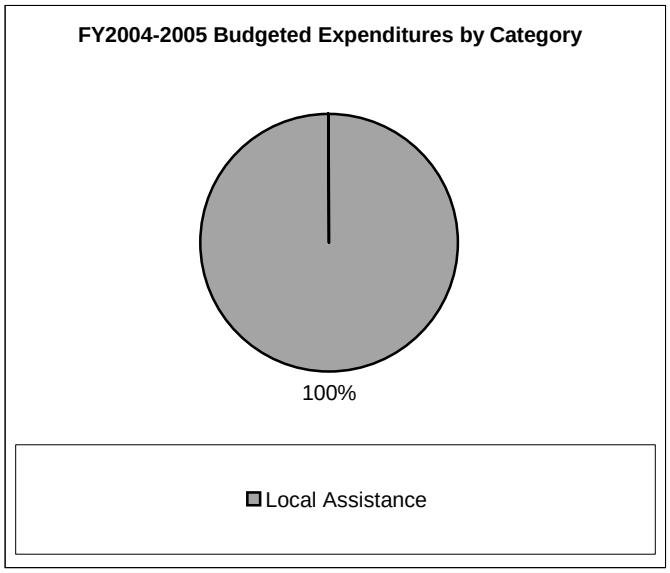
Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	78	45	50	0	0	0
2. Total School District Revenue - All Funds	78	45	50	0	0	0
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	0	0	5	8	0	8
Cancellation			(5)			
Current Year (90% FY 01-02) (83% FY 03-05)	100	45	42	0	0	0
Cancellation	(22)					
Total State Aid - General Fund	**78**	**45**	**42**	**8**	**0**	**8**
TOTAL APPROPRIATIONS	**78**	**45**	**42**	**8**	**0**	**8**

Budget Activities Included:

⇒ Integration Revenue
⇒ Integration Programs
⇒ Magnet School Grants
⇒ Magnet School Startup Aid
⇒ Interdistrict Desegregation Transportation





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	55,259	64,240	53,011	68,159	68,585	136,744
Total	**55,259**	**64,240**	**53,011**	**68,159**	**68,585**	**136,744**
Expenditures by Category						
Payments To Individuals	80	73	0	0	0	0
Local Assistance	55,179	64,167	53,011	68,159	68,585	136,744
Total	**55,259**	**64,240**	**53,011**	**68,159**	**68,585**	**136,744**
Expenditures by Activity						
Integration Revenue	51,087	62,437	47,552	61,576	58,963	120,539
Integration Programs	1,031	924	1,076	0	0	0
Magnet School Grants	1,601	448	1,052	750	750	1,500
Magnet School Startup Aid	240	431	230	37	471	508
Interdistrict Deseg Transport	1,300	0	3,101	5,796	8,401	14,197
Total	**55,259**	**64,240**	**53,011**	**68,159**	**68,585**	**136,744**

Activity Description

Citation: M.S. 124D.86

The purpose of this state aid and local levy program is to promote racial integration, increase learning opportunities, and reduce the learning gap between learners living in high concentrations of poverty and their peers through programs established under a desegregation plan mandated by state rules or under court order.

Activity at a Glance

- Fifty-three school districts are required to have desegregation plans and generate integration revenue. Each of the plans is designed to provide voluntary strategies to reduce the racial isolation of 13 school districts from their neighboring districts.
- Nine Minnesota school districts also have a total of 36 schools within their districts that are racially isolated from the rest of the district's schools. Integration revenue supports plans to help the districts integrate within themselves.

Population Served

All students attending public schools receiving integration revenue are served by this program.

Services Provided

Integration revenue may be used in the following ways:

- additional operating costs for magnet/specialty schools or other methods used to achieve school district desegregation;
- desegregation transportation costs;
- staff development costs for preparing teachers to work with diverse populations in an integrated setting;
- development and implementation of strategies to meet the unique needs of specific cultural groups of students; and
- supplemental support services for unique students' needs in integrated schools.

Under State Board of Education Rule 3535, a desegregation plan is required in two instances.

⇒ When the percentage of protected students in a school exceeds the percent of protected students in the district and grade levels served by the school by 20 percentage points or more the desegregation plan must specify how the district will increase opportunities for interracial contact between students in the building.

⇒ When the percentage of protected students in a district exceeds the percent of protected students in any contiguous district by 20 percentage points or more the desegregation plan must specify how the district will increase opportunities for interracial contact between students in the district.

The Duluth, Minneapolis, and St. Paul school districts currently operate under authority of Rule 3535 and have had approved desegregation plans in place since the 1970s. In FY 2000, 19 more districts operated under desegregation plans. Effective FY 2002, districts that were not required to implement a desegregation plan under the State Board of Education Rule are eligible for integration revenue if they participate in a multidistrict integration collaborative. These districts are eligible to generate up to $93 per adjusted pupil unit. By FY 2002, 53 districts had interdistrict desegregations and nine had intradistrict plans to eliminate racial isolation at specific school sites.

Historical Perspective

As shown in the table below, total enrollment in the Minneapolis and St. Paul school districts has increased significantly since FY 1995, and the concentration of students of color has increased significantly in all districts operating under a desegregation plan.

	FY 1995	FY 1997	FY 1999	FY 2000	FY 2001	FY 2002
Students Enrolled October 1						
Duluth	14,056	13,970	13,023	12,758	12,430	12,135
Minneapolis	45,187	47,978	49,242	48,688	48,834	48,156
St. Paul	40,732	43,766	45,349	45,253	45,115	44,201
Percent Students of Color						
Duluth	8.5%	10.0%	10.6%	11.1%	11.5%	12.1%
Minneapolis	61.1%	65.7%	69.8%	71.1%	72.8%	73.4%
St. Paul	51.9%	57.4%	62.5%	64.7%	66.7%	68.1%

The need for integration revenue will continue to increase due to growing concentrations of poverty and growing concentrations of students of color in urban core districts. The new desegregation rule requires greater collaboration among more districts in addressing integration issues.

Key Measures

Because the revenue can be used for a variety of activities, several potential measures of the program's success exist. One measure would be to survey parents and students who have participated in programs funded by the district's integration revenue on whether these programs have given them more opportunities to participate in multi-racial, multi-cultural environments. Another measure is whether students that have transferred to a nonresident district have been academically successful in their new environment. Yet another measure is whether new teaching strategies have proven successful in classrooms. Locally developed plans often make provisions for evaluation of the effectiveness of strategies.

Activity Funding

This program is funded with a combination of state aid and a local property tax levy, the sum of which is revenue. The percent of revenue from state aid has ranged from 54% in FY 1999 to 78% for several of the years covered, with the balance coming from local tax payers. Unlike most levies, for cities of the first class and for FY 2001 the entire amount levied is recognized as revenue in the fiscal year in which the levy is certified. Effective FY 2002 for other than cities of the first class, the revenue is recognized in the fiscal year following the levy.

Each eligible district must submit a budget detailing the costs of implementing the integration plan. At the end of the school year the district reports the actual expenditures related to implementation of the plan. For FY 2000 and later years, the maximum integration revenue is the lesser of the cost of implementing the district's plan or the statute-defined rate times the adjusted pupil units. The rates vary by district and, in some cases, by year.

Minneapolis

- $536 through FY 2002
- $446 effective FY 2003
- $446 plus an additional levy amount of $35 per adjusted pupil unit, effective FY 2004

St. Paul

- $446

Duluth

- $207

Other eligible districts

- $93 for all other eligible districts through FY 2001
- $93 effective FY 2002 for other eligible districts with an enrollment of protected students that does not exceed 15%
- $130 effective FY 2002 for other eligible districts with an enrollment of protected students that exceeds 15%

Effective FY 2001, districts other than cities of the first class can generate alternative attendance integration aid providing a budget and reporting related expenditures. The state aid is equal to the lesser of the cost of the plan or the state aid portion of the revenue amount generated by residents of Minneapolis, St. Paul or Duluth.

Additional information on desegregation transportation is available in the Interdistrict Desegregation Transportation budget narrative.

The following table summarizes the trends in integration revenue since FY 1995.

Total Integration Revenue by District

Dollars in Thousands

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	Est. 2001-02	Est. 2002-03
Duluth	$ 2,879	$ 2,695	$ 2,909	$ 2,906	$ 2,998	$ 2,974	$ 2,918	$ 2,851	$ 2,756
Minneapolis	24,570	26,567	27,556	28,243	29,263	29,873	30,390	29,763	24,260
St. Paul	20,064	21,074	21,424	22,489	22,446	23,265	23,517	23,271	23,302
Other Districts	0	0	0	0	0	238	11,303	26,323	28,669
STATE TOTALS	**$47,513**	**$50,336**	**$51,889**	**$53,638**	**$54,707**	**$56,350**	**$68,128**	**$82,208**	**$78,987**

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Office of Equity, (651) 582-8695.

DEPARTMENT OF EDUCATION
Program: DESEGREGATION PROGRAMS
Activity: INTEGRATION PROGRAMS

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	53,166	63,106	49,582	64,034	57,924	121,958
2. Statutory Excess/(Shortfall)	0	874				
3. Appropriated Entitlement	53,166	63,980	49,582	64,034	57,924	121,958
4. Adjustment(s)						
a. Excess Funds Transferred In / (Out)		(874)				
b. Net Prior Year Payments	(1)					
5. State Aid Entitlement	53,165	63,106	49,582	64,034	57,924	121,958
6. Local Levy	14,962	17,716	28,675	19,660	25,062	44,722
7. Revenue (Total of Aid & Levy)	68,127	80,822	78,257	83,694	82,986	166,680
8. Total School District Revenue - All Funds	68,127	80,822	78,257	83,694	82,986	166,680
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	3,856	5,729	6,398	8,428	10,885	19,313
Transfers per M.S. 127A.41, subdivision 8 & 9	(206)					
Current Year (90% FY 01-02) (83% FY 03-05)	51,972	57,582	41,154	53,148	48,078	101,226
Transfers per M.S. 127A.41, subdivision 8 & 9	(279)					
Cancellation	(4,256)	(874)				
Total State Aid - General Fund	**51,087**	**62,437**	**47,552**	**61,576**	**58,963**	**120,539**
TOTAL APPROPRIATIONS	**51,087**	**62,437**	**47,552**	**61,576**	**58,963**	**120,539**

Activity Description

Citation: 122A.24; Laws 1994, Ch.647, Art 8, Sec. 29; 122A.64; 122A.65; 124D.89

This program provides state aid for four integration programs.

⇒ **Alternative Preparation Licensing, Minority Fellowship Grants** recruits people of color into teaching by providing fellowship grants to qualified people seeking alternative preparation for teacher licensure and site grants for program development management.

⇒ **Teachers of Color Program** increases the numbers of teachers of color in school districts with growing student of color populations.

⇒ **Minority Teacher Incentives** shares fiscal responsibility with eligible school districts to employ additional teachers and aides or educational assistants of color.

⇒ **Cultural Exchange Program** develops and creates opportunities for children and staff of different ethnic, racial, and cultural backgrounds to experience educational and societal change.

Activity at a Glance

- Five individuals completed their teacher education program through Minority Fellowship Grants during the 2001-02 school year. Fourteen candidates are still in school.
- The Teacher of Color program currently has 18 partnerships between school districts and teacher preparation programs. 165 students are preparing for licensure, with average grant awards of $4,503.

Population Served

Individuals that are participating in these programs and districts that are partnering with associated programs and institutions are primarily served by this program. Districts, parents, and students report a need for more teachers of color to serve as educators and mentors for Minnesota's public school students. Minnesota's minority population is projected to show a 52% increase for the 15-year span 2000 to 2015. At the same time that Minnesota's demographic landscape is rapidly changing, the state faces large scale teacher retirements and, in selected subject areas, some significant teacher shortages.

Services Provided

The Minnesota Department of Education uses the flexibility of the block allocation to fund programs where the greatest needs exist and where the opportunities for success are the greatest. Currently, the entire integration programs budget is split between Minority Fellowships and Teachers of Color grants.

Minority Fellowship Grants

⇒ The Minnesota Board of Teaching approves alternative preparation to teacher licensure programs that are funded through Minority Fellowship Grants. Each approved program is a collaborative effort between a school district, groups of schools, and a post-secondary institution that has a teacher preparation program. The program provides each candidate the support of a mentoring team that is responsible for the instructional phase before the candidate assumes responsibility for a classroom, formal instruction and peer coaching during the school year, assessment, supervision, and evaluation. Beginning in FY 1998, Minority Teacher Fellowship funds have also been used to support planning grants to post-secondary institutions to develop new models to recruit and retain teachers of color.

Teachers of Color Program

⇒ The Teachers of Color program provides grants for tuition, books, fees, and sometimes other expenses, to make it possible for traditional and nontraditional students to obtain the education necessary for teacher licensure. Award levels are determined after students have accepted all other available financial aid. Programs currently provide scholarships to both public and private teacher preparation programs in Minnesota. Participants must teach in sponsoring school districts for two years following licensure or risk being required to pay back the grants.

Cultural Exchange Program

⇒ The Cultural Exchange Program provides funding for locally developed programs between school districts that have desegregation plans and those districts that have no desegregation plans. The grants may be used for staff time including salary and benefit expenses, costs for substitute staff, travel expenses, and curriculum materials. In addition, the grant may also be used for transportation, board, and lodging expenses for students.

Minority Teacher Incentives

⇒ This program provides funding to districts that have a student of color enrollment of more than 10% or to districts that have approved comprehensive desegregation plans.

⇒ Districts receive one-half of an educator's salary and benefits, not to exceed $20,000 per year, if they employ a person of color who has not taught in a Minnesota school district during the preceding year.

⇒ Districts retaining the educator a second year are guaranteed a second year of funding. Reimbursements are made for each year of the biennium. According to current law, reimbursements cannot be prorated.

Key Measures

The greatest demand for services through Integration Programs is for scholarships to prepare people for K-12 teacher licensure in high demand areas such as science, English as a second language, special education and mathematics. As school districts cut spending, training teachers for licensure in other areas where shortages are not present leads to likely layoff.

For the Teachers of Color Program in FY 2002, $825,600 was awarded to 18 partnerships of school districts and teacher preparation programs. Four individuals completed licensure through this program in 2002.

Activity Funding

Flexibility is used in the allocation of the funds of this block-funded program. This allows funds to be allocated to areas where the greatest needs exist and where the opportunities for success are the greatest. In FY 2003 funds are being allocated for the Minority Fellowship program and for the Teachers of Colors grants. Funds are awarded to districts for these purposes on a competitive basis.

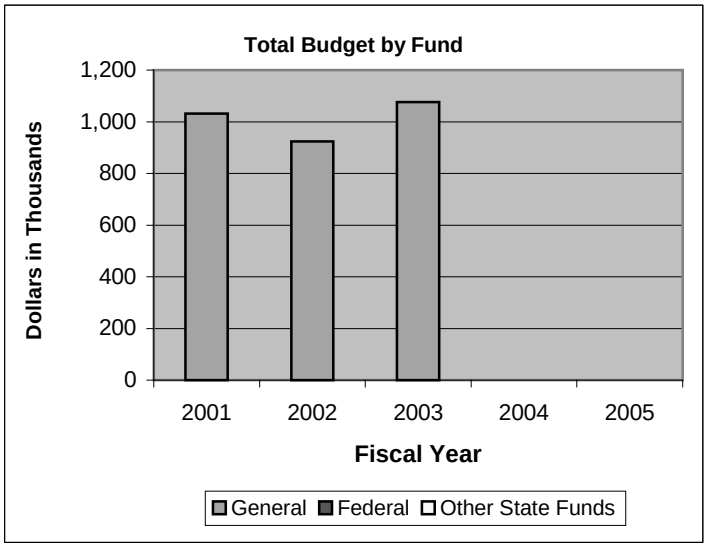
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Office of Equity, (651) 582-8695.

DEPARTMENT OF EDUCATION
Program: DESEGREGATION PROGRAMS
Activity: INTEGRATION PROGRAMS

Fiscal Report



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,031	924	1,076	0	0	0
Total	**1,031**	**924**	**1,076**	**0**	**0**	**0**
Expenditures by Category						
Payments To Individuals	80	73	0	0	0	0
Local Assistance	951	851	1,076	0	0	0
Total	**1,031**	**924**	**1,076**	**0**	**0**	**0**

Activity Description

Citation: Laws 1994, Ch. 647, Art. 8, Sec. 38; M.S. 124D.88; Laws 1997, 1 Sp. Ch. 4,Art 2, Subd.13

The purpose of this state aid program is to provide for integrated K-12 education that will encourage mutual understanding and provide programs, services, and facilities essential to meeting students' needs and abilities.

Activity at a Glance

- 19 projects funded – 15 in Twin Cities, four in Greater Minnesota.
- 16 Projects continued beyond initial start up through use of integration revenue.
- Communities and school districts statewide wishing to provide integrated learning opportunities to students are able to apply for this competitive grant.

Population Served

Districts, students, and parents in participating programs or projects are the primary population served. However, districts not eligible for integration revenue under the Desegregation Rule are aware of the importance of developing integrated learning environments for students and look to Magnet Schools and Programs funding to meet integration needs.

Minnesota's minority population is projected to increase 52% between the years 2000 and 2015. Minnesota's public schools invest in integration programs and activities to meet the needs of their increasingly diverse students but also to prepare both majority and minority students to succeed in a global marketplace.

Services Provided

Magnet Schools and Program Grants are competitively available statewide for the development of integrated learning environments. Following is a list of costs eligible for the funding:

- salaries for teachers who provide instruction or services to students in a magnet school or magnet program;
- salaries for education paraprofessionals who assist teachers in providing instruction or services to studentsin a magnet school or magnet program;
- equipment, equipment maintenance contracts, materials, supplies, and other property needed to operate a magnet school or magnet program;
- minor remodeling needed to operate a magnet school or magnet program;
- transportation for all field trips that are part of a magnet school or magnet program curriculum;
- program planning and staff curriculum development for a magnet school or magnet program;
- disseminating information on magnet schools and magnet programs; and
- indirect costs calculated according to the state statutory formula governing indirect costs.

The establishing statutes require the commissioner of the Department of Education, in consultation with the desegregation/integration advisory board, to award grants for planning, developing, and operating magnet schools that provide integrated learning environments. Public schools, charter schools, and joint powers boards are eligible recipients.

Key Measures

Since 1994, performance indicators have been 1) to develop and operate schools and programs that create greater understanding of diverse populations; and 2) to improve student achievement by using multiple strategies. Sixteen of the 19 projects that have been funded are continuing to operate in accordance with the Desegregation Rule adopted in 1999. The magnet school grants provided the start-up funds necessary to launch programs that can now be funded with integration revenue.

Activity Funding

The amount of funding for magnet school and magnet program grants increased from $1.5 million in FY 1999 to $1.75 million in FY 2000. Legislation adopted in the 2000 session reduced the magnet school and magnet program grants base budget to $750,000 per year to provide funding for desegregation transportation costs projected for FY 2003.

Funding History

	Dollars in Thousands			
District	**FY 1999**	**FY 2000**	**FY 2001**	***FY 2002**
WMEP Interdistrict Downtown School	$ 525	$ 150	$ 185	
WMEP FAIR School	88	425	0	
WMEP Professional Development Center	99	60	0	
Tri-District School	525	100	0	
Project Common Ground	220	225	0	
5-District Project	0	150	0	
Crosswinds East Metro	0	412	0	
Anoka-Hennepin Magnet School Study	0	130	0	
Twin Cities Academy	0	48	0	
Minneapolis Established Learning Center	0	50	0	
Wayzata Public Schools	0	0	322	
Albert Lea Area Schools	0	0	15	
St. Louis Park	0	0	90	$102
Rochester	0	0	315	
WMEP Coordination	44	0	0	
WMEP SW School	0	0	0	
Willmar Area Project	60	0	0	202
East Metro District 6067	0	0	823	
Chisholm	0	0	0	46
TOTAL	**$1,561**	**$1,750**	**$1,750**	**$350**

*FY 2002 grants were delayed because of budget considerations and, consequently, few applications were received.

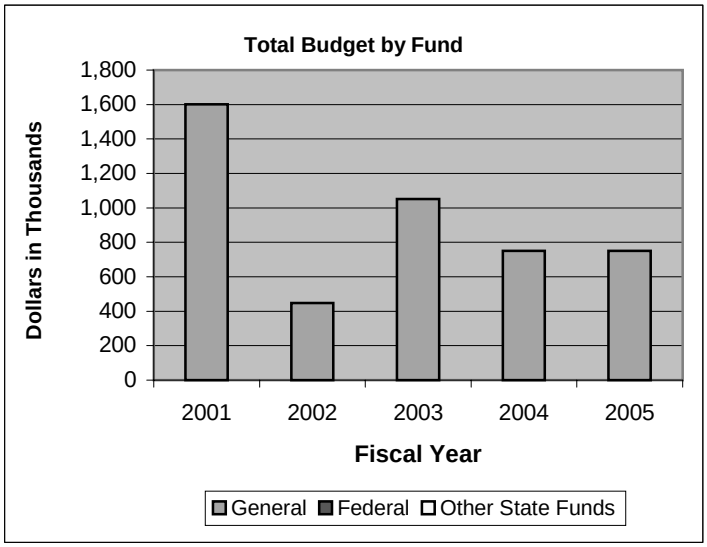
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

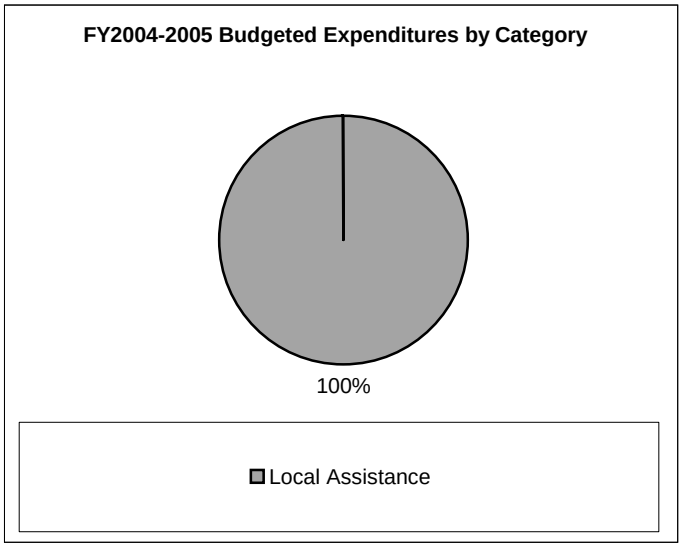
Contact

Additional information is available from the Minnesota Department of Education, Office of Equity, (651) 582-8695

DEPARTMENT OF EDUCATION
Program: DESEGREGATION PROGRAMS
Activity: MAGNET SCHOOL GRANTS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,601	448	1,052	750	750	1,500
Total	**1,601**	**448**	**1,052**	**750**	**750**	**1,500**

Expenditures by Category						
Local Assistance	1,601	448	1,052	750	750	1,500
Total	**1,601**	**448**	**1,052**	**750**	**750**	**1,500**

Activity Description

Citation: 124D.88, Subd. 4

This state grant program for metropolitan magnet schools is designed to provide for integrated K-12 education that will encourage mutual understanding and provide programs, services, and facilities essential to meeting students' needs and abilities.

Activity at a Glance

- Two magnet schools have received this grant since FY 2001.
- The funds help magnet schools with start up costs for two years.

Population Served

Magnet schools in their first two years of operation are eligible to participate in this program. During the first two years of a metropolitan magnet school's operation, the school is eligible for aid to pay for start-up costs and additional operating costs

Services Provided

Metropolitan magnet schools have strategies to

- create a sense of belonging for students and families in diverse school settings;
- create multicultural exchanges for teachers and students;
- create prototype schools that model interdistrict cooperation and collaboration;
- create curricula expertise and delivery system improvements;
- provide professional development related to understanding diversity;
- create a community of learners whose achievements are enhanced by diversity; and
- provide programming themes such as environmental sciences or the arts to attract students.

Key Measures

The metropolitan magnet school start-up aid has two performance indicators: 1) to operate schools that create greater understanding of diverse populations; and 2) to operate schools that improve student achievement.

Possible program measures include

- the degree to which the student body of the magnet school is racially and economically integrated compared to the sponsoring districts;
- the degree to which academic indicators show the school is closing achievement gaps relative to progress districts' are making on their own to reduce the gap; and
- the extent to which the magnet school is a popular choice for minority and majority students of all economic backgrounds.

The two districts that have received Magnet School Start-up grants show a diverse population. The percent of protected students is less than Minneapolis or St. Paul, but greater than that of other member districts indicating a successful mix of students served.

Activity Funding

Metropolitan magnet school start-up cost grant formula is based on $500 times the magnet school's pupil units served for that year.

	Dollars in Thousands			
	FY 2000	**FY 2001**	**FY 2002**	**FY 2003**
WMEP FAIR School	N/A	$250	$324	0
East Metro Crosswinds Middle	N/A	0	$183	$305

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Office of Equity, (651) 582-8695.

DEPARTMENT OF EDUCATION
Program: DESEGREGATION PROGRAMS
Activity: MAGNET SCHOOL STARTUP AID

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	265	453	220	0	567	567
2. Statutory Excess/(Shortfall)	(15)	17				
3. Appropriated Entitlement	250	470	220	0	567	567
4. Adjustment(s)						
a. Excess Funds Transferred In / (Out)	15	(17)				
5. State Aid Entitlement	265	453	220	0	567	567
6. Total School District Revenue - All Funds	265	453	220	0	567	567
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	0	25	47	37	0	37
Current Year (90% FY 01-02) (83% FY 03-05)	225	423	183	0	471	471
Cancellation		(17)				
Transfers per M.S. 127A.41, subdivision 8 & 9	15					
Total State Aid - General Fund	**240**	**431**	**230**	**37**	**471**	**508**
TOTAL APPROPRIATIONS	**240**	**431**	**230**	**37**	**471**	**508**

Activity Description
Citation: M.S. 124D.87

The purpose of this state aid program is to promote interdistrict desegregation and integration programs among school districts by providing state aid to cover unreimbursed student transportation costs.

Activity at a Glance

- In FY 2001, 1,619 students were transported to and from interdistrict desegregation or integration schools at a cost of $1,643,137.
- Other students were transported to a program or event at a cost of $22,846 in FY 2001.

Population Served
This program serves public school students attending interdistrict desegregation or integration schools or programs.

Services Provided
Transportation is provided between the student's home or school and the interdistrict program or school. School districts have entered into joint powers agreements to develop desegregation/integration programs and/or schools. Existing programs include the Metropolitan Learning Alliance School, the East Metro Integration District 6067, West Metropolitan Education Program (WMEP) Interdistrict Downtown School, WMEP Robbinsdale FAIR School, and the Crosswinds School. The WMEP St. Louis Park School is scheduled to open in FY 2004. Other programs exist that promote desegregation/integration, including Project Common Ground, Expo Middle, and Five-District Integration

Key Measures
The best measurement of this program would be to survey families on whether the transportation service to interdistrict programs have given them more opportunities to participate in multi-racial, multi-cultural environments.

Activity Funding
The state aid equals the difference between the transportation costs and the amount of general education revenue, which can be considered transportation revenue, generated by the participating students.

From FY 1996 through FY 2001, the state aids were first directed to districts providing transportation for interdistrict integration programs. Excess funds were available to fund costs of providing transportation of open-enrolled students whose enrollment contributed to integration. Beginning in FY 2002 funding is available on an equal basis for both interdistrict magnet programs and open enrolled students contributing to integration.

Effective with FY 2002 expenditures, the formula for this program is changed from a current funding basis formula to a reimbursement basis formula. Districts receive the reimbursement for actual costs. Districts qualifying for aid in the prior year are required to recognize the revenue in the year earned.

The number of districts participating in this program is slowly increasing each year. In FY 1999, 14 districts participated in this program, 16 districts participated in FY 2000, and 18 districts participated in FY 2001. Transportation needs will continue to grow as additional interdistrict desegregation and integration programs are developed and new interdistrict schools are constructed.

Beginning in FY 2002, the Minneapolis school district implemented the Choice is Yours program. In FY 2002, 500 students were transported to other school districts to increase integration efforts. This number is expected to increase annually by 500 students until FY 2006 when 2,500 students will be transported from Minneapolis to other school districts. The costs for this program is expected to increase the demand for state funding.

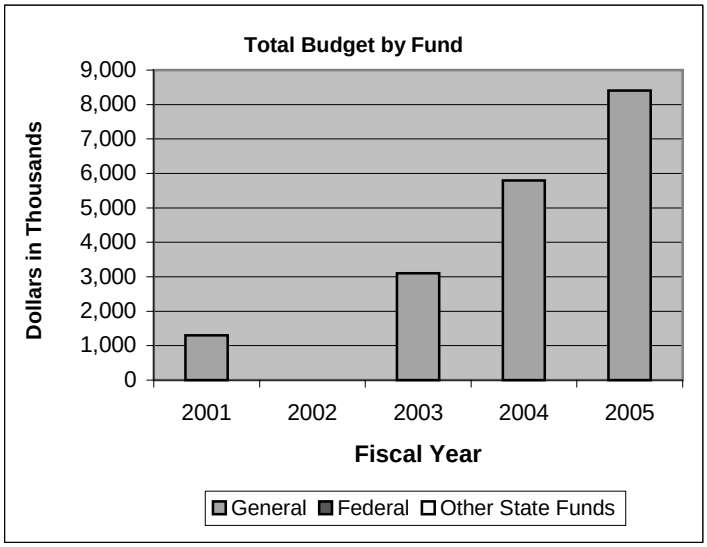
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

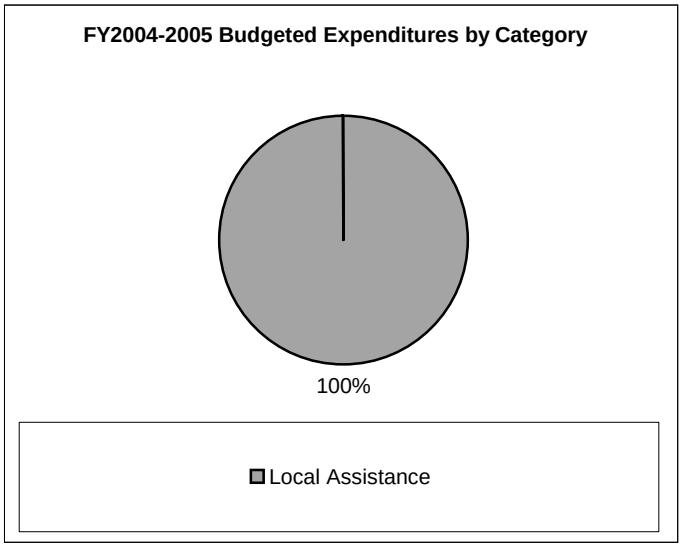
Contact

Additional information is available from the Minnesota Department of Education, Office of Equity, (651) 582-8695.

DEPARTMENT OF EDUCATION
Program: DESEGREGATION PROGRAMS
Activity: INTERDISTRICT DESEG TRANSPORT

Fiscal Report

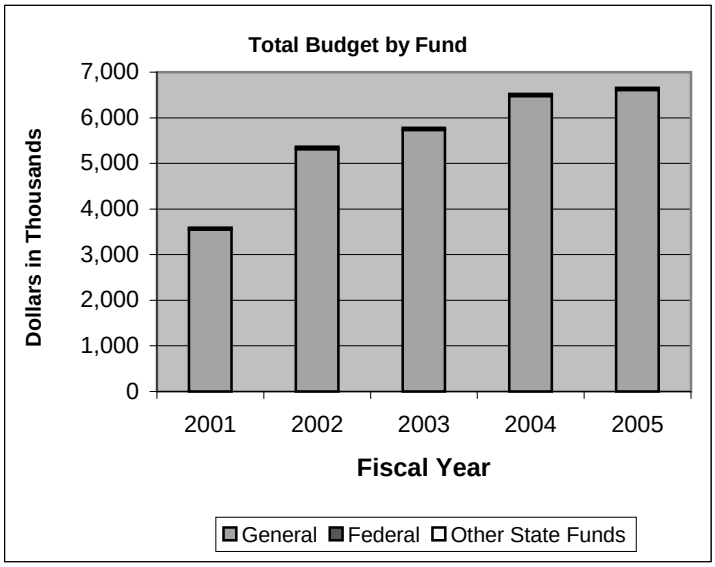


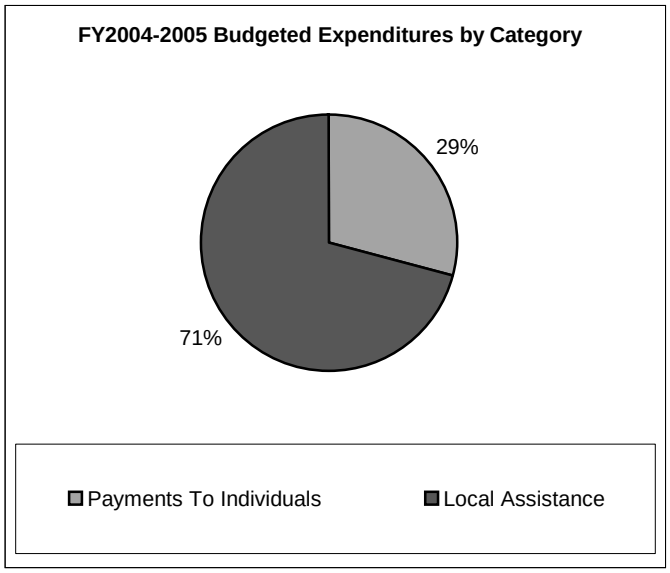


Dollars in Thousands						
Expenditures by Fund	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	1,300	0	3,101	5,796	8,401	14,197
Total	**1,300**	**0**	**3,101**	**5,796**	**8,401**	**14,197**
Expenditures by Category						
Local Assistance	1,300	0	3,101	5,796	8,401	14,197
Total	**1,300**	**0**	**3,101**	**5,796**	**8,401**	**14,197**

Budget Activities Included:

⇒ Success for the Future
⇒ Indian Scholarships
⇒ Indian Teacher Preparation Grants
⇒ Tribal Contract Schools
⇒ Early Childhood Programs at Tribal Schools





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,549	5,313	5,733	6,474	6,607	13,081
Statutory Appropriations						
Gift	39	50	50	50	50	100
Total	**3,588**	**5,363**	**5,783**	**6,524**	**6,657**	**13,181**
Expenditures by Category						
Payments To Individuals	1,908	1,921	1,929	1,925	1,925	3,850
Local Assistance	1,680	3,442	3,854	4,599	4,732	9,331
Total	**3,588**	**5,363**	**5,783**	**6,524**	**6,657**	**13,181**
Expenditures by Activity						
Success For The Future	0	1,884	1,987	2,137	2,137	4,274
Indian Scholarships	1,908	1,921	1,929	1,925	1,925	3,850
Indian Teacher Prep Grants	167	190	190	190	190	380
Tribal Contract Schools	1,445	1,300	1,609	2,204	2,337	4,541
Ecfe Program At Tribal Schools	68	68	68	68	68	136
Total	**3,588**	**5,363**	**5,783**	**6,524**	**6,657**	**13,181**
Revenue by Type and Fund						
Dedicated						
Gift	31	17	50	50	50	100
Subtotal Dedicated	31	17	50	50	50	100
Total Revenue	**31**	**17**	**50**	**50**	**50**	**100**

Activity Description
Citation: 124D.81

Activity at a Glance

- 30 grants funded for five years with annual renewal of funds
- 9,454 American Indian students served

Success for the Future is a state grant program that combines and expands the best features of three discontinued grant programs. This grant program provides funding to grantees that develop comprehensive and collaborative plans to support academic achievement, lower the drop out rate and improve the school climate in a culturally appropriate manner for American Indian students.

Population Served
Twenty-seven public school districts and 3 tribal schools receive "Success for the Future" grant funds.

- American Indian student population served: Urban – 4,834; Rural/Reservation 4,711

Services Provided
Success for the Future collaborative programs provide the following program services to increase student achievement and lower the dropout rates:

- targeted retention programs,
- academic and counseling services, as well as advocacy and liaison services,
- innovative curriculum based on technology, and
- best practices in teaching for American Indian students.

Key Measures
Decrease the dropout rate and increase student graduation rates for American Indian Students.

⇒ School districts that are funded by "Success for the Future" are able to provide programs that reduce dropout rates and increase graduation rates for American Indian students. Districts that participate in the program experience a 2% lower dropout rate and higher graduation rates for American Indian students than in districts not served. This is documented by completion studies that are conducted every four years to allow tracking of students.

Activity Funding
The grants are awarded for a five-year period with an annual renewal process. Because of this the annual statistics will remain constant through FY 2006.

	FY 2002
Number of Grants Funded	30
Number of Applicants	46
Percent of Applicants Funded	65%
Number of Participating Indian Students	9,454
Number of Indian Students in School/Districts	12,976
Percent Served	74%

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact
Additional information is available from the Minnesota Department of Education, Indian Education Division, (651) 582-8831, cfl.indianeducation@state.mn.us, and the Department of Education web site: http://cfl.state.mn.us, Program/Services, Indian Education.

DEPARTMENT OF EDUCATION
Program: AMERICAN INDIAN PROGRAMS
Activity: SUCCESS FOR THE FUTURE

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	0	2,097	2,137	2,137	2,137	4,274
2. Statutory Excess/(Shortfall)	0	40				
3. Appropriated Entitlement	0	2,137	2,137	2,137	2,137	4,274
4. Adjustment(s)						
a. Excess Funds Transferred In / (Out)		(40)				
5. State Aid Entitlement	0	2,097	2,137	2,137	2,137	4,274
6. Total School District Revenue - All Funds	0	2,097	2,137	2,137	2,137	4,274
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	0	0	213	363	363	726
Current Year (90% FY 01-02) (83% FY 03-05)	0	1,924	1,774	1,774	1,774	3,548
Cancellation		(40)				
Total State Aid - General Fund	**0**	**1,884**	**1,987**	**2,137**	**2,137**	**4,274**
TOTAL APPROPRIATIONS	**0**	**1,884**	**1,987**	**2,137**	**2,137**	**4,274**

Activity Description
Citation: M.S. 124D.84

The state funded Minnesota Indian Scholarship Program (MISP) promotes partnerships between state government and tribal government to provide need-based financial assistance to American Indian students who would otherwise not have the opportunity to attend a post-secondary institution.

Activity at a Glance

- Provides scholarships to eligible American Indian students based on needs determined by the federal financial needs assessment process.
- An average of 1,000 students are funded each year.
- An average of 200 students are not funded due to lack of resources.
- Average student award is $1,858 per year.
- Graduates an average of 150 students per year from certificate and technical programs, two, four, and graduate degree programs.

Population Served
American Indians residing in and attending Minnesota higher education institutions and who meet the following scholarship eligibility criteria can apply:

- be accepted by a higher education institution;
- be eligible for federal financial aid; and
- meet the definition of American Indian.

Services Provided
The MISP works with tribal governments and higher education institutions to provide scholarships for eligible American Indian students. MISP awards are:

- granted to students based on policies and procedures as adopted by the Department of Education and the American Indian Education Committee;
- based upon the unmet need as shown by the higher education institutions recommended budget with the cost shared by tribal nations; and
- restricted to American Indian students of one-fourth or more American Indian ancestry, residing in Minnesota, and enrolled in an accredited Minnesota post-secondary institution.

Historical Perspective
This program was enacted in 1955 to encourage American Indians to attend post-secondary institutions. At that time, fewer than 10 American Indian students attended post-secondary institutions in Minnesota. In 2002 the MISP funded 1,002 American Indians enrolled in post-secondary institutions.

Key Measures
Increase educational opportunities for American Indian students.

	FY 1999	FY 2000	FY 2001	FY 2002	Est. FY 2003
Students Funded	1,015	1,014	935	1,002	1,000
Graduate Students Funded by MISP	40	27	40	27	35

Activity Funding
⇒ The average award in the FY 2001 and FY 2002 school year was $1,858.

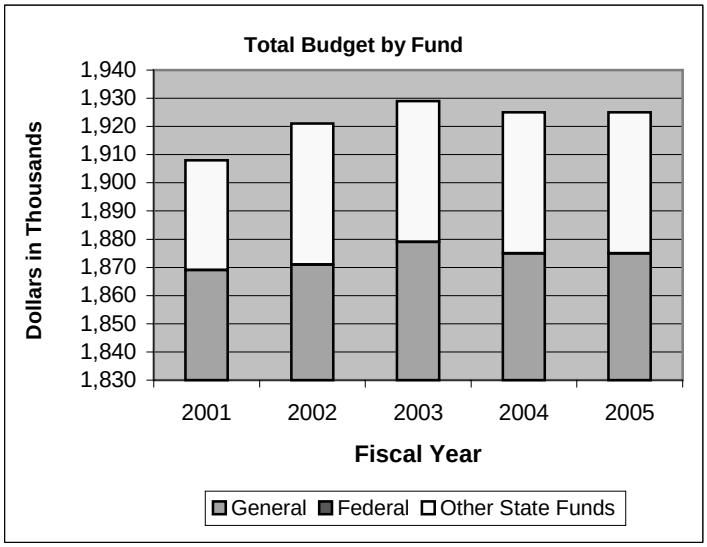
⇒ Since 1990 the MISP has provided scholarship assistance to approximately 1,000 eligible students per year.

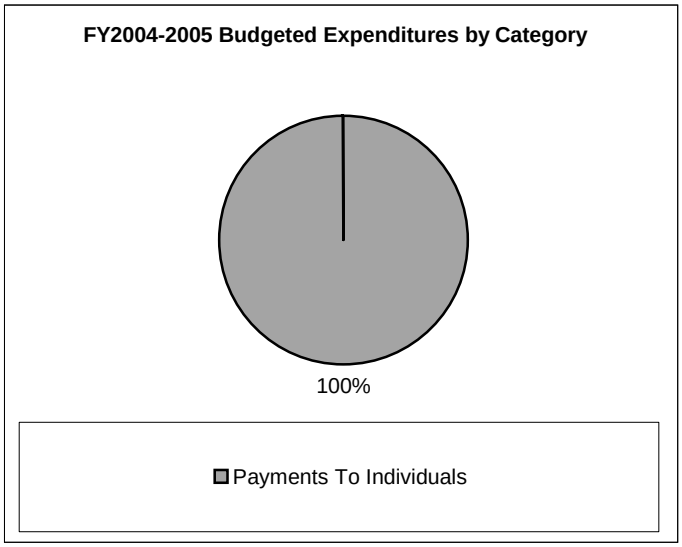
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact
Additional information is available from the Minnesota Department of Education, Indian Education Division, (651) 582-8831

DEPARTMENT OF EDUCATION
Program: AMERICAN INDIAN PROGRAMS
Activity: INDIAN SCHOLARSHIPS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,869	1,871	1,879	1,875	1,875	3,750
Statutory Appropriations						
Gift	39	50	50	50	50	100
Total	**1,908**	**1,921**	**1,929**	**1,925**	**1,925**	**3,850**
Expenditures by Category						
Payments To Individuals	1,908	1,921	1,929	1,925	1,925	3,850
Total	**1,908**	**1,921**	**1,929**	**1,925**	**1,925**	**3,850**
Revenue by Type and Fund						
Dedicated						
Gift	31	17	50	50	50	100
Subtotal Dedicated	31	17	50	50	50	100
Total Revenue	**31**	**17**	**50**	**50**	**50**	**100**

Activity Description
Citation: M.S. 122A.63

The state funded Indian Teacher Preparation Grant program assists American Indian people to become teachers and provides additional education for American Indian teachers. This program provides a source of certified American Indian teachers to specific school districts with significant concentrations of American Indian students.

Population Served
Eligible American Indian students attending one of the four colleges or universities legislated to receive grants can apply for assistance through this program.

Activity at a Glance

These grants assist American Indian students become teachers or assist American Indian teachers gain additional education or certification.

- Grants are awarded to Augsburg College in collaboration with Minneapolis and St. Paul Public Schools, Bemidji State University in collaboration with Red Lake Public School, Moorhead Public School, and the University of Duluth in collaboration with Duluth Public Schools.
- The grants support approximately 24 students per year.

An American Indian person who meets one of the following criteria is eligible to participate in the program:

- a student who intends to become a teacher and is enrolled in one of the post-secondary institutions receiving grants;
- a teacher aide who intends to become a teacher and who is employed by a district receiving a joint grant; or
- a licensed employee of a district receiving a joint grant who is enrolled in a master of education degree program.

Services Provided
This program provides grants and loans to American Indian students who have the potential to complete a teacher-training program and have demonstrated a financial need. The student receives funding in the form of grants and loans. Loans are forgiven through service at the participating school district.

Historical Perspective
This program began in 1979 as a result of a collaborative effort between the state, tribal governments, public school districts, and post-secondary institutions.

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Number of Grants	4	4	4	4	4
Number of New Participants	21	22	25	21	25
Number of Graduates	6	0	6	4	7

⇒ There have been 46 graduates of the program since its inception.

⇒ 80% of the program's first graduates have repaid the loans through service in a sponsoring school. Other graduates have repaid by service in other Minnesota districts.

⇒ A total of 75 American Indians have participated or are participating in the program to date.

Key Measures
In conjunction with other programs focused on preparing a multicultural teacher workforce, this program helps achieve these goals:

- to diversify Minnesota's teaching staff to better reflect the children and families in our public schools;
- to increase cultural awareness among teaching staff and administration;
- to create a welcoming and understanding school environments for minority children and families; and
- to increase experience and exposure to a diversity of teachers for all of Minnesota's students.

Activity Funding

Grant awards are made by the agency based on applications from project sites specified in the legislation. Payments are made either to the school district or the post-secondary institution, as determined by agreement.

Grant Summary:
Funding to each of these partnerships is constant through FY 2003.

	Dollars in Thousands **FY 2003**
Bemidji State and Red Lake SD sites	$ 40
Moorhead State and White Earth Nation sites	40
U of M and Duluth SD sites	70
Augsburg College and Minneapolis and St. Paul SD sites	40
TOTAL	**$190**

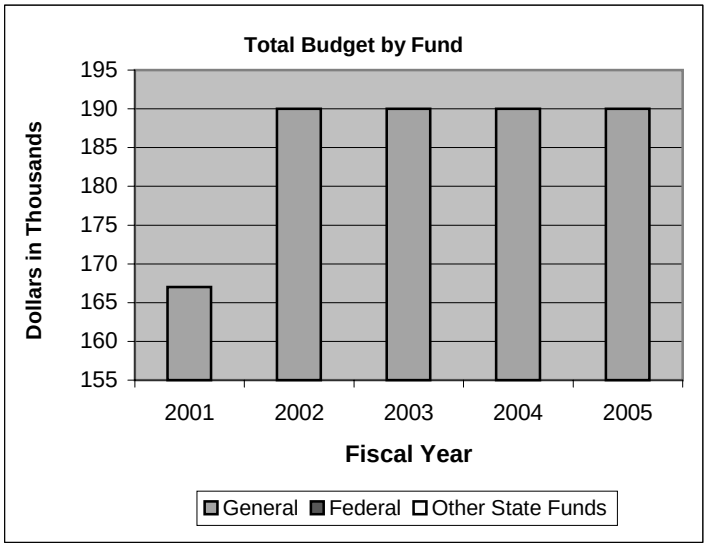
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

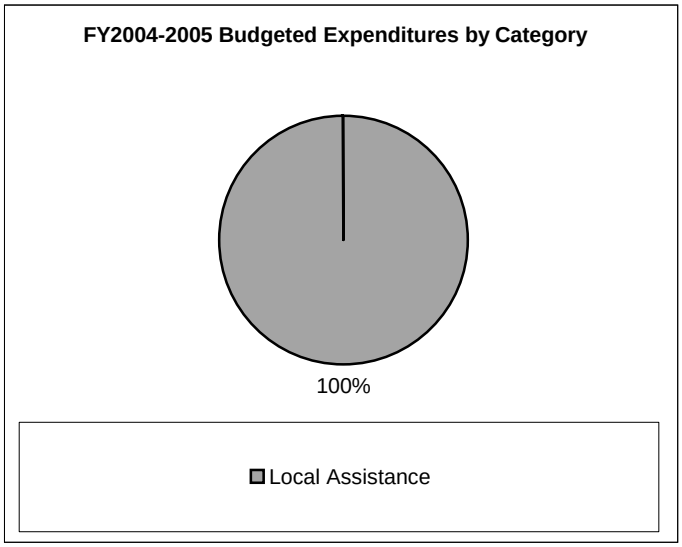
Contact

Additional information is available from the Minnesota Department of Education, Indian Education Division, (651) 582-8831, email: cfl.indianeducation@state.mn.us, web site http://cfl.state.mn.us/ Programs/Services, Indian Education.

DEPARTMENT OF EDUCATION
Program: AMERICAN INDIAN PROGRAMS
Activity: INDIAN TEACHER PREP GRANTS

Fiscal Report





Dollars in Thousands						
	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	167	190	190	190	190	380
Total	**167**	**190**	**190**	**190**	**190**	**380**

Expenditures by Category						
Local Assistance	167	190	190	190	190	380
Total	**167**	**190**	**190**	**190**	**190**	**380**

Activity Description
Citation: M.S. 124D.83

This state aid program provides funding to promote equal education opportunity for students enrolled in tribal contract schools (as compared to public schools) by providing state funds to schools based on the difference between the amount of aid provided by the federal government and the state per pupil aid.

Activity at a Glance

- 900 to 1,000 American Indian students attend the four contract/grant schools in Minnesota.
- The four schools participate in the Minnesota Graduation Standards – testing and Profile of Learning.
- Appropriation is for general education services.

Population Served
Annually, each American Indian-controlled tribal contract or grant school authorized by the United States Code Title 25, Section 450F, that is located on a reservation within the state is eligible to receive tribal contract aid provided that the school

- plans, conducts, and administers an education program that complies with the requirements of either chapter 124 and chapters 120, 121, 122, 123, 124A, 124C, 125, 126, 129, and 268A or Code of Federal Regulations Title 25, Sections 31.0 to 45.80; and
- complies with all other state statutes governing independent school districts or their equivalent in the Code of Federal Regulations, Title 25.

Eligibility is limited to the 4 tribal schools in the state.

- Bug-O-Nay-Ge-Shig School, Leech Lake
- Circle of Life School, White Earth
- Nay Ah Shing School, Mille Lacs
- Ojibwe School, Fond du Lac

Services Provided
The funds are placed in the schools' operating budget to provide general education services and are not specifically set aside to meet any legislated goals.

The tribal schools report student data on Minnesota Automated Reporting Student System (MARSS) and have adopted graduation standards and state testing according to their comprehensive education plans. They also test students to be in compliance with Title I and Bureau of Indian Affairs regulations.

Key Measures
The appropriation is for the schools' general fund for educational services. In October 2002, the yearly report cards for each school will be collected and baseline data will be compiled for each school as to graduation standards, retention rate and test scores.

Activity Funding
State aid is calculated by:

- **multiplying** the formula allowance under M.S. 126C.10, Subd. 2 minus $170 times the actual pupil units in average daily membership and the number of pupils for the current school year;
- **adding** compensatory revenue based on compensation revenue pupil units times the formula allowance minus $300;
- **subtracting** the amount of money allotted to the school by the federal government through the Indian School Equalization Program of the Bureau of Indian Affairs;
- **dividing** the result in clause (3) by the sum of the actual pupil units in average daily membership plus the tribal contract compensation revenue pupil units; then,
- **multiplying** the sum of the actual pupil units in average daily membership plus the tribal contract compensation revenue pupil units by the lesser of $1,500 or the result in clause (4).

	Dollars in Thousands				
	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Bug-O-Nay-Ge-Shig	$375.8	$995.8	$747.1	$462.1	$636.8
Circle of Life	66.7	313.2	0	279.1	215.6
Nay Ah Shing	59.3	0	306.2	307.2	630.3
Fond du Lac	179.9	0	0	0	0

Federal aid to the tribal schools is based on school attendance during the fall count week, therefore, the schools do not receive federal funding for students transferring to the tribal school after that time. Although the schools receive state aid for students transferring midyear based on average daily membership, the amount does not make up for federal funding lost.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Indian Education Division, (651) 582-8831, email: cfl.indianeducation@state.mn.us, web site: http://cfl.state.mn.us.

DEPARTMENT OF EDUCATION
Program: AMERICAN INDIAN PROGRAMS
Activity: TRIBAL CONTRACT SCHOOLS

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	1,483	1,325	1,677	2,312	2,342	4,654
2. Statutory Excess/(Shortfall)	0	847				
3. Appropriated Entitlement	1,483	2,172	1,677	2,312	2,342	4,654
4. Adjustment(s)						
a. Excess Funds Transferred In / (Out)		(847)				
5. State Aid Entitlement	1,483	1,325	1,677	2,312	2,342	4,654
6. Total School District Revenue - All Funds	1,483	1,325	1,677	2,312	2,342	4,654
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	154	192	217	285	393	678
Current Year (90% FY 01-02) (83% FY 03-05)	1,728	1,955	1,392	1,919	1,944	3,863
Cancellation	(437)	(847)				
Total State Aid - General Fund	**1,445**	**1,300**	**1,609**	**2,204**	**2,337**	**4,541**
TOTAL APPROPRIATIONS	**1,445**	**1,300**	**1,609**	**2,204**	**2,337**	**4,541**

Activity Description

Citation: M.S. 124D.83, Subd. 4

This state aid program provides funding to four eligible tribal schools to enhance the ability of American Indian parents to provide for their children's optimal learning and development through education and support that emphasizes cultural values and learning from birth to kindergarten age.

Activity at a Glance

These programs provide support to four tribal ECFE programs to promote parental involvement using culturally based curriculum to support families and achieve program goals.

- 2,200 students served
- Program sites: Bug-O-Nay-Ge-Shig School in Leech Lake, Circle of Life in White Earth, Fond du Lac Ojibwa in Cloquet, and Nay Ah Shing in Mille Lacs

Population Served

Parents and children in the communities served by the Bug-O-Nay-Ge-Shig School in Leech Lake, Circle of Life School in White Earth, Fond du Lac Ojibwa School in Cloquet, and Nay Ah Shing School in Mille Lacs participate in this program.

The program provides an opportunity for tribal contract schools to establish and maintain early childhood family development programming that emphasizes cultural values and learning.

Services Provided

The programs use culturally appropriate materials and strategies to deliver the basic Early Childhood Family Education (ECFE) program, with an added emphasis on preserving American Indian culture.

The programs require the direct presence and substantial involvement of the children's parents and may include any or all of the following education services:

- programs to educate parents about the physical and mental development of the children;
- programs to enhance parents' skills in providing for their children's learning and development;
- learning experiences for children and parents;
- activities designed to detect children's physical, mental, emotional, or behavioral problems that may cause learning problems;
- activities and materials designed to encourage self-esteem, skills, and behaviors that prevent sexual and other interpersonal violence;
- educational materials which may be borrowed for home use;
- home visits or center-based activities; and
- other programs or activities to improve the health, development, and school-readiness of children.

Key Measures

Increase educational opportunities for American Indian children and their families.

Baseline data is due in October 2002 from each site on parent involvement and program goals. The Indian Education office will provide one training per school using the "Positive Indian Parenting" curriculum and will collect student and family data on the sites implementation of the curriculum.

Activity Funding

The processes for funding were revised in 2001 to more accurately represent the pre-K child count at the participating tribal schools.

	FY 2000	FY 2001	FY 2002	FY 2003
Fond du Lac	$21,760	$21,760	$ 9,584	$ 9,584
Circle of Life	19,424	19,924	18,233	18,233
Bug-O-Nay-Ge-Shig	32,164	32,164	26,271	26,271
Nay Ah Shing	6,256	6,256	13,909	13,909
TOTAL	**$68,000**	**$68,000**	**$68,000**	**$68,000**

Connections of tribal school programs with other ECFE programs need to be enhanced in order to benefit American Indian families who move to and from the reservations served by the tribal schools.

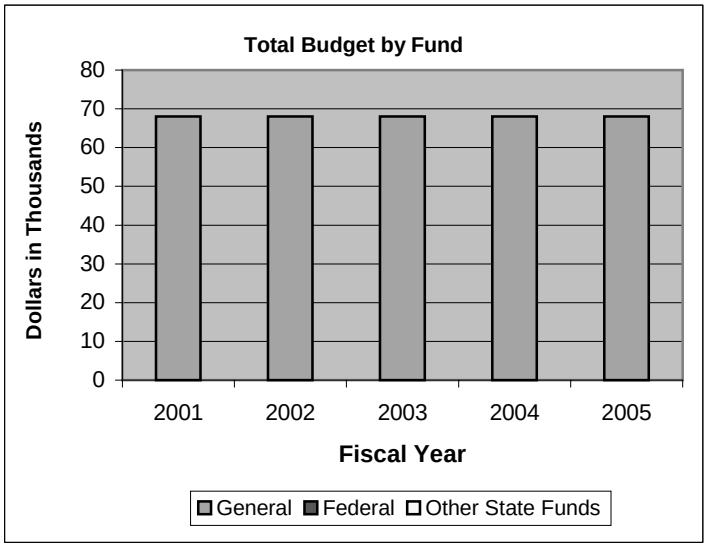
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

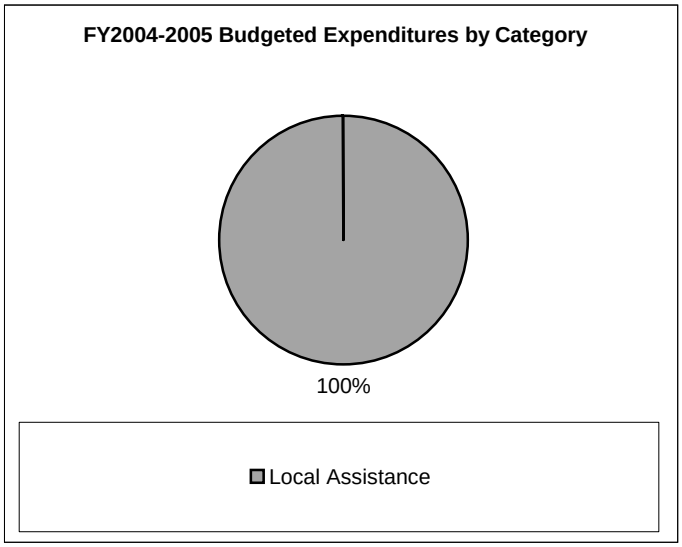
Contact

Additional information is available from the Minnesota Department of Education, Indian Education Division, (651) 582-8831, email: cfl.indianeducation@state.mn.us, web site: http://cfl.state.mn.us

DEPARTMENT OF EDUCATION
Program: AMERICAN INDIAN PROGRAMS
Activity: ECFE PROGRAM AT TRIBAL SCHOOLS

Fiscal Report



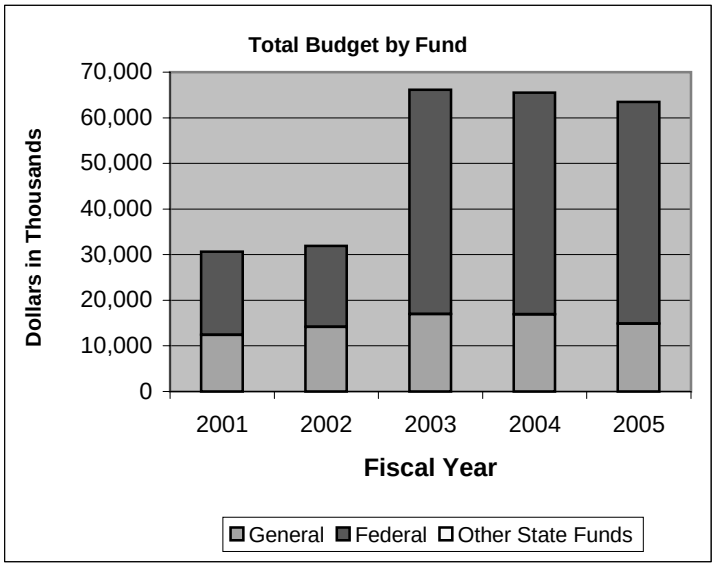


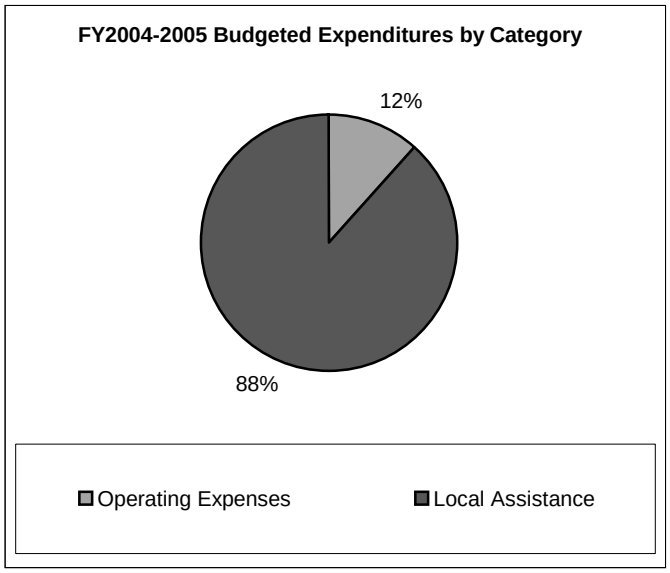
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	68	68	68	68	68	136
Total	**68**	**68**	**68**	**68**	**68**	**136**

Expenditures by Category						
Local Assistance	68	68	68	68	68	136
Total	**68**	**68**	**68**	**68**	**68**	**136**

Budget Activities Included:

⇒ Statewide Testing
⇒ Best Practices Seminars
⇒ School Performance Evaluation
⇒ Alternative Teacher Compensation
⇒ Miscellaneous Federal Programs





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	12,445	14,156	16,984	16,880	14,880	31,760
Statutory Appropriations						
Federal	18,174	17,773	49,191	48,610	48,610	97,220
Total	**30,619**	**31,929**	**66,175**	**65,490**	**63,490**	**128,980**
Expenditures by Category						
Operating Expenses	7,133	5,933	7,937	8,500	6,500	15,000
Local Assistance	23,486	25,996	58,238	56,990	56,990	113,980
Total	**30,619**	**31,929**	**66,175**	**65,490**	**63,490**	**128,980**
Expenditures by Activity						
Statewide Testing	7,714	6,333	6,667	6,500	6,500	13,000
7th Grade Testing	0	0	2,500	2,500	2,500	5,000
Best Practices Seminars	4,731	4,823	2,617	2,180	2,180	4,360
School Performance Evaluation	0	0	1,500	2,000	0	2,000
Alternative Tchr Compensation	0	3,000	3,700	3,700	3,700	7,400
Misc Federal Programs	18,174	17,773	49,191	48,610	48,610	97,220
Total	**30,619**	**31,929**	**66,175**	**65,490**	**63,490**	**128,980**
Revenue by Type and Fund						
Dedicated						
Federal	19,848	19,820	50,962	49,670	49,670	99,340
Subtotal Dedicated	19,848	19,820	50,962	49,670	49,670	99,340
Total Revenue	**19,848**	**19,820**	**50,962**	**49,670**	**49,670**	**99,340**
Full-Time Equivalents (FTE)	**1.5**	**0.0**	**0.0**	**0.0**	**0.0**	

Activity Description

Citation: M.S.120B.30, M.S. 124D.59

These programs support improvements in teaching and learning with statewide testing in grades 3, 5, 8, 10 and 11, enhancements and development of reading and mathematics testing for grade seven and statewide testing for Limited English Proficiency (LEP) students in grades 3-12

Activity at a Glance

- 13 different test – BSTs, MCAs, and TEAE
- Reading, mathematics, and writing
- 65,000 students in each of grades 3, 5, 7, 8, 10, and 11
- 42,000 LEP students, grades 3-12
- Development of 7th grade testing in reading and mathematics
- Nonpublic and private schools may choose to participate

Population Served

These programs serve all citizens of Minnesota and other interested parties by providing test results of students in grades 3, 5, 8, 10 & 11 as well as for LEP students in grades 3-12. Grade 7 test results will be available in FY 2004. All students attending public schools in Minnesota must participate in this program. Private schools may also choose to participate in this program.

Services Provided

Statewide testing provides data and information across all schools in order to tell parents, teachers, and the public how well Minnesota students are meeting the state's Graduation Standards as measured by the following:

- **Basic Standards Tests (BST),** which ensure that all students have basic literacy and math skills prior to graduating from high school;
- **Minnesota Comprehensive Assessments (MCA)**, designed to measure students' achievements in terms of the state's high academic standards; and
- **Test of Emerging Academic English (TEAE)**, designed to provide information about how well students with limited English language proficiency are learning academic English required for the state's high academic standards. TEAE test results are also used for funding and program evaluation purposes.

This program also provides funding for the development of statewide testing instruments for grade 7 in reading and mathematics. The grade 7 Reading and Mathematics MCA will be in field test mode in 2002-2003, with the first full tests scheduled for March 2004.

The current statewide testing program includes the following tests at the following grade levels

Test	Content	Grades
Basic Skills Test	Reading, Mathematics	First taken in grade 8
Basic Skills Test/MCA	Writing	First taken in grade 10
Minnesota Comprehensive Assessments	Reading	3, 5, 7, 10
Minnesota Comprehensive Assessments	Mathematics	3, 5, 7, 11
Minnesota Comprehensive Assessments	Writing	Grade 5
Test of Emerging Academic English	Reading, Writing	3-4, 5-6 & 7-12

For students who have not yet met basic standards, retake opportunities must be offered at least annually to students in grades 9 to 12 for the basic standards in reading and mathematics. For students in grades 11 to 12, retake opportunities must be offered for the written composition test.

Since the statewide testing program was designed for native speakers of English, many LEP students with minimal skills in English will score poorly even though they may be making progress in acquiring English skills. The statewide assessment system must account for their annual progress in acquiring skills in English. The reading and writing tests for LEP students are designed to measure emerging academic literacy skills for non-native speakers of English.

Historical Perspective

In FY 1997, the legislature enacted the Statewide Testing Law that required comprehensive assessments correlated with the Graduation Rule's High Standards in 3rd, 5th, and 8th grades, and an unspecified high school grade. The 3rd and 5th grade MCA tests were first given in all public schools in the spring of 1998. The 10th grade MCA Reading Test and 11th grade MCA Mathematics Test were first given in all public schools in the spring of 2002.

Reading and mathematics testing for grade 7 MCA tests are being developed and will be field-tested in spring 2003.

Beginning with school year 1999-2000, all students must pass the BSTs in reading and mathematics prior to graduating from high school. Beginning with school year 2000-2001, all students must also pass the BST in writing before graduation. Students take the writing test for the first time in the 10th grade.

Under the federal Elementary and Secondary Education Act legislation (*No Child Left Behind Act 2001)*, federal funds are being provided to support the enhancement of Minnesota's statewide accountability system, providing information about students' achievements in terms of high academic standards. During 2002-2003 these funds support development of benchmarked expectations for all tests and test specifications for the additional six tests needed to provide information about reading and mathematics attainment for all students in grades 3 through 8. In 2003-2004, these funds will support the field-testing of these new tests.

Key Measures

The percentage of schools identified as needing improvement.

⇒ In 2001-02, 79 (11%) of Title I schools were identified under the current definition of Adequate Yearly Progress were identified as needing improvement.

Beginning in FY 2003, the definition of adequate yearly progress will be redefined to meet state and new federal standards.

The Department of Education (DOE) is presently developing benchmarked expectations in reading and mathematics for all grades 3 through 8 and high school that will include

- the number and percentage of students in grades 3, 5 and 11 who achieve benchmarked expectations in mathematics in FY 2003 and each year thereafter, and
- the number and percentage of students in grades 3, 5 and 10 who achieve benchmarked expectations in reading in FY 2003 and each year thereafter.

The results of MCA tests will be used in the statewide accountability program to provide information about the progress of all students, including LEP students. Test results, together with other quantitative and qualitative indicators, will be used to identify schools in need of improvement, and schools that are distinguished in their use of best curricular and instructional practices. Such information will be shared with the public through the Children, Families and Learning Continuous Improvement Process web site.

Additional information on student performance on statewide testing is available at DOE's CLASS web site.

Activity Funding

The funding supports contract vendors to supply test development, administration, and test scoring. To meet all the current requirements of the Statewide Testing Law and the Graduation Standards Rule Assessments, there are thirteen different tests. The three BSTs are each administered three times each year. The TEAE test has three forms (grades 3-4, 5-6, and 7-12). This means that a total of twenty-one test forms are needed each year, testing a total of about 894,000 students.

It is essential to sustain the validity, reliability and security of the tests each year. The FY 2003 state appropriations for these tests totaled $9 million, with an average state appropriation cost of about $10.07 per student tested.

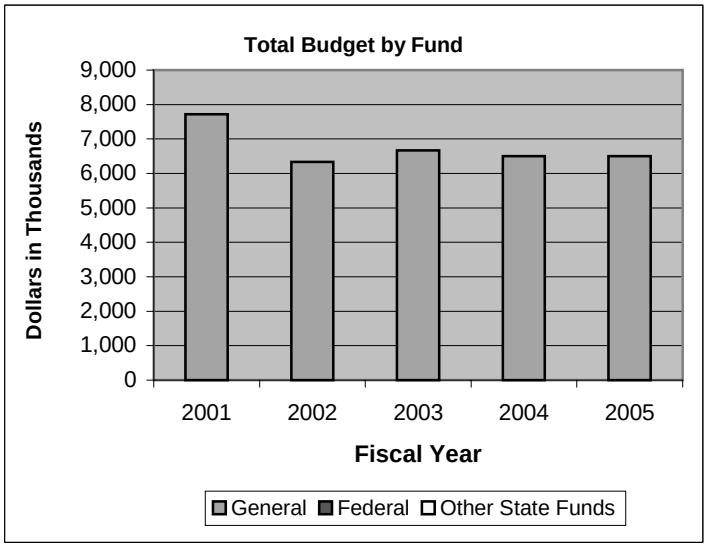
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

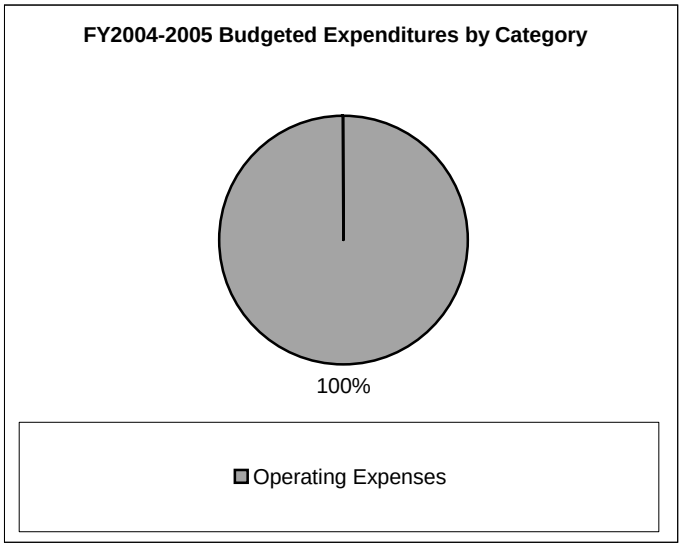
Contact

Additional information is available from the Minnesota Department of Education, Statewide Assessment Division, (651) 582-8628

DEPARTMENT OF EDUCATION
Program: ACCOUNTABILITY & REFORM
Activity: STATEWIDE TESTING

Fiscal Report

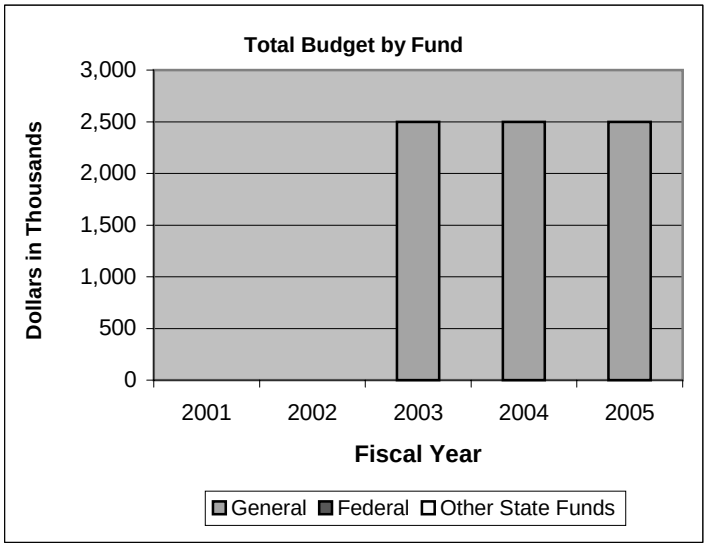


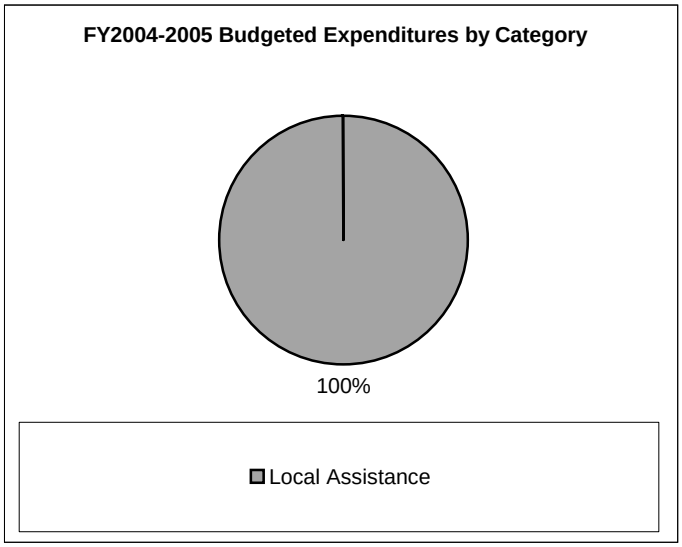


Dollars in Thousands						
	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	7,714	6,333	6,667	6,500	6,500	13,000
Total	**7,714**	**6,333**	**6,667**	**6,500**	**6,500**	**13,000**
Expenditures by Category						
Operating Expenses	7,133	5,933	6,437	6,500	6,500	13,000
Local Assistance	581	400	230	0	0	0
Total	**7,714**	**6,333**	**6,667**	**6,500**	**6,500**	**13,000**
Full-Time Equivalents (FTE)	**1.5**	**0.0**	**0.0**	**0.0**	**0.0**	

DEPARTMENT OF EDUCATION
Program: ACCOUNTABILITY & REFORM
Activity: 7TH GRADE TESTING

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	0	2,500	2,500	2,500	5,000
Total	**0**	**0**	**2,500**	**2,500**	**2,500**	**5,000**

Expenditures by Category						
Local Assistance	0	0	2,500	2,500	2,500	5,000
Total	**0**	**0**	**2,500**	**2,500**	**2,500**	**5,000**

Activity Description

Citation: Laws 2000, Chap. 489, Art. 7, Sec. 15, Subd. 4; Laws 2000, Chap. 500, Sec. 17

This state funded grant program provides funding for seminars and other professional development capacity building activities to assure proficiency in teaching and implementation of the graduation standards.

Population Served

This program serves teachers, school leaders, students and communities.

Activity at a Glance

- Competitive grants were awarded (29-FY 2002 and 16-FY 2003) to schools, districts and other educational organizations from a field of 70 proposals each year.
- Teachers from 256 districts acquired knowledge and skills regarding effective professional development as part of Teachers as Learners and Leaders (TALL).
- New teacher grants were funded to support 1st and 2nd year teachers in 28 districts.

Services Provided

This project is designed to ensure that teachers have an understanding of and become advocates for research based effective professional development. Well-prepared teachers are the best indicators of student success. Best practices in curriculum, instruction, assessment, and professional development have been identified through research and practice.

Seminars and activities to support proficiency in teaching and implementation of Minnesota Graduation Standards included the following.

⇒ A grant was awarded to Education Minnesota to establish a network of trained teachers who are functioning as professional development advocates in their districts. Training includes information about Minnesota staff development policy as well as research regarding effective professional development.

⇒ Competitive grants were awarded. Effective professional development delivery systems were used to provide a wide variety of content to teachers. Content included specific, research-based curriculum and instructional strategies designed to increase the proficiency of teachers in the implementation of the graduation standards.

⇒ Competitive grants were awarded to districts for activities designed to support teachers during their 1st or 2nd year of teaching. All projects included some model of mentoring.

⇒ Grants to organizations specifically designated in the legislation were administered.

Historical Perspective

Seminars and activities as per legislation.

⇒ The Minnesota New Teacher Project was administered per Article 6, Sec. 42 of 2000 Minnesota Statutes ($1 million in FY 2001 and FY 2002, reduced and integrated with other Best Practice proposals in FY 2003).

⇒ Arts via the Internet collaborative project between the Walker Art Center and the Minneapolis Institute of Arts received funding ($1million in FY 2000, 2001 and 2002).

⇒ Grants issued to intermediate school districts Nos. 287, 916 and 917 to train teachers of special needs students under Laws 1998, chapter 398, article 5, section 42.

⇒ Grant issued to A Chance to Grow/New Visions School for the Minnesota Learning Resource Center.

⇒ During FY 2001, a grant was awarded to Education Minnesota that initiated the “Teachers as Learners and Leaders” project. All districts were invited to identify at least two teachers who would attend workshop sessions and advocate for effective staff development aligned with the National Staff Development Council’s standards.

⇒ Competitive grants were awarded to schools, districts and other educational organizations focusing on the capacity of teachers to deliver the Minnesota graduation standards. All proposals reflect current research in content, pedagogy and staff development.

Key Measures

Teachers successfully implement standards-based curriculum and instruction that increases inclusive learning and supports high quality teaching.

⇒ **Education Minnesota** - Teachers as Learners and Leaders (TALL) project was established offering a two-phase training program to all districts. A total of 256 teachers participated the first year. As a result of the training, teachers and school representatives

- reported increased personal knowledge about state policy on professional development, national standards for staff development and research supporting effective professional development;
- assessed the local school districts policies, procedures and practices for staff development; and
- developed an action plan for improvement of professional development practices.

The Center for Applied Research and Applied Learning (CAREI) at the University of Minnesota conducted the evaluation of the TALL project. This evaluation presented findings on activities conducted as part of the grant as well as recommendations for the future.

⇒ **Intermediate Districts** – A curriculum framework document was developed that increases the capacity of low incidence special education teachers to integrate the graduation standards into curriculum and instruction for the students they serve. Additional teacher and staff training was provided through a web cast and an active web site.

⇒ **A Chance to Grow - New Visions School** - Academic training programs designed at the Minnesota Learning Resource Center at A Chance to Grow was refined and offered to schools throughout Minnesota. To date, 29 schools have been involved. As a result, teachers using new techniques report increased student readiness for school and increased ability to succeed in academic programs.

⇒ **Competitive Grants** - Each grant recipient reported the degree to which objectives of the project were accomplished. Evidence of increased teacher proficiency in the designated knowledge or schools was documented and submitted. Successful programs are being shared through a variety of venues including conferences and Best Practice Networks.

Each grant proposal includes a plan for evaluation of the project and dissemination of products and findings. Each evaluation plan describes the evidence that will be collected as a measure of success. This evidence is submitted as part of the final report to the Department of Education. Wherever possible, existing networks are used to disseminate information regarding these projects.

Activity Funding

Competitive grants were awarded for seminars and other activities designed to enhance the instructional skills of teachers. State funding is distributed in the form of grants. Grantees are accountable for duties being carried out. Access to and proficiency in teaching and implementation strategies will increase the probability of student success in achieving the learning described in Minnesota's standards.

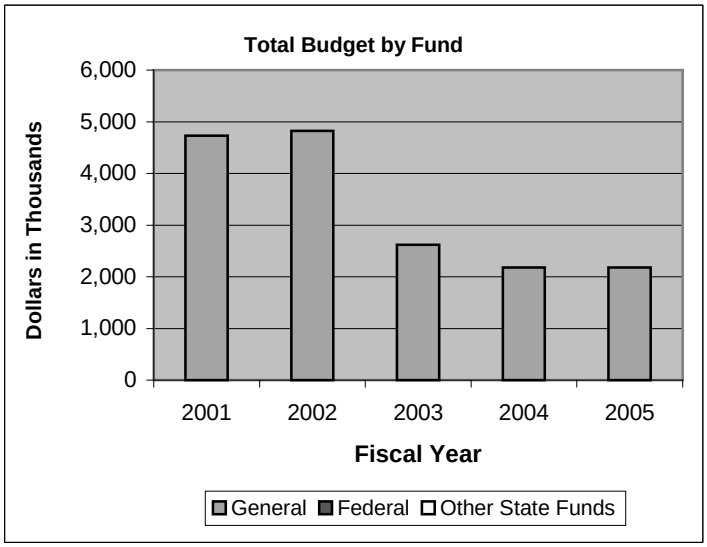
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

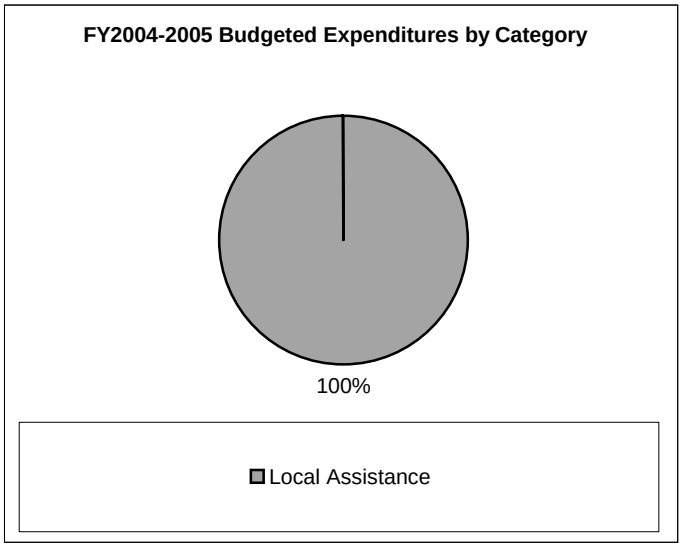
Contact

Additional information is available from the Minnesota Department of Education, Division of Curriculum and Instruction, (651) 582-8812.

DEPARTMENT OF EDUCATION
Program: ACCOUNTABILITY & REFORM
Activity: BEST PRACTICES SEMINARS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,731	4,823	2,617	2,180	2,180	4,360
Total	**4,731**	**4,823**	**2,617**	**2,180**	**2,180**	**4,360**

Expenditures by Category						
Local Assistance	4,731	4,823	2,617	2,180	2,180	4,360
Total	**4,731**	**4,823**	**2,617**	**2,180**	**2,180**	**4,360**

Activity Description

Citation: Minnesota Session Laws 2001, 1st Special Session, Chapter 6, Article 2, Section 64

This activity provides funding for the Minnesota School Academic and Financial Performance Evaluation Project to provide a tool to assist taxpayers, educators, school board members, and state and local officials in improving student achievement by evaluating the performance of the current public school system based on financial and achievement data analysis.

Activity at a Glance

- Connects education spending with learning
- Provides analysis and comparison among schools and districts on K-12 financial and achievement data
- Key decision source for K-12 Education
- Information resource for all Minnesotans

Population Served

All Minnesotans will have access to education performance evaluation data.

Services Provided

The Schools' Academic and Financial Performance Evaluation Project supports the agency's accountability initiatives and will be a module within the CLASS web site which connects learning with accountability. This evaluation will be conducted by an independent third party and the criteria will include the following six core categories for analysis:

- school district expenditures;
- students' performance outcomes based on multiple indices including students' test scores, attendance rates, dropout rates, and graduation rates;
- return on resources to determine the extent to which student outcomes improve commensurate with increases in district spending;
- school district finances, taxes and debt to establish the context for analyzing the district's return on resources;
- students' learning environment to establish the context for analyzing the district's return on resources; and
- school district demographics to establish the socioeconomic context for analyzing the district's return on resources.

Additionally, the following comparison data will be defined and reported:

- identification of allocations of baseline and incremental school district spending;
- connection of student achievement with expenditure patterns;
- tracking of school district financial health;
- observation of school district debt and capital spending levels; and
- measurement of the return on a school district's educational resources.

Historical Perspective

Funding for this project was first provided in the 2001 special session.

Key Measures

A contract with an independent third party was executed on 06-28-02 and the project will be completed on or before 06-30-03 as required by the legislation.

Activity Funding

The legislature appropriated funding of $2.5 million for this project during the 2001 special session. During the 2002 session funding was decreased to $1.5 million.

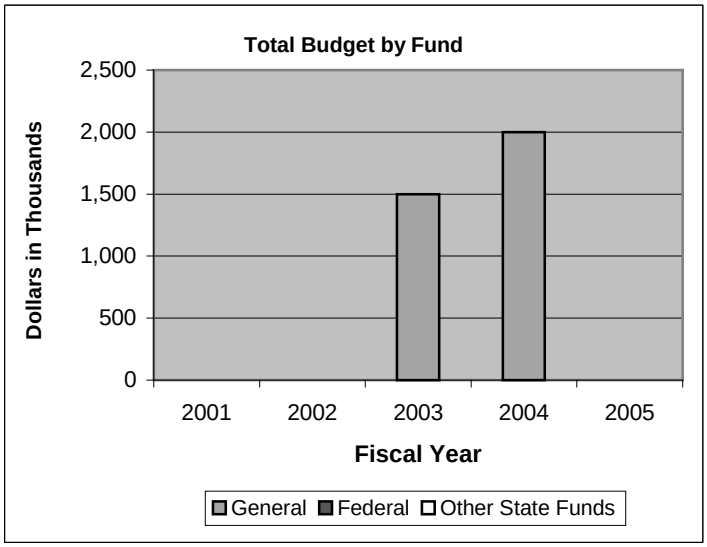
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Office of Management Services, (651) 582-8808.

DEPARTMENT OF EDUCATION
Program: ACCOUNTABILITY & REFORM
Activity: SCHOOL PERFORMANCE EVALUATION

Fiscal Report



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	0	1,500	2,000	0	2,000
Total	**0**	**0**	**1,500**	**2,000**	**0**	**2,000**
Expenditures by Category						
Operating Expenses	0	0	1,500	2,000	0	2,000
Total	**0**	**0**	**1,500**	**2,000**	**0**	**2,000**

Activity Description

State Citation: M.S. 124D.945; 124D.947

The alternative compensation aid program establishes a restructured teacher compensation system to provide incentives for teachers to improve their knowledge and skills and for school districts to recruit and retain highly qualified teachers. This program provides aid to districts that adopt an alternative teacher professional pay system to replace the steps and lanes system and encourage teachers' continuous improvement in content knowledge, pedagogy, and use of best practices.

Activity at a Glance

Five districts are participating in this program. The entitlements in FY 2002 were:

♦ Minneapolis	$2,213,760
♦ Rushford-Peterson	106,140
♦ LaCrescent-Hokah	252,150
♦ Marshall	362,550
♦ Floodwood	65,400

Population Served

Five school districts received alternative compensation aid for the two-year teacher contract period beginning 07-01-02. The number of teachers participating in the five districts in FY 2002 totaled 1,702 and the number of students enrolled in the five districts totaled 53,656 in FY 2002.

Services Provided

Applications are approved and funded for two years coinciding with the teacher contract period. Applications were approved for the two-year teacher master contract period (2001-02 and the 2002-03 school years). The annual amount of aid to a district was calculated at $150 per pupil using the prior October 1 pupil enrollment count for the district or a percentage of that amount if less than all the teachers in a district participated in the alternative pay system.

Districts participating in the program are required to submit applications containing the information required in the law.

Key Measures

⇒ Five districts had alternative compensation schedules replacing the steps and lanes pay schedules in FY 2002 and FY 2003.

⇒ Although data is not currently available, funded districts are required to evaluate this program using key indicators such as increases in teacher's content knowledge, knowledge of pedagogy, and use of best-teaching practices. This valuation must be aligned with the district's educational improvement plan under M.S. 124D.945, subd. 2.

Activity Funding

For districts that place all of their teachers in the district or at a site on the alternative compensation schedule, the aid received equals $150 times the district's or site's number of pupils enrolled on October of the previous year. For districts with at least 25% of the district's teacher participating in the alternative compensation schedule the aid received equals $150 times the percentage of participating teachers times the number of pupils enrolled as of October 1 of the previous year. Approved districts receive the alternative compensation aid as a part of their metered aid payments.

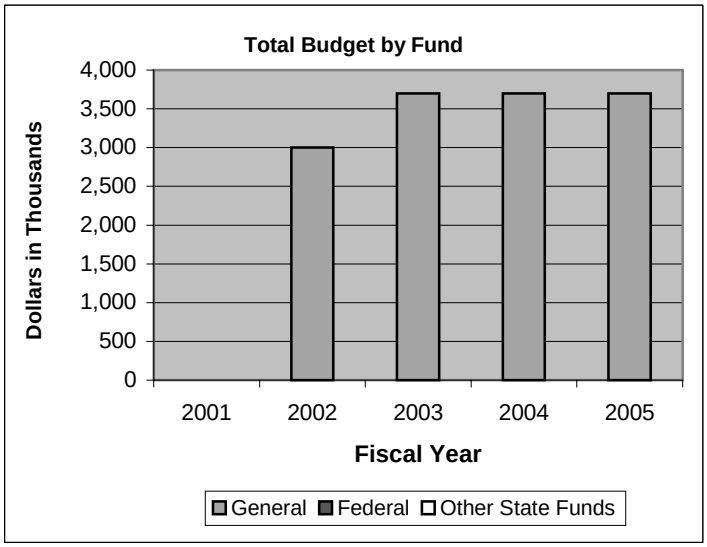
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

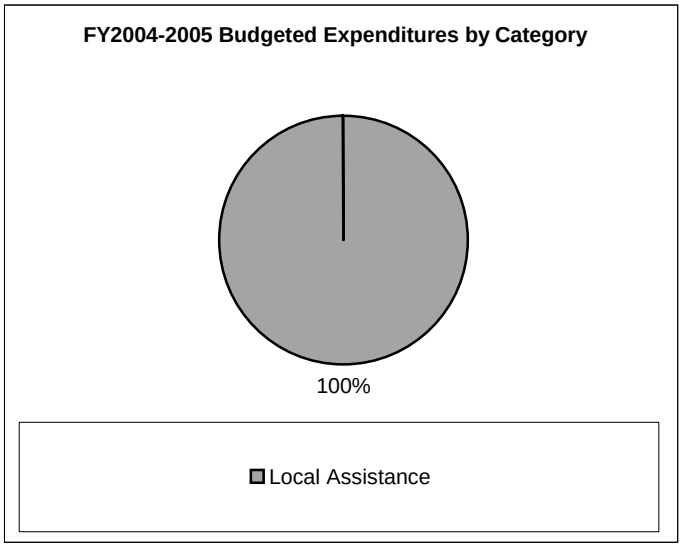
Contact

Additional information is available from the Minnesota Department of Education, (651) 582-8824.

DEPARTMENT OF EDUCATION
Program: ACCOUNTABILITY & REFORM
Activity: ALTERNATIVE TCHR COMPENSATION

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	3,000	3,700	3,700	3,700	7,400
Total	**0**	**3,000**	**3,700**	**3,700**	**3,700**	**7,400**

Expenditures by Category						
Local Assistance	0	3,000	3,700	3,700	3,700	7,400
Total	**0**	**3,000**	**3,700**	**3,700**	**3,700**	**7,400**

Activity Description

This budget activity summarizes major federal programs that fund activities throughout Minnesota.

Activity at a Glance

The three major federal programs in this activity are:

- Innovative Programs
- Comprehensive School Reform
- Teacher and Principal Training and Recruiting

Innovative Programs (Title V Part A)

The specific purposes of this program are:

- to support local education reform efforts that are consistent with and support statewide education reform efforts;
- to provide funding to enable state education agencies and local education agencies to implement promising education reform programs and school improvement programs based on scientific based research;
- to provided a continuing source of innovation and educational improvement, including support programs to provide library services and instructional and media materials;
- to meet the educational needs of all students including at-risk youth; and
- to develop and implement education programs to improve school and teacher performance including professional development activities and class size reduction programs.

	Dollars in Thousands		
	FY 2001	FY 2002	FY 2003
Total Grant Amounts	$6,454	$6,793	$6,612

Comprehensive School Reform (CSR) Program (Title I, Part F- Comprehensive School Reform)

This program was reauthorized as part if Title I of the Elementary and Secondary Education Act, removing the "demonstration" status of the program at the same time. This program provides renewable grants of at least $50,000 to schools interested in adopting whole school reform efforts grounded in scientifically based research and effective practice to improve students achievement. Fifty-six Minnesota schools have been awarded grants have been awarded grants over the history of the program.

The CSR program targets high-poverty and low achieving schools, especially those receiving Title I funds by helping them to increase the quality and accelerate the pace of their reform efforts.

	Dollars in Thousands		
	FY 2001	FY 2002	FY 2003
Total Grant Amounts	$2,860	$3,137	$3,750

Teacher and Principal Training and Recruiting (Title II, Part A)

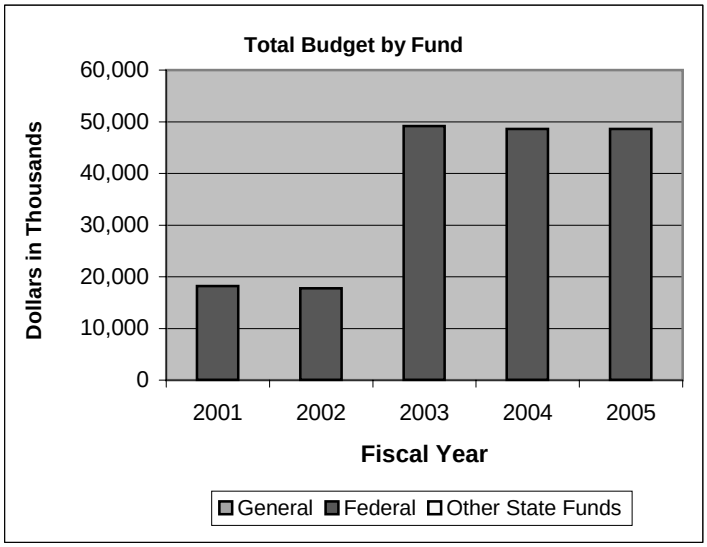
The purposes of this program are to improve student academic achievement through strategies such as improving of teacher and principal quality. Recent changes in the law allow increased flexibility to allocated funds to class-size reduction and other innovative programs, eliminates the priority of separate Eisenhower mathematics and science grants, and provides for the recruitment of highly qualified staff from other fields into the education field.

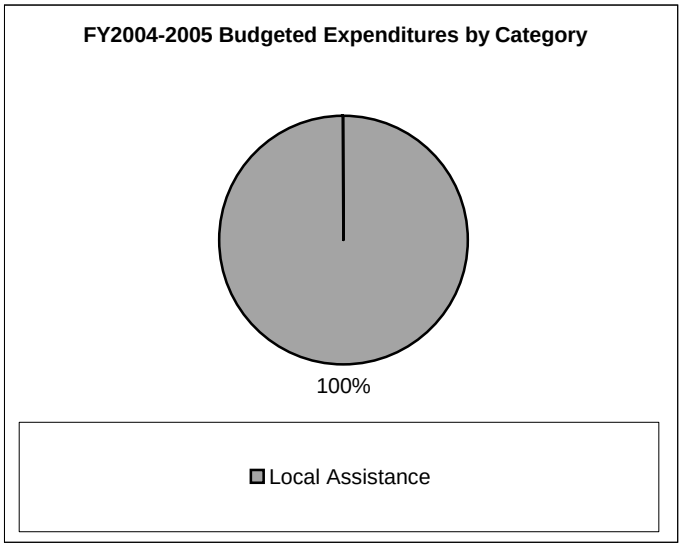
	Dollars in Thousands		
	FY 2001	FY 2002	FY 2003
Total Grant Amounts	$4,000	$6,000	$38,000

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

DEPARTMENT OF EDUCATION
Program: ACCOUNTABILITY & REFORM
Activity: MISC FEDERAL PROGRAMS

Fiscal Report

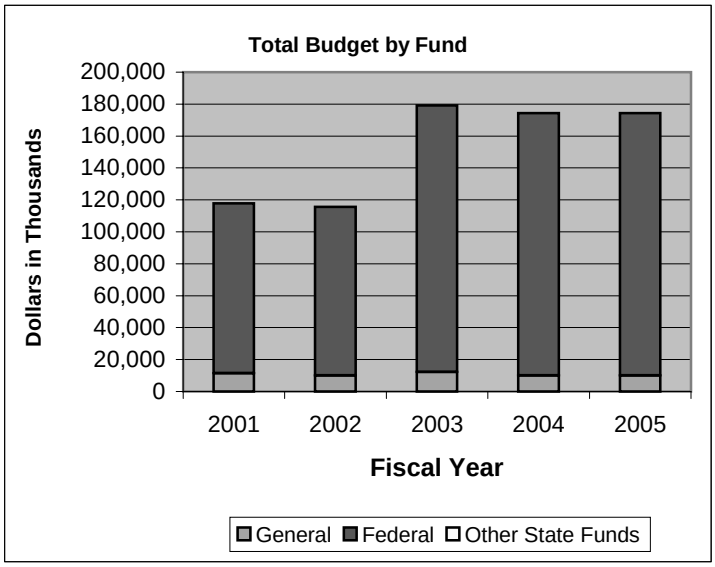


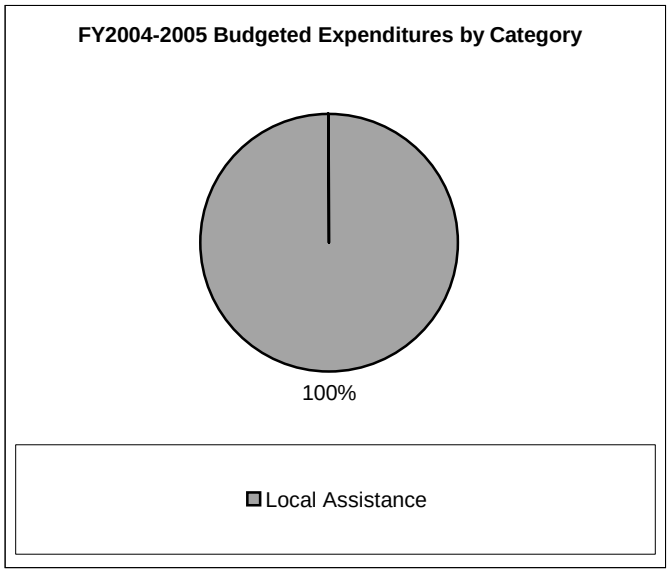


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Federal	18,174	17,773	49,191	48,610	48,610	97,220
Total	**18,174**	**17,773**	**49,191**	**48,610**	**48,610**	**97,220**
Expenditures by Category						
Local Assistance	18,174	17,773	49,191	48,610	48,610	97,220
Total	**18,174**	**17,773**	**49,191**	**48,610**	**48,610**	**97,220**
Revenue by Type and Fund						
Dedicated						
Federal	19,848	19,820	50,962	49,670	49,670	99,340
Subtotal Dedicated	19,848	19,820	50,962	49,670	49,670	99,340
Total Revenue	**19,848**	**19,820**	**50,962**	**49,670**	**49,670**	**99,340**

Budget Activities Included:

⇒ Advanced Placement/International Baccalaureate
⇒ First Grade Preparedness
⇒ Reading Competency
⇒ Youthworks Programs
⇒ Student Choice/Tax Incentives (information only)
⇒ Miscellaneous Federal Programs





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	11,470	9,991	12,296	10,113	10,113	20,226
Statutory Appropriations						
Federal	106,396	105,720	166,870	164,229	164,175	328,404
Gift	22	0	6	0	0	0
Total	**117,888**	**115,711**	**179,172**	**174,342**	**174,288**	**348,630**
Expenditures by Category						
Operating Expenses	1,609	932	992	226	226	452
Payments To Individuals	47	729	730	722	722	1,444
Local Assistance	116,232	114,050	177,450	173,394	173,340	346,734
Total	**117,888**	**115,711**	**179,172**	**174,342**	**174,288**	**348,630**
Expenditures by Activity						
Adv Placement/Intl Baccalaurea	2,316	1,164	2,102	651	651	1,302
First Grade Preparedness	6,869	7,011	7,256	7,250	7,250	14,500
Reading Competency	0	100	100	0	0	0
Youthwork Programs	3,731	5,269	2,407	1,788	1,788	3,576
Misc Federal Programs	104,300	101,605	166,619	164,028	163,974	328,002
Student Organizations	672	562	688	625	625	1,250
Total	**117,888**	**115,711**	**179,172**	**174,342**	**174,288**	**348,630**
Revenue by Type and Fund						
Dedicated						
Federal	108,509	107,550	169,921	166,952	166,902	333,854
Gift	40	1	-27	0	0	0
Subtotal Dedicated	108,549	107,551	169,894	166,952	166,902	333,854
Total Revenue	**108,549**	**107,551**	**169,894**	**166,952**	**166,902**	**333,854**
Full-Time Equivalents (FTE)	**1.6**	**3.2**	**1.3**	**1.3**	**1.3**	

Activity Description

Citation: M.S. 120B.13; Section 1705, Title I, Part G, Elementary and Secondary Education Act of 1965 as amended by 2001 ESEA; 810(d)(1).

This state and federal program provides financial incentives for schools to begin or expand their Advanced Placement (AP) and International Baccalaureate (IB) offerings and to promote rigorous, challenging courses of study as part of the regular offerings for students in secondary schools by providing funding for teacher training and student exam fees.

Activity at a Glance

In FY 2002:

- 238 AP schools, including 36 nonpublic schools participated
- 11 IB schools participated
- 16,011 AP students took 24,578 exams
- 1,151 IB students took 2,585 exams
- 794 low-income students took 1,209 exams
- 297 AP teachers attended training
- 91 IB teachers attending training
- 30 students took online AP courses

Population Served

Public and nonpublic schools and students participating in the AP and IB programs are served by these programs.

	State Funded				
	FY 1999	FY 1999	FY 2000	FY 2001	FY 2002
Public AP	177	180	196	217	202
Nonpublic AP	31	37	37	37	36
TOTAL AP	208	217	233	254	238
IB	9	10	10	11	11

Services Provided

These programs provide an opportunity for high school students to earn college credit and/or advanced standing, thus saving students and their parent's time and money during postsecondary education. These programs, in addition to providing academic rigor, offer sound curricular design, accountability, comprehensive external assessment, feedback to students and teachers, and the opportunity for high school students to compete academically on a global level.

Most of Minnesota's public and private colleges and universities provide credit policies for AP and IB course credits for exams taken by students.

Schools have benefited from an AP or IB program in that it revitalizes teachers and departments, and indicates to the public that the school values intellectual achievement and academic excellence.

The AP and IB program provides financial incentives to support the following two program components:

Teacher Training and Support

⇒ Scholarships to train teachers to initiate or improve AP and/or IB courses are available for public and nonpublic schoolteachers.

⇒ Priority is given to teachers new to the programs.

Student Examination Fees

⇒ Exam fee subsidies are available to public and nonpublic students taking AP and/or IB exams.

⇒ Approximately 60-65% of the exam costs for all exams are paid directly to districts or nonpublic schools for AP and IB exams. All exam fees are paid for students from low-income families.

The AP Program receives 75% of the appropriation each year and the IB Program receives 25% of the appropriation. The department, in consultation with the AP and IB advisory boards, determines the amounts of the expenditures each year for examination fees and training and support for each program. $375,000 of the

annual appropriation is reserved for teacher training. The amount of the subsidy is determined by the department in consultation with the AP and IB advisory boards.

Beginning in FY 2000, federal funds for the AP incentive programs became available. These funds are specifically for secondary students attending public school qualifying at a free and reduced lunch rate of 24% or greater. The focus is to increase the number of low-income students who participate in AP and/or IB courses. This is a three-year grant.

Key Measures

Based on FY 2002 data.

The number of AP and IB students testing and the number of exams taken will increase each year.

AP – IB Exams Taken

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
AP Students	11,041	11,893	13,018	14,839	16,011
AP Percent Change	18%	8%	9%	14%	8%
AP Exams	16,151	17,870	19,577	23,015	24,578
AP Percent Change	28%	11%	10%	18%	7%
IB Students	876	1,023	977	1,043	1,151
IB Percent Change	7%	17%	-4%	7%	10%
IB Exams	1,911	2,013	2,283	2,215	2,585
IB Percent Change	14%	5%	13%	-2%	17%
IB Diplomas	70	85	87	74	96
IB Percent Change	15%	21%	2%	-12%	29%

The number of minority students participating in these programs and taking exams will increase each year.

Advanced Placement:

⇒ Students of color represent 13% of all Minnesota students tested in AP in FY 2002. These 1,973 students represent a 24% increase in participation from FY 2001.

The number of teachers trained will increase each year.

Advanced Placement:

⇒ A total of 295 teachers participated in weeklong summer training institutes: 187 at Carleton College, 17 at the College of St. Benedict, 72 at Augsburg and 19 out-of-state, a decrease of 12% for 2002.

⇒ 509 teachers participated in follow-up training, an increase of 2% for FY 2002.

International Baccalaureate:

⇒ A total of 91 teachers participated in three-day training during the school year and/or in one-two weeks during the summer in FY 2002, a 17% decrease.

⇒ 96 teachers participated in follow-up training, a decrease of 39% from FY 2002.

Activity Funding

State Funding:

Dollars in Thousands

	FY 1999	FY 2000	FY 2001	Est. FY 2002	Est. FY 2003
Teacher Training	$ 210.0	$ 229.0	$ 388.0	$ 244.0	$ 225.0
*Teacher Stipends	407.0	0	0	0	0
Student Exam Subsidies	912.0	1,225.0	1,914.0	905.0	1,626.0
*Student Scholarships	326	0	0	0	0
TOTAL	**$1,855.0**	**$1,461.0**	**$2,302.0**	**$1,149.0**	**$1,851.0**

*One-time biennial appropriations

Federal Funding:

	Dollars in Thousands		
	FY 2001	**FY 2002**	**FY 2003**
Federal Grant Sources	$296.0	$482.0	$296.0

Funding levels shown in this table may be different from the expenditures shown on the federal program fiscal summary page due to carryover and statewide accounting period closing requirements.

These funds are used for student recruitment, teacher training, grants to school sites, curriculum resources, and online advanced placement courses. This is a three-year grant which concludes in June 2003. Future federal funding is uncertain.

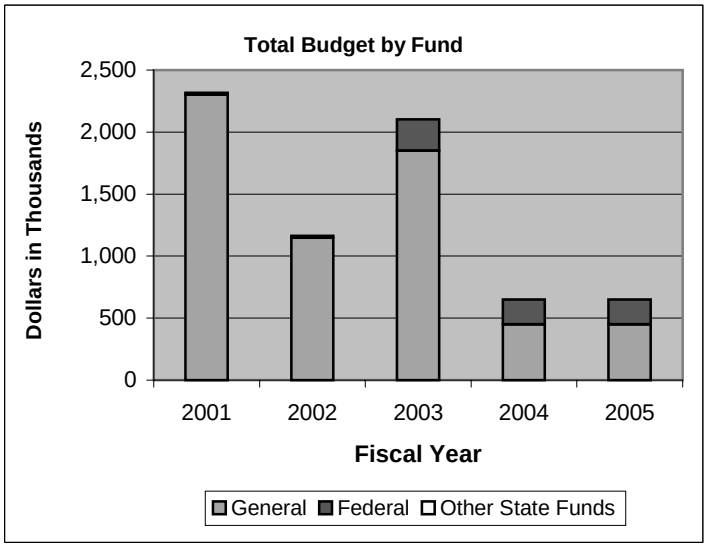
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

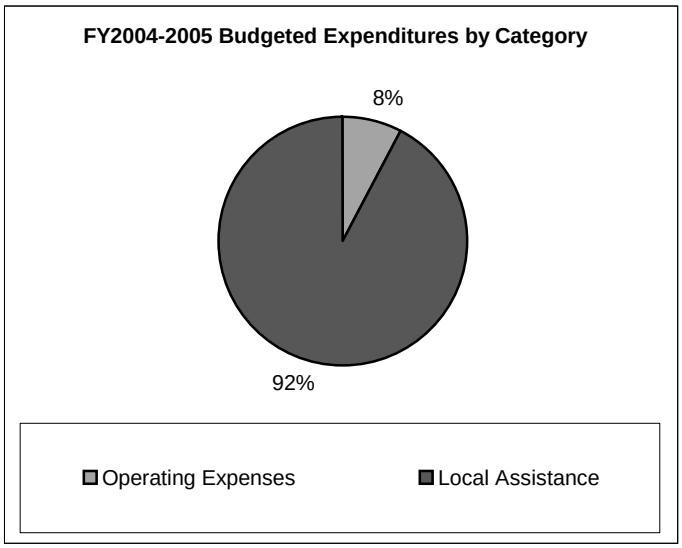
Contact

Additional information is available from the Minnesota Department of Education, Curriculum and Instruction Division, (651) 582-8848.

DEPARTMENT OF EDUCATION
Program: PRGS FOR SPECIAL POPULATIONS
Activity: ADV PLACEMENT/INTL BACCALAUREA

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,302	1,149	1,851	450	450	900
Statutory Appropriations						
Federal	14	15	251	201	201	402
Total	**2,316**	**1,164**	**2,102**	**651**	**651**	**1,302**
Expenditures by Category						
Operating Expenses	1,327	644	804	50	50	100
Payments To Individuals	47	0	0	0	0	0
Local Assistance	942	520	1,298	601	601	1,202
Total	**2,316**	**1,164**	**2,102**	**651**	**651**	**1,302**
Revenue by Type and Fund						
Dedicated						
Federal	179	286	471	296	296	592
Subtotal Dedicated	179	286	471	296	296	592
Total Revenue	**179**	**286**	**471**	**296**	**296**	**592**

Activity Description
Citation: M.S. 124D.081

This state aid program provides the First Grade Preparedness (FGP) program funding to ensure that children in the state's highest poverty school have the opportunity before first grade to develop the skills and abilities necessary to learn to read and succeed in school, and to reduce the underlying causes that create a need for compensatory services and revenue in subsequent academic years.

Activity at a Glance

- Sixty-six sites funded in FY 2003
- Over 3,400 kindergarten students served in FY 2003

Population Service
All four and five year old students attending eligible schools participate in this program.

Services Provided
School sites have used these funds primarily to fund all-day everyday kindergarten programs for five year olds. Strategies to improve teaching and learning at the sites include quarterly meetings of site teams of administrators, teachers, and parents; and professional development in areas such as developmentally appropriate assessment, reading readiness strategies, and parent training. A formal evaluation of the program was required by the legislation in the first two years.

FGP programs, especially those for four-year-olds, must encourage and plan for parent involvement and must demonstrate collaboration with other providers of school readiness and child development services. The school board of a qualifying school site is required to approve a plan to provide extended day services to serve as many children as possible.

Historical Perspective
This program was created by the 1996 legislature: school year 1996-97 was the first year of operation. The state was divided into four geographical areas, with each area receiving 25% of the funding. The geographical areas are: Minneapolis, St. Paul, metro suburban and Greater Minnesota. School sites were ranked from highest to lowest poverty level and sites were funded in rank order in each geographic area until the funds were exhausted. In the first year of operation, $3 million was distributed to 36 sites statewide. For the 2002-03 school year $7.25 million will be distributed to 66 sites.

Historical Number Sites Funded by First Grade Preparedness Program

	1996-97 $3 million	1997-98 $5 million	1998-99 $5 million	1999-00 $7 million	2000-01 $7.1 million	2001-02 $7.1 million	2002-03 $7.2 million
St. Paul	8	14	14	14	12	13	13
Minneapolis	7	14	15	14	17	16	14
Suburbs	5	11	11	11	13	13	11
Greater Minnesota	16	12	26	29	29	29	28
TOTAL	**36**	**51**	**66**	**68**	**71**	**71**	**66**

Key Measures
The second report to the legislature on FGP includes the following findings.

⇒ Approximately two-thirds of the kindergarten children received proficient ratings on 29 of the 41 indicators on a formal assessment instrument. This finding suggests that FGP children are demonstrating skills, behaviors and knowledge in areas of social development, language and literacy, and mathematical thinking that will support their transition to first grade.

⇒ Approximately 75% of the kindergarten children received higher ratings on all 41 indicators from the fall to the spring assessment. Most of the children rated not proficient in the fall demonstrated improvement by spring.

⇒ 90% of the children for whom first grade teacher assessments were obtained were assessed as doing well or making adequate adjustment to first grade.
⇒ 96% of the parents responding to the survey felt their child was prepared for their next level in school.
⇒ Approximately 75% of the parents indicated their child had changed in ways important to school success.
- 82% said their child looked forward to school
- 81% said their child is interested in books and stories
- 81% said their child has improved communication skills
- 75% said their child is more independent and self-confident

The most convincing data concerning the efficacy of all-day every-day kindergarten programming are the increases in the third grade reading scores of schools that have participated in FGP since FY 1996-97. Spring 2000 was the first time that students who participated in FGP all-day every-day kindergarten took the third grade Minnesota Comprehensive Assessments (MCAs). Of the eighteen metro and Greater Minnesota schools that participated in FGP in 1996-97, 12 schools showed significant growth from spring 1999 to spring 2000 in third grade reading scores. Nine schools showed growth from spring 2000 to spring 2001. All showed significant gains over the baseline scores of spring 1999. (Three of the schools had enrollments of fewer than 10 students and those scores were not reported.) Student mobility in the St. Paul and Minneapolis areas is so high that it is not possible to attribute any gains in these schools solely to FGP programs. For more information visit the First Grade Preparedness Web site.

Activity Funding

This program is funded entirely with state aid. For the purposes of distribution, the state is divided into four areas -- Minneapolis, St. Paul, suburban metro, and Greater Minnesota; each area receives 25% of the allocation. Schools in each area are ranked from highest to lowest based on the percent of students eligible for free or reduced-price lunch. Funds are distributed in rank order in each area based on the number of five year-olds attending kindergarten from the previous October 1 times 0.53 times the general education formula allowance. Funds may be used for start-up costs for new sites as well as for teacher salaries, fringe benefits, staff development, and parent involvement. Districts may also use the $11 per pupil set aside as described in M.S. 126C.125 for all-day kindergarten.

Although the allocation for this program has more than doubled since its beginning in 1997, funds are not sufficient to fund all eligible schools in each area. All geographic areas except St. Paul are prorated in FY 2002-03 because current funding is insufficient to maintain previously eligible schools at full funding.

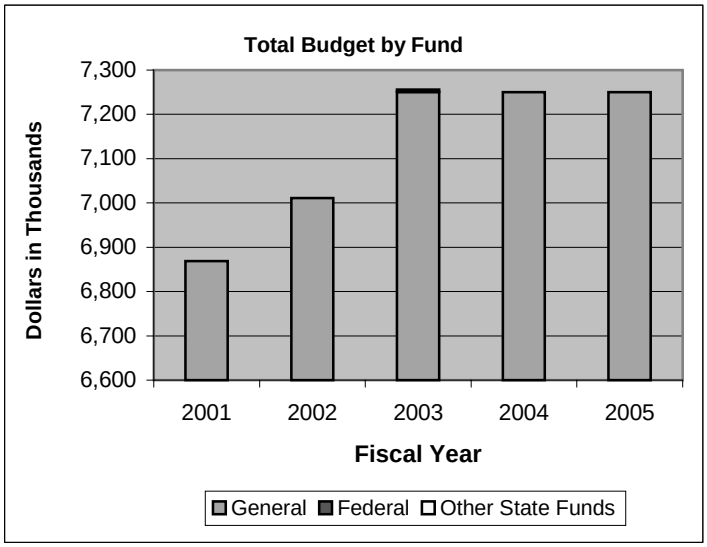
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

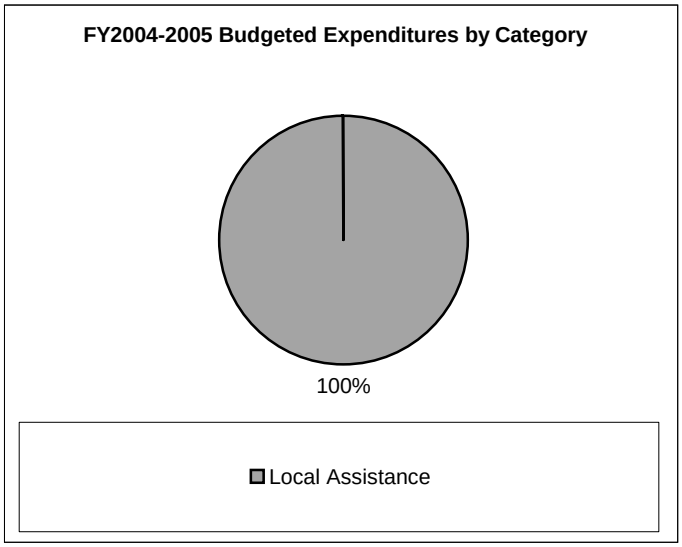
Contact

Additional information is available from the Minnesota Department of Education, Learner Options Division, at (651) 582-8283.

DEPARTMENT OF EDUCATION
Program: PRGS FOR SPECIAL POPULATIONS
Activity: FIRST GRADE PREPAREDNESS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	6,869	7,011	7,250	7,250	7,250	14,500
Statutory Appropriations						
Gift	0	0	6	0	0	0
Total	**6,869**	**7,011**	**7,256**	**7,250**	**7,250**	**14,500**
Expenditures by Category						
Local Assistance	6,869	7,011	7,256	7,250	7,250	14,500
Total	**6,869**	**7,011**	**7,256**	**7,250**	**7,250**	**14,500**
Revenue by Type and Fund						
Dedicated						
Gift	0	0	1	0	0	0
Subtotal Dedicated	0	0	1	0	0	0
Total Revenue	**0**	**0**	**1**	**0**	**0**	**0**

Activity Description

Citation: Laws 2001, Chapter 6, Art. 2, Sec. 70, 77, Subd. 27; M.S. 120B.12

This state grant is to an education organization to measure reading program results, to assist schools sites and charter schools in achieving reading competency by the end of third grade.

Activity at a Glance

- Information and assistance is provided by the grantee to other interested parties concerning the effectiveness of instructional methods and techniques in developing reading competency.

Population Served

An eligible organization must serve and provide education services to students and teachers in Kindergarten through Grade 3.

Services Provided

The grant provides an education organization with funding for reading intervention methods or programs to assist the student in reaching the goal of learning to read no later than the end of third grade. Reading-related skills that are research-based predictors of literacy are identified at the preschool level.

The education organization must assist school sites and charter schools, including sites where at least 25% of K-3 students are eligible to receive a free or reduced price lunch, in achieving children's reading competency by the end of third grade.

Historical Perspective

This legislation was adopted in 2001 and requires the education organization to:

- identify, before the end of the first grade, students who are at risk of not learning to read before the end of the second grade;
- provide a reading intervention method or program to assist each identified student in learning to read by the end of 2nd grade; and
- assess staff development needs and provide appropriate training for elementary teachers.

In addition, the Department of Education is to recommend multiple assessment tools that assist districts and teachers identify students and to share examples for nationally recognized and research-based instruction methods or programs with districts.

Key Measures

90% of continuously enrolled children in participating sites are able to read by the end of third grade. Goals are set for each grade level.

⇒ Kindergarten - 90% of students will pass a phonemic segmentation accuracy test, and 90% of students will read lowercase letter sounds at a rate of 35 correct per minute.

⇒ 1st Grade - 90% of students will read end of first grade material at 60 words correct per minute.

⇒ 2nd Grade - 90% of students will read end of second grade material at 80 words correct per minute.

⇒ 3rd Grade - 90% of students will read at the end of third grade material at 90 per minute correct per minute. The average score of students in third grade on the Minnesota Comprehensive Assessments will be 1,420.

The education organization is required to report evidence of attainment of goals included in the proposal. Performance and measurement data from the FY 2002 grantee has not been received at the time of the writing of this document.

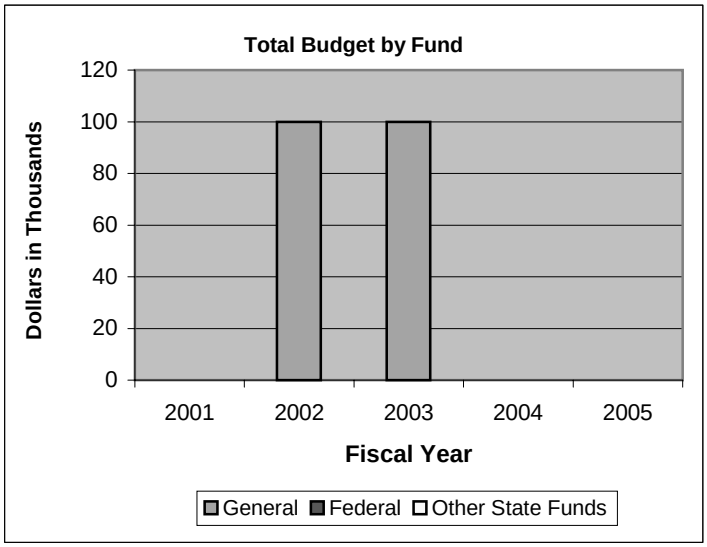
Activity Funding

In FY 2002, the legislature appropriated funds to the St. Croix Education District for this program.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Curriculum and Instruction, (651) 582-8812.



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	100	100	0	0	0
Total	**0**	**100**	**100**	**0**	**0**	**0**
Expenditures by Category						
Local Assistance	0	100	100	0	0	0
Total	**0**	**100**	**100**	**0**	**0**	**0**

Activity Description

Citation: M.S. 124D.36 to M.S. 124D.45
Federal Citation: National and Community Service Trust Act 1993

The state funded Minnesota Youthworks Program is in the eighth year of its partnership with the federal AmeriCorps. AmeriCorps is a "domestic Peace Corps" that provides Americans of all ages and backgrounds with education awards in exchange for a year or two of community service. Youthworks expands upon AmeriCorps by matching the federal effort with similar state support.

Activity at a Glance

More than a million hours of service provided to Minnesota communities by Youthworks and AmeriCorps members.

- 19 programs funded, plus additional sites that provided additional support
- 658 full-time equivalent members were supported earning thousands of dollars worth of future education expense credit

Population Served

This program serves students in schools and nonprofit organizations throughout Minnesota.

Services Provided

Youthworks members strengthen Minnesota communities by providing direct service in four priority areas: education, the environment, meeting unmet human needs, and public safety. This state program complements the federal AmeriCorps program and provides funding for youth to provide communities with a wide variety of services. The services provided by students can range from mentoring and tutoring, service-learning activities, mediation services to decrease violence, park safety, construction and rehabilitation of homes, environmental projects, and other community service projects.

Youthworks host agencies are educational institutions and local, state, and national nonprofit organizations.

The Youthworks activity is part of a coordinated effort of federal and state activities related to the implementation of a unified state plan for national and community service.

Historical Perspective

Youthworks began in 1994 with a governor-appointed Minnesota Commission on National and Community Service setting strategic direction and oversight. The Commission uses a competitive request for proposal process to select program sponsors.

Action by the 2002 Legislature transferred authority for the Minnesota Youthworks Program from the Department of Education to a nonprofit corporation, ServeMinnesota!

Key Measures

A University of Minnesota cost-benefit analysis conducted in 1995 found the following outcomes:

- the average cost benefit ratio of Youthworks/AmeriCorps programs studied over a three-year period was $2.30 in benefits for every $1 invested;
- employability of young people who achieved their high school diplomas improved; and
- community property values were enhanced at an average of $10,000 per house for the neighborhood served.

In 2001, 19 programs hosted 658 full-time equivalent (FTE) Youthworks members.

Youthworks members served local communities in 2001 by providing:

- 144,500 hours mentoring students to improve academic performance;
- 367,200 hours tutoring students to raise literacy levels;
- 146,200 hours in after-school programs assisting with homework, developing healthy relationships and supporting recreation activities;
- 76,500 hours in service-learning;

- 76,500 hours teaching mediation skills to decrease violence;
- 11,900 hours in park safety to provide places for community members to gather;
- 66,300 hours constructing and rehabilitating homes;
- 59,500 hours in referral services, community education and services to low income residents; and
- 170,000 hours in environmental projects.

Activity Funding

For full-time service (1,700 hours per year), program participants (Youthworks members) receive:

- a modest living allowance ($8,730);
- health care;
- childcare if qualified;
- training and experience; and
- a post-service education award of $4,725 which may be used toward higher education costs or for college loan payments.

For part-time service (900 hours per year), program participants (Youthworks members) receive:

- a modest living allowance ($4,622); and
- a post-service education award of $2,363 which may be used toward higher education costs or for college loan payments.

AmeriCorps members receiving education awards provided by the National Service Trust have the potential of returning over $1million each year to Minnesota higher education institutions.

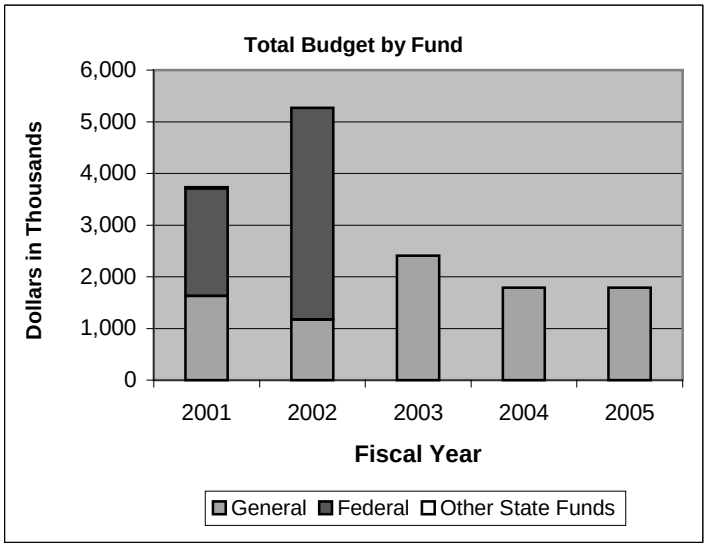
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

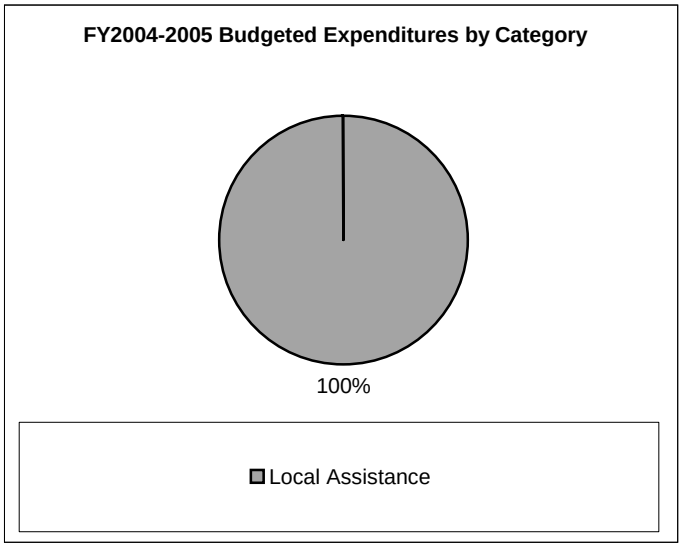
Contact

Additional information is available from the Minnesota Department of Education, Lifework Development Division, (651) 582-8330, or ServeMinnesota! (612) 333-7740.

DEPARTMENT OF EDUCATION
Program: PRGS FOR SPECIAL POPULATIONS
Activity: YOUTHWORK PROGRAMS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,627	1,169	2,407	1,788	1,788	3,576
Statutory Appropriations						
Federal	2,082	4,100	0	0	0	0
Gift	22	0	0	0	0	0
Total	**3,731**	**5,269**	**2,407**	**1,788**	**1,788**	**3,576**
Expenditures by Category						
Operating Expenses	153	172	0	0	0	0
Local Assistance	3,578	5,097	2,407	1,788	1,788	3,576
Total	**3,731**	**5,269**	**2,407**	**1,788**	**1,788**	**3,576**
Revenue by Type and Fund						
Dedicated						
Federal	2,298	3,761	0	0	0	0
Gift	40	1	-28	0	0	0
Subtotal Dedicated	2,338	3,762	-28	0	0	0
Total Revenue	**2,338**	**3,762**	**-28**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**0.3**	**1.6**	**0.0**	**0.0**	**0.0**	

Activity Description

INFORMATION ONLY

The purpose of these state programs is to provide learners with access to a wide range of educational opportunities by allowing them to choose a school or educational program either in or outside of their resident district. Learners and their families must play an active role in determining educational goals, the student's needs and interests, and the school's ability to provide an appropriate educational experience.

Activity at a Glance

- In FY 2002, over 196,700 students participated in various choice programs.
- In FY 2001, number claiming:
  - ⇒ Education Tax Credits 54,467
    Average Amount $343
  - ⇒ Education Tax Deduction 184,874
    Average Amount $1,108

Population Served

All students in Minnesota are eligible for one or more of these options.

Services Provided

Minnesota's choice programs include the following:

Open Enrollment: (M.S. 124D.03) allows all public school-eligible pupils to apply to attend a school outside their resident district**.**

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	Est. FY 2002
Open Enrolled Students	18,596	18,916	19,936	21,842	24,165	26,227	28,077	30,019

Charter Schools: (M.S. 124D.10) are public schools designed to meet one or more of the following purposes:

- improve individual learning;
- increase learning opportunities;
- use different and innovative teaching methods;
- measure learning results using innovative forms of measurement;
- establish new forms of accountability for schools; or
- create new professional opportunities for teachers, including the opportunity to be responsible for a learning program at the school site.

Charter schools are exempt from some state statutes and rules governing schools and school districts.

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	Est. FY 2002	Est. FY 2003
Number of Charter Schools	13	17	19	27	38	53	64	68	78
Average Daily Membership (ADM)	1,048	1,494	2,138	3,292	4,991	7,526	9,199	10,191	11,914

Additional information about charter school laws, school formation, and operation is available at the Department of Education's Minnesota's Charter Schools web site.

Learning Year Programs: (M.S. 124D.128) extends the educational program from the traditional 9-month calendar to a 12-month calendar. Students can accelerate their educational program allowing them to either graduate early or to make up courses. A learning year program may begin after the close of the regular school year in June. The program may be for students in one or more grade levels from K-12. A continual learning plan must be developed for each student.

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Pupil Units	1,186	1,247	1,529	3,630	3,762	7,023	6,830
Sites	3	6	4	10	19	27	22

Post-Secondary Enrollment Options: (M.S. 124D.09) allows high school juniors and seniors (both public and nonpublic, including home schooled) to take courses at eligible Minnesota post-secondary institutions. Students must meet the post-secondary institution's admissions requirements.

- ⇒ The program provides students with a greater variety of class offerings and an opportunity to pursue more challenging course work.
- ⇒ The tuition, fees, and required textbooks are provided at no cost to students.
- ⇒ The student earns secondary credit when courses are completed and earns post-secondary credit if they continue at a post-secondary institution that accepts those credit transfers after high school graduation.

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Students Participating	6,668	6,385	6,552	7,074	7,115	7,136	7,099	7,194

State Approved Alternative Programs: (M.S. 123A.05, 123A.06, 126C.05, Subd. 15 124D.128) There are three categories of State Approved Alternative Program's; Area Learning Centers (ALC), Alternative Learning Programs (ALP), and Contracted Alternatives. Area Learning Centers offer a wider array of options/services (K-12), including the requirement to have a daytime school within a school or separate site program for middle level students. In contrast, ALP's can designate what grades they want to serve. Contracted alternatives are nonpublic, nonsectarian schools that have contracted with the serving school district to provide educational services

State Approved Alternative Programs are designed for students who need a different approach or are experiencing difficulty in the traditional school. Instruction is designed to meet the student's individual learning style and needs and includes applied academics, school-to-work, computerized instruction, and service learning.

Overview of State Approved Alternative Programs

- ⇒ To attend a State Approved Alternative Program, students must meet one of the criteria listed in the Graduation Incentives Statute (M.S. 124D.68).
- ⇒ Depending on the district, students K-Adult access alternative programming on a part/full-time basis.
- ⇒ ALC's must offer programming for the entire year (for ALP's this is an option) with the availability of extended day/year programming.
- ⇒ Whereas ALC's, by statute, have to give students the option of receiving their diploma from their district of residence or the district in which the center is located (M.S.123A.06, Subd. 4) the ALP can choose to solely award the diploma from the district where it is located.
- ⇒ A school district may establish an ALC by itself or in cooperation with other districts, other agencies, foundations, partnerships, etc. Except for a district located in a city of the first class, an ALC must serve the geographic region of at least two districts.
- ⇒ ALC's must allow equal access, and collaborate with, other districts; ALP's have the option of serving students only from their district.
- ⇒ Aid and revenue are based on the total number of hours of educational programming for pupils in average daily membership for each fiscal year.
- ⇒ Financially, there is no distinction between an ALP and ALC.
- ⇒ For additional information refer to the State Approved Alternative Program web page at http://cfl.state.mn.us/LOD/alp.

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
State Approved Alternative Programs	115	128	137	140	148	152	155	157
Students Served	44,575	52,300	60,500	81,332	112,939	133,520	152,361	167,000
Sites	390	418	453	468	492	520	600	620

Tax Credits: (M.S. 290.0674) were enacted by the 1997 legislature and first took effect for 1998.

⇒ Families with school-age children and incomes at or below $33,500 per year may qualify for a tax credit of up to $1,000 per child ($2,000 per family) to reimburse them for certain educational expenses, including tutoring, academic summer camps, enrichment programs, textbooks and instructional materials, home computer hardware, educational software, and some expenses associated with individual schools.

⇒ Parents of any child educated publicly, privately, or at home may qualify for education tax credits.

Tax Year	Tax Credits Amount Claimed (000's)	Number of Claimants	Average Amount
1998	$14,348	38,766	$370
1999	$21,373	57,962	$369
2000	$21,329	55,941	$381
*2001	$18,665	54,467	$343

*2001 is to date.

Source: Minnesota Department of Revenue, Tax Research Division, August 2002

Additional information is available from the Minnesota Department of Revenue web site:
http://www.taxes.state.mn.us/individ/taxinfo/credits24.html

Tax Deductions: (M.S. 290.01, subd. 19b) were first enacted in 1955 and were most recently modified by the 1997 legislature. They are available to all families, regardless of income and regardless of whether they itemize on their tax returns. This deduction can be used for certain educational expenses, including tutoring, academic summer camps, enrichment programs, textbooks and instructional materials, home computer hardware, educational software, and some expenses associated with individual schools.

⇒ In 1997, deductions for each dependent child in kindergarten through sixth grade were increased from a maximum deduction of $650 to $1,625; deductions for each dependent child in grades 7 to 12 increased from a maximum of $1,000 to $2,500.

Tax Year	Tax Credits Amount Claimed (000's)	Number of Claimants	Average Amount
1998	$165,677	150,588	$1,100
1999	$203,476	188,752	$1,078
2000	$236,815	209,224	$1,132
*2001	$204,790	184,874	$1,108

*2001 is to date.

Source: Minnesota Department of Revenue, Tax Research Division, August 2002

Additional information is available form the Minnesota Department of Revenue Web site:
http://www.taxes.state.mn.us/individ/taxinfo/edc2324.html

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, (651) 582-8283.

Activity Description

This budget activity summarizes major federal programs that fund activities throughout Minnesota.

Learn and Serve America

Learn and Serve America supports service-learning programs in schools and community organizations that help nearly one million students from kindergarten through college meet community needs while improving their academic skills and learning the habits of good citizenship. Learn and Serve grants are used to create new programs or replicate existing programs, as well as to provide training and development to staff, faculty and volunteers. The Learn and Serve America formula allocation to Minnesota, awarded by the Corporation for National Service, is based on state population.

	Dollars in Thousands		
	FY 2001	**FY 2002**	**FY 2003**
Total Grant Amount	$308	$304	$294

Activity at a Glance

Major federal programs in the activity are:

- Learn and Serve
- Community, Higher Education School Partnership
- Community-Based Service Learning
- Title I Grants of LEAs
- Even Start Family Literacy Programs
- Reading First
- Migrant Education
- Prevention and Intervention for Children who are Neglected, Delinquent or At-Risk
- English Language Acquisition Grants
- Rural and Low-Income Schools
- Refugee Children Impact Grant
- Byrd Honors Scholarship Program
- Reading Excellence Program
- School-To-Work

Community, Higher Education School Partnership

Community, Higher Education School Partnership (CHESP) is a three-year special initiative grant provided by the Corporation for National Service to build strong service-learning partnerships at the local level between community-based agencies, schools and institutions of higher education.

	Dollars in Thousands		
	FY 2001	**FY 2002**	**FY 2003**
Federal Funds	$222	$240	$219

Community-Based Service Learning*

The Community-Based Service Learning special grant (CEELS) is a three-year grant awarded through a competitive process to build the capacity of community nonprofit organizations to serve as partners in the transformation of communities through service-learning. Beginning in FY 2003, CEELS funds will be awarded to the nonprofit ServeMinnesota! rather than as a direct grant to the Department of Education (DOE).

	Dollars in Thousands		
	FY 2001	**FY 2002**	**FY 2003**
Federal Funds	$115	$125	$57

* The state of Minnesota is required to match dollar for dollar all CNS funds.

Title I Grants to LEAS (Title I, Part A)

Title I of the Improving America's Schools Act is the largest of the federal compensatory education programs. Almost every district in the state qualifies for Title I funds, and Title I services are in approximately 90% of the state's elementary schools. More than 110,185 public and non-public students participate in Title I programs annually. There are several parts to Title I: Basic Grants, Concentration Grants, Accountability Grants, Grants for Neglected or Delinquent Institutions, and Capital Expenses.

Minnesota's share of the national appropriation is based on the number of low-income children counted during the 2000 census. DOE adjusts these entitlements to provide the required set-asides for administration, for school support teams for low-performing schools, and for Charter Schools.

Specific objectives of the Title I Basic Grants to LEAS are

- to align Title I evaluation measures with the state student achievement and system performance measures;
- to identify and serve students who are most at risk of not meeting our state content and performance standards;
- to increase success in the regular classroom through coordination of supplemental services with classroom instruction and curriculum;
- to provide for the involvement of parents in the education of their children;
- to provide intensive and sustained staff development; and
- to coordinate with state and federal programs to maximize the services available for at-risk students and to increase the number of students receiving services.

Federal Allocations to Minnesota:

	Dollars in Thousands				
	FY 1999	**FY 2000**	**FY 2001**	**FY 2002**	**FY 2003**
Title I Grants to LEAs	$86,890	$86,890	$86,890	$93,000	$113,000 est.

Funding for Title I will likely remain flat in the coming biennium. The FY 2003 entitlement will be impacted by the use of 2000 census data.

Even Start Family Literacy Programs (Title I, Part B)
Even Start is the early childhood and family literacy initiative of the Title I program. The state's allocation for Even Start is determined by the amount of the basic and concentration funds the state receives. Funds are distributed to districts on a competitive basis; grants are awarded for four years. Currently there are nine Even Start programs in Minnesota.

Specific objectives of the Even Start Family Literacy programs are

- to improve the educational opportunities by integrating early childhood education and adult education for parents into a unified program;
- to create a new range of services through cooperative projects that build on existing community resources; and
- to assist children and adults from low-income families in achieving challenging state content and student performance standards.

Federal Allocations to Minnesota:

	Dollars in Thousands				
	FY 1999	**FY 2000**	**FY 2001**	**FY 2002**	**FY 2003**
Even Start	$1,125	$1,117	$1,299	$2,438	*$2,417 est.

* Projections based on U.S. Department of Education estimate for FY 2000.

Reading First (Title I, Part B)
The Reading First program is a new federal education program aimed at improving K-3 reading instruction through the use of effective, research-based strategies and methods. This program will provide allow the state to make competitive sub-grants to school districts meeting specific eligibility criteria identified in the authorizing legislation. Grantees will use program funds to:

- provide preschool-age children with high-quality oral language and literature-rich environments;
- provide professional development that is based on scientifically based reading research knowledge of early language and reading development;
- identify and provide activities and instructional materials that are based on scientifically based reading research;

- acquire, provide training for, and implement screening reading assessments or other appropriate measures based on scientifically based reading research; and
- integrate instructional materials, activities, tools, and measures into the programs offered.

	Dollars in Thousands		
	FY 2003	FY 2004	FY 2005
Reading First	$9,678	$10,750	$10,750

Migrant Education (Title I, Part C)
The specific purposes of the Migrant Education program under Title I, Part C are:

- to ensure that migratory children are provided with appropriate educational services (including support services) that address their special needs in a coordinated and efficient manner;
- to ensure that migratory children have the opportunity to meet the same state content and performance standards that all children are expected to meet;
- to prepare migratory children to make a successfully transition to post-secondary education or employment by supporting high-quality educational programs to help them overcome educational disruption, cultural and language barriers, social isolation, various health-related problems and other factors, and
- to ensure that migratory children benefit from state and local systemic reform.

Federal Allocations to Minnesota:

	Dollars in Thousands				
	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Migrant Education	$2,326	$2,612	$3,012	*$2,375	$2,375 est.

*Funding for the Migrant Education program is projected to remain flat for the next biennium.

Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At-Risk of Dropping Out (Title I, Part D)
The specific purposes of the Neglected and Delinquent programs under Title I, Part D, include:

- to provide supplementary instruction to students, ages 5-21, who are neglected and have been placed in a locally operated residential institution for such students;
- to improve educational services to neglected or delinquent children and youth so that such children and youth have the opportunity to meet the same challenging state content and performance standards that all children will be expected to meet;
- to provide the targeted population the services needed to make a successful transition from institutionalization to further schooling and employment; and
- to prevent at risk youth from dropping out and to provide dropouts and youth returning from institutions with a support system to ensure continued education.

Federal Allocations to Minnesota:

	Dollars in Thousands				
	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Neglected and Delinquent	$235	$197	$197	$241	$184 est.

English Language Acquisition Grants for Limited English Proficient Students Title III
This new program consolidates the 13 bilingual and immigrant education programs into a formula grant program and significantly increases flexibility and accountability. Minnesota previously received funds under the Title VII Emergency Immigrant program, while districts applied directly to the U.S. Department of Education for grants under other programs. This program maintains the current focus on assisting school districts in teaching English to limited English proficient students and in helping these students meet the same challenging state standards

required of all other students. Some of the funds may be reserved to serve districts significantly impacted by the needs of immigrant students.

	Dollars in Thousands		
	FY 2003	FY 2004	FY 2005
English Language Acquisition	$4,900 est.	$4,900 est.	$4,900 est.

Rural and Low-Income Schools Grant (Title VI, Part B)
This new program is designed to help rural districts that may lack the personnel and resources to compete effectively for federal competitive grants and that often receive federal grant allocations in amounts that are too small to be effective in meeting their intended purposes. This program serves a very small number of rural districts with high concentrations of poverty that are not eligible for a Small, Rural School Achievement grant from the U.S. Department of Education.

	Dollars in Thousands		
	FY 2003	FY 2004	FY 2005
Rural and Low Income Schools	$175	$175 est.	$175 est.

Refugee Children School Impact Grant
This program provides funding to CFL to make sub-grants to districts serving large numbers of refugee children. The purpose of these sub-grants is to provide for some of the costs of educating refugee children incurred by local school districts in which significant numbers of refugee children reside. Ten Minnesota school districts will receive funds to provide extended day and/or extended year programming as well as additional services. Minnesota expects to receive continuation funding for this grant in FY 2004 and FY 2005.

	Dollars in Thousands		
	FY 2003	FY 2004	FY 2005
Refugee Children School Impact	$1,500	$1,500 est.	$1,500 est.

Byrd Honors Scholarship Program
The purpose of the Byrd Honors Scholarship Program is to provide scholarships for study at institutions of high education to outstanding high school graduates who show promise of continued excellence, in an effort to recognize and promote student excellence and achievement

Federal Allocations to Minnesota:

	Dollars in Thousands				
	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Byrd Honors Scholarships	$529	$527	$714	$714	$714

Reading Excellence Program
Minnesota received $24.5 million in FY 2002 under the competitive Reading Excellence program for the U.S. Department of Education for the purpose of improving K-3 reading instruction, strengthening professional development, reducing referrals to special education because of reading difficulties, providing supplemental services for struggling students, and increasing access to family literacy programs. DOE has awarded two types of subgrants to 31 schools across the state. The Local Reading Improvement subgrants to 24 schools cover FY 2002-04 and are intended to provide the resources to allow the schools to implement a school-based reform focusing on improving K-3 reading instruction. The seven Tutorial Assistance subgrants cover FY 2003-04 and provide resources to schools to provide a choice of tutorial assistance to K-3 students at-risk of not reading on grade level by the end of third grade.

	Dollars in Thousands		
	FY 2002	FY 2003	FY 2004
Federal Funds (estimated)	$4,000	$10,000	$10,000

School-To-Work

School-To-Work is a five-year federal initiative. The main purpose of Minnesota's School-To-Work initiative is to create a system that provide learners with options for receiving quality education and preparation for careers. Minnesota's School-To-Work initiative recognizes school-based learning, work-based learning, service-based learning, and connecting activities as system elements. The elements facilitate the comprehensive goals for Minnesotans to become lifelong learners, economic players, and responsible citizens.

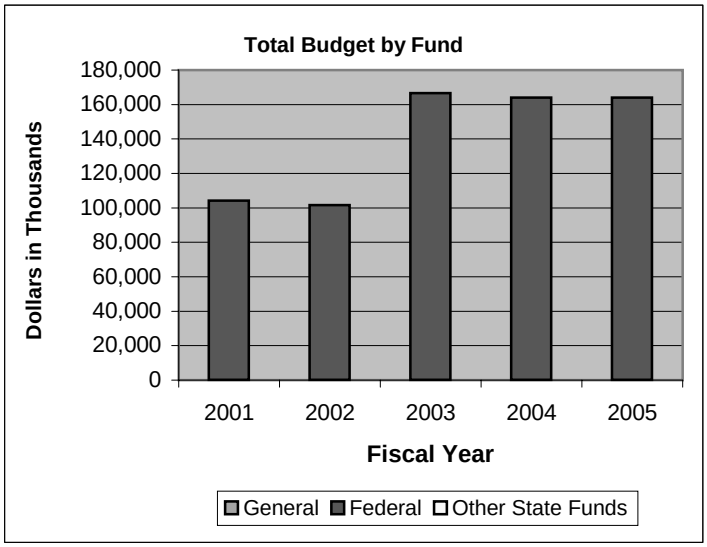
	Dollars in Thousands		
	FY 2000	**FY 2001**	**FY 2002**
Federal Funds	$5,700	$3,800	$1,900

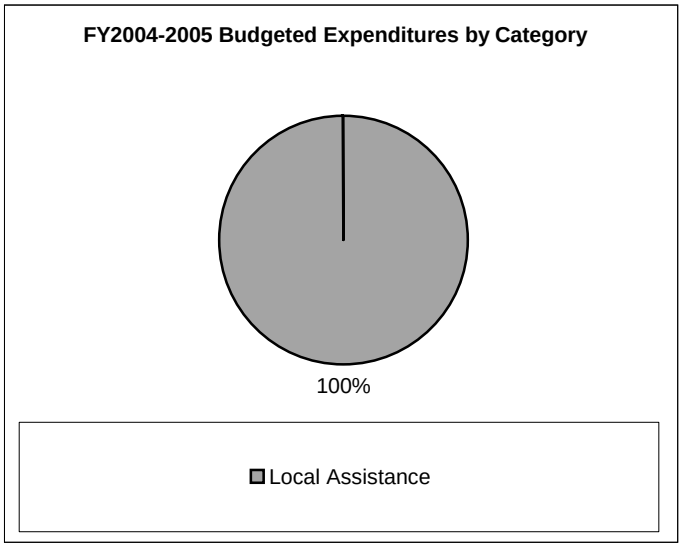
FY 2002 was the last year of funding. The state was granted a no-cost extension though 03-31-03, however, there will be no additional funding for this initiative.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

DEPARTMENT OF EDUCATION
Program: PRGS FOR SPECIAL POPULATIONS
Activity: MISC FEDERAL PROGRAMS

Fiscal Report

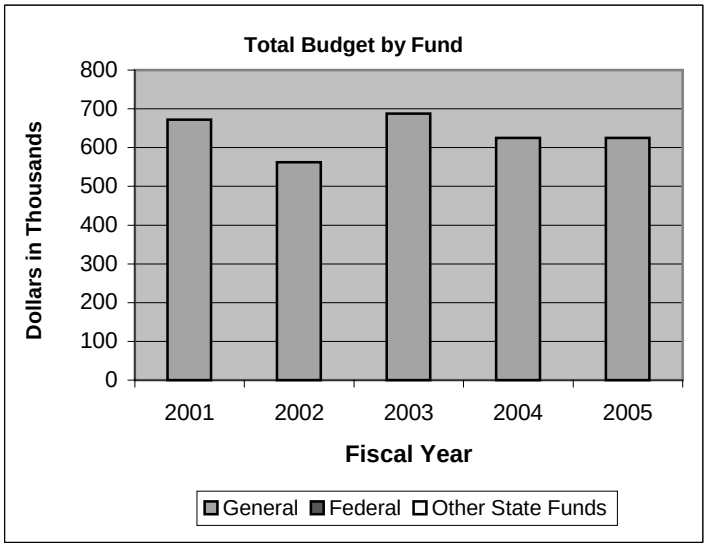


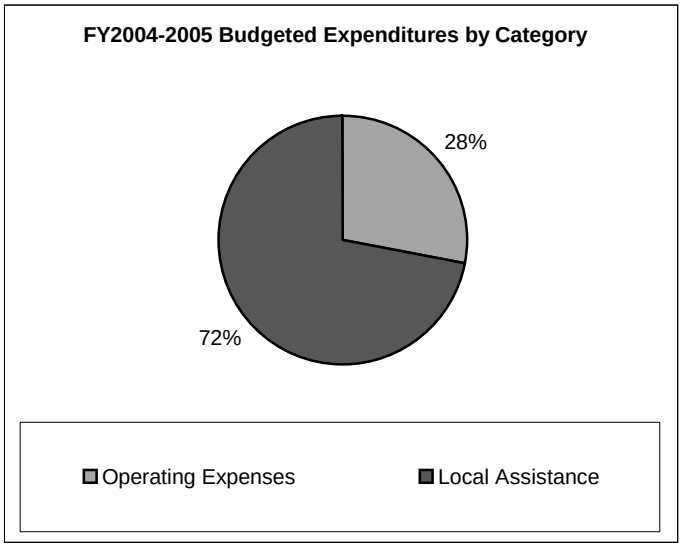


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Federal	104,300	101,605	166,619	164,028	163,974	328,002
Total	**104,300**	**101,605**	**166,619**	**164,028**	**163,974**	**328,002**
Expenditures by Category						
Payments To Individuals	0	729	730	722	722	1,444
Local Assistance	104,300	100,876	165,889	163,306	163,252	326,558
Total	**104,300**	**101,605**	**166,619**	**164,028**	**163,974**	**328,002**
Revenue by Type and Fund						
Dedicated						
Federal	106,032	103,503	169,450	166,656	166,606	333,262
Subtotal Dedicated	106,032	103,503	169,450	166,656	166,606	333,262
Total Revenue	**106,032**	**103,503**	**169,450**	**166,656**	**166,606**	**333,262**

DEPARTMENT OF EDUCATION
Program: PRGS FOR SPECIAL POPULATIONS
Activity: STUDENT ORGANIZATIONS

Fiscal Report

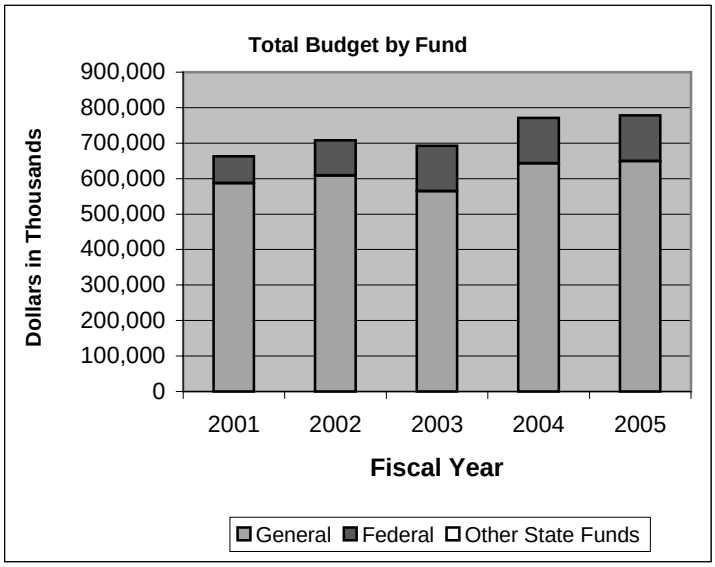


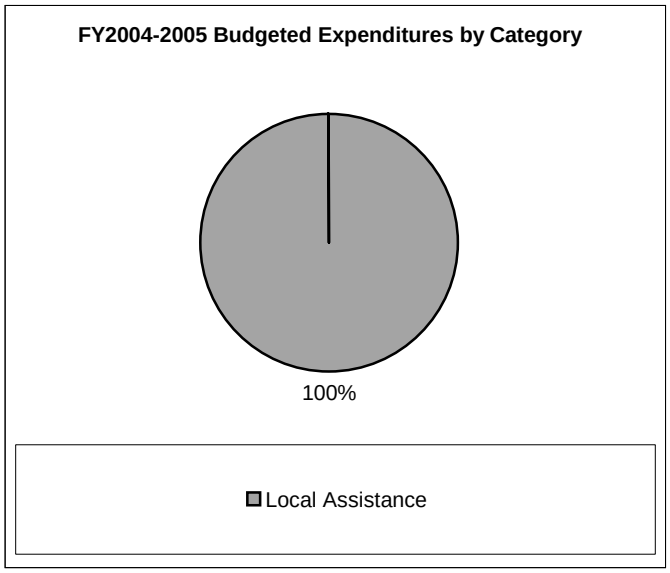


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	672	562	688	625	625	1,250
Total	**672**	**562**	**688**	**625**	**625**	**1,250**
Expenditures by Category						
Operating Expenses	129	116	188	176	176	352
Local Assistance	543	446	500	449	449	898
Total	**672**	**562**	**688**	**625**	**625**	**1,250**
Full-Time Equivalents (FTE)	**1.3**	**1.6**	**1.3**	**1.3**	**1.3**	

Budget Activities Included:

⇒ Special Education – Regular
⇒ Children with Disabilities Aid
⇒ Travel for Home-Based Services
⇒ Special Education – Excess Costs
⇒ Litigation Costs for Special Education
⇒ Transition for Disabled Students
⇒ Court Placed Special Education
⇒ Out of State Tuition for Special Education
⇒ Federal Special Programs





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	586,983	608,543	564,573	642,567	649,572	1,292,139
Statutory Appropriations						
Federal	75,790	99,339	128,108	128,349	128,349	256,698
Total	**662,773**	**707,882**	**692,681**	**770,916**	**777,921**	**1,548,837**

Expenditures by Category						
Local Assistance	662,773	707,882	692,681	770,916	777,921	1,548,837
Total	**662,773**	**707,882**	**692,681**	**770,916**	**777,921**	**1,548,837**

Expenditures by Activity						
Special Education-Regular	566,252	604,663	620,289	657,898	656,302	1,314,200
Children W Disabilities Aid	617	1,346	2,074	2,177	2,244	4,421
Travel For Home-Based Services	135	162	182	227	262	489
Special Education-Excess Costs	85,270	91,502	59,881	94,512	93,019	187,531
Litigation Costs For Spec Educ	340	0	335	346	356	702
Transition-Disabled Students	8,968	8,939	8,302	8,892	8,866	17,758
Court Placed Spec Educ	142	0	147	152	160	312
Out Of State Tuition-Spec Educ	268	0	250	250	250	500
Federal Special Programs	781	1,270	1,221	1,462	1,462	2,924
Cross Subsidy Special Ed	0	0	0	5,000	15,000	20,000
Total	**662,773**	**707,882**	**692,681**	**770,916**	**777,921**	**1,548,837**

Revenue by Type and Fund						
Dedicated						
Federal	83,094	106,705	137,887	137,953	137,953	275,906
Subtotal Dedicated	83,094	106,705	137,887	137,953	137,953	275,906
Total Revenue	**83,094**	**106,705**	**137,887**	**137,953**	**137,953**	**275,906**

Activity Description

Citation: M.S. 125A.02; 125A.03; 125A.53; 125A.75; 125A.76; 125A.78; 125A.79
Federal Citation: P.L. 105-17 IDEA

Special Education-Regular is a state aid program that provides specially designed instruction and related services for children and youth with disabilities ages birth – 21. Districts also receive additional federal Individual Disability Education Act (IDEA) funds to be used in the delivery of special education services.

Activity at a Glance

Special Education services, revenue, and expenditures for FY 2001:

- 114,017 students ages birth – 21 receiving services.
- 21,735 professional and paraprofessional staff employed.
- $562,088,359 paid to districts.
- $69,021,418 Federal Flow Through allocated to school districts.

Population Served

As shown in the following table, in FY 2001 Minnesota provided special education services to 114,017 children and youth, ages birth through 21. The following table shows the number of special education students by age and disability, as of 12-01-01.

Unduplicated Child Count by Disability and Age Group
(click above for historical child count data) as of 12/1/01

Disability	Preschool Ages B-4	K-12 Ages 5-18	Ages 19-21	Total
1. Speech Language Impaired	2,794	17,906	15	20,715
2. Developmental Cognitive Disability-Mild-Moderate	28	6,958	502	7,488
3. Developmental Cognitive Disability-Severe-Profound	11	2,123	335	2,469
4. Physically Impaired	60	1,527	54	1,641
5. Hearing Impaired	168	2,010	52	2,230
6. Visually Impaired	46	375	16	437
7. Specific Learning Disabilities	4	37,942	300	38,246
8. Emotional Behavior Disorder	19	17,582	238	17,839
9. Autism Spectrum Disorder	161	3,377	81	3,759
10. Deaf Blind	6	50	2	58
11. Other Health Impaired	31	8,583	92	8,706
12. Traumatic Brain Injury	16	355	28	399
13. Developmentally Delayed (Early Childhood Special Education)	6,589	3,275	0	9,864
14. Severely Multiply Impaired	2	145	19	166
TOTAL	**10,075**	**102,208**	**1,734**	**114,017**

Students become eligible for special education services by meeting specific state eligibility requirements under one or more of 13 disability categories. Although some of the categories of disability clearly identify children with severe disabilities, even the disability categories that typically suggest mild impairment have students with disabilities that range from relatively mild to very severe.

Students must meet two general criteria to be eligible for special education services: 1) be found eligible through a multi-disciplinary assessment; and 2) be in need of specially designed instruction and related services. The eligibility criteria for each disability are defined in the state education rules.

The following table shows the number of special education students by education setting as of 12-01-01:

Unduplicated Child Count by Setting
as of December 1, 2001 (Birth -21)

Setting Ages 3-21	Total
Regular Class	67,068
Resource Room 2 times or more per day	26,503
Separate Class	9,970
Public Separate Day School	5,146
Private Separate Day School	266
Public Residential School	728
Private Residential School	976
Hospital or Homebound	307
Subtotal Ages 3-21	**110,964**
Settings Ages Birth – 2	
Early Childhood Setting or Home-based	447
Part-time EC Setting Home or Itinerant	172
Early Childhood Sp. Ed. Classroom	2,384
Private Separate Day School	1
Public Residential	43
Private Residential	6
Subtotal Ages Birth – 2	**3,053**
TOTAL	**114,017**

Services Provided

Special Education instruction and services are governed by state statutes (M.S. 125A.02; M.S. 125A.03; M.S. 125A.75); state education rules (chapter 3525); federal law [P.L. 105-17, Individuals with Disabilities Education Act (IDEA)]; and federal rules (CFR 300).

The combination of these laws and rules require the provision of a free appropriate public education (FAPE) for all eligible children and youth with disabilities. FAPE is defined as instruction and services that are:

- based on need as identified in a multi-disciplinary assessment;
- written into an individualized education plan (IEP), Individualized Family Service Plan (IFSP) or Individualized Interagency Intervention Plan (IIIP); and
- provided in the least restrictive environment appropriate to the student's needs and at no cost to parents.

Special Education is broad-based and focuses on areas of instruction that students without disabilities can generally accomplish without specific instruction directed to them.

The responsibility for Special Education services lies with the district in which the parents reside. Districts and parents determine the most appropriate means of delivering the necessary instruction and services to the students.

⇒ More than 279 smaller school districts have formed 43 special education cooperatives to deliver special education programs more cost effectively and efficiently.

⇒ In addition, districts can purchase services from service cooperatives, intermediate school districts, and cooperate with formal collaborative organizations such as children's mental health collaboratives, family service collaboratives, interagency early intervention committees, and community interagency transition committees.

The Division of Special Education and the Division of Accountability and Compliance are working with the school districts and cooperatives to implement self-assessment procedures known as Continuous Improvement Monitoring Process (CIMP). This process is for children with disabilities birth through 21 and their families, and has three major goals:

- to improve educational results for children and youth with disabilities through the provision of specialized instruction and related services;
- to improve educational benefit for children and youth with disabilities through the development and implementation of interagency delivery systems; and
- to assure free and appropriate public education and early intervention services through state and local implementation of required procedures for finding, evaluating, placing, instructing and supporting children and youth with disabilities.

Key Measures

Significantly increase the performance of students with Individualized Education Plans (IEP) on state assessment tests (SE).

- Student Performance as measured by the Minnesota Basic Skills Test

	Percent Passing	
All Students with Disabilities	1998	2001
Basic Skills Test 8th Grade – Reading	25%	37%
Basic Skills Test 8th Grade – Mathematics	26%	30%
Basic Skills Test 10th Grade – Writing*	43%	59%

- Student Performance as measured by the Minnesota Comprehensive Assessment (MCAs)

	Percentage Scoring at Level 2 or Above	
	1998	2001
Grade 3 MCA Reading	41%	53%
Grade 3 MCA Mathematics	55%	74%
Grade 5 MCA Reading	41%	61%
Grade 5 MCA Mathematics	47%	64%
Grade 5 MCA Writing	69%	84%

- Minnesota Compared With the Nation on Key Federal Indicators

	Minnesota	**Nationally**
Percentage Served Birth to Age 2	1.5%	1.7%
Percentage Served in Regular Classrooms	85%	73%
Percentage Served in Segregated Classes	8%	27%
Special Education Dropout Rate	29%	32%
Overall Graduation Rate for Special Education Students	80%	64%
Special Education Students Grade 12 Graduation Rate with Regular Diplomas	*38%	25%
Exemption Rate for State Testing	4%	**10-20%

*In FY 2000 Minnesota had the highest rate in the nation
**National standard

Additional information on special education key measures are available at:
Department of Education's Special Education Web Site: http://cfl.state.mn.us/SPECED/
Initiatives and Priorities: http://cfl.state.mn.us/SPECED/initiatives.html

Activity Funding

Special education programs are funded with state special education aids and federal IDEA funds.

Special Education Expenditures
State and Federal

	Dollars in Thousands					
	FY 1996	**FY 1997**	**FY 1998**	**FY 1999**	**FY 2000**	**FY 2001**
Child Count Birth-21	103,980	106,898	108,951	110,794	112,903	114,017
Average Cost Per Student	$6,943	$7,118	$7,379	$7,685	$7,986	$8,373
Salaries	$503,611	$531,835	$561,823	$595,636	$614,954	$649,516
Fringe Benefits*	110,794	118,067	123,601	131,040	135,290	142,894
Contracted Services	25,027	26,302	27,503	28,716	29,135	25,750
Individualized Instructional Supplies and Equipment	9,428	10,567	11,316	11,487	8,835	8,682
Federal Funds Used for Instruction	13,399	10,819	12,893	12,960	34,668	41,545
SUBTOTAL for Direct & Related Services	**$662,259**	**$697,590**	**$737,136**	**$779,839**	**$822,882**	**$868,387**
Transportation**	59,712	63,312	66,789	71,639	78,781	86,301
TOTAL Expenditures	**$721,971**	**$760,902**	**$803,925**	**$851,478**	**$901,663**	**$954,668**
Annual % Change	3.73%	5.39%	5.65%	5.92%	5.90%	5.88%
Federal Flow Through to Districts	$31,998	$33,742	$42,765	$55,829	$69,021	$91,318
Federal Flow Through per Child to Districts Based on Prior Year's Child Count	$325.49	$330.03	$410.90	$525.73	$627.72	$822.96

*Estimated based on ratio of salaries for staff from UFARS
**Includes transportation to and from school, between schools and board and lodging

State Special Education Aids:
Special education revenue is based on expenditures in the second prior year (base year). State special education revenue for FY 2003 is based on expenditures in FY 2001.

The special education base revenue equals the sum of the following amounts computed using base year data:

- *Salary* - 68% of the salary of each essential staff providing direct instructional services to students;
- *Supplies and Equipment* - 47% of the cost of supplies and equipment not to exceed an average of $47 per student with a disability;
- *Contracted Services* - 52% of the amount of a contract for instruction and services that are supplemental to a district's education program for students with disabilities. 52% of the difference between the amount of the contract and the general education revenue of the district for that pupil for the fraction of the school day the student receives services that are in place of services of the district's program; and
- *Transportation* - 100% of the cost of special transportation services.

The special education adjusted base revenue equals the base revenue times the ratio of the current year average daily membership (ADM) to the base year ADM. If the special education base revenue for a district equals zero, the special education revenue equals the amount computed above using current year data. A school district's special education revenue equals the state total special education revenue, minus new district revenue, times the ratio of the district's adjusted special education base revenue to the state total adjusted special education base revenue.

The state total special education revenue for FY 2000 and beyond equals: 1) the state total special education revenue for the preceding fiscal year times; 2) the program growth factor times; and 3) the ratio of the state total ADM for the current fiscal year to the state total ADM for the preceding fiscal year.

For FY 1999 and earlier, special education revenue was funded with a combination of state aid and property tax levies. Beginning in FY 2000, this program is funded entirely with state aid.

Federal IDEA Funds:
IDEA, Part B funds are generated on a December 1 child count basis. School districts submit the number of individuals with disabilities, ages 3 to 21, who have an IEP and are receiving special education services on December 1. Pre-school incentive funds, Section 619 of IDEA, are generated on children ages 3-5 that have IEP's and are receiving services on December 1. The funding to school districts is referenced in the chart above.

The federal law requires that the state and local school districts maintain effort from one year to the next. Expenditures on a statewide basis or on a local district basis may not be decreased from the current year to the subsequent year, except under specific circumstances. Districts cannot supplant state and local expenditures for special education with federal funds. Federal funds are intended to expand and improve education services to individuals with disabilities.

Because of the maintenance of effort requirements of IDEA, districts have generally paid for related services staff, supplies, equipment, and tuition agreements with federal funds. Districts have somewhat more latitude to pay for non-reimbursed eligible costs with federal funds, rather than with state special education aids. The two aid packages are compatible and provide a complete package for local school districts.

CFL flows 86% of the federal funds to local education agencies. The department retains 2.3% of the funds for administration costs and approximately 11.7% for statewide set aside programs to implement Minnesota's State Improvement Plan.

Special education revenue, together with the general education revenue earned by students with disabilities for the time they are enrolled in special education programs, does not reimburse all of the expenses that districts incur for special education programs. Information on special education cross-subsidies is available at http://cfl.state.mn.us/dpf/specialed.html.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact
Additional information is available from the Minnesota Department of Education, Special Education Division, (651) 582-8264.

DEPARTMENT OF EDUCATION
Program: SPECIAL PROGRAMS
Activity: SPECIAL EDUCATION - REGULAR

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	1,483	1,325	1,677	2,312	2,342	4,654
2. Statutory Excess/(Shortfall)	0	847				
3. Appropriated Entitlement	1,483	2,172	1,677	2,312	2,342	4,654
4. Adjustment(s)						
a. Excess Funds Transferred In / (Out)		(847)				
5. State Aid Entitlement	1,483	1,325	1,677	2,312	2,342	4,654
6. Total School District Revenue - All Funds	1,483	1,325	1,677	2,312	2,342	4,654
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	154	192	217	285	393	678
Current Year (90% FY 01-02) (83% FY 03-05)	1,728	1,955	1,392	1,919	1,944	3,863
Cancellation	(437)	(847)				
Total State Aid - General Fund	**1,445**	**1,300**	**1,609**	**2,204**	**2,337**	**4,541**
TOTAL APPROPRIATIONS	**1,445**	**1,300**	**1,609**	**2,204**	**2,337**	**4,541**

Activity Description
Citation: M.S. 125A.75, Subd. 3

This state aid program provides funding for individuals who are placed in a state institution, a licensed residential facility, or foster facility for care and treatment and for whom no district of residence can be determined.

Activity at a Glance

For FY 2001:
- 140 students without disabilities were placed.
- 338 students with disabilities were placed.
- Total cost was $2.25 million.

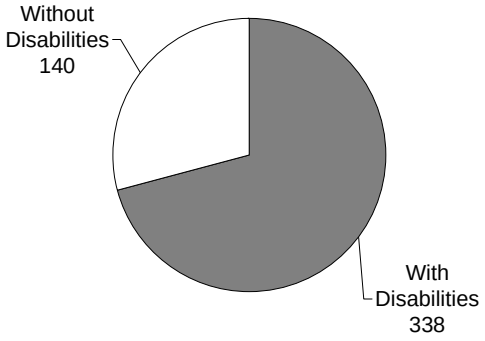
Population Served
Districts that serve individuals described above receive full payment for net education costs for students with and without disabilities who are served.

Services Provided
This activity ensures that individuals who are placed in a residential facility and for whom no district of residence can be determined receive a free and appropriate education. Pupils are eligible if no district of residence can be determined because:
- parental rights have been terminated by court order;
- parents cannot be located;
- no other district of residence can be determined; or
- the parent or guardian having legal custody of the child is an inmate of a Minnesota correctional facility or is a resident of a halfway house under the supervision of the commissioner of corrections.

This activity's objectives are the same as stated for regular special education. Special education programs and services are designed to benefit individuals with disabilities whose educational needs range from self care skills, to independent living skills, to preparation for sheltered employment or employment in the community. Students without disabilities are also eligible for this aid if they are eligible as noted above. This aid is for the costs of education and not for the costs associated with the care and treatment of the students.

Students eligible for this aid must be placed where the regular education program at the facility is approved according to section M.S. 125A.515.

FY 2001



Historical Perspective

This program began in the 1970s to include education costs for students with disabilities. The law was amended in 1999 to include all students, those with and without disabilities as eligible for aid if they meet the criteria stated above. Students without disabilities must have been placed by the courts to be eligible.

Key Measures

Key indictors and measures for special education programs are available in the Special Education -Regular budget narrative.

Additional information on special education key measures are available at:
Department of Education's Special Education Web Site: http://cfl.state.mn.us/SPECED/
Initiatives and Priorities: http://cfl.state.mn.us/SPECED/initiatives.html

Activity Funding

The aid equals 100% of the net costs of educating these individuals, including transportation costs, a proportionate amount of capital expenditures and debt service, minus the sum of basic general education revenue, special education aid, transportation aid, and any other aid earned on behalf of the child.

The students without disabilities have an average placement of 34.20 days while the students with a disability have an average placement of 77.40 days. In FY 2001, the average cost for a full-time equivalent student without a disability is $6,077.60 while it is $8,058.01 for a student with a disability.

The aid is paid as a reimbursement in the year following the year the services are provided.

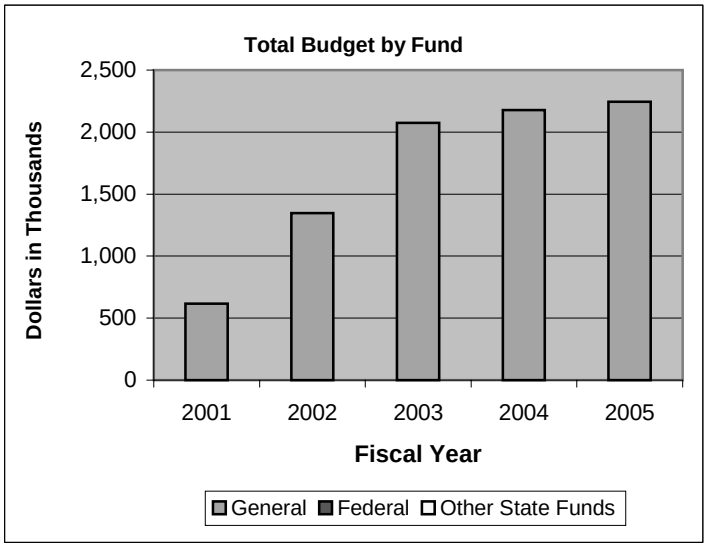
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

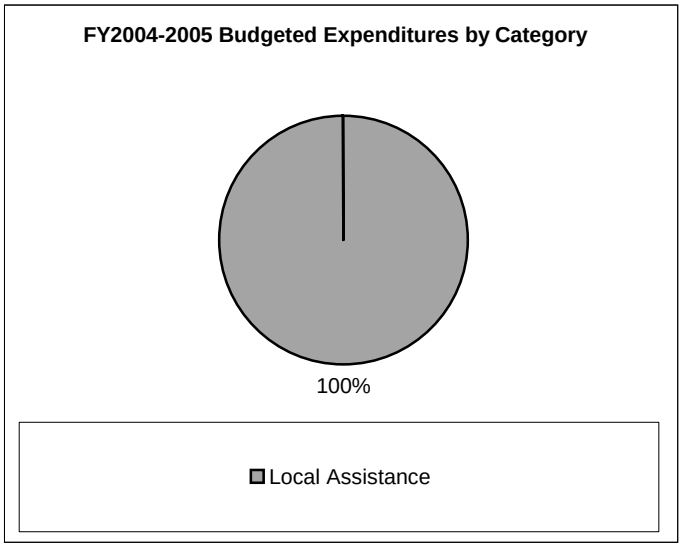
Contact

Additional information is available from the Minnesota Department of Education, Special Education Division, (651) 582-8264.

DEPARTMENT OF EDUCATION
Program: SPECIAL PROGRAMS
Activity: CHILDREN W DISABILITIES AID

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	617	1,346	2,074	2,177	2,244	4,421
Total	**617**	**1,346**	**2,074**	**2,177**	**2,244**	**4,421**

Expenditures by Category						
Local Assistance	617	1,346	2,074	2,177	2,244	4,421
Total	**617**	**1,346**	**2,074**	**2,177**	**2,244**	**4,421**

Activity Description

Citation: M.S. 125A.75, Subd. 1; P.L. 95-17, 42 U.S.C. Part C

This activity is funded by state sources. The state aid activity provides funding to assist school districts with travel costs for early childhood special education staff delivering services to children and their families in the home and at early childhood education center based sites within the community.

Activity at a Glance

Home-Based Travel for ECSE staff to provide services in the home or center based programs.

- 10,075 ECSE children served in FY 2001
- $135,806 paid to districts in FY 2001

Population Served

M.S. 125A.03 mandates special education services begin at birth for children with disabilities.

⇒ For very young children, special education services consist of consultation with parents and parent training, as well as direct services to the child.

⇒ Home-based travel aid assures that services are available in a variety of settings and that training and services can be delivered in the home or in settings most appropriate for the child and family.

Home based travel assists the parents to be more involved in children's learning, development, and readiness for K-12 education and it provides services in the child's more natural setting of the home or early childhood center.

Services Provided

Travel for home-based services assures that all individuals from birth through age four with disabilities, and their families, have access to early childhood special education (ECSE) intervention services.

Federal funding under the Individuals with Disabilities Education Act (IDEA), (P.L. 95-17) (Budget Activity 0301), the Preschool Incentive program (P.L. 95-17, Sec. 619) (Budget Activity 3201), and the Infants and Toddlers program (Budget Activity 0915) (42 U.S.C. Part C) may also be used for this purpose.

Key Measures

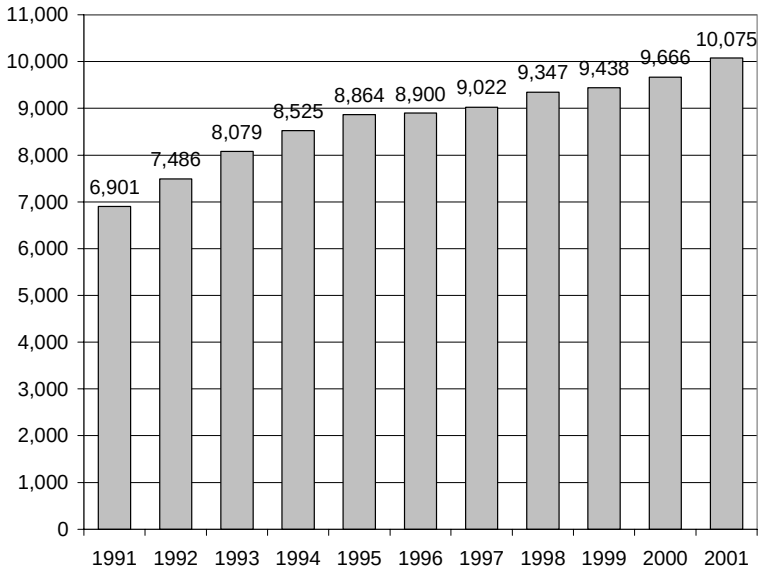
⇒ The number of children, from ages birth through age four, identified as having disabilities and receiving special education services increased from 6,901 in FY 1991 to 10,075 in FY 2001. The majority of these services are provided in the child's home or in a center-based site in the community.

⇒ There are 3,186 students age five who are in home-based, center, school-based and other settings, some of whom are eligible for home-based travel aid.

Key indicators and measures for special education programs are available in the Special Education -Regular budget narrative.

Additional information on special education key measures are available at:
Department of Education's Special Education Web Site: http://cfl.state.mn.us/SPECED/
Initiatives and Priorities: http://cfl.state.mn.us/SPECED/initiatives.html

Number of Preschool Children (Age 0-4)
Receiving Special Education Services



Activity Funding

Under current law, the state must pay each district one-half of the sum actually expended by a district for necessary travel of essential personnel providing home-based services to children with a disability under age five and their families.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Special Education, (651) 582-8264.

DEPARTMENT OF EDUCATION
Program: SPECIAL PROGRAMS
Activity: TRAVEL FOR HOME-BASED SERVICES

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	136	162	202	232	268	500
2. Statutory Excess/(Shortfall)	(5)	(22)				
3. Appropriated Entitlement	131	140	202	232	268	500
4. Adjustment(s)						
a. Excess Funds Transferred In / (Out)	5	22				
5. State Aid Entitlement	136	162	202	232	268	500
6. Total School District Revenue - All Funds	136	162	202	232	268	0
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	13	14	14	34	39	73
Current Year (90% FY 01-02) (83% FY 03-05)	117	126	168	193	223	416
Transfers per M.S. 127A.41, subdivision 8 & 9	5	22				
Total State Aid - General Fund	**135**	**162**	**182**	**227**	**262**	**489**
TOTAL APPROPRIATIONS	**135**	**162**	**182**	**227**	**262**	**489**

Activity Description
Citation: M.S. 125A.79

This state aid program provides school districts with assistance for unreimbursed costs of special education and related services. These high costs have traditionally been subsidized by the general fund, reducing funds available for classroom education.

Population Served
All public schools in Minnesota that experience unreimbursed special education costs as defined by the aid formula receive benefits from state aid.

Activity at a Glance

Excess Cost Aid provides a "safety net" for districts that experience high costs for special education services which are not reimbursed by regular special education aid.

- $88.1 million in entitlements to Minnesota districts in FY 2001.
- 299 districts received excess cost aid in FY 2001.

Services Provided
Special education excess cost aid promotes adequacy and equity in the general education program. Specifically, this activity helps students with a disability access free and appropriate public education without requiring school districts to subsidize special education costs excessively from general operating funds.

In small school districts, the unreimbursed costs of serving a few high cost students can have a severe impact on the district's general fund budget. High concentrations of special education students can create similar problems in larger school districts. The special education excess cost aid provides a safety net to mitigate the impact of unreimbursed special education costs on school district general fund budgets.

Historical Perspective
Since FY 1996, the total state special education revenue has been set in law. The growth in special education excess cost revenue since FY 1995 is largely attributable to faster growth in special education expenditures than in state total special education revenue during this period.

Beginning in FY 1999, transportation funding for students with a disability was rolled into the special education formula, and the excess cost of transporting these students was included in the excess cost formula.

Beginning in FY 2000, the revenue was increased from 70% to 75% of excess costs, and the threshold to qualify for revenue was reduced from 5.7% to 4.4% of general education revenue. The threshold was reduced to 4.36% beginning in FY 2001.

Key Measures
Key indictors and measures for special education programs are available in the Special Education -Regular budget narrative.

Additional information on special education key measures are available at:
Department of Education's Special Education Web Site: http://cfl.state.mn.us/SPECED/
Initiatives and Priorities: http://cfl.state.mn.us/SPECED/initiatives.html

Activity Funding
For FY 2001, a district's special education excess cost aid equaled the greater of

- 75% of the difference between the district's unreimbursed special education cost and 4.36% of the district's general revenue; or
- 70% of the difference between the increase in the district's unreimbursed special education cost between the base, and the current year and 1.6% of the district's general revenue.

Beginning in FY 2002, the state total excess cost aid equals the product of the state total excess cost aid in the previous year, times the program growth factor, times the ratio of the state total average daily membership (ADM) in the current year to the state total ADM in the previous year.

The program growth factor equals 1.044 for FY 2002 and 1.02 for FY 2003 and later. A district's initial excess cost aid is computed using the formula in effect for FY 2001. A district's actual excess cost aid equals its initial entitlement times the ratio of the state target for excess cost aid to the state total initial excess cost aid.

Excess cost aid targets a portion of special education funding increases to districts with the greatest excess cost as a percentage of total general revenue. By considering the overall impact of unreimbursed special education costs on a district's general fund budget, this program is more effective in addressing excess costs than narrower programs such as the residential aid, court placement, and tuition revenue programs.

The table below shows the state total amount of excess cost revenue for FY 1995 through FY 2003, and the numbers of districts participating in the program each year:

Special Education Excess Cost Revenue

Dollars in Millions

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	Est. FY 2002	Est. FY 2003
Total Revenue	$5.9	$10.7	$9.8	$15.4	$31.0	$71.8	$88.1	$91.9	$93.7
Number of Districts	71	44	113	173	202	272	299	276	298

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Special Education, (651) 582-8264.

DEPARTMENT OF EDUCATION
Program: SPECIAL PROGRAMS
Activity: SPECIAL EDUCATION - EXCESS COSTS

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	88,088	90,805	92,443	92,067	91,811	183,878
2. Statutory Excess/(Shortfall)	0	1,120				
3. Appropriated Entitlement	88,088	91,925	92,443	92,067	91,811	183,878
4. Adjustment(s)						
a. Excess Funds Transferred In / (Out)		(1,120)				
b. Net Prior Year Recoveries	(686)					
5. State Aid Entitlement	87,402	90,805	92,443	92,067	91,811	183,878
6. Total School District Revenue - All Funds	87,402	90,805	92,443	92,067	91,811	183,878
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03)*	6,815	9,889	9,192	41,754	39,309	81,063
Transfers per M.S. 127A.41, subdivision 8 & 9	942					
Current Year (90% FY 01-02)*	89,062	82,733	50,689	52,758	53,710	106,468
Cancellation	(11,549)	(1,120)				
Total State Aid - General Fund	**85,270**	**91,502**	**59,881**	**94,512**	**93,019**	**187,531**
TOTAL APPROPRIATIONS	**85,270**	**91,502**	**59,881**	**94,512**	**93,019**	**187,531**

*According to M.S. 127A.45, a district's estimated entitlement for special education excess cost aid equals 70% of the district's entitlement for the second prior year.The final adjustment payment must be the amount of the actual entitlement minus the payments made during the fiscal year of the entitlement.

Activity Description

Citation: M.S. 125A.75, Subd. 8

This state aid program provides additional funding for school districts for eligible litigation costs associated with special education.

Activity at a Glance

Provides districts with reimbursement for due process hearing costs relating to special education matters.

- 12 districts received $132,568 in FY 2000
- 13 districts received $337,518 in FY 200.

Population Served

School districts with eligible special education litigation costs can participate in this activity.

Services Provided

This program increases the efficiency of special education programs by encouraging districts to make program decisions based on student educational needs and not based on fear of high litigation costs. Districts are eligible for reimbursement of administrative hearing costs. Attorney fees are not eligible for reimbursement.

The administrative costs of special education hearings, including the following items, are eligible for 100% reimbursement.

- hearing officer fees
- court reporter fees
- mileage costs
- independent evaluations ordered by the hearing officer
- rental of hearing rooms
- transcription fees
- interpreter and transliterator fees

Key Measures

Some school districts are pressured to provide more special education services than necessary to avoid significant litigation costs. By assisting districts with litigation costs, this program is intended to reduce the impact of potential litigation as a factor driving program decisions and to allow decisions to focus more directly on student educational needs.

	FY 1999	FY 2000	FY 2001
Number of School Districts	14	12	13
Amount Paid to Districts	$542,911	$132,568	*$337,518

**In addition 4 districts paid $25,393 for hearing costs with federal funds in FY 2001.*

Activity Funding

This program is funded with state aid. If the amount appropriated is insufficient to fully fund the aid for hearing and litigation costs, the aid is prorated. All applications for funding are reviewed by the Division of Special Education and Division of Accountability and Compliance to assure “neutral funding” for due process procedures.

Beginning in FY 2002, this program was changed to reimburse school districts for prior year eligible costs.

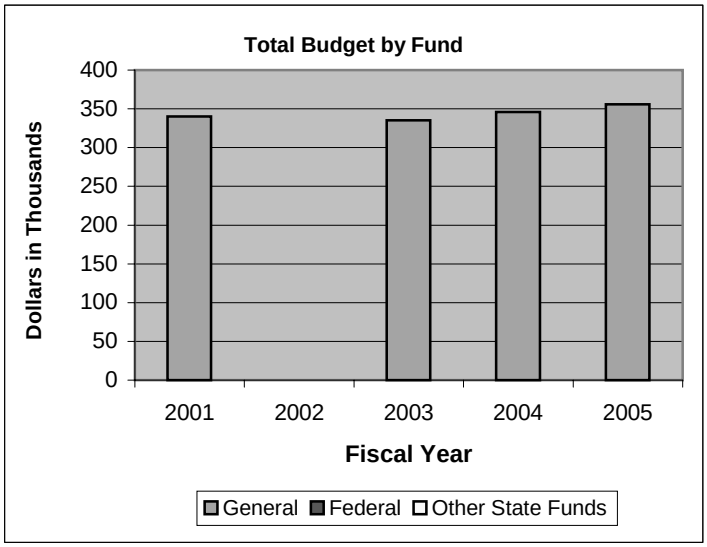
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

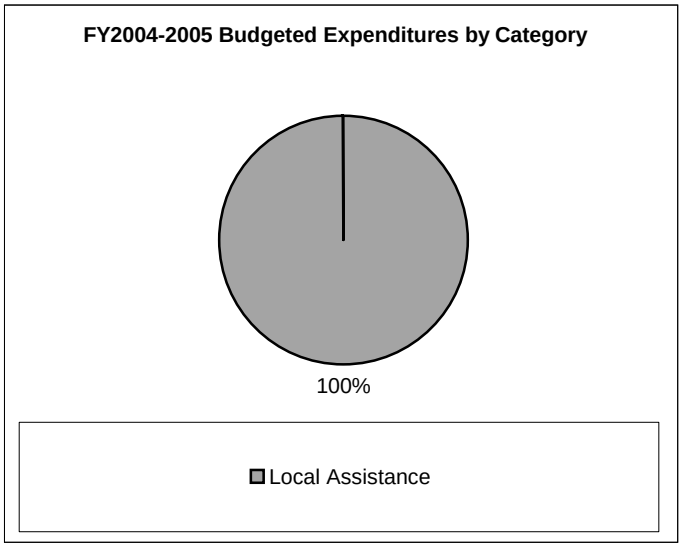
Contact

Additional information is available from the Minnesota Department of Education, Division of Special Education, (651) 582-8264.

DEPARTMENT OF EDUCATION
Program: SPECIAL PROGRAMS
Activity: LITIGATION COSTS FOR SPEC EDUC

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	340	0	335	346	356	702
Total	**340**	**0**	**335**	**346**	**356**	**702**

Expenditures by Category						
Local Assistance	340	0	335	346	356	702
Total	**340**	**0**	**335**	**346**	**356**	**702**

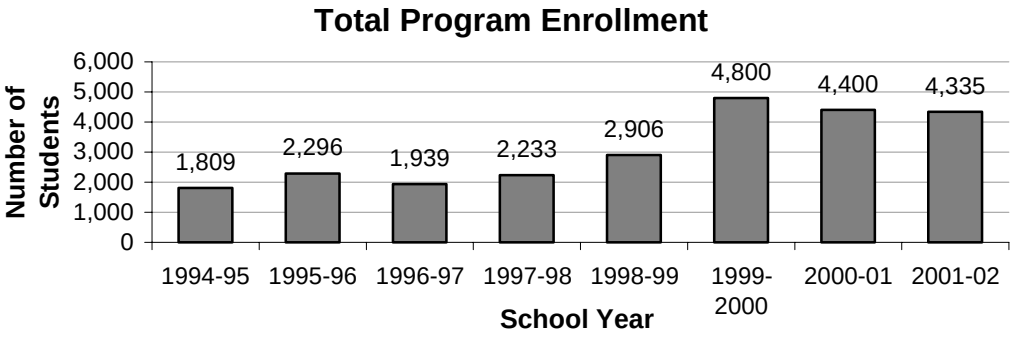
Activity Description
Citation: M.S. 124D.454

Activity at a Glance

- 4,335 students served in FY 2002

The Transition Program for Students with Disabilities is a state funded program that provides additional funding for transitional career and technical (vocational) experiences/programs that provide career exploration, healthy work attitudes, specific career and academic knowledge, and job skills for students with disabilities.

Population Served
This program serves students who meet state disability eligibility criteria according to M.S. 125A.02 and whose individual Education Plans (IEP) includes work-based learning.



Services Provided
Examples of special services offered to aid in career and technical student success are assessment of aptitude, abilities, and support needs; interpreters; career assessment; community-based work experience; and technical tutors.

This program provides students with disabilities opportunities to:

- explore career choices;
- acquire entry-level academic and technical skills for employment;
- learn problem-solving and communication skills appropriate to the individual education plans and employment standards;
- gain experience in the use of equipment that will be used in their chosen fields of study; and
- gain work experience in a real-world setting.

A student with a disability may be served in his/her district of residence, by cooperative efforts with other districts, or through formally organized intermediate districts or cooperatives. Many students with disabilities meet transition goals through regular career and technical education programs.

⇒ Programs meet state program standards.
⇒ Programs are taught by appropriately licensed staff.
⇒ Programs address federal core indicators of academic and technical skill attainment, program completion, participant progress in post-secondary education or employment, and participation in opportunities not traditional to the gender.
⇒ Equipment and contracted services obtain state approval because need and effectiveness are demonstrated.
⇒ Programs address the wealth of opportunities available in business/industry settings.

Historical Perspective

In the past, this program has been known as Secondary Vocational-Disabled, Secondary Vocational for Students With Disabilities, and School to Work for Students with Disabilities, and is now known as Transition Programs for Students With Disabilities.

Key Measures

Significantly increase the transition from education to employment for students with IEPs.

⇒ The agency is currently in the process of developing a data collection process that will be used to collect program data for this and other school-to-work programs. This data will be available beginning with data from the FY 2003 school year.

Activity Funding

School districts, intermediate districts, cooperatives, and other educational organizations must have program approval and must use appropriately licensed staff to qualify for program funding.

Per current law, the state total revenue equals the state total transition-disabled revenue for the previous year, times a growth factor, times the ratio of state total ADM for the current year to the state total ADM for the previous year.

A school district's transition-disabled revenue equals the state total transition-disabled revenue, less new district revenue, times the ratio of the school district's adjusted base transition-disabled revenue to the state total adjusted base transition-disabled revenue.

State transition-disabled revenue is based on expenditures in the second prior year (base year). The base revenue resulting from the base year expenditures equals the sum of the following:

- 68% of salaries of essential personnel providing direct instructional services;
- 52% of the difference between an approved contract for services and basic revenue for that student for the fraction of the school day the student receives services;
- 47% of necessary equipment;
- 47% of teacher travel between instruction sites or to/from community-based learning sites;
- 47% of supplies not to exceed an average of $47 per student with a disability;
- 52% of the contract amount for services by an organization, other than a Minnesota school district or cooperative, that are supplemental to the district education program; and
- 52% of the contract for vocational evaluation of a student not yet enrolled in 12th grade.

The adjusted base year revenue equals the base revenue times the ratio of the district's average daily membership (ADM) for the current year to the district's ADM in the base year. If the district base year revenue is zero, the current year revenue calculation is based on formula percentages applied to current year expenditures.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Lifework Development Division, (651) 582-8409.

DEPARTMENT OF EDUCATION
Program: SPECIAL PROGRAMS
Activity: TRANSITION FOR DISABLED STUDENTS

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	8,966	8,939	8,922	8,886	8,862	17,748
2. Statutory Excess/(Shortfall)	0	23				
3. Appropriated Entitlement	8,966	8,962	8,922	8,886	8,862	17,748
4. Adjustment(s)						
a. Excess Funds Transferred In / (Out)		(23)				
5. State Aid Entitlement	8,966	8,939	8,922	8,886	8,862	17,748
6. Total School District Revenue - All Funds	8,966	8,939	8,922	8,886	8,862	17,748
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	898	896	896	1,516	1,510	3,026
Current Year (90% FY 01-02) (83% FY 03-05)	8,070	8,066	7,406	7,376	7,356	14,732
Cancellation		(23)				
Total State Aid - General Fund	**8,968**	**8,939**	**8,302**	**8,892**	**8,866**	**17,758**
TOTAL APPROPRIATIONS	**8,968**	**8,939**	**8,302**	**8,892**	**8,866**	**17,758**

Activity Description

Citation: M.S. 125A.79, subd. 4

This state aid program provides funding for school districts to pay the costs of providing special education programs to non-Minnesota students with disabilities when the providing school district is unable to collect tuition from the responsible state or agency.

Activity at a Glance

Court Place Revenue for Non-Minnesota Residents placed by the courts in Minnesota.

- 25 students were placed from out-of-state
- 10.84 ADMs were in placement
- $141,667 was paid to districts in FY 2001

Population Served

Minnesota school districts receive aid that would otherwise be subsidized by the district general fund.

Services Provided

Minnesota school districts providing special education services to court-placed nonresident students with disabilities are assured that they will receive revenue for services provided if out-of-state agencies fail to pay tuition bills. In addition to the tuition bills, the district submits to the agency the documentation of the efforts to collect the tuition from the student's resident district and state.

Key Measures

FY 1999 was the first year of operation for this program, with 16 students eligible for the state aid under this program.

In FY 2001, twenty-five non-resident students (10.84 Average Daily Memberships) were placed in Minnesota by the courts for services that were not paid by the resident district or state with a cost of $141,667.

Activity Funding

To be eligible for this revenue, districts must demonstrate that they have admittance procedures designed to identify the agency responsible for the education costs, and get commitment for payment of tuition from the agency prior to admitting the student into the program.

Beginning in FY 2002, this program was changed to reimburse school districts for prior year eligible costs.

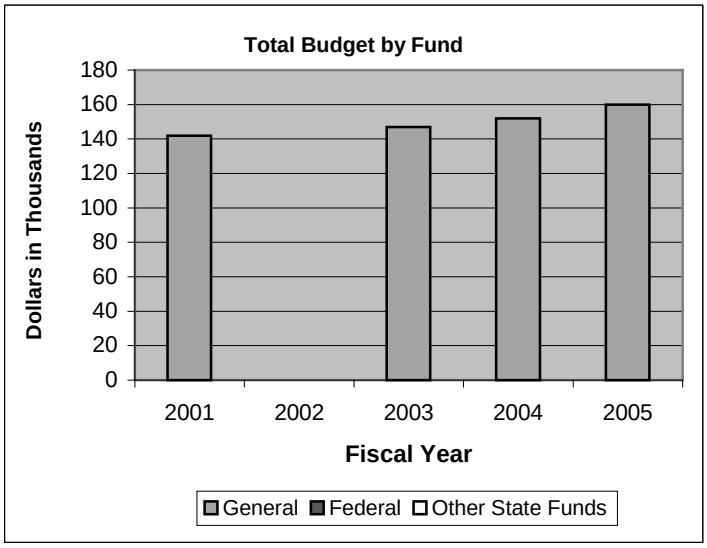
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

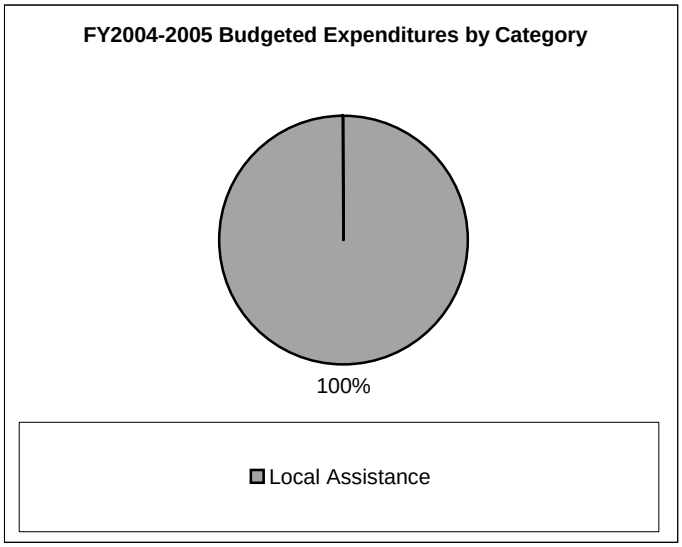
Contact

Additional information is available from the Minnesota Department of Education, Division of Special Education, (651) 582-8264.

DEPARTMENT OF EDUCATION
Program: SPECIAL PROGRAMS
Activity: COURT PLACED SPEC EDUC

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	142	0	147	152	160	312
Total	**142**	**0**	**147**	**152**	**160**	**312**

Expenditures by Category						
Local Assistance	142	0	147	152	160	312
Total	**142**	**0**	**147**	**152**	**160**	**312**

Activity Description
Citation: M.S. 125A.79, Subd.8

This state aid program provides education funding for Minnesota resident students placed in care and treatment facilities by court action in a state that does not have a reciprocity agreement.

Activity at a Glance

Minnesota residents placed out-of-state for care and treatment summary for FY 2001:

- 82 students were place out-of-state
- 51.19 ADMs were in placement
- $267,766.94 paid to school districts

Population Served
Districts receive education funding for students placed in care and treatment facilities by court action in a state that does not have a reciprocity agreement.

Services Provided
The resident school district submits the balance of the tuition bills, minus the sum of basic general education revenue, special education aid, and any other aid earned on behalf of the child to the Minnesota Department of Education, Special Education Division for payment.

Historical Perspective
This provision was enacted in 1999 to pay the costs of providing special education programs to Minnesota students with disabilities who are placed in a care and treatment facility by court action in a state that does not have a reciprocity agreement.

Key Measures
The first year of operation of this program was FY 2001, and 82 students were placed out-of-state for care and treatment. The payment from this statute is made after all available aids such as general education revenue and special education revenue have been applied.

Number of Students in out-of-state placements	ADM	Total Expenditure	Special Education Revenue	Basic Revenue	Court Placed Funding
82	51.19	$828,880	$290,080	$271,032	$267,766

Key indictors and measures for special education programs are available in the Special Education -Regular budget narrative.

Additional information on special education key measures are available at:
Department of Education's Special Education web site: http://cfl.state.mn.us/SPECED/
Initiatives and Priorities: http://cfl.state.mn.us/SPECED/initiatives.html

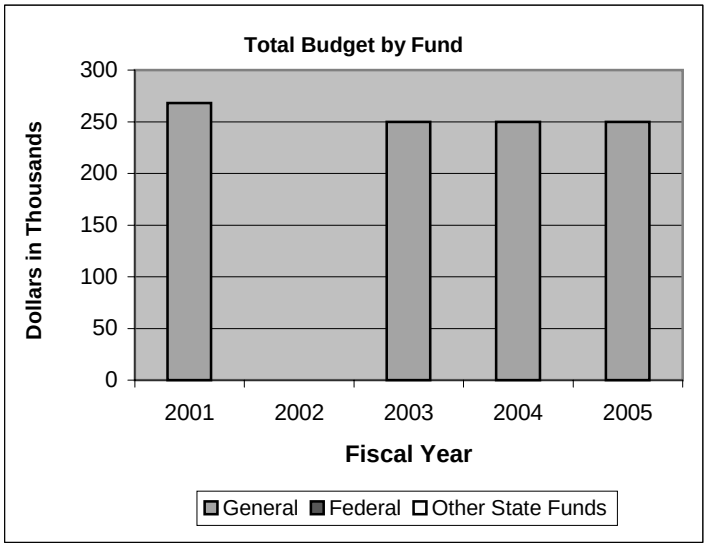
Activity Funding
Because data is not readily available prior to the end of the school year, this program was changed to reimburse school districts for eligible costs in the prior year beginning in FY 2003.

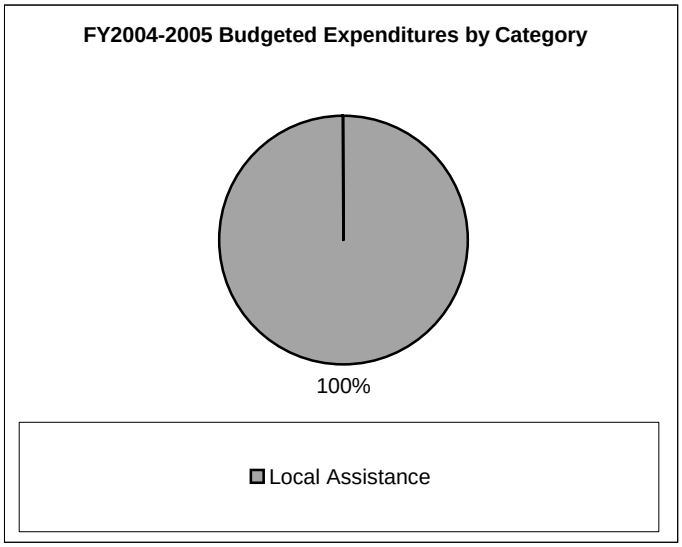
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact
Additional information is available from the Minnesota Department of Education, Division of Special Education, (651) 582-8264.

DEPARTMENT OF EDUCATION
Program: SPECIAL PROGRAMS
Activity: OUT OF STATE TUITION-SPEC EDUC

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	268	0	250	250	250	500
Total	**268**	**0**	**250**	**250**	**250**	**500**

Expenditures by Category						
Local Assistance	268	0	250	250	250	500
Total	**268**	**0**	**250**	**250**	**250**	**500**

Activity Description

This budget activity summarizes federal programs for special populations that fund activities throughout Minnesota.

Special Education - Deaf/Blind P.L. 105-17 IDEA
To initiate and improve statewide educational services for children with deaf-blindness from birth to age twenty-two.

To provide transition services for Minnesota youth and young adults with deaf-blindness as they progress from secondary special education programs to post-secondary education, employment, and community living.

Activity at a Glance

The federal program in the narrative are:

- Special Education – Deaf/Blind
- Special Education State Improvement
- Special Education Self Improvement
- Title I Program for Neglected and Delinquent Children
- Future Bound: Outreach Project

The specific program objectives are the same as stated under Special Education-Regular narrative. Special Education programs are designed to prepare individuals with disabilities whose education needs are basic, ranging from self care skills, to independent living skills, to preparation for sheltered employment, or employment in the community. Some will be prepared for and benefit from the full array of post-secondary education programs available.

Special Education State Improvement Grant P.L. 105-17 IDEA
The State Improvement Grant (SIG) is a five-year grant that was received through a competitive process among states. The purpose of the grant is to bring about systemic change in identified statewide need areas in special education. The grant currently focuses upon: 1) facilitating access to general education curriculum and achieving results for children and youth with disabilities; 2) fully implementing a coordinated, multidisciplinary interagency service system for children and youth with disabilities birth through 21 statewide; and 3) ensuring the availability of a qualified special education workforce in all regions and communities of Minnesota.

Special Education Self Improvement Grant P.L. 105-17 IDEA
The self-improvement grant is a one-year grant that was received through a competitive process to focus on self-improvement in five areas of need previously identified in the *Minnesota's Self-Assessment Process 2000*. These five areas include: successful student transitions, sufficient trained staff, access to mental health services, interagency coordination, and reducing system bias.

Title I Program for Neglected and Delinquent Children P.L. 100-297 Elementary and Seconday Education Act of 1965, Title I Chapter 1

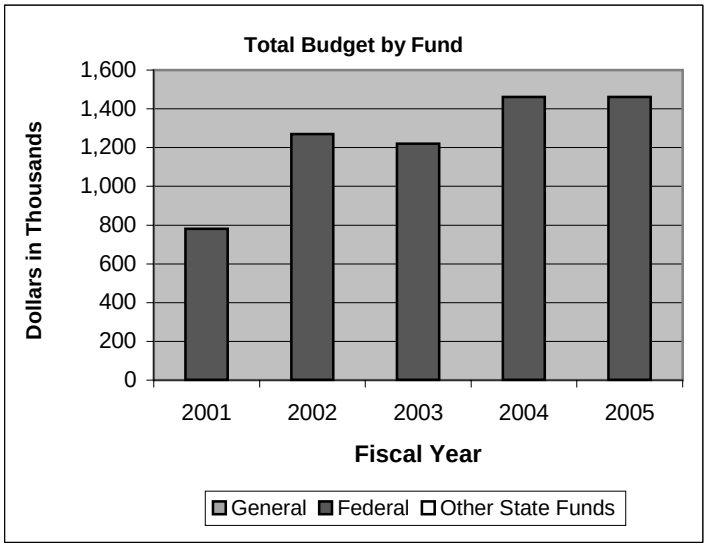
Federal funds for use by state corrections facilities to provide education services to children at risk (academic) and support partnerships between schools and correctional facilities for the purpose of improving the at risk youngsters' quality of education in an effort to meet state performance standards that comply with guidelines of the Neglected and Delinquent Children's policies.

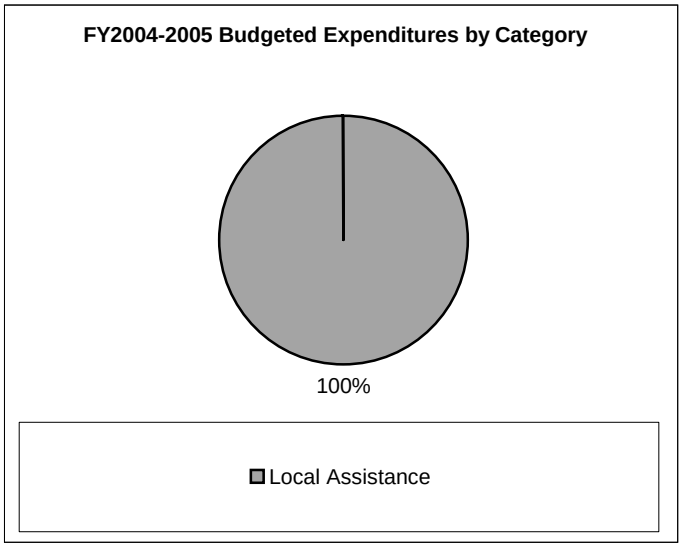
Future Bound: Outreach Project to Promote Secondary Transitional Opportunities for American Indian Students. (CFDA 84324R)
This grant program provides the four Dakota communities and other tribal nations and public schools in Minnesota with the funding for summer programs and curriculum to help special education/at-risk students make the transition from high school to postsecondary education.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Special Education Division, (651) 582-8264.

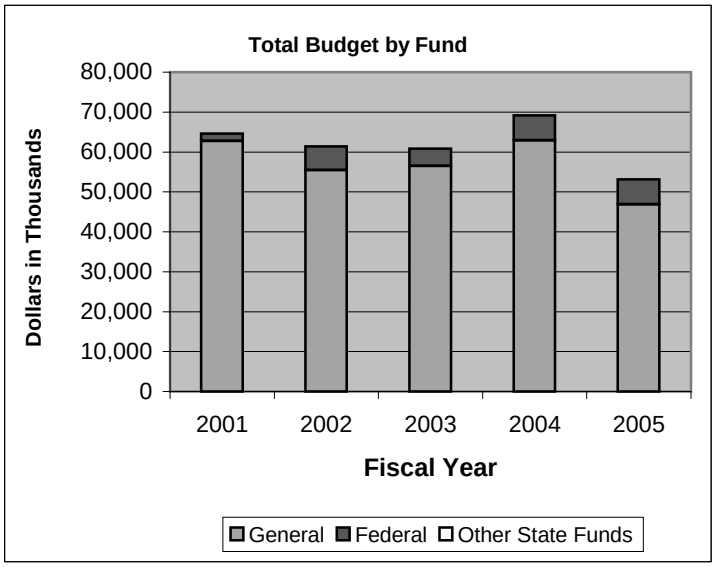


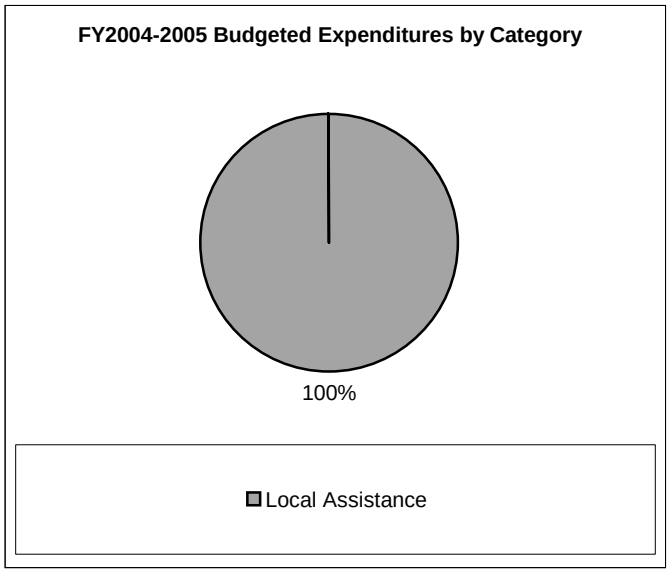


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Federal	781	1,270	1,221	1,462	1,462	2,924
Total	**781**	**1,270**	**1,221**	**1,462**	**1,462**	**2,924**
Expenditures by Category						
Local Assistance	781	1,270	1,221	1,462	1,462	2,924
Total	**781**	**1,270**	**1,221**	**1,462**	**1,462**	**2,924**
Revenue by Type and Fund						
Dedicated						
Federal	1,281	1,642	1,934	2,040	2,040	4,080
Subtotal Dedicated	1,281	1,642	1,934	2,040	2,040	4,080
Total Revenue	**1,281**	**1,642**	**1,934**	**2,040**	**2,040**	**4,080**

Budget Activities Included:

⇒ Health & Safety Revenue
⇒ Debt Service Equalization
⇒ Alternative Facilities Bonding Aid
⇒ Miscellaneous Facilities Levies
⇒ Federal Technology Programs





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	62,739	55,506	56,502	62,947	46,908	109,855
Statutory Appropriations						
Federal	1,881	5,887	4,329	6,265	6,265	12,530
Total	**64,620**	**61,393**	**60,831**	**69,212**	**53,173**	**122,385**
Expenditures by Category						
Local Assistance	64,620	61,393	60,831	69,212	53,173	122,385
Total	**64,620**	**61,393**	**60,831**	**69,212**	**53,173**	**122,385**
Expenditures by Activity						
Health & Safety Revenue	14,252	10,239	8,605	8,076	5,999	14,075
Debt Service Equalization	29,286	25,987	29,960	35,584	37,629	73,213
Alternative Facilities Bonding	19,201	19,280	17,937	19,287	3,280	22,567
Federal Technology Programs	1,881	5,887	4,329	6,265	6,265	12,530
Total	**64,620**	**61,393**	**60,831**	**69,212**	**53,173**	**122,385**
Revenue by Type and Fund						
Dedicated						
Federal	2,164	6,080	4,441	6,594	6,594	13,188
Maximum Effort School Loan	1,060	940	940	940	940	1,880
Subtotal Dedicated	3,224	7,020	5,381	7,534	7,534	15,068
Total Revenue	**3,224**	**7,020**	**5,381**	**7,534**	**7,534**	**15,068**

Activity Description
Citation: M.S. 123B.57

The Health and Safety program is a state aid and levy program to address facility and grounds issues that impact safety and health concerns.

Activity at a Glance

Estimated FY 2003:

♦ H/S Revenue	$94,500,000
♦ State Aid	$9,500,000
♦ Local Levy	$85,000,000
♦ Number Districts	328
♦ Uses of Revenue ($ in millions)	
Physical Hazards	$24.9
Fire Safety	$21.1
Hazardous Substance	$5.1
Environment Management	$9.7
Asbestos	$15.3
Indoor Air Quality	$18.4

Population Served
Only school districts with levy authority are eligible to participate in this program.

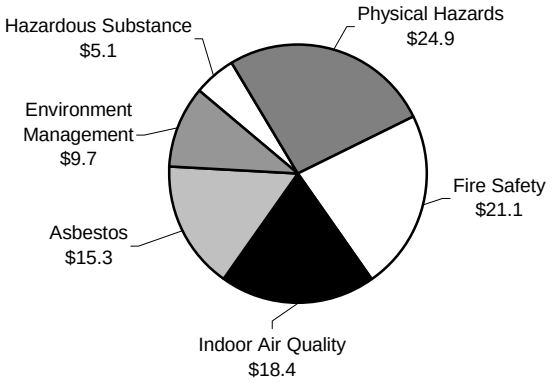
Services Provided
Program revenue may be used for repairs in any existing public school building or site. However, the district must own or have contractually agreed to purchase (lease-purchase) any building or facility where program-funded improvements are being made. New construction and portable classrooms are not eligible for funding. In addition, (with the exception of calamity bonds) revenues cannot be used to make principal and/or interest payments on any other debt instrument.

The program addresses a wide array of areas impacting environments, including the following:
- asbestos removal or encapsulation;
- hazardous substance, including provisions for fuel storage repairs, cleanup, or storage tank removal and lead removal;
- fire safety, including compliance with State Fire Marshal orders;
- environmental health and safety management; and
- physical hazard control, including indoor air quality.

Historical Perspective
The predecessor to the program began in 1985 as a hazardous substance removal program. The Health and Safety program, as it is now known, began in FY 1990 when the hazardous substance revenue program was expanded to include fire and life safety. Major changes to the program since that time have included expansion to cover costs related to
- environmental management and physical hazards (FY 1994);
- the Indoor Air Quality in Schools Act (FY 1990); and
- member district's share of the three intermediate (cooperative) district's health and safety costs (FY 2001).

Key Measures
The program has facilitated the removal or remediation of a variety of hazards from school facilities. A breakdown of health and safety expenditures by category is provided below.

Health & Safety Expenditures Categories
FY 2003 Total: $94.5 million ($ in millions)

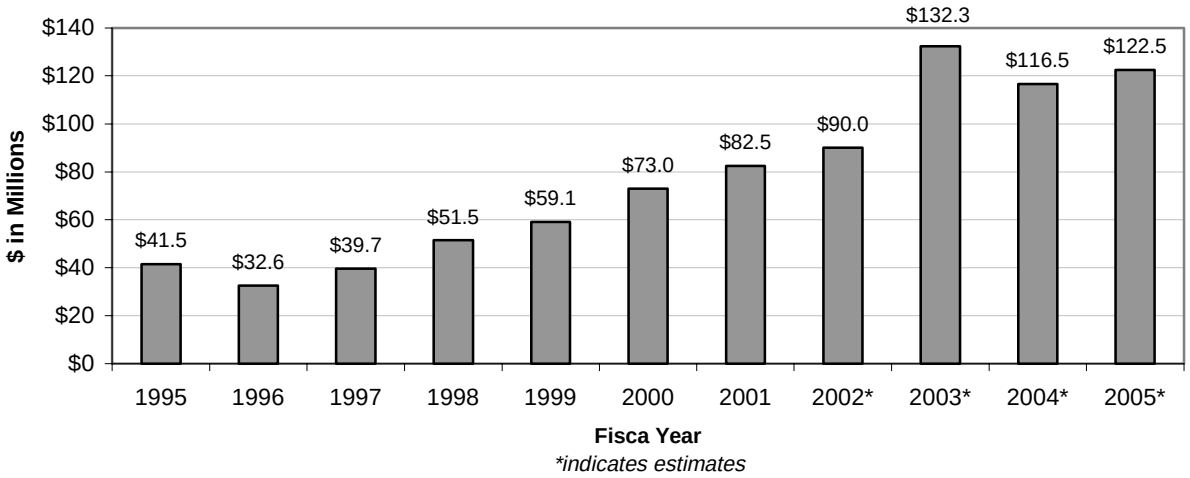


Activity Funding

Health and safety revenue is funded through a combination of state aid and local property tax levies. For FY 2003 and later years, the state and local shares of Health and Safety revenue are determined using an equalizing factor of $2,935. The local share equals the product of the revenue times the lesser of one or the ratio of the district's adjusted net tax capacity per adjusted marginal cost pupil unit to $2,935.

Program expenditures on hazardous substances and fire safety have leveled off in recent years. However, as an increasing number of school districts address indoor air quality issues, expenditures in this area are expected to continue climbing. Total revenues are expected to surpass the $100 million dollar mark by FY 2003. Local taxpayers will bear the brunt of increasing program expenditures, as state aid will continue to fall with increases in the adjusted net tax capacity.

Health & Safety Revenue FY 1995 - 2005



State-Local Share

	Dollars in Thousands				
	FY 1999	FY 2000	FY 2001	Est. FY 2002	Est. FY 2003
Total Revenue					
Amount	$59,100	$73,016	$82,541	$90,000	$132,300
# of Districts	312	322	325	327	328
Levy					
Amount	$46,000	$59,016	$67,741	$75,000	$122,800
# of Districts	311	322	325	327	328
State Aid					
Amount	$13,100	$14,000	$14,800	$15,000	$9,500
# of Districts	254	246	236	230	227

Health and Safety revenue is primarily driven by approved projects. Adjustments for prior year actual costs are also included in the calculation of revenue.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8319.

DEPARTMENT OF EDUCATION
Program: FACILITIES & TECHNOLOGY
Activity: HEALTH & SAFETY REVENUE

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	14,337	9,959	8,921	7,903	5,610	13,513
2. Statutory Excess/(Shortfall)	0	2,041				
3. Appropriated Entitlement	14,337	12,000	8,921	7,903	5,610	13,513
4. Adjustment(s)						
a. Excess Funds Transferred In / (Out)		(2,041)				
b. Net Prior Year Recoveries	(5)					
5. State Aid Entitlement	14,332	9,959	8,921	7,903	5,610	13,513
6. Local Levy	62,848	70,440	117,443	123,811	95,937	219,748
7. Revenue (Total of Aid & Levy)	77,180	80,399	126,364	131,714	101,547	233,261
8. Total School District Revenue - All Funds	77,180	80,399	126,364	131,714	101,547	233,261
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	1,400	1,480	1,200	1,516	1,343	2,859
Current Year (90% FY 01-02) (83% FY 03-05)	13,323	10,800	7,405	6,560	4,657	11,217
Cancellation	(471)	(2,041)				
Transfers per M.S. 127A.41, subdivision 8 & 9						
Total State Aid - General Fund	**14,252**	**10,239**	**8,605**	**8,076**	**5,999**	**14,076**
TOTAL APPROPRIATIONS	**14,252**	**10,239**	**8,605**	**8,076**	**5,999**	**14,076**

Activity Description

Citation: 123B.53; 123B.55

Debt Service Equalization is a state aid and local levy program that ensures that all school districts, regardless of property wealth, can afford adequate educational facilities for their students. The equalization formula facilitates the betterment and/or expansion of school facilities by providing debt service aid to districts with a low to moderate tax base per pupil unit. Some districts with a relatively high tax base per pupil unit can still qualify for debt service aid if they have a relatively high debt burden.

Activity at a Glance

Estimated FY 2003

- Districts Receiving Aid: 127
- Average Amount of Aid Received by a District: $259,684
- Percentage of Eligible Debt Service Revenue Paid by State Aid: 6.1%

School districts must receive approval from a majority of those voting in a school bond referendum before issuing bonds to construct, acquire or improve school facilities. Exceptions include alternative facilities bonding, and special legislation for Minneapolis and St. Paul.

Population Served

This program serves all students attending public schools and taxpayers in districts with a relatively high debt service tax rate and low tax base per pupil unit.

Services Provided

The debt service program includes several components, and is financed through a combination of state aid and local property tax levies. The following table shows the state total and number of districts participating in each component for FY 2003 (taxes payable in 2002).

Debt Service Revenue by Funding Category, FY 2003
($ in Thousands)

	Funding Category	Total Amount	No. of Districts
A.	Revenue Components		
1a.	Required Debt Service Levy-Eligible[1 2]	465,355	255
1b.	Required Debt Service Levy-Ineligible	23,588	31
2a.	Maximum Effort Levy Above Required[2]	576	13
2b.	Additional Maximum Effort Levy	2,591	21
3.	Req. Debt Service Levy for Equipment Bonds	6,376	29
4.	Req. Debt Service for Facilities Bonds	2,149	50
5a.	Elg. Req. Debt Service for Alt. Facilities[2 3]	26,434	10
5b.	Inelg. Req. Debt Serv. Levy for Alt. Fac.	819	1
5c.	Alt. Facilities Annual Levy[2]	36,014	11
6.	Energy Conservation[2]	2,112	104
7.	Lease Purchase-Eligible[2]	36,260	5
8.	Lease Purchase-Ineligible	1,994	3
9.	Net Debt Excess	(35,060)	150
10.	Gross Equalization Revenue[4]	536,276	271
B	Funding Sources		
1.	Net Debt Service Equalization Revenue	98,940	158
2.	Debt Service Equalization Aid	32,980	127

[1] Includes net taconite debt service levy. Excludes Alternative Facilities debt service levy (see line 6a).
[2] Included in computation of Gross Equalization Revenue
[3] Net amount after alternative facilities aid – see Alternative Facilities Bonding narrative
[4] Sum of lines 1a, 2a, 2b, 5a, 5c, 6, 7, 8, and 9.

Key Measures

Statewide debt service revenue continues to increase as shown in the table below. The table also illustrates the state/local share of debt service revenue. The unequalized local portion of debt service revenue (15% * district's ANTC) makes up the lion's share of total revenue. The equalized local portion is defined as the local share beyond the 15% * ANTC. This amount remained relatively constant over the years.

	Dollars in Millions				
	FY 1999	**FY 2000**	**FY 2001**	**FY 2002**	**FY 2003**
Unequalized Local Portion	$265.9	$304.0	$343.0	$409.2	$440.1
Equalized Local Portion	67.8	65.1	58.1	51.3	66.0
Debt Service Aid	33.9	32.6	29.0	25.7	33.0
TOTAL Debt Service Revenue	$367.6	$401.7	$430.1	$486.2	$539.1

⇒ As a result of the new two-tiered equalization formula created by the 2001 legislature, total debt service aid reversed its downward trend in FY 2003.

⇒ In percentage terms, the state's share of eligible debt service revenue increased from 5.3% in FY 2002 to 6.1% in FY 2003. The state share of net debt service revenue eligible for equalization had declined from a high of 11.09% in FY 1997. From FY 1997 to FY 2002, this percentage naturally decreased with increases in tax capacity and an essentially constant debt-equalizing factor.

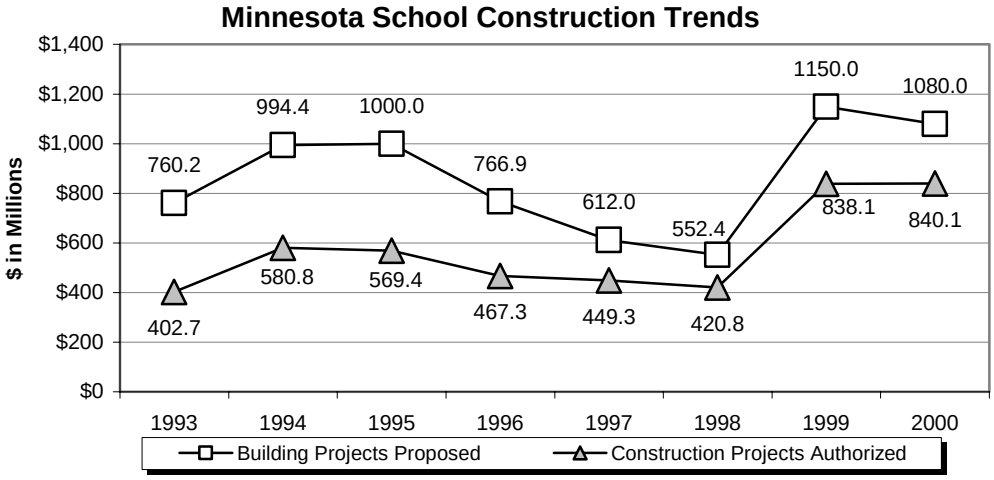
⇒ Legislative overhaul of the debt service equalization formula was accomplished in 2001. A new two-tiered equalization formula was created to target districts with low to moderate tax bases and/or districts with a relatively high debt burden.

Historical Perspective

⇒ Historically, facility acquisition and betterment was considered solely a local responsibility and no state aid equalization was provided. In 1992, a debt service equalization program was enacted. In 2001, a second tier was added to the debt service equalization formula to provide targeted tax relief to school districts with eligible debt service revenue exceeding 25% of district ANTC.

⇒ The graph below shows construction trends over the last eight calendar years. The top line on the graph is the total dollars proposed in that calendar year that received a positive review and comment. The bottom line is the dollar amount approved. The 1999 growth indicated in the table in the approved amount can be attributed to a) a few districts receiving voter approval for large bond issues; b) greater participation in the alternative facilities program; and c) projects funded with a lease levy (lease with an option to purchase). The upward trend in authorized construction project dollars is expected to continue due to a backlog of unmet needs and the higher level of state equalization aid.

⇒



The change to the two-tiered debt service equalization formula has led to a noticeable increase in bond issue size. Much of this can be ascribed to the new equalization formula in combination with a less generous equalization factor for the health and safety aid program. These two factors provide incentives for districts to seek voter approval for a majority of facility needs in order to maximize debt service aid.

Activity Funding

Revenue Components

Required Debt Service Levy (M.S. 123B.55; 475.61).

⇒ A school district must levy for the principal and interest payments on its general obligation bonds, plus an additional 5% to cover potential tax delinquencies, for the following fiscal year. The required debt service levy for all years is established and approved by the local school board at the time that bonds are sold.

Maximum Effort Debt Service Levy (applies to Capital Loan Districts) (M.S. 126C.63, Subd. 8).

⇒ Districts with an outstanding state capital loan and/or debt service loan must levy for debt service a minimum of 32% or 40% of the latest ANTC (the 40% of ANTC applies only to capital loans issued after 2001, all others are 32%). This amount is referred to as a district's maximum effort.

⇒ The maximum effort debt service levy cannot exceed the amount beyond the required debt service levy that is needed to retire all outstanding state loans. If the maximum effort debt service levy is greater than the required debt service levy, then the difference is included in computing debt service aid.

⇒ If, after debt service aid is subtracted, the net eligible debt service levy is less than the maximum effort debt service levy, there is an additional maximum effort debt service levy, such that the net eligible debt service levy is not less than maximum effort debt service levy. The additional maximum effort debt service levy is not included in computing debt service equalization aid.

Required Debt Service Levy for Equipment (M.S. 123B.61).

⇒ A school district, with the approval of the commissioner and without voter approval, may issue certificates of indebtedness or capital notes to purchase capital equipment. The certificates or notes must be repaid within five years or less.

⇒ A school district must annually levy the amount needed to retire the certificates of indebtedness or capital notes. The district's general education fund levy is correspondingly reduced by the same amount. As an end result, districts do not receive additional revenue to repay these obligations.

Required Debt Service Levy for Facilities (M.S. 123B.62).

⇒ A school district, with the approval of the commissioner and without voter approval, may issue bonds to provide funds for capital improvements to facilities.

⇒ A school district must annually levy the amount needed to retire the facility bond or note. The district's general education levy is correspondingly reduced by the same amount. As an end result, districts do not receive additional revenue to repay these obligations.

Alternative Facilities Bonding and Levy (M.S. 123B.59, Subd. 1).

⇒ Large school districts with over 1,850,000 square feet of space and an average building age of 15 years or older, or over 1,500,000 square feet of space and an average building age of 35 years or older, and a 10-year facility plan approved by the commissioner, may issue bonds or annually levy for health and safety, disabled access, and deferred maintenance projects specified in the approved plan.

⇒ Debt Service levies made under this program are included in the computation of debt service equalization aid.

⇒ See the alternative facilities narrative for more information.

Energy Conservation (M.S. 126C.40, Subd. 5).

⇒ School districts must levy for the amount needed to repay the annual principal and interest on state energy conservation loans and other loans approved on or before 03-01-98 under M.S. 216C.37. This levy is included in computing debt service equalization aid.

⇒ There is no levy authority for energy conservation loans approved after 03-01-98. Districts receiving these loans must annually transfer from the general fund to the debt redemption fund the amount needed to pay the principal and interest on the loans.

Lease Purchase (M.S. 126C.40, Subd. 2, Laws 1995, First Special Session, Ch. 3, Art. 5, Sec. 9).

⇒ Eligible school districts must levy the amount needed for payments on lease purchase agreements approved by the commissioner prior to 07-01-90. In addition, certain districts with a desegregation plan, may levy for lease purchase costs for more recent facility acquisitions. This levy is included in computing debt service equalization aid.

⇒ Selected districts have specific lease purchase levy authority that is ineligible for debt service equalization. Districts 622, 833, and 834 levy for the acquisition of the Valley Crossing Elementary School in Woodbury. District 622 has special legislation for a lease purchase levy.

Debt Excess (M.S. 475.61, Subd. 3).

⇒ The net debt excess in the debt redemption fund, other than for capital loan districts, is certified by the commissioner to the county auditor. The county auditor reduces the debt service levy by the amount of the debt excess certified.

⇒ With the approval of the commissioner, some districts may be authorized to retain all or a portion of the debt excess in the debt redemption fund.

⇒ Districts with outstanding capital or debt service loans are required to remit the debt excess amount to the commissioner as payment on their capital and/or debt service loans.

Debt Service Loan (M.S. 126C.68).

⇒ School districts with a very large debt service levy relative to their tax base may qualify for a debt service loan. The amount of the loan reduces the debt service levy of the district.

⇒ Districts receiving a debt service loan are required to levy each year an amount at least equal to the maximum effort debt service levy until the loan is retired.

Gross Equalization Revenue (M.S. 123B.53, Subd. 1).

⇒ For districts without capital loans, the gross equalization revenue equals the sum of the following.

- the eligible required debt service levy
- the gross annual (pay as you go) alternative facilities levy
- the energy conservation levy
- the eligible lease purchase levy

⇒ For capital loan districts the maximum effort debt service levy applies in addition to the components mentioned above.

Funding Source

Debt Service Equalization Revenue (M.S. 123B.53, Subd. 1).

⇒ A district's net debt service equalization revenue equals the gross equalization revenue from above, minus the district's local share (an amount equal to 15% of the district's ANTC).

Debt Service Equalization Aid (M.S. 123B.53, Subd. 1).

⇒ The current equalization formula has two different tiers of equalization. Prior to reaching the first tier, a district must levy 15% of its ANTC. The first tier is defined as 15%-25% of ANTC and the second tier as anything above 25% of ANTC.

⇒ Once the eligible debt service revenue by tier has been determined, the equalization factors are applied to each tier. The first tier equalization factor is $3,200 and the second tier equalization factor is $8,000.

⇒ The equalization formula incorporates the equalization factors and is used to determine the levy ratio (or percentage) of eligible revenue in each tier to be paid by local taxpayers. The remaining percentage is paid by state aid. The formula is:

$$\frac{\text{Adjusted Net Tax Capacity}}{\text{Adjusted Pupil Units}}$$

Equalizing Factor ($3,200 for Tier 1, $8,000 for Tier 2)

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8319.

DEPARTMENT OF EDUCATION
Program: FACILITIES & TECHNOLOGY
Activity: DEBT SERVICE EQUALIZATION

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	28,928	25,663	32,980	36,030	37,933	73,963
2. Local Levy	401,125	460,505	506,014	584,810	669,284	1,254,094
3. Revenue (Total of Aid & Levy)	430,053	486,168	538,994	620,840	707,217	1,328,057
4. Maximum Effort School Loan Repayment	1,060	940	940	940	940	1,880
5. Total School District Revenue - All Funds	431,113	487,108	539,934	621,780	708,157	1,329,937
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	3,255	2,890	2,566	5,586	6,144	11,730
Transfers per M.S. 127A.41, subdivision 8 & 9	(7)					
Current Year (90% FY 01-02) (83% FY 03-05)	26,145	23,097	27,394	29,998	31,485	61,483
Cancellation	(107)					
Total State Aid - General Fund	**29,286**	**25,987**	**29,960**	**35,584**	**37,629**	**73,213**
Other Approp. Federal Plus Other State Funds		940	940	940	940	1,880
TOTAL APPROPRIATIONS	**29,286**	**26,927**	**30,900**	**36,524**	**38,569**	**75,093**

Activity Description

Citation: M.S. 123B.59

Activity at a Glance

♦ Number of Eligible Districts	15
♦ Minimum Sq. Ft. Required	1.5 million
♦ Average District Revenue	$4.4 million

The Alternative Facilities program is a state aid and local levy program that enables large school districts to complete deferred maintenance, health and safety and disabled accessibility projects that cannot be completed with other available funds. Alternative facilities revenue may not be used for the construction of new facilities or the purchase of portable classrooms. Voter approval is not required.

Population Served

School districts qualifying for the program are able to prevent deterioration of school facilities by performing maintenance.

The following districts are currently eligible and participating in the program. Districts that have issued debt under the program are designated with a number one (1). Districts making an annual pay-as-you-go levy are designated with a number two (2). In addition, districts marked with an asterisks (*) below, receive aid based upon their Payable 1997 levy for bonded alternative facility debt and/or aid based upon one-sixth of their Payable 1998 pay-as-you-go levy.

Anoka-Hennepin[2*]	Bloomington[1 2*]	Burnsville[2]	Duluth[1 2*]
Minneapolis[1*]	North St. Paul[1]	Osseo[2]	Robbinsdale[1 2*]
Rochester[1 2*]	Rosemount[1 2]	St. Cloud[2]	St. Paul[1*]
South Washington[1 2]	Stillwater[1]	White Bear Lake	

Districts must meet one of the following criteria:

- have at least 1.85 million square feet of space and an average building age of at least 15 years; or
- have at least 1.5 million square feet of building space and average building age of at least 35 years.

Stillwater has received special legislation allowing the district to participate in this program. FY 2004 will be the first year of participation for White Bear Lake.

Services Provided

To receive alternative bonding revenue, districts must submit a 10-year facility plan to the Department of Education (DOE) for approval. The plan must describe eligible projects and the district's timetable for undertaking them. Once DOE approval is obtained, the district must decide if it will:

- issue bonds to finance improvements and retire them over time with a debt service levy,
- make an annual general fund (pay-as-you go) levy to fund projects on an annual basis, or
- some combination of these two options.

This program is funded by a combination of state aid and local property tax levies. Debt service levies under this program qualify for debt service equalization.

Historical Perspective

⇒ The program was originally enacted by the 1993 legislature. Initially, districts were allowed to apply their health and safety revenue alternatively toward facilities maintenance, health and safety, and disabled access projects.

⇒ For FY 1995, eligible districts were allowed to issue bonds and levy for debt service or make an annual pay-as-you-go levy up to the amount of their health and safety revenue for FY 1993.

⇒ The 1997 legislature authorized state funding equal to 100% of the districts annual alternative bonding debt service costs, not to exceed the amount of the debt service levy for taxes payable in 1997.

⇒ The 1998 legislature authorized state funding for districts making an annual pay-as-you-go levy equal to one-sixth of the levy for taxes payable in 1998.

⇒ The White Bear Lake School District was added to the list of eligible districts as a result of 2001 legislative action that includes districts with 1.5 million square feet or more and a building age of at least 35 years.

Key Measures

The alternative facilities program enables districts to complete necessary facilities maintenance in a timely manner without the need for voter approval. The program facilitates a long-term approach to building upkeep and is intended to promote cost-effective scheduling of needed repairs.

Activity Funding

District revenue is determined by local school boards. Local decisions are impacted by building conditions, financial condition of the district, and local property tax impact.

A district's alternative facilities aid is the sum of:

- 100% of the district's annual debt service costs, not to exceed the amount certified to be levied for those purposes for taxes payable in 1997; and
- one-sixth of the annual pay-as-you-go levy certified for taxes payable in 1998, not to exceed 100% of the current annual levy.

The table below shows the breakdown of total alternative facility aid and levy by fiscal year. Note that the total alternative facility aid includes two components, general alternative facility aid and debt aid on bonded alternative facility debt levy. The general fund alternative facilities levy is reduced for debt service equalization aid.

Alternative Facilities Revenue

Dollars in Thousands

	FY 1999	FY 2000	FY 2001	Est. FY 2002	Est. FY 2003
Debt Levy	0	$ 2,335	$10,054	$18,048	$27,253
Debt Aid	$16,387	16,303	16,392	16,456	16,456
General Fund Levy	16,979	18,485	21,800	24,318	36,015
Gen. Alt. Fac. Aid	0	2,830	2,817	2,830	2,830
Gen. Debt. Eq. Aid	1,039	491	541	120	838
TOTAL	**$34,405**	**$40,444**	**$51,604**	**$61,772**	**$83,392**

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8319.

DEPARTMENT OF EDUCATION
Program: FACILITIES & TECHNOLOGY
Activity: ALTERNATIVE FACILITIES BONDING AID

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	19,209	19,287	19,287	19,287	0	19,287
2. Total School District Revenue - All Funds	19,209	19,287	19,287	19,287	0	19,287
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	1,913	1,921	1,928	3,278	3,280	6,558
Current Year (90% FY 01-02) (83% FY 03-05)	17,289	17,359	16,009	16,009	0	16,009
Cancellation	(1)					
Total State Aid - General Fund	**19,201**	**19,280**	**17,937**	**19,287**	**3,280**	**22,567**
TOTAL APPROPRIATIONS	**19,201**	**19,280**	**17,937**	**19,287**	**3,280**	**22,567**

Alternative facilities aid is a reduction to debt service equalization revenue. The levies associated with the alternative facilities program are included in debt service equalization revenue.

Activity Description

Citation: See individual levies.

This budget activity summarizes six building and land lease/levy programs. The building and land lease levies provide districts with the opportunity to accommodate short-term needs for additional space. The other miscellaneous programs provide districts with levy authority to maintain and enhance the condition of their school buildings. These programs foster the delivery of quality educational services by providing districts with flexible local revenue sources to accommodate changing facility needs.

Activity at a Glance

In FY 2003:

Program Name	# of Districts	($ in Millions) Amount Levied
♦ Building/Land Lease	190	$39.3
♦ Building Construction Down Payment	8	$7.2
♦ Cooperative Building Repair	0	0.0
♦ Disabled Access	16	$1.1
♦ Technology	0	0.0
♦ Special Legislation	3	$0.4

Population Served

All students in participating districts are served by these programs. Only eligible districts with levy authority may participate in these programs.

Services Provided

Minnesota school districts will generate additional revenue to the extent needed for various capital expenditure obligations. These programs are funded by local property tax levies.

⇒ **Building and Land Lease** (M.S. 126C.40, subd.1). Districts may levy to rent or lease a building or land for instructional purposes, school storage, or furniture repair if the district determines that the total operating capital revenue authorized under section M.S. 126C.10, subd. 13, is insufficient for this purpose. The levy authority and amount must be approved by the commissioner, and cannot exceed $100 per weighted resident average daily membership (WADM) unless approved by the commissioner. Some building additions to existing schools are funded with proceeds from this levy. Member districts may levy an amount up to $25 per adjusted marginal cost pupil units (AMCPU) for the cost of an intermediate district lease for these same purposes.

⇒ **Building Construction Down Payment** (M.S. 123B.63). A school district may levy the tax rate approved by a majority of the voters on the question of providing funds for a down payment for an approved building construction project. All proceeds from the levy must be transferred to the down payment account in the building construction fund. This program has been used primarily for deferred maintenance and technology improvements to existing facilities.

⇒ **Cooperative Building Repair** (M.S. 126C.40, subd. 3). A school district that has a cooperative agreement according to M.S. 123A.30 or 123A.32, subd. 1 may levy for the repair costs, as approved by the Department of Children, Families and Learning, of a building located in another district that is a party to the agreement.

⇒ **Disabled Access Levy** (M.S. 123B.58). The 1990 federal Americans with Disabilities Act (ADA) facilitates the removal of architectural barriers for persons with disabilities in public schools and enables school districts to modify school buildings based on inspection by the State Fire Marshal. A school district may levy up to $300,000 over a time period not to exceed eight years to provide disabled accessibility for all facilities. Some newly consolidated districts have maximum levy authority of $450,000 or $600,000. The commissioner must approve the levy amount. For most districts, the eight year time period has expired.

⇒ **Technology Levy** (Laws 1996, Ch. 412, Art. 12, Sec. 12). The Minneapolis School District was selected to pilot a Technology Incentives Program allowing the district to purchase computers through a lease purchase agreement for exclusive use by ninth grade students in selected school sites. The district could levy up to 1/4 the cost of the lease purchase agreement each year for four years. This levy expired for taxes payable in 2002.

⇒ **Special Legislation**. (Citiations for FY 2003: ISD 181, ISD 204, ISD 319) Special legislation provides selected districts with additional capital revenue for specific purposes.

Activity Funding

The following table shows certified levy amounts and number of school districts participating in each program.

	Dollars in Thousands						
	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Building Lease	$16,724.3	$18,513.2	$22,810.1	$27,304.1	$31,963.6	$31,963.6	$39,326.1
Districts	130	135	145	160	170	171	190
Down Payment	830.7	980.7	1,057.5	1,140.6	1,970.6	2,659.1	7,192.7
Districts	4	3	3	3	4	5	8
Coop. Building Repair	0	0	0	0	0	0	0
Districts*	0	0	0	0	0	0	0
Disabled Access	5,918.5	4,274.3	3,371.7	3,896.6	2,959.5	1,789.2	1,126.2
Districts	89	79	80	54	54	26	16
Technology Levy	0	0	681.8	499.0	699.0	699.0	0
Districts*	0	0	1	1	1	1	0
Specific Legislation	0	298.2	27.2	27.2	115.4	27.2	439.0
Districts	0	5	2	2	3	2	3

* In FY 2003, no districts elected or qualified for funding.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8801.

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Activity Description

Citation: Elementary and Secondary Education Act, Title II, Part D
P.L. 107-110, the No Child Left Behind Act of 2001
http://www.ed.gov/offices/OESE/asst.html#leg

The purpose of the federal Enhancing Education Through Technology program is to promote initiatives that assist schools in effectively integrating technology with curriculum to improve student achievement and to provide staff development for teachers in the use of technology as a tool for instruction.

Activity at a Glance

Promotes the effective integration of technology as a tool for instruction. Promotes increased academic achievement for students.

- $6.5 million appropriated in federal fiscal year 2003.
- Funding allocation via formula to all school districts and charter schools.
- $3.1 million in competitive grant awards each year.

Population Served

All students attending public schools receiving federal Title I funding are served by this program.

Services Provided

The Enhancing Education Through Technology program provides funding to states that is intended to support the integration of technology with education to improve student achievement. The Department of Education (DOE) administers this program designed to

- provide teachers, principals and administrators with the capacity to integrate technology effectively with curriculum that is aligned with the Minnesota Graduation Standards and student achievement standards;
- enhance professional development for teachers, principals, and administrators through initiatives that increase the knowledge, skills, and abilities of teachers in using technology as a tool for instruction;
- promote statewide implementation of a comprehensive system that effectively uses technology in schools to improve student academic achievement;
- support networks and other innovative delivery methods to provide specialized or rigorous academic courses for students in areas that would not otherwise have access to these types of educational opportunities such as distance learning technologies and other innovative delivery methods;
- provide for rigorous evaluation of programs funded, particularly the impact of these programs on academic achievement;
- support classroom, school, and school district based projects that focus on the integration of technology with curriculum to promote academic achievement;
- support local efforts to use technology to promote family involvement in education and communication among teachers, administrators, students, parents, community; and
- support infrastructure upgrades for school districts in need of equipment and peripheral replacements, enhancements, and upgrades.

Historical Perspective

Federal technology funding was provided each year through the former Technology Literacy Challenge Fund Grant Program (TLCF) that was awarded to school districts through a competitive grant process. The TLCF program was discontinued and replaced by the Enhancing Education Through Technology program by Congress in 2002. Funded through federal dollars, the new Enhancing Education Through Technology program under the No Child Left Behind Act is in the first year of authorization in FY 2002.

Key Measures

The primary goal of this program is to improve student academic achievement through the use of technology in elementary schools and secondary schools. Additional goals of this program are:

- to assist every student in crossing the digital divide by ensuring that every student is technologically literate by the time the student finishes the eighth grade, regardless of the student's race, ethnicity, gender, family income, geographical location, or disability; and

- to encourage the effective integration of technology resources and systems with teacher training and curriculum development to establish research-based instructional methods that can be widely implemented as best practices by state and local educational agencies.

As part of the statewide assessment of this program, DOE must

- assess and determine methods for measuring the level of integration of technology within school districts and establish a relationship to how the level of technology integration impacts student achievement; and
- complete an updated statewide plan for technology in K-12 education. This will address areas of technology impacts on education in teaching and learning, educator preparation and professional development, school administration, and school district technology infrastructure. The state plan is expected to be completed by early 2003.

Activity Funding

Funding of federal Enhancing Education Through Technology is dependent upon Congressional action relating to continued operation and funding of the program. The state will receive further allocations of similar amounts based on statewide Title I shares in FY 2004 and FY 2005, depending on Congressional action.

The funding is to be distributed to school districts on a 50/50 basis, with 50% of the funding to be distributed to school districts through a formula distribution based on Title I shares, and the remaining 50% to be distributed through grant competitions.

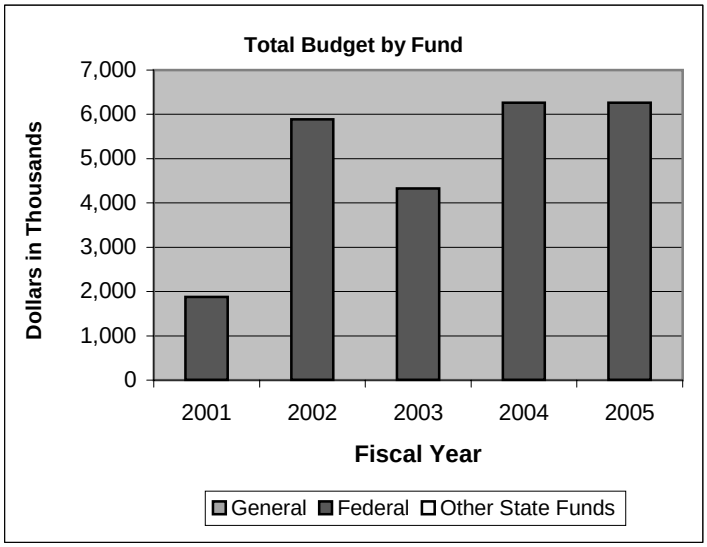
Grant competitions will be periodically conducted and requests for project proposals will focus on the initiatives outlined above. Priority in competitions must be given to school districts that have schools identified as needing improvement, schools that have a high percentage of families living below the poverty line, and school districts that do not generate sufficient funding under the formula portion of the program to effectively deploy technology. Grant awards will be determined by volunteer panels composed of educators, administrators, higher education representatives, and business leaders. It is anticipated that approximately 10-15 grant awards will be made each year.

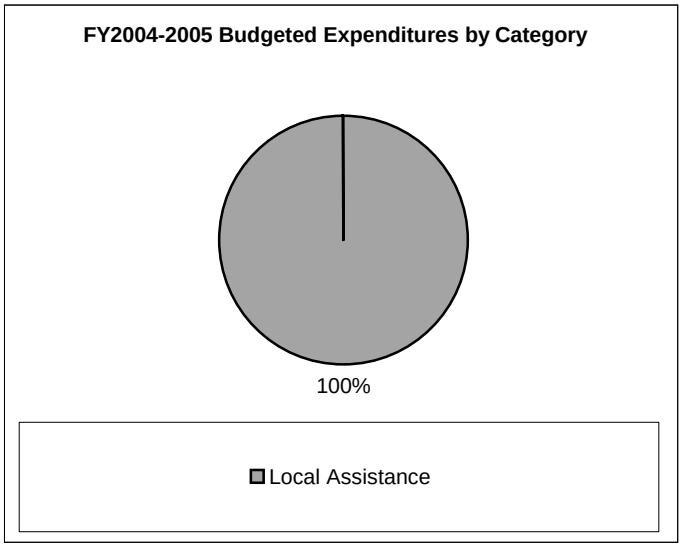
The formula funding section of the program will provide approximately $3.1 million in allocations to school districts. Grant competitions will distribute approximately $3.1 million in funding based on award limitations to be determined by DOE based on federal guidelines for the program. Five percent of the total allocation to Minnesota is retained at the state level to administer the program and foster statewide technology initiatives for all school districts.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Division of Program Finance, (651) 582-8827.

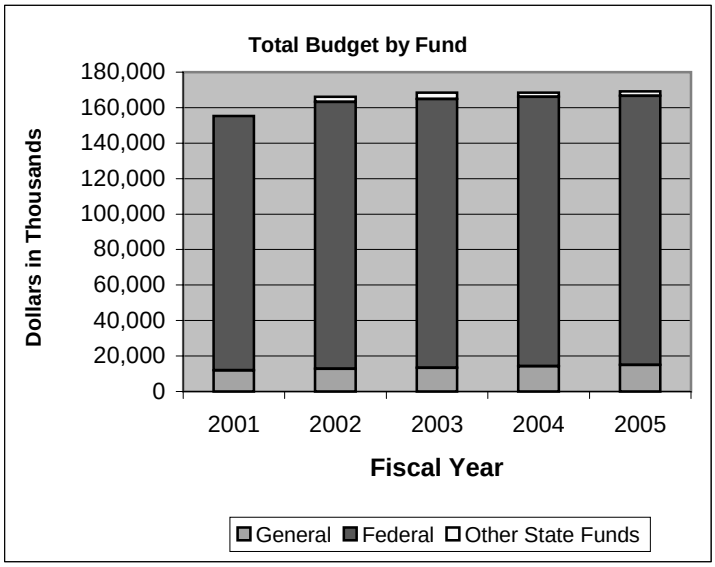


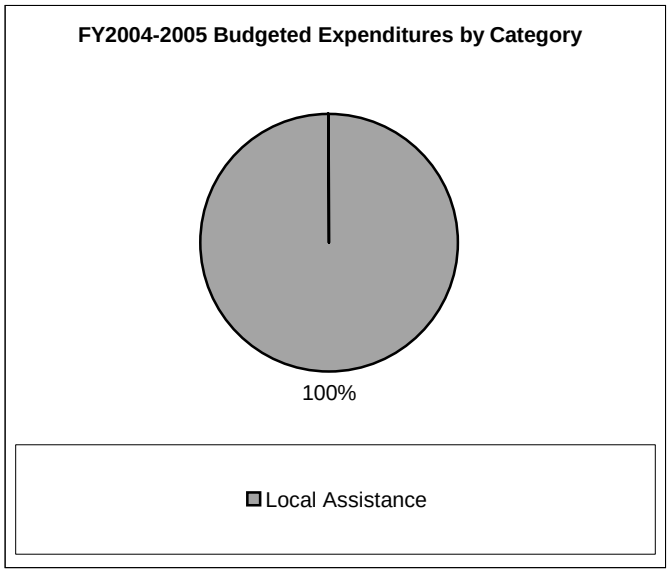


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Federal	1,881	5,887	4,329	6,265	6,265	12,530
Total	**1,881**	**5,887**	**4,329**	**6,265**	**6,265**	**12,530**
Expenditures by Category						
Local Assistance	1,881	5,887	4,329	6,265	6,265	12,530
Total	**1,881**	**5,887**	**4,329**	**6,265**	**6,265**	**12,530**
Revenue by Type and Fund						
Dedicated						
Federal	2,164	6,080	4,441	6,594	6,594	13,188
Subtotal Dedicated	2,164	6,080	4,441	6,594	6,594	13,188
Total Revenue	**2,164**	**6,080**	**4,441**	**6,594**	**6,594**	**13,188**

Budget Activities Included:

⇒ School Lunch
⇒ School Breakfast
⇒ Community Nutrition Programs





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	11,952	12,812	13,350	14,284	14,932	29,216
Statutory Appropriations						
Special Revenue	24	2,829	3,582	2,500	2,500	5,000
Federal	143,390	150,417	151,473	151,749	151,749	303,498
Total	**155,366**	**166,058**	**168,405**	**168,533**	**169,181**	**337,714**
Expenditures by Category						
Operating Expenses	31	2	1	1	1	2
Local Assistance	155,335	166,056	168,404	168,532	169,180	337,712
Total	**155,366**	**166,058**	**168,405**	**168,533**	**169,181**	**337,714**
Expenditures by Activity						
School Lunch	81,019	87,385	88,747	87,454	87,604	175,058
School Breakfast	15,744	17,623	18,000	18,093	18,866	36,959
Fast Break To Learning	2,523	3,725	3,920	5,461	5,186	10,647
Summer School Serv Replacement	2,776	2,943	2,950	2,950	2,950	5,900
Community Nutrition Programs	53,304	54,382	54,788	54,575	54,575	109,150
Total	**155,366**	**166,058**	**168,405**	**168,533**	**169,181**	**337,714**
Revenue by Type and Fund						
Dedicated						
Special Revenue	31	3,959	2,500	2,500	2,500	5,000
Federal	142,528	149,984	150,979	150,979	150,979	301,958
Subtotal Dedicated	142,559	153,943	153,479	153,479	153,479	306,958
Total Revenue	**142,559**	**153,943**	**153,479**	**153,479**	**153,479**	**306,958**
Full-Time Equivalents (FTE)	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	

Activity Description

Citation: M.S. 124D.111; 124D.118
Federal Authorizations: National School Lunch Act, Child Nutrition Act

This budget activity includes federal and state lunch and milk programs. The National School Lunch Program (NSLP) and Food Distribution Program (FDP) safeguard the health and well being of Minnesota children and help ensure that students are ready to learn by giving them access to a nutritious lunch and improving eating habits through nutrition education. The After-School Snack component of the NSLP gives students in after-school programs access to a nutritious snack.

Activity at a Glance

In 2001:

- All public schools participated in school lunch.
- Sixty percent of enrolled students participated in school lunch.
- 93 million school lunches were served, one-half million each school day.
- One-third of school lunches were served free or at a reduced price to qualifying students.

State school lunch funding helps to keep lunch prices affordable. Children from low-income families have access to free or reduced-price school meals.

The federal Special Milk Program (SMP) provides access to milk, an important source of nutrients including calcium, for students who do not have access to school meals (usually kindergarten or pre-kindergarten students). The Minnesota Kindergarten Milk Program (MKMP) provides state funds for kindergarten milk breaks.

Population Served

Students (pre-kindergarten through high school) in public schools, nonpublic schools, and residential childcare institutions such as group homes and juvenile correctional facilities are served.

Services Provided

Student health and learning readiness are improved through daily access to a nutritious school lunch. Students in after-school care programs receive access to a nutritious snack. Students without access to school meals, typically pre-kindergarten or kindergarten students, may receive milk at either no charge or at a nominal charge.

School lunch menus are planned according to federal guidelines. Commodities such as meat, cheese, poultry, fruits, and vegetables are donated by the United State Department of Agriculture (USDA) to contribute to the school lunch menu and support the American farmer.

Students from families with income under 185% of federal poverty guidelines receive free or reduced-price meals. Many low-income families are electronically certified for free or reduced-price meals based on household data from state agencies, eliminating the need for a paper application.

School lunch and milk programs are supported financially and administratively through:

- federal and state reimbursements for lunches, after-school snacks, and servings of milk that meet guidelines;
- surveys of school preferences for USDA commodities;
- notification to schools of students electronically certified for meal benefits, through statewide matching of student enrollment data and human services assistance data;
- assistance in meeting program requirements and improving the quality of the food service through administrative reviews, development of resource materials, workshops, and technical assistance; and
- "CLiCS," the Food and Nutrition Service interactive web site, which allows schools to meet their application, commodity, and claim requirements online and offers immediate access to program resources.

For more information access the following web sites
School Nutrition Programs 2001 Annual Report – "Meals for Learning"
School Lunch Fact Sheet
"Focus on the Future: What Eating at School Should Look Like" (A Student Perspective)

Historical Perspective

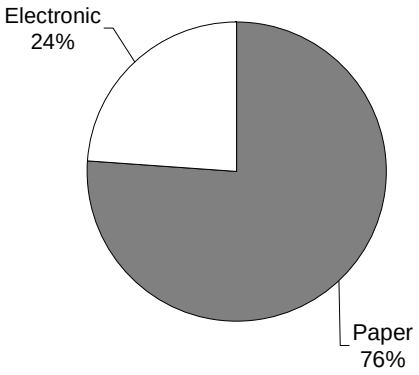
The National School Lunch Act created the program in 1946 to improve the national defense in response to young recruits failing physical exams during World War II. By school year 2000-01, 93 million school lunches were being served at 2,000 schools.

Key Measures

⇒ Increase the number of school districts that have school policies in place to support a healthy school nutrition environment by 20% through training and technical assistance to local school administrators.

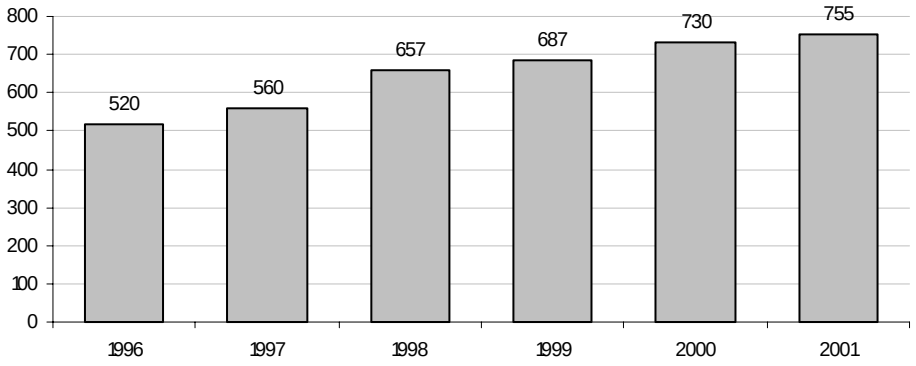
⇒ Increase by 50% the percentage of students determined eligible for free and reduced-price meals through the electronic certification process (compared to the number determined eligible with paper applications) by using additional sources of household data from state agencies.

Paper Applications vs. Electronic Certification - 2001



⇒ Increase the number of elementary schools participating in Fitness Fever, a program that promotes a combination of healthy food choices and physical activity, from 755 to 797 by 2003.

Numberof Minnesota Schools Participating in Fitness Fever



Activity Funding

State funding is required to provide matching funds to participate in the National School Lunch Program. The funding provided by the state in FY 2001 allowed the school districts to receive over $70 million in federal reimbursement for school lunch programs. Under current law, the state must pay districts participating in the national school lunch program the amount of eight cents for each full paid, reduced, and free student lunch served to students in the district. A portion of the state funding is paid to districts for milk served to kindergarten students.

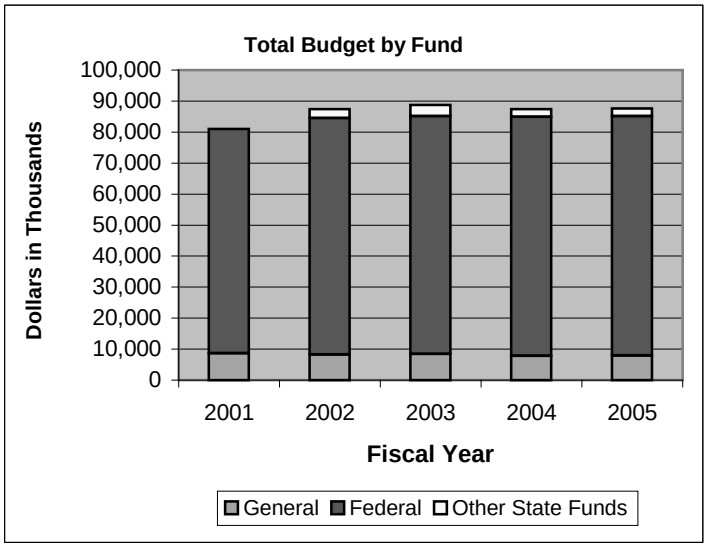
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

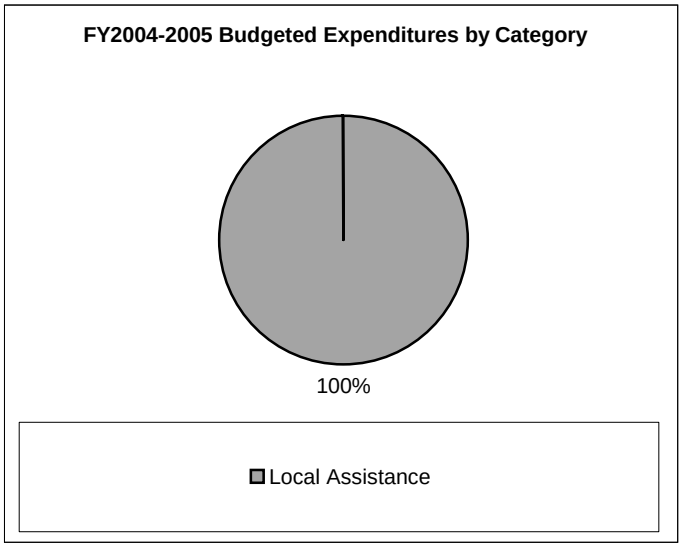
Contact

Additional information is available from the Minnesota Department of Education, (651) 582-8526.

DEPARTMENT OF EDUCATION
Program: NUTRITION PROGRAMS
Activity: SCHOOL LUNCH

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	8,690	8,217	8,500	7,800	7,950	15,750
Statutory Appropriations						
Special Revenue	24	2,829	3,582	2,500	2,500	5,000
Federal	72,305	76,339	76,665	77,154	77,154	154,308
Total	**81,019**	**87,385**	**88,747**	**87,454**	**87,604**	**175,058**
Expenditures by Category						
Operating Expenses	24	1	0	0	0	0
Local Assistance	80,995	87,384	88,747	87,454	87,604	175,058
Total	**81,019**	**87,385**	**88,747**	**87,454**	**87,604**	**175,058**
Revenue by Type and Fund						
Dedicated						
Special Revenue	31	3,959	2,500	2,500	2,500	5,000
Federal	72,119	76,042	76,459	76,459	76,459	152,918
Subtotal Dedicated	72,150	80,001	78,959	78,959	78,959	157,918
Total Revenue	**72,150**	**80,001**	**78,959**	**78,959**	**78,959**	**157,918**

Activity Description

Citation: 124D.115; 124D.1156; 124D.117
Federal Authorization: National School Lunch Act, Child Nutrition Act

Federal and state School Breakfast Programs help ensure that students are healthy and ready to learn by giving them access to a nutritious breakfast at the start of the school day.

⇒ Any school may participate in the School Breakfast Program.

⇒ Elementary schools in low-income areas that agree to reduce school breakfast barriers such as social stigma, lack of facilities and transportation may receive additional state funding through the Fast Break to Learning breakfast program so that school breakfast can be available to all students at no charge.

⇒ State law requires schools to offer a breakfast program if 33% or more school lunches are served free or at reduced price.

Activity at a Glance

In 2001:

- 1,300 schools offered nutritious breakfasts through the School Breakfast Program. Two out of three schools that offer school lunch also offer school breakfast.
- Over 300 of these schools participated in the Fast Break to Learning breakfast program.
- Breakfast participation averaged 54% at Fast Break to Learning schools, compared to 10% at schools offering the regular breakfast program.

Population Served

Students (pre-kindergarten through high school) in public schools, nonpublic schools, and residential child care institutions such as group homes and juvenile correctional facilities are served.

Services Provided

Student health and achievement are improved through daily access to a nutritious school breakfast.

⇒ School breakfast menus are planned according to federal guidelines.

⇒ Students from families with incomes under 185% of federal poverty guidelines receive free or reduced-price meals, either upon being electronically certified based on household data from state agencies or upon the household completing an application on paper.

⇒ At elementary schools that participate in the Fast Break to Learning breakfast program, breakfast is available at no charge to all students.

School Breakfast Programs are supported financially and administratively through

- federal and state reimbursements for school breakfasts that meet guidelines;
- payment of additional state funds to Fast Break to Learning elementary schools so that all breakfasts may be served at no charge to all students;
- United States Department of Agriculture (USDA) commodity food items (earned through participation in the National School Lunch Program) available for use in school breakfasts;
- assistance in meeting program requirements and enhancing the quality of the food service provided through administrative reviews, development of resource materials, presentation of workshops, and technical assistance; and
- "CLiCS," the Food and Nutrition Service interactive web site, which allows schools to meet their application and claims requirements online and provides immediate access to program resources.

More information about the School Breakfast Program and Fast Break to Learning breakfast program:
Fast Break to Learning Executive Summary
School Nutrition Programs Annual Report – "Meals for Learning"
School Breakfast Program Fact Sheet

Historical Perspective

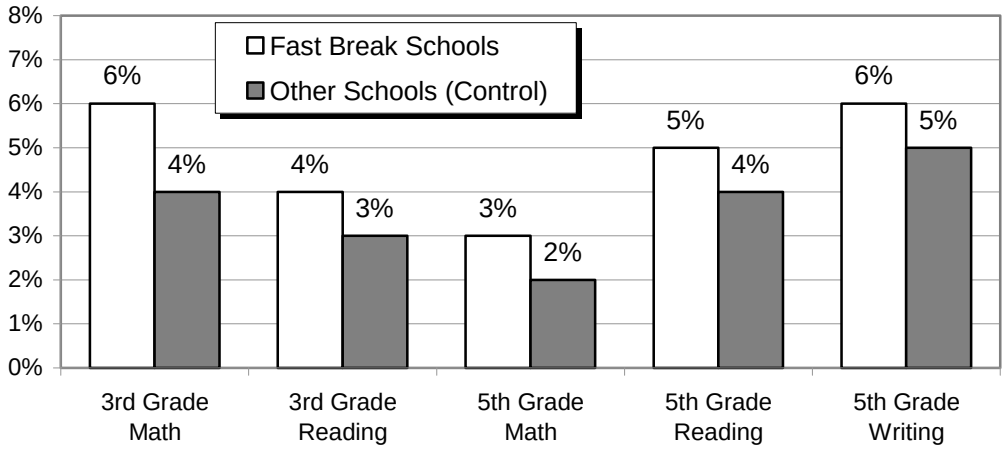
The federal School Breakfast Program began in 1966 with a focus on improving the health and school performance of low-income children. State funding began in 1993 with a per-breakfast rate of 5.1 cents.

The Fast Break to Learning breakfast program, established in 1999, provides additional state funding to assist elementary schools in low-income areas to provide breakfast access to all students at no charge, and reduce traditional barriers to school breakfast participation such as social stigma, facilities, and transportation. Elementary schools are eligible if at least 33% of school lunches have been served to students eligible for free or reduced price school meals.

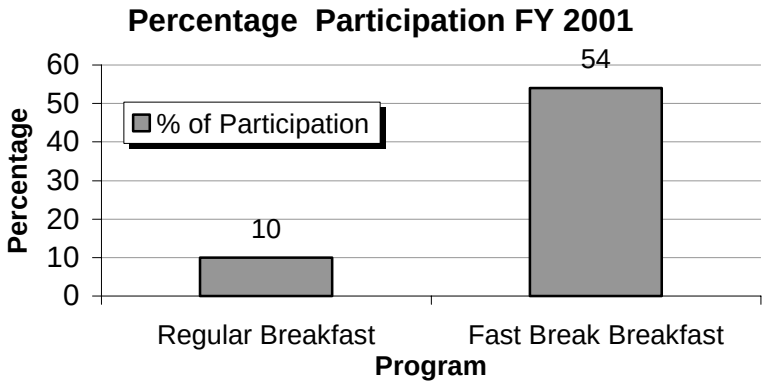
Key Measures

⇒ Increase overall performance on the reading, writing, and math portions of the MCA at Fast Break to Learning schools by 4% per year.

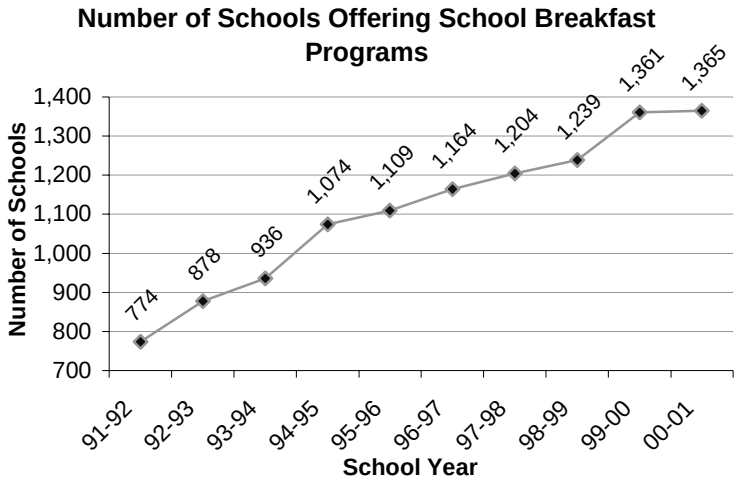
Increase in Percent of Students Achieving at Level II or Above at Fast Break to Learning Schools (Between FY 2000 and FY 2001)



⇒ Increase the participation rate at Fast Break to Learning schools from 54% in FY 2001 to 60% by FY 2004.



⇒ Increase the number of Minnesota schools offering a school breakfast program by 5% per year.



Activity Funding

School Breakfast

"Severe need" schools, which serve at least 40% free and reduced price school meals, qualify for the highest rates of federal reimbursement. Each school year, the state reimburses schools for the amount of 5.1 cents for each fully paid breakfast and for each free and reduced price breakfast not eligible for the "severe need" rate. In addition, each school year the state must reimburse schools 10.5 cents for each free and reduced breakfast served at school that had free/reduced price meal participation above 33% but not high enough to qualify for federal "severe need" reimbursement.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Fast Break to Learning

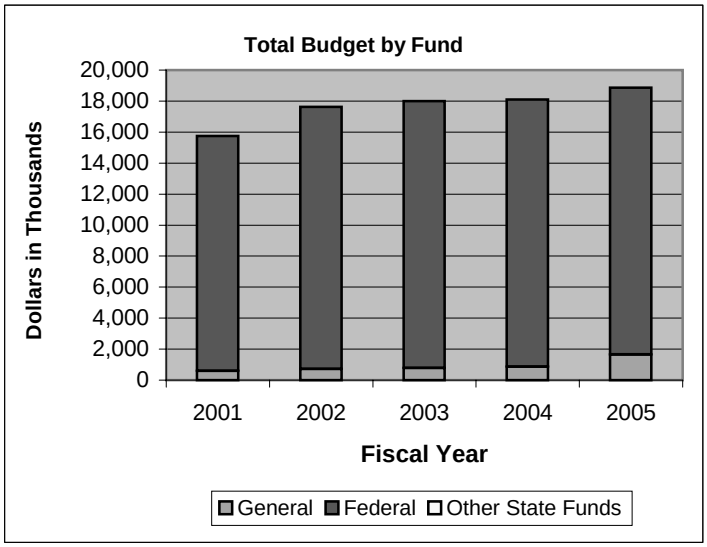
Each school year, the state reimburses schools for the difference between the per meal federal rate of reimbursement and the per meal state average cost. Meals that are reimbursed at a federal rate that is equal to or higher than the state average cost do not qualify for fast break to learning funds.

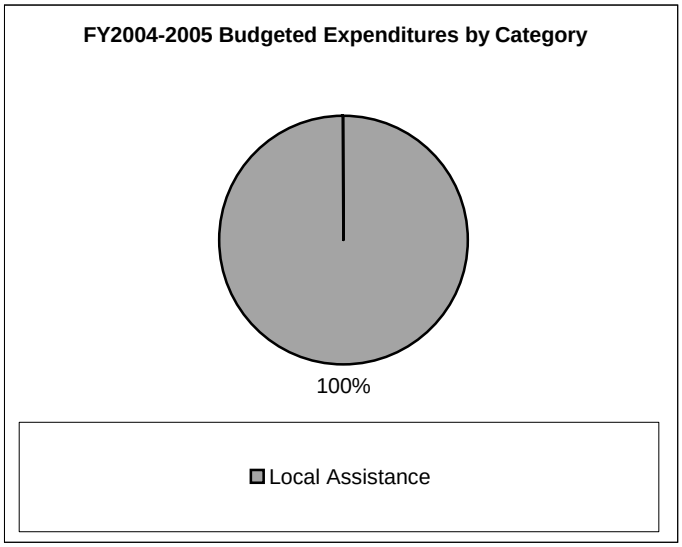
Contact

Additional information is available from the Minnesota Department of Education, 651-582-8526.

DEPARTMENT OF EDUCATION
Program: NUTRITION PROGRAMS
Activity: SCHOOL BREAKFAST

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	589	720	780	873	1,646	2,519
Statutory Appropriations						
Federal	15,155	16,903	17,220	17,220	17,220	34,440
Total	**15,744**	**17,623**	**18,000**	**18,093**	**18,866**	**36,959**
Expenditures by Category						
Operating Expenses	7	0	0	0	0	0
Local Assistance	15,737	17,623	18,000	18,093	18,866	36,959
Total	**15,744**	**17,623**	**18,000**	**18,093**	**18,866**	**36,959**
Revenue by Type and Fund						
Dedicated						
Federal	15,155	16,903	17,220	17,220	17,220	34,440
Subtotal Dedicated	15,155	16,903	17,220	17,220	17,220	34,440
Total Revenue	**15,155**	**16,903**	**17,220**	**17,220**	**17,220**	**34,440**
Full-Time Equivalents (FTE)	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	

DEPARTMENT OF EDUCATION
Program: NUTRITION PROGRAMS
Activity: FAST BREAK TO LEARNING

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	2,523	3,996	4,396	4,714	5,186	9,900
2. Statutory Excess/(Shortfall)		(1,279)				
3. Appropriated Entitlement	2,523	2,717	4,396	4,714	5,186	9,900
4. Adjustment(s)						
a. Excess Funds Transferred In / (Out)		1,279				
5. State Aid Entitlement	2,523	3,996	4,396	4,714	5,186	9,900
6. Total School District Revenue - All Funds	2,523	3,996	4,396	4,714	5,186	9,900
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	0	0	271	747	0	747
Current Year (90% FY 01-02) (83% FY 03-05)	2,500	2,446	3,649	4,714	5,186	9,900
Transfers per M.S. 127A.41, subdivision 8 & 9		1,279				
Balance Forward	23					
Total State Aid - General Fund	**2,523**	**3,725**	**3,920**	**5,461**	**5,186**	**10,647**
TOTAL APPROPRIATIONS	**2,523**	**3,725**	**3,920**	**5,461**	**5,186**	**10,647**

Activity Description

Citation: **124D.119**
Federal Authorization: Child Nutrition Act and National School Lunch Act

Community Nutrition Programs safeguard the health and well-being of Minnesotans year-round by helping to ensure that young children and older adults receiving organized care services have access to a nutritious diet and improve their eating habits.

Activity at a Glance

- Over 11,000 family child care homes, over 400 child care centers, and 32 adult care centers participate in the CACFP.
- 121,000 children in child care receive meals supported by the CACFP. In a typical month, 5.6 million meals and snacks are served.
- In July 2001, 51 summer food sponsors of the SFSP served over 31,000 children per day at 394 sites.

Summer Food Service Program (SFSP)
SFSP provides access to nutritious meals to children in low-income areas during the summer when school meals are not available. Most SFSP sites provide one or two meals per day, but may provide up to three meals a day. The annual state share of funding is $150,000.

Child and Adult Care Food Program (CACFP)
CACFP provides nutritious meals at family child care homes, child care centers, school-age care sites, emergency shelters, and adult day care centers. After-school programs in low-income areas that provide educational or enrichment activities participate in the After School Snack component of the CACFP. The federal government provides all funding for the CACFP. Federal funding has increased at a rate of approximately 2% per year since 1998.

Population Served

SFSP primarily serves children who participate in organized summer programs at park and community sites and schools in areas where at least 50% of families have income within 185% of federal poverty guidelines. SFSP sponsors include public and private schools, residential summer camps, government units, colleges and universities, as well as nonprofit organizations.

CACFP serves 1) children in licensed child care centers and licensed family child care homes, 2) children attending after-school enrichment programs in areas where at least 50% of families have income within 185% of federal poverty guidelines, and 3) adults in licensed adult day care centers.

Services Provided

Health is improved through access to healthy meals and snacks.

⇒ Menus for healthy meals and snacks are planned according to federal guidelines.
⇒ Meals and snacks are provided at no charge to children in low-income areas through the SFSP. Most CACFP locations provide meals and snacks at no charge to all enrolled children.

Community Nutrition Programs are supported through

- federal and state reimbursements for meals and snacks that meet guidelines;
- federal administrative reimbursements to SFSP sponsors and CACFP sponsors of family child care homes;
- assistance in meeting program requirements and improving the quality of the food service through administrative reviews, development of resource materials, workshops, and technical assistance; and
- "CLiCS," the Food and Nutrition Service interactive web site, which allows sponsoring organizations to meet their application and claims requirements online and provides immediate access to program resources.

More information on Community Nutrition Programs:
Community Nutrition Programs Annual Report
Child and Adult Care Food Program Fact Sheet
Summer Food Service Program Fact Sheet

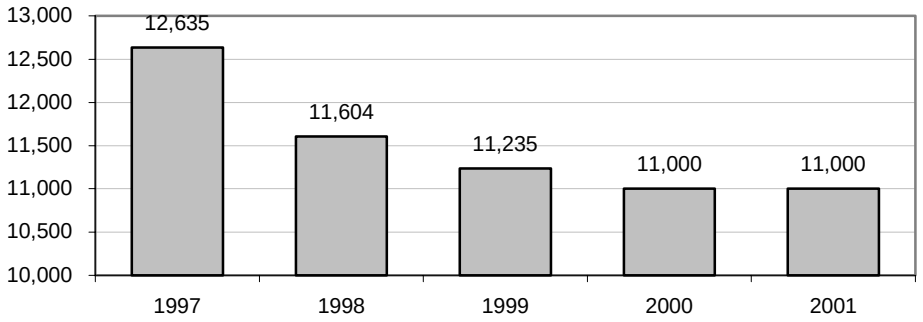
Historical Perspective

The CACFP was initiated with the federal Child Nutrition Act of 1966. Participation of adult day care centers was added in 1989. After federal welfare reform in 1996, family child care homes were reduced by $1.5 million per month, resulting in reduced participation in CACFP.

Key Measures

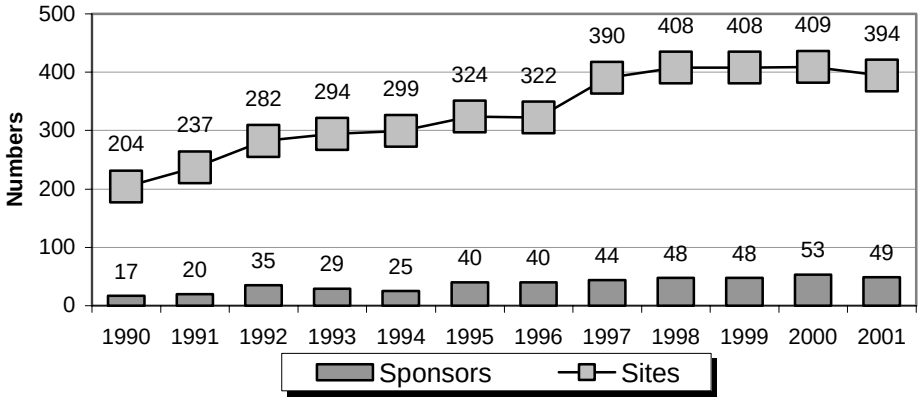
⇒ Maintain the number of family child care providers participating in the Child and Adult Care Food Program at over 11,000 family child care homes through outreach to new providers.

Family Care Providers Participating in CACFP



⇒ Increase the number of Summer Food Service Program sites by 5% through streamlining application and program requirements for sites.

Summer Program Increases 1990 - 2001



Activity Funding

Summer Food Service Program: Federal funds provide 96% of total funding and increase approximately 2% each year. In response to cuts in federal funding due to welfare reform in 1997, annual state replacement aid of $150,000 was appropriated to maintain healthy meals during the summer.

Child and Adult Care Food Program: Participation of adult day care centers was added in 1989. A two-tier reimbursement system was instituted for family child care providers under federal welfare reform legislation in 1996. As a result, Minnesota lost about $1.5 million per month in federal reimbursements for meals served to children since 1997.

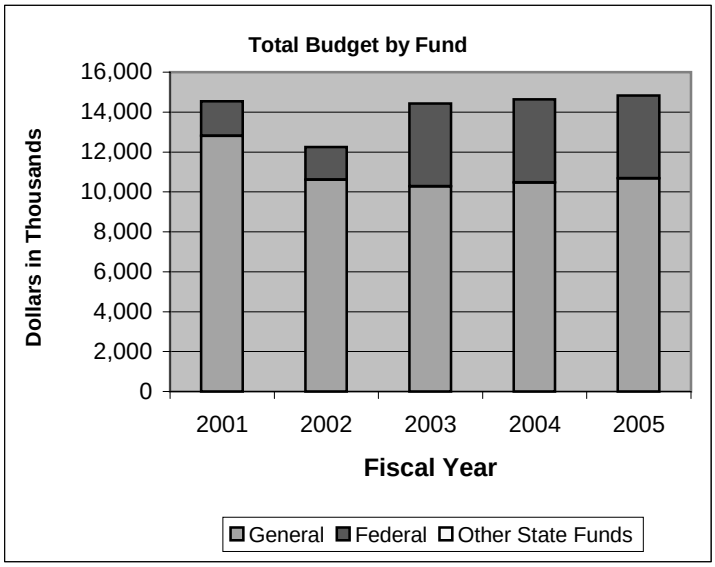
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

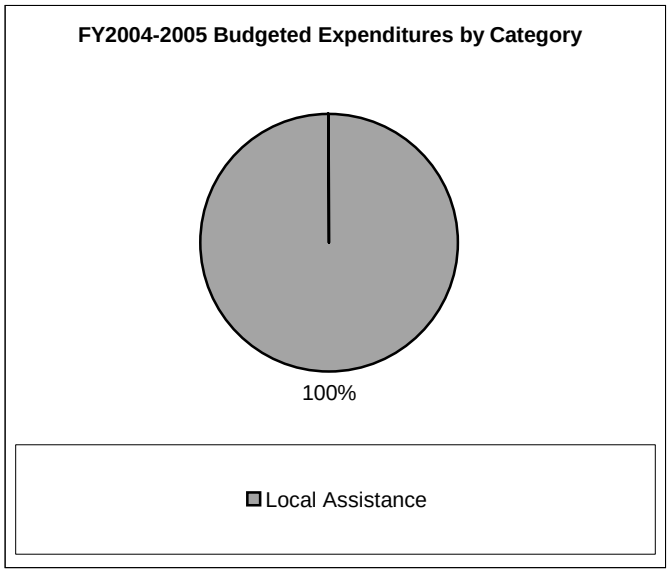
Contact

Additional information is available from the Minnesota Department of Education, (651) 582-8526.

Budget Activities Included:

⇒ Basic Support
⇒ Multicounty Multitype Library Systems
⇒ Miscellaneous Federal Library Programs





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	12,810	10,614	10,270	10,469	10,673	21,142
Statutory Appropriations						
Federal	1,736	1,632	4,163	4,163	4,163	8,326
Total	**14,546**	**12,246**	**14,433**	**14,632**	**14,836**	**29,468**
Expenditures by Category						
Local Assistance	14,546	12,246	14,433	14,632	14,836	29,468
Total	**14,546**	**12,246**	**14,433**	**14,632**	**14,836**	**29,468**
Expenditures by Activity						
Basic Support	11,907	9,711	9,430	9,566	9,770	19,336
Multicounty Multitype Library	903	903	840	903	903	1,806
Federal Library Programs	1,736	1,632	4,163	4,163	4,163	8,326
Total	**14,546**	**12,246**	**14,433**	**14,632**	**14,836**	**29,468**
Revenue by Type and Fund						
Dedicated						
Federal	1,879	1,821	4,400	4,400	4,400	8,800
Subtotal Dedicated	1,879	1,821	4,400	4,400	4,400	8,800
Total Revenue	**1,879**	**1,821**	**4,400**	**4,400**	**4,400**	**8,800**

Activity Description

Citation: M.S. 134.31; 134.32;134,34; 134.35; 134.47

Library Basic Support provides state aid to public libraries for operations, interlibrary programs, and services.

Library Telecommunications Aid provides state aid to public libraries for data and video access costs, related costs to improve or maintain electronic access, and connect the library system with the state information infrastructure.

Activity at a Glance

- 360 libraries are served through the program.
- In FY 2000, approximately 44 million items were loaned.
- In FY 2000, 22.2 million visits were made to a public library.
- In FY 2000, attendance at library-sponsored programs was 979,053.
- Approximately 5 million reference requests take place yearly.

Population Served

This activity serves Minnesota citizens through 12 regional library systems. Participation in regional public library systems includes all Minnesota counties and serves 99.49% of the state's population. These systems are 1) Arrowhead Library System, 2) East Central Regional Library, 3) Great River Regional Library, 4) Kitchigami Regional Library, 5) Lake Agassiz Regional Library, 6) Metropolitan Library Service Agency, 7) Northwest Regional Library, 8) Pioneerland Library System, 9) Plum Creek Library System, 10) Southeastern Libraries Cooperating, 11) Traverse des Sioux Library System, and 12) Viking Library System.

Services Provided

The public makes heavy use of its libraries for self-sufficiency including financial and business decisions, education, self-development, and personal interests. This activity provides the following services to strengthen the ability of libraries across the state to continue excellent services to citizens:

- provides incentives for counties and cities to work together in regional public library systems extending service to all at the most reasonable cost;
- distributes funding between cooperating jurisdictions and encourages sharing the library materials within each region and statewide through library-to-library lending and reciprocal borrowing;
- maintains and improves the infrastructure for reading and lifelong learning through library programs, materials, and outreach to culturally diverse communities;
- strengthens library materials and media collections;
- supports automation, integration of new technologies and training, and community access to high-speed Internet links; and
- improves or maintains electronic access and connects the library system with the state information infrastructure administered by the department of administration.

Historical Perspective

State funding of regional public library systems is needed to ensure and raise the level of equitable library services across Minnesota. The telecommunications aid program began in 1996 to encourage interconnectivity and more equity of access. Previous legislation consolidated separate categorical grant funds for public libraries into this program beginning in FY 2000, which improved flexibility in the use of funds. Increases in funding have been due to the roll-in of categorical grant/aid programs into basic, including Regional Telecommunications Aid in FY 2004.

Key Measures

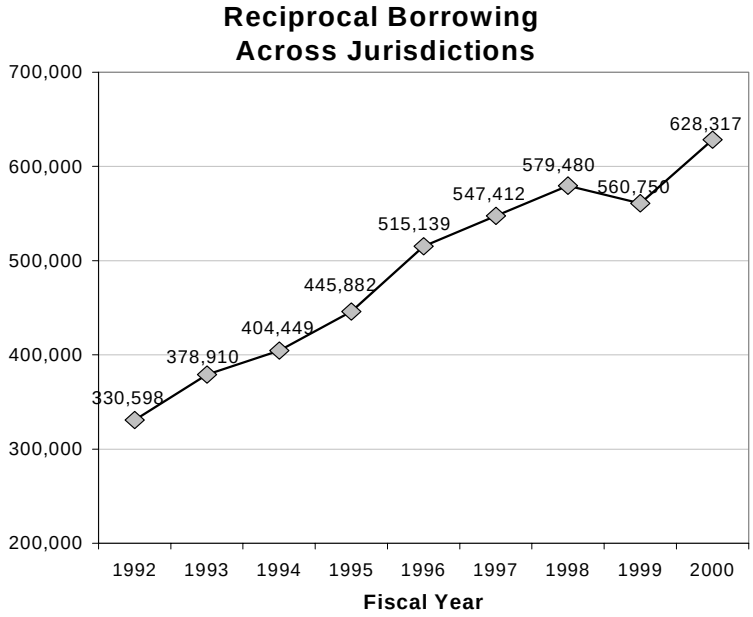
Quality library services are available for a Minnesotan of all ages.

⇒ The number of items loaned within public libraries increased 20.45% from 35 million in 1988 to 44 million in 2000.

⇒ Library to library requests filled within regional public library systems increased 61% from 152,000 in 1988 to 389,137 in 2000.

⇒ Minnesota's public libraries rank 13th among the states in per capita expenditures, 5th in the United States in public library lending per capita, and 4th in reference questions asked per capita.

⇒ Reciprocal borrowing across jurisdictional boundaries remains at high levels.



Activity Funding

The basic aid budget activity is funded with state aid distributed by a formula using population, area, equalized valuation of property, and a basic amount per system. The telecommunications aid budget activity is funded with state aid distributed on a pro-rated actual cost basis for system branches/members who meet the aid program criteria.

To qualify for basic aid, each participating city and county must meet a minimum level of support based on adjusted net tax capacity. The state appropriation is used to demonstrate state maintenance of effort in order to qualify for the one federal library program. Local, state, and federal funds are from public funds. The other sources of funds include foundation grants, gifts, and fundraising. The regional systems are required to apply for the federal E-rate discount program. The federal E-rate program provides discounts and/or reimbursements to assist eligible schools and libraries to obtain telecommunications and Internet access. The discounts or reimbursements depend on the level of poverty and the urban/rural status of the population served. The E-rate program is an unstable source of funding because funding is prorated based on demand. Costs by sites vary considerably across the state.

Source	Dollar Amount	Per Capita
Local	$126,667,867	$25.75
State	12,821,584	2.61
Federal	1,099,636	0.22
Other	10,393,811	2.11
TOTAL	**$150,982,898**	**$39.69**

The state funding for Regional Telecommunications Aid was combined with the funding for Basic Aid beginning in FY 2004.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional Information is available from the Minnesota Department of Education, Information Technology/Library Development and Services Division, (651) 582-8881.

DEPARTMENT OF EDUCATION
Program: LIBRARIES
Activity: BASIC SUPPORT

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	8,570	8,570	8,570	9,770	9,770	19,540
2. Regional Library Telecommunications	3,337	1,141	1,459	0	0	0
3. Total Library Revenue - All Funds	11,907	9,711	10,029	9,770	9,770	19,540
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	857	857	857	1,456	1,660	3,116
Current Year (90% FY 01-02) (83% FY 03-05)	7,713	7,713	7,114	8,110	8,110	16,220
Total State Aid - General Fund	**8,570**	**8,570**	**7,971**	**9,566**	**9,770**	**19,336**
Other Approp. Federal Plus Other State Funds	3,337	1,141	1,459			
TOTAL APPROPRIATIONS	**11,907**	**9,711**	**9,430**	**9,566**	**9,770**	**19,336**

Activity Description

Citation: M.S. 134.351; 134.353; 134.354

The purpose of this state aid program is to improve library services to Minnesotans by fostering and supporting cooperation among libraries of all types.

Activity at a Glance

- Number of people served 4,919,479
- Grants to seven multicounty multitype library cooperation systems
- FY 2003 Entitlement $903,000

Population Served

This activity serves the state of Minnesota through seven regional multicounty multitype library cooperation systems. Capacity-building and extending services through collaborative sharing of resources are the main strategies used. Currently, 1,236 members with almost 2,200 library outlets of all types in Minnesota work together. Only the very smallest and libraries not staffed do not participate.

Total participating library jurisdictions by system:

Central Minnesota Library Exchange	287
Metronet	186
North Country Library Cooperative	82
Northern Lights Library Network	277
Southcentral Minnesota Inter-Library Exchange	99
Southeast Library System	108
Southwest Multicounty Multitype Inter-Library Exchange	197

Services Provided

This program supports the following services to improve library services.

⇒ Assists the development and implementation of strategic plans that address the needs of the region with the available library and information resources

⇒ Provides communication systems among participating libraries.

⇒ Operates and improves delivery services to facilitate sharing material and information among participating libraries.

⇒ Assists the development and uses of linked databases that support information sharing and exchange.

⇒ Helps with the organization and promotion of opportunities for continued staff development and expertise in new technologies and other services for the public.

Historical Perspective

Seven multicounty multitype library cooperation systems have been in existence since 1980. They are, 1) Central Minnesota Libraries Exchange, 2) North Country Library Cooperative, 3) Southcentral Minnesota Interlibrary Exchange, 4) Southwest Area Multicounty Multitype Interlibrary Exchange, 5) Metronet, 6) Northern Lights Library Network, and 7) Southeast Library System.

Key Measures

Quality library services are available for all Minnesotans of all ages

Existing funding does not allow all systems to do all the same things to an equal extent and as a result each system pursues priorities important to its members. Based upon their strategic plans, each system reports on goals accomplished on annual basis.

The following are examples of priorities of specific systems in FY 2000.

⇒ The Central Minnesota Libraries Exchange spent almost $40,000 (35.6% of its budget) to fill 7,663 requests for materials and information.

⇒ Metronet spent $17,469 (9.7% of its budget) to expand access to online bibliographic databases by metro area residents.

- ⇒ North Country Library Cooperative spent $32,950 (25.5% of its budget) for resource sharing including underwriting 9,108 requests for information and materials through the Reference and Referral Center in Duluth.
- ⇒ Northern Lights Library Network spent $25,293 (16.7% of its budget) to support its participation in a statewide multicounty multitype cooperation systems' project to establish and maintain an online statewide library directory.
- ⇒ Southwest Area Multicounty Multitype Interlibrary Exchange spent $23,171 (20% of its budget) for resource sharing, including funding training and searching costs to increase access to online bibliographic databases.
- ⇒ Southeast Library System spent $10,191 (9.3% of its budget) to underwrite a portion of operational costs to enable 23 school districts and 40 schools to have library materials delivered 2-3 times a week to meet student research needs.
- ⇒ Southcentral Minnesota Inter-Library Exchange spent $21,227 (21.8% of its budget) to load bibliographic records from four school districts (232,136 records) and two history centers (1,444 records) to the Traverse des Sioux Library System's online catalog.

Activity Funding

A formula established by rule sets operating grant awards that allocate 60% of available funds equally among the systems, 20% of available funds in an equal amount per capita, and 20% of available funds in an equal amount per square mile. This aid program is supported totally with state funds.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional Information is available from the Minnesota Department of Education, Information Technology/Library Development and Services Division, (651) 582-8881.

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	903	903	903	903	903	1,806
2. Total Library Revenue - All Funds	903	903	903	903	903	1,806
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	90	90	90	153	153	306
Current Year (90% FY 01-02) (83% FY 03-05)	813	813	750	750	750	1,500
Total State Aid - General Fund	**903**	**903**	**840**	**903**	**903**	**1,806**
TOTAL APPROPRIATIONS	**903**	**903**	**840**	**903**	**903**	**1,806**

Activity Description
Citation: 20 US Code 9121-963

The purpose of the federal Library Services and Technology Act (LSTA) program is to improve services to targeted underserved populations and to build electronic linkages and networks that support library services.

Activity at a Glance

- Number of FY 2002 grant projects 57
- Population served 4,919,479
- Grants range in size from $5,000 - $650,000

Population Served
This activity serves the library community statewide to include all types of libraries. Enhancement or increased capacity in programs impact all residents of Minnesota.

Services Provided
The state plan for use of federal funds provides for carrying out state goals and priorities within the following federal purposes:

- to consolidate federal library programs;
- to stimulate excellence and promote access to learning and information resources in all types of libraries for individuals of all ages;
- to promote library services that provide all users access to information throughout state, regional, national and international electronic networks;
- to provide linkages among and between libraries;
- to promote targeted library services to people of diverse geographic, cultural, and socioeconomic backgrounds, to individuals with disabilities, and to people with limited functional literacy or information skills; and
- to electronically link libraries with educational, social, or information services.

The program requires a state plan for library services to include a plan for LSTA and goals to carry out the federal purposes. The state uses LSTA funds to carry out enhancement programs and capacity-building components in the Minnesota five-year LSTA state plan.

All libraries, which meet the criteria for the program, are eligible applicants. The state library agency can fund statewide library initiatives with federal LSTA dollars. Up to a maximum of 4% of the appropriation can be used annually for administration purposes at the state level.

Historical Perspective
Federal grants awarded by the state to eligible libraries under the previous five-year LSTA Plan (by state fiscal years).

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	TOTALS
Goal 1	$1,552,849	$ 640,634	$ 928,818	$ 519,919	$ 784,308	$ 4,526,528
Goal 2	198,530	75,000	130,670	144,400	174,581	723,181
Goal 3	193,072	460,529	73,991	0	0	727,592
Goal 4a	N/A	N/A	93,165	100,000	145,500	338,665
Goal 4b	124,495	800,363	664,526	1,430,000	424,223	3,443,607
Goal 5	10,000	7,580	10,000	0	91,762	119,342
Goal 6	0	0	0	0	34,795	34,795
Goal 7	304,620	300,430	0	0	0	605,050
Goal 8	9,900	0	30,000	59,794	172,720	272,414
Goal 9	0	6,140	0	100,000	446,348	552,488
TOTALS	**$2,393,466**	**$2,390,676**	**$1,931,170**	**$2,354,113**	**$2,274,237**	**$11,343,662**

Goals and activities established under the first Minnesota LSTA Plan, 1998-2002.

⇒ Goal 1 – All types of libraries will be electronically linked for providing information.
⇒ Goal 2 – Minnesotans will have access to specialized resources because of partnerships between libraries and community agencies and organizations.
⇒ Goal 3 – Minnesotans will have access to full-text databases and other electronic resources.
⇒ Goal 4a – Minnesota library community will demonstrate leadership and partnerships to make maximum use of library resources to serve the information needs of Minnesotans.
⇒ Goal 4b – Library resources will be shared via effective and efficient systems for interlibrary request and delivery to serve the information needs of Minnesotans.
⇒ Goal 5 – Strengthen services to children and adults through better coordination between schools and public libraries.
⇒ Goal 6 – Increase public's understanding of libraries' shared activities, services and resources among libraries.
⇒ Goal 7 – Develop quality library service equitably statewide by establishing and implementing standards for all Minnesota libraries.
⇒ Goal 8 – People in every Minnesota locality will have an opportunity and the means to identify their needs for library services.
⇒ Goal 9 – Improve the skills of library staff and trustees in serving the needs of their communities.

Key Measures

In awarding grants, the department considers the following criteria:

- fulfillment of federal LSTA purposes and the Minnesota five-year plan goals, activities and measurements;
- adherence to Minnesota priority activity requirements;
- integration with and leveraging of other regional and state initiatives;
- congruence with strategic and technology plans pertinent to the applicant;
- outcomes of the proposed project;
- building upon or supporting collaboration with other libraries and non-library partners; and
- ability to continue the project after the initial grant.

Goals and activities established under the new Minnesota LSTA Plan – 2003 – 2007.

⇒ Goal 1A – Target programming for seniors.
⇒ Goal 1B – Targeted programming for individuals with limited English proficiency.
⇒ Goal 1C – Target programming for individuals with disabilities.
⇒ Goal 1D – Target programming to children living in poverty.
⇒ Goal 2 – Statewide initiatives and services.

Activity Funding

The federal act requires both a state match (34% of the federal award), and a state maintenance of effort (the difference between the match and LSTA funding allocated to the state). Library Development and Services reports the state appropriation for regional public library system basic aids and the multicounty, multitype library system aid to meet these requirements.

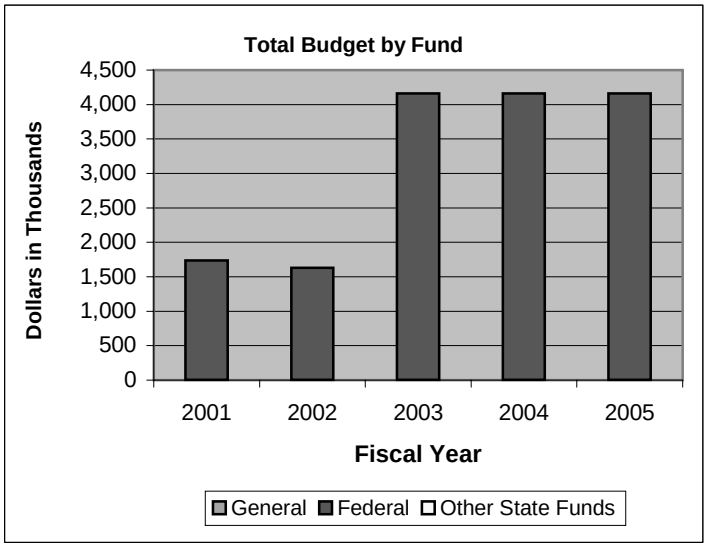
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

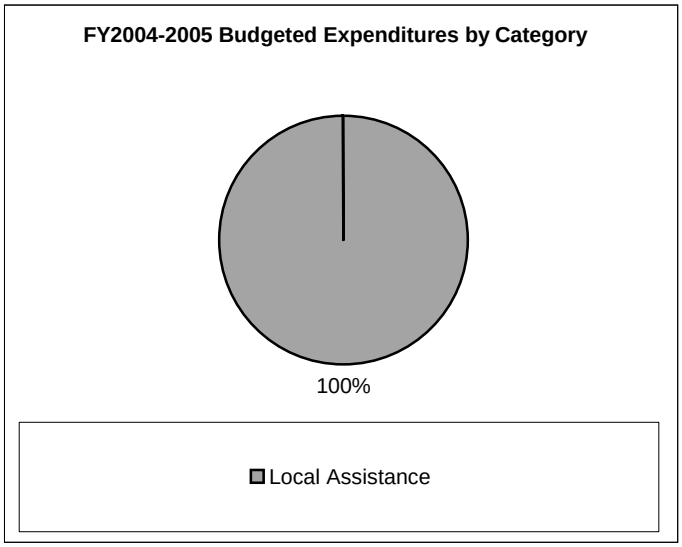
Contact

Additional information is available from the Minnesota Department of Education, Information Technology/Library Development and Services Division, (651) 582-8805.

DEPARTMENT OF EDUCATION
Program: LIBRARIES
Activity: FEDERAL LIBRARY PROGRAMS

Fiscal Report



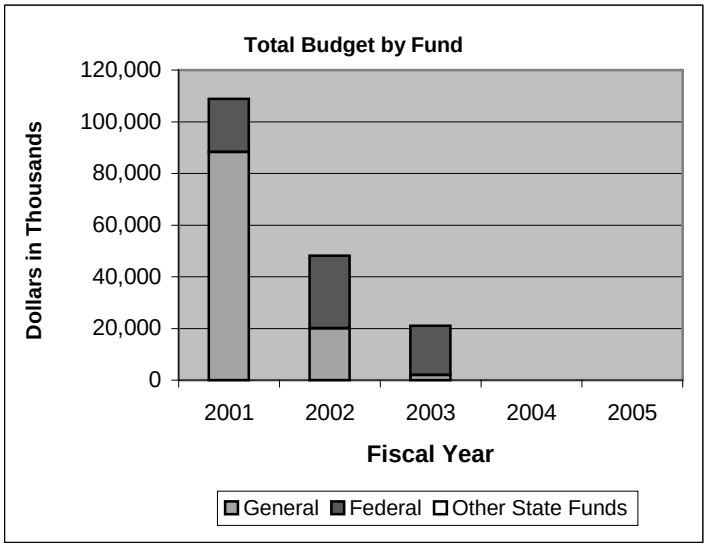


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Federal	1,736	1,632	4,163	4,163	4,163	8,326
Total	**1,736**	**1,632**	**4,163**	**4,163**	**4,163**	**8,326**
Expenditures by Category						
Local Assistance	1,736	1,632	4,163	4,163	4,163	8,326
Total	**1,736**	**1,632**	**4,163**	**4,163**	**4,163**	**8,326**
Revenue by Type and Fund						
Dedicated						
Federal	1,879	1,821	4,400	4,400	4,400	8,800
Subtotal Dedicated	1,879	1,821	4,400	4,400	4,400	8,800
Total Revenue	**1,879**	**1,821**	**4,400**	**4,400**	**4,400**	**8,800**

Statute requires a report of discontinued education aids or grants if there is an expenditure in FY 2001, FY 2002, FY 2003.

DEPARTMENT OF EDUCATION
Program: DISCONTINUED PROGRAMS (K-12)
Activity: DISCONTINUED PROGRAMS

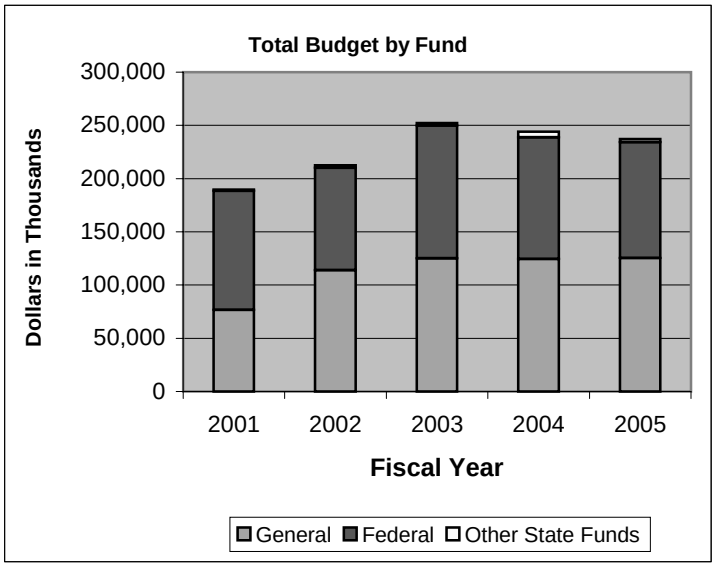
Fiscal Report

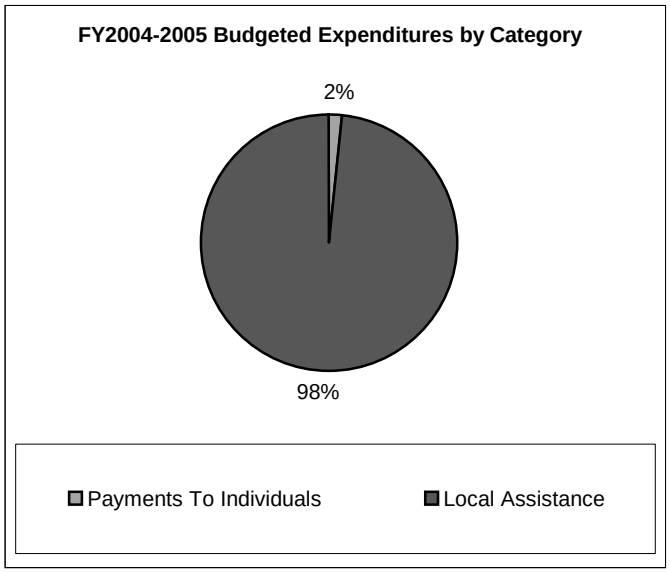


Dollars in Thousands	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Expenditures by Fund						
Direct Appropriations						
General	88,339	20,010	2,024	0	0	0
Statutory Appropriations						
Federal	20,540	28,196	18,991	0	0	0
Total	**108,879**	**48,206**	**21,015**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	476	78	127	0	0	0
Payments To Individuals	709	0	0	0	0	0
Local Assistance	107,694	48,128	20,888	0	0	0
Total	**108,879**	**48,206**	**21,015**	**0**	**0**	**0**
Revenue by Type and Fund						
Dedicated						
Federal	20,540	28,196	18,991	0	0	0
Subtotal Dedicated	20,540	28,196	18,991	0	0	0
Total Revenue	**20,540**	**28,196**	**18,991**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**4.9**	**0.9**	**0.3**	**0.0**	**0.0**	

Budget Activities Included:

⇒ Child Care Assistance
⇒ Child Care Program Integrity
⇒ Child Care Development





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	76,607	113,858	125,175	124,315	125,284	249,599
Statutory Appropriations						
Special Revenue	1,000	2,441	2,350	5,411	2,987	8,398
Federal	111,916	96,277	124,638	114,404	108,919	223,323
Gift	175	0	0	0	0	0
Total	**189,698**	**212,576**	**252,163**	**244,130**	**237,190**	**481,320**
Expenditures by Category						
Operating Expenses	2,185	2,636	3,762	2,672	1,672	4,344
Payments To Individuals	9	11	14	5,411	2,987	8,398
Local Assistance	187,504	209,929	248,387	236,047	232,531	468,578
Total	**189,698**	**212,576**	**252,163**	**244,130**	**237,190**	**481,320**
Expenditures by Activity						
Basic Sliding Fee Child Care	85,316	93,471	104,772	101,380	98,216	199,596
Mfip Child Care	91,751	104,896	126,497	127,374	124,612	251,986
Child Care Program Integrity	2,340	2,811	3,937	2,847	1,847	4,694
Child Care Development	10,291	11,398	16,957	12,529	12,515	25,044
Total	**189,698**	**212,576**	**252,163**	**244,130**	**237,190**	**481,320**
Revenue by Type and Fund						
Dedicated						
Special Revenue	3,050	3,506	3,253	2,987	2,862	5,849
Federal	116,384	97,018	131,447	118,640	113,155	231,795
Gift	3	-14	0	0	0	0
Subtotal Dedicated	119,437	100,510	134,700	121,627	116,017	237,644
Total Revenue	**119,437**	**100,510**	**134,700**	**121,627**	**116,017**	**237,644**
Full-Time Equivalents (FTE)	**5.3**	**7.8**	**8.5**	**8.5**	**8.5**	

Activity Description

Citation: M.S. 119B; P.L. 104-193, Title VI, P.L. 101-508

The Child Care Assistance Program (CCAP) provides financial subsidies to help low-income families pay for child care so that parents may pursue employment or education leading to employment. This program is supervised by the Department of Education (DOE) and administered by county social services agencies.

Activity at a Glance

- In 2001, the MFIP Child Care Program served almost 12,000 families and over 22,000 children with a total of $92 million in state, federal, and county funds.
- In 2001, the Basic Sliding Fee Program served over 14,500 families and over 24,000 children with a total of $88 million in state, federal, and county funds.
- As of 05-31-02 there were 5,094 families on the Basic Sliding Fee program waiting lists in 30 counties statewide.

Population Served

Families who participate in welfare activities are served through the Minnesota Family Investment Program (MFIP) child care program which includes MFIP and Transition Year (TY) subprograms. Low-income families who are not connected to the cash assistance program are served through the Basic Sliding Fee (BSF) child care program.

Services Provided

The CCAP helps families pay child care costs on a sliding fee basis. As family income increases so does the amount paid by the family. When family income reaches 75% of the state median income, family co-payments generally meet or exceed the full cost of care.

Minnesota Family Investment Plan (MFIP)

The following families are eligible to receive MFIP or TY child care assistance: 1) MFIP families who are employed or pursuing employment, or participating in employment, training, or social services activities authorized in an approved employment services plan; and 2) employed families who are in their first year off MFIP (transition year). Families on MFIP might also be eligible for child care assistance for social services activities. This is funded through a separate appropriation.

Basic Sliding Fee (BSF)

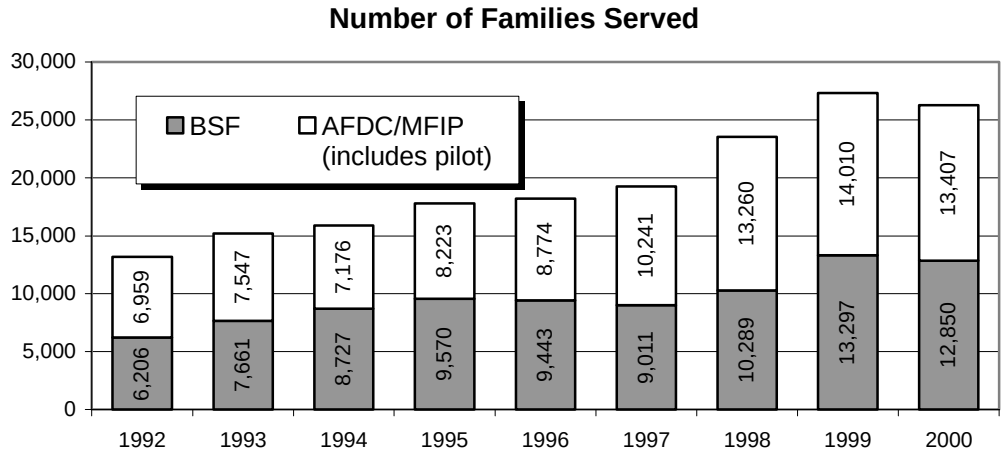
BSF child care helps pay the child care costs of low-income families not currently participating in MFIP and helps keep families off welfare. Families with incomes below 75% of the state median income who participate in authorized activities, such as employment, job search, and job training, are eligible for BSF child care.

At Home Infant Care (AHIC)

In 1997, the legislature created the At-Home Infant Care program (AHIC). The program took effect in FY 1999. AHIC allows BSF eligible families with infant children to receive a subsidy for a period of up to 12 months, while staying at home with their infant (and any other children). The family receives 90% of the amount that would be paid for infant care in the county of the family's residence. The BSF uses a full year's income as the basis for determining the level of assistance. Income for the AHIC program is calculated by annualizing only the amount a family receives while a parent is staying at home with a child.

Historical Perspective

The BSF program was developed in the 1970s as a pilot program serving 24 counties in recognition that child care was essential to the employment of low-income families. MFIP child care was called AFDC child care and funded by federal Title IV(a) funds prior to the 1996 federal welfare reform act. Demand for child care assistance has increased as parents participating in welfare reform now are required to be employed. The total number of families served has increased from 13,161 in FY 1992 to 26,555 in FY 2001. Total expenditures have increased from $46.6 million to $180.1 over those years.



Source: County Data

Key Measures

With the implementation of Minnesota Electronic Child Care Information System (MEC^2) the CCAP will begin to have the capacity to measure the effectiveness of the program statewide and specific measures will be reported in the next biennial budget request. The following indicators have been selected as points of discussion for the goals of the program.

Families have adequate economic resources to provide for their children and ensure family self-sufficiency.

⇒ Percent of families on the waiting list to receive BSF who enroll in the MFIP program.
⇒ Percent of CCAP families who exit off the program, by termination reason, who do not return to the program or the waiting list within 12 months.
⇒ Percent of families who maintain continuous employment while enrolled in CCAP.

All children have access to high quality and developmentally appropriate birth to kindergarten early childhood care and education services that help prepare them for school and access to quality school age care upon school entry.

⇒ Percent of providers used by families in the CCAP who are licensed.
⇒ Percent of parents who are able to obtain the care they prefer for their children (location, age slot, price-range, hours, special needs, cultural emphasis).
⇒ Percent of children who have more than one provider change in a year.
⇒ Percent of non-native English speaking children who are cared for by a provider who speaks the language preferred by the parent.
⇒ Number of provider training opportunities for child care providers.

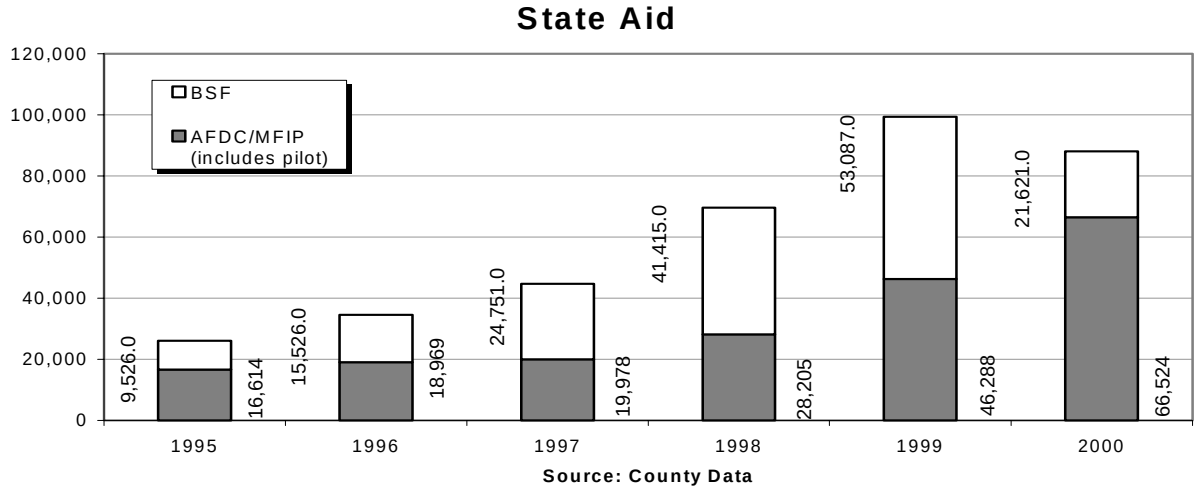
The Early Childhood and Family Support Division in the Office of Community Services has adopted a single indicator as a focus around which to integrate individual early childhood programs. This indicator is to increase the percentage of young children who are ready for school as measured by an observational performance assessment. In the fall of 2002, DOE will pilot a School Readiness Indicator Study in which information about the school readiness of a random sample of approximately 2,000 kindergarten children will be gathered.

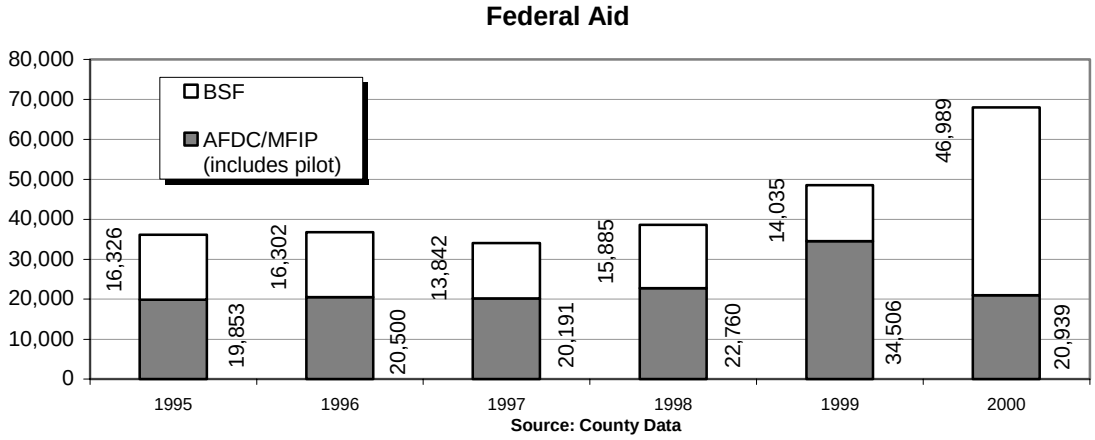
Activity Funding

Child care assistance is funded by state general fund appropriations, federal Child Care and Development Fund (CCDF) monies, which include Temporary Assistance to Needy Families (TANF) transfer funds, county contributions, and child care support collections.

The CCDF program consists of three funding streams: mandatory, matching, and discretionary. The mandatory and discretionary funds do not require a state match. However, in order to receive the matching funds, the state must meet a maintenance of effort (MOE) requirement of $19.6 million. State child care assistance expenditures are used to meet MOE requirements for both the federal CCDF and TANF funding. Expenditures will be matched at the federal medical assistance participation rate up to the amount of money available in the matching allocation. Minnesota consistently draws down all available federal dollars.

MFIP child care is a fully funded program. Counties are reimbursed for 100% of their expenditures. Counties receive an additional administrative allowance equal to 5% of their earnings. In both MFIP and BSF, counties are required to contribute a minimum direct service match and in many cases choose to contribute additional county funds. Counties receive an administrative allowance equal to 5% of their earnings. This allowance is capped at 1/21 of their allocation.





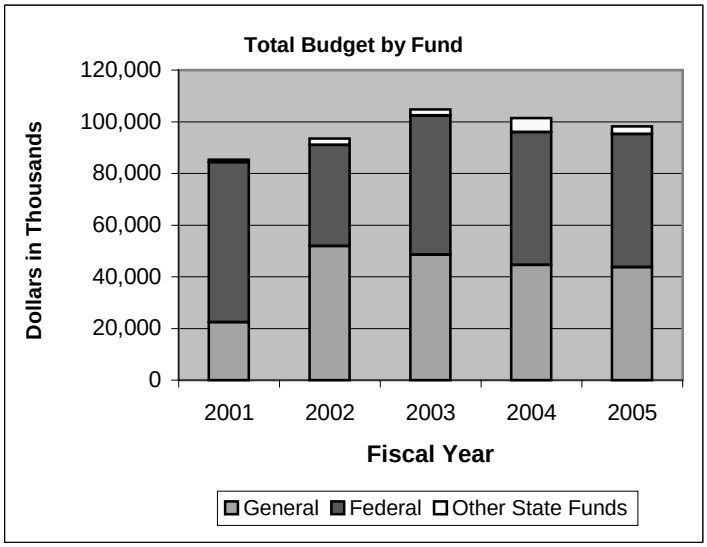
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

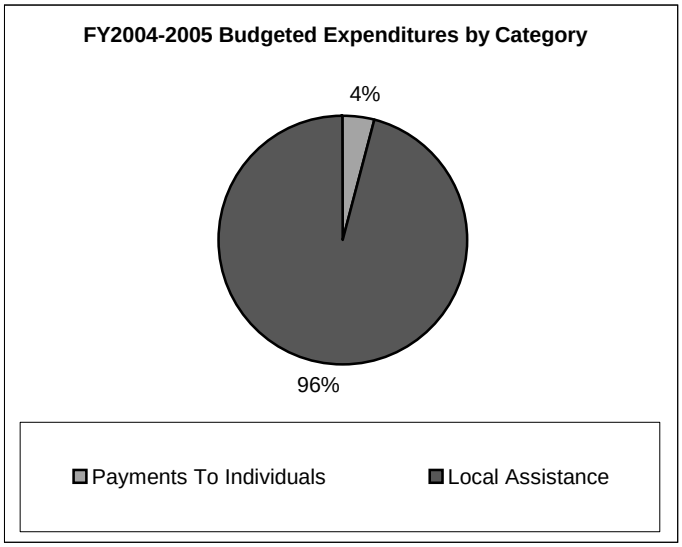
Contact

Additional information is available from the Department of Education, (651) 582-8372 and the DOE web site for Early Childhood and Family Initiatives. http://cfl.state.mn.us/ecfi.

DEPARTMENT OF EDUCATION
Program: CHILD CARE PROGRAMS
Activity: BASIC SLIDING FEE CHILD CARE

Fiscal Report

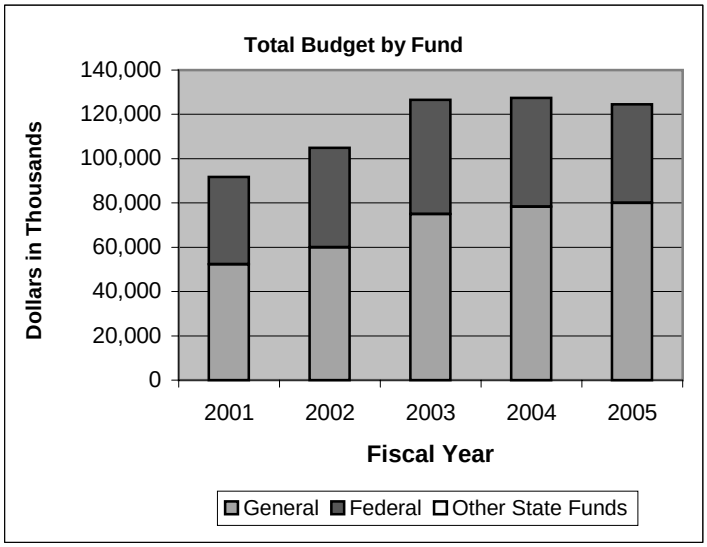


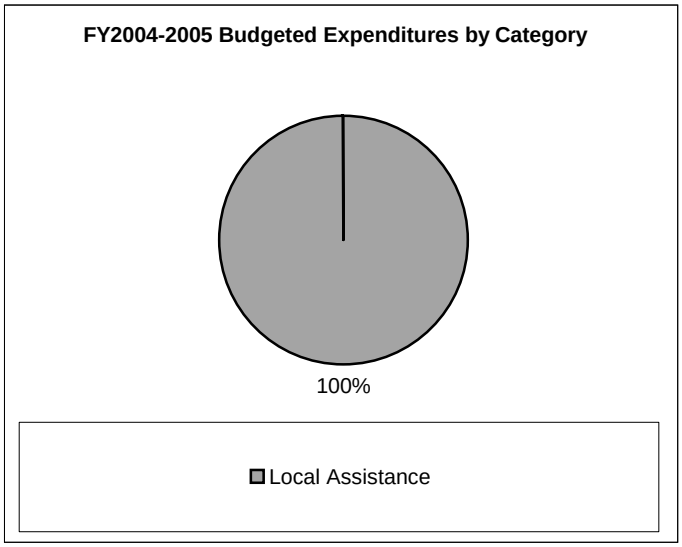


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	22,377	51,903	48,595	44,528	43,774	88,302
Statutory Appropriations						
Special Revenue	1,000	2,441	2,350	5,411	2,987	8,398
Federal	61,939	39,127	53,827	51,441	51,455	102,896
Total	**85,316**	**93,471**	**104,772**	**101,380**	**98,216**	**199,596**
Expenditures by Category						
Payments To Individuals	0	0	0	5,411	2,987	8,398
Local Assistance	85,316	93,471	104,772	95,969	95,229	191,198
Total	**85,316**	**93,471**	**104,772**	**101,380**	**98,216**	**199,596**
Revenue by Type and Fund						
Dedicated						
Special Revenue	3,050	3,506	3,253	2,987	2,862	5,849
Federal	62,837	40,184	54,909	51,455	51,455	102,910
Subtotal Dedicated	65,887	43,690	58,162	54,442	54,317	108,759
Total Revenue	**65,887**	**43,690**	**58,162**	**54,442**	**54,317**	**108,759**

DEPARTMENT OF EDUCATION
Program: CHILD CARE PROGRAMS
Activity: MFIP CHILD CARE

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	52,356	59,956	74,999	78,247	79,970	158,217
Statutory Appropriations						
Federal	39,395	44,940	51,498	49,127	44,642	93,769
Total	**91,751**	**104,896**	**126,497**	**127,374**	**124,612**	**251,986**
Expenditures by Category						
Local Assistance	91,751	104,896	126,497	127,374	124,612	251,986
Total	**91,751**	**104,896**	**126,497**	**127,374**	**124,612**	**251,986**
Revenue by Type and Fund						
Dedicated						
Federal	39,395	44,940	51,498	49,127	44,642	93,769
Subtotal Dedicated	39,395	44,940	51,498	49,127	44,642	93,769
Total Revenue	**39,395**	**44,940**	**51,498**	**49,127**	**44,642**	**93,769**

Activity Description

Citation: Child Care Development Fund P.L. 104-193, 45 CFR 98 and 99

The federal funded Minnesota Electronic Child Care Information System (MEC^2) is designed to support program integrity and meet the needs of the Child Care Assistance Program (CCAP) in Minnesota by providing automated support and process improvements at the state and county level. State funding is appropriated to enforce program integrity through a contract with the Department of Human Services for fraud prevention investigation.

Activity at a Glance

- MEC^2 is being implemented in all 87 counties.
- Approximately 1,000 state and county workers will use MEC^2 on a regular basis.
- Over 25,000 providers will receive payments every two to four weeks from this system.
- MEC^2 will be used to serve an annual average of 26,500 families and over 46,000 children.

Population Served

MEC^2 will be implemented in all 87 Minnesota counties and will be used by approximately 1,000 workers at the state and local level. System implementation is being phased in beginning in the fall of 2002. The system will be used to serve an average of 26,500 families per quarter and their approximately 46,000 children. In addition, MEC^2 will serve over 25,000 child care providers annually. These families, providers, and Minnesota taxpayers will benefit from improved services, more efficient administration of the program, and enhanced program integrity. The MEC^2 systems and the fraud prevention investigation activities support appropriate and efficient distribution of available resources to eligible families.

Services Provided

MEC^2 functionality includes the following: Family Management & Eligibility (pre-screening, waiting list, eligibility determination, case management and service authorization), Provider Management, Budget Tracking, Payment Processing, and Reporting. The system also will have the ability to print and distribute the appropriate forms and notices to families and providers.

MEC^2 is an information system with flexibility to manage the fiscal complexities of multiple CCAP subprograms and their various funding sources. It can also accommodate differences in county policy and includes interfaces to related employment and welfare systems serving the same individuals and families.

The Department of Education (DOE) contracts with the Department of Human Services (DHS) for the fraud prevention investigation program. This program oversees county investigations of fraud prevention activities statewide.

Historical Perspective

The department has been working to increase program integrity in the child care assistance program since the programs were transferred to it in 1996. In 1999, disqualification periods and penalties for fraud were added to the statute. In 2001, the rule governing the program was revised to add provisions related to disqualification, requiring more documentation by applicants, giving families more warnings about the implications of not following the rules and giving providers more warning about treating CCAP and non-CCAP families the same. A statewide universal application was implemented in December 2001 that included a separate form stating rights, responsibilities, and consequences for noncompliance, and included an authorization to release information for fraud prevention investigation.

The MEC^2 Project was approved by the 1999 legislature. The legislature authorized the use of $5.8 million from the federal Child Care and Development Fund (CCDF) to design, build and implement this system. In addition, ongoing maintenance funds were approved. The current base for these funds is $771,750 per year. The project began in late 1999 with detailed planning and the gathering of the kinds of information the system would need to collect, develop and store. By mid-2000 a Request for Purchase (RFP) was issued to find a contractor who could develop the final requirements, design and construction, and a contract was awarded in September 2000. At that point, state staff and the contractor began a series of meetings with the consumers and users of the system to

create a comprehensive and responsive system. System implementation was scheduled for May 2002. However, since that time, agency shutdown planning, state employee strike, agency budget cuts and hiring freezes have affected project progress. Consequently, implementation was delayed until September 2002. The system will be fully functional after all county workers have been trained and all existing cases are converted. This process will happen over a period of 9-12 months following initial implementation.

Key Measures

With implementation, MEC^2 will begin to have the capacity to measure the effectiveness of the program statewide. The following indicators have been selected as goals for the system:

- improve services to families and providers;
- decrease state and county administrative burdens; and
- ensure program integrity.

Specific measures under consideration include reducing system down time and reducing administrative errors.

Activity Funding

Federal funding for this program include

- FFY 2000 - $5,800,000
- FFY 2001 - $700,000
- FFY 2002 - $735,000
- FFY 2003 and beyond - $771,750

In addition, $175,000 each year is appropriated to DOE and transferred to DHS for statewide fraud prevention activities.

The expenditures and budgeted amounts for state fiscal years 2001, 2002, and 2003 include carry forward of funds to support development and implementation of the system. In addition, the state fiscal year amount for 2003 includes funding for ongoing maintenance.
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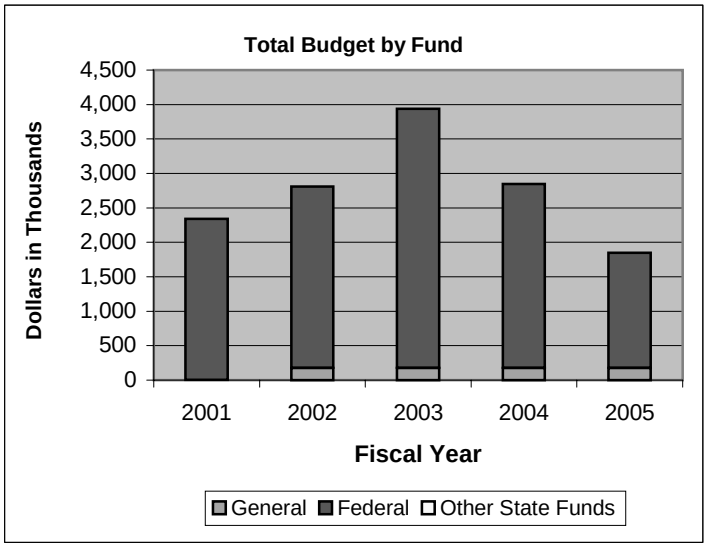
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

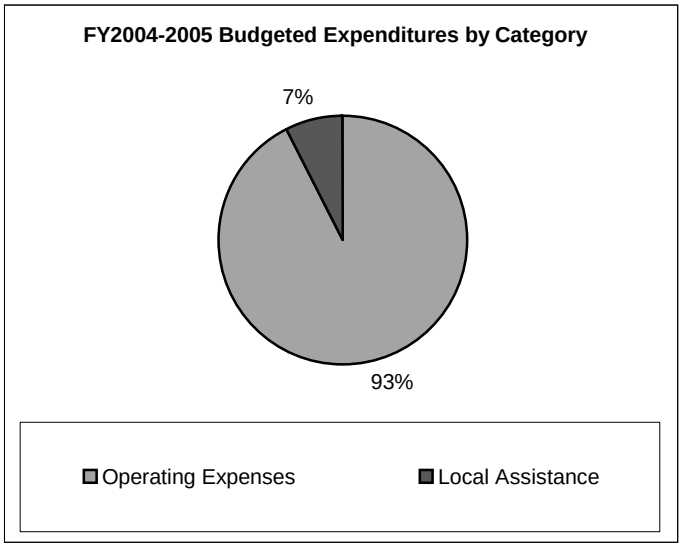
Contact

Additional information is available from the Department of Education, (651) 582-8372.

DEPARTMENT OF EDUCATION
Program: CHILD CARE PROGRAMS
Activity: CHILD CARE PROGRAM INTEGRITY

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	175	175	175	175	350
Statutory Appropriations						
Federal	2,340	2,636	3,762	2,672	1,672	4,344
Total	**2,340**	**2,811**	**3,937**	**2,847**	**1,847**	**4,694**
Expenditures by Category						
Operating Expenses	2,165	2,636	3,762	2,672	1,672	4,344
Local Assistance	175	175	175	175	175	350
Total	**2,340**	**2,811**	**3,937**	**2,847**	**1,847**	**4,694**
Revenue by Type and Fund						
Dedicated						
Federal	2,165	2,646	4,431	4,431	4,431	8,862
Subtotal Dedicated	2,165	2,646	4,431	4,431	4,431	8,862
Total Revenue	**2,165**	**2,646**	**4,431**	**4,431**	**4,431**	**8,862**
Full-Time Equivalents (FTE)	**5.3**	**7.8**	**8.5**	**8.5**	**8.5**	

Activity Description

Citation: M.S. 119B; P.L. 104-193, 45 CFR 98 and 99

The Child Care Development programs promote school readiness, healthy child development, and family self-sufficiency by improving the quality and availability of child care for Minnesota.

Population Served

⇒ An estimated 696,800 Minnesota children ages 0 to 12 need some form of child care while their parent's work.

⇒ Approximately 222,000 of these children spend time in licensed child care arrangements.

⇒ 15,619 licensed child care providers serve these children.

⇒ Relatives and friends serve approximately 400,000 children in legally unlicensed arrangements.

Activity at a Glance

Services provided in FY 2000-01:

- over 52,000 child care referrals;
- almost 163,000 child care consultations;
- 3,093 child care grants to improve the quality and availability of care made to providers and programs;
- 79 facility loans for start-up or expansion made to child care programs;
- over 329,000 technical assistance consultations provided to child care providers; and
- 43,650 providers trained in ways to improve the quality of care provided.

Services Provided

Two primary program areas respond to needs for available, quality child care for families and a statewide infrastructure to assist communities in responding to these needs.

The first program area involves grants to both public and private agencies focused on:

- improving the quality of early childhood care and education programs;
- recruiting and training child care center staff and family child care providers; and
- developing special child care services, such as care for infants, school-age children, sick children, children with special needs, care during non-traditional hours, and culturally responsive care.

The second program area consists of 23 Child Care Resource & Referral (CCR&R) sites throughout the state that work to:

- build the supply and improve the quality of child care;
- help parents access appropriate care and information about available child care subsidy programs;
- work with employers, counties, and workforce centers; and
- coordinate community resources and information on child care supply, demand, and cost; and administer grants.

Other key elements of the child care development programs include:

- ongoing mechanisms for community-level input on programs and policies through advisory committees for major program components;
- use of research and evaluation to guide policy and program development and effectively target resources; and
- local control of grant priorities for grants administered by CCR&R sites.

Historical Perspective

The 1988 Minnesota legislature established the Child Care Development programs to respond to increased demand for quality child care and the need for a statewide infrastructure for parents and communities to respond to these needs. Since that time, Child Care Development programs have used statewide and local-level grants to:

- support child care providers in improving quality and expanding services;
- develop the child care infrastructure to provide referral services to parents and professional development, technical assistance and facilities improvements to child care providers; and

- conduct research and evaluation to identify needs and improve program effectiveness.

Key Measures

Quality early care and education programs have a documented long-term impact on children's success in school. Research also shows that families with the highest risk factors gain the most from high quality child care experiences. The North Carolina Abecedarian Project followed two groups of high-risk children for 20 years. The group of children that were in quality care settings showed significantly better outcomes than the control group. The study found that children in quality care were:

- more likely to be employed than the control group – 65% to 50%;
- more likely to attend college than the control group - 35% to 14%; and
- less likely to use special education services than the control group – 24% to 48%.

The percentage of families using child care referral services who report increased ability to seek and select quality child care.

⇒ Helping parents access quality child care is a core function of Minnesota's 23 child care resource & referral agencies. Child Care Resource and Referral programs report that 77% of the families they serve have indicated an increased ability to seek and select quality child care.

The percent of child care providers and staff who have college-level degree in child development.

⇒ Research shows that the education level of child care providers directly impacts the quality of care that children receive and is related to improvements in measures of school readiness for young children. Education (DOE) is in the process of developing data collection methods for this indicator for providers and staff in licensed family child care homes and center-based child care settings.

The Early Childhood and Family Support Division in the Office of Community Services has adopted a single indicator as a focus around which to integrate individual early childhood programs. This indicator is to increase the percentage of young children who are ready for school as measured by an observational performance assessment. In the fall of 2002, DOE will pilot a School Readiness Indicator Study in which information about the school readiness of a random sample of approximately 2,000 kindergarten children will be gathered. In addition, DOE is in the process of training early childhood teachers to use the "Ounce of Prevention Scale" with children ages 0-2 in order to determine the school readiness of children.

Activity Funding

Child care development is funded with state and federal child care and development funds. Eligible recipients of grant dollars include child care programs, tribal governments, school-based programs, and organizations developing child care services. In addition to required quality set-asides, the federal CCDF requires that a minimum of 4% of the total allocation be used by states to increase the quality and availability of child care.

Child Care Resource and Referral grants are allocated in each of the Governor's Economic Development Regions through a funding formula as designated in M.S. 119B.

Local CCR&R agencies administer grants for start-up/expansion, staff training, and facility and program improvement to family child care providers, center and school-based programs, and other child care organizations.

The federal child care development fund establishes earmarks for infant/toddler care, school-age care/CCR&R programs, and quality initiatives. Priorities and criteria for selection of grantees within the earmarks, and for additional state and federal funds, are established by local stakeholders. The CCDF plan receives review through a public hearing process.

In FY 2001, Child Care Development received grant fund requests totaling approximately five times the amount of available funding.

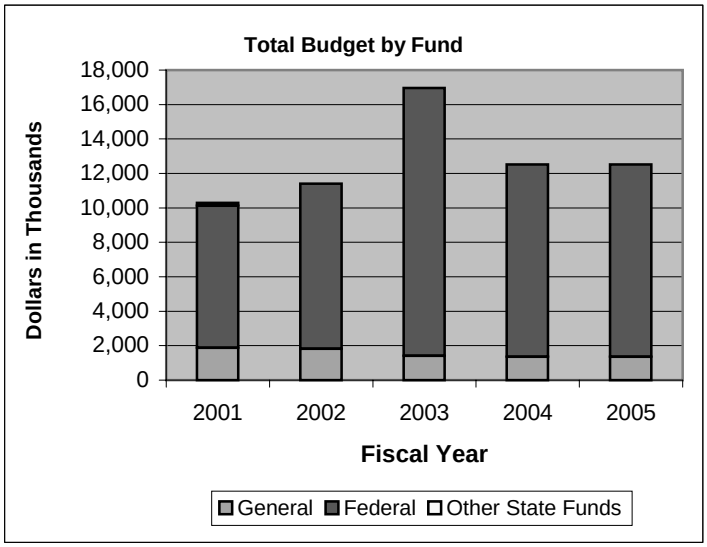
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

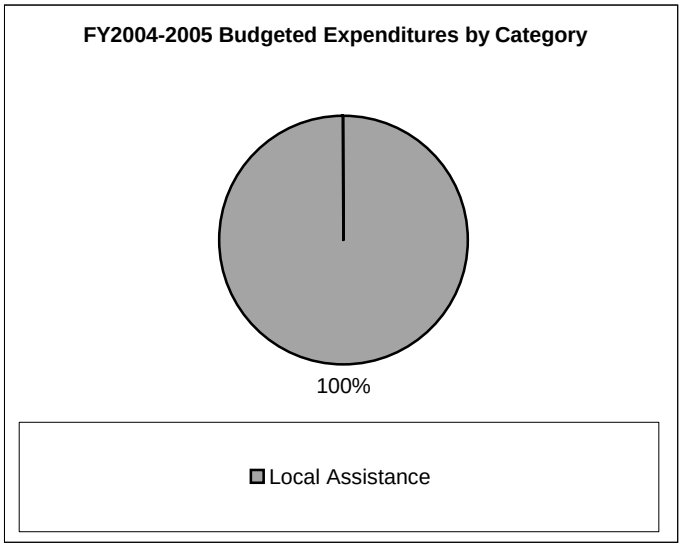
Contact

Additional information is available from the Department of Education, (651) 582-8372.

DEPARTMENT OF EDUCATION
Program: CHILD CARE PROGRAMS
Activity: CHILD CARE DEVELOPMENT

Fiscal Report

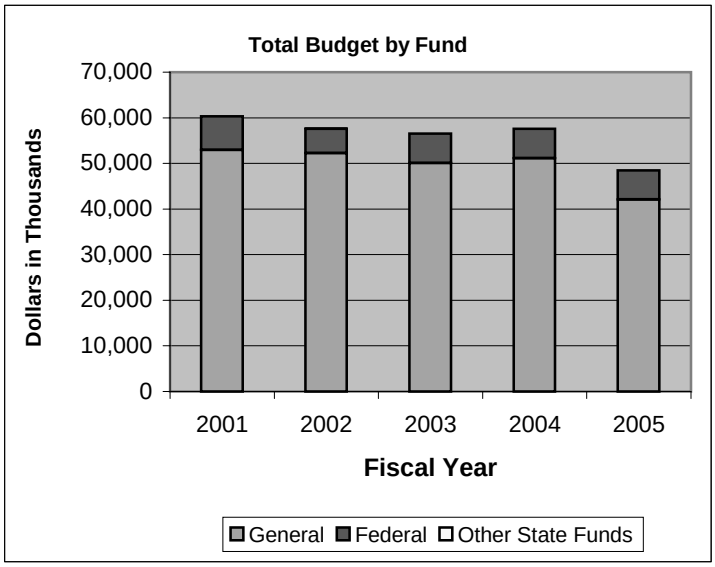


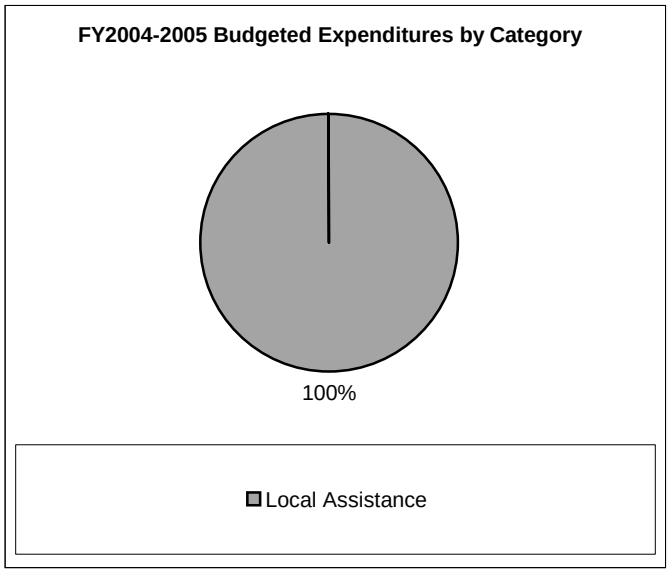


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,874	1,824	1,406	1,365	1,365	2,730
Statutory Appropriations						
Federal	8,242	9,574	15,551	11,164	11,150	22,314
Gift	175	0	0	0	0	0
Total	**10,291**	**11,398**	**16,957**	**12,529**	**12,515**	**25,044**
Expenditures by Category						
Operating Expenses	20	0	0	0	0	0
Payments To Individuals	9	11	14	0	0	0
Local Assistance	10,262	11,387	16,943	12,529	12,515	25,044
Total	**10,291**	**11,398**	**16,957**	**12,529**	**12,515**	**25,044**
Revenue by Type and Fund						
Dedicated						
Federal	11,987	9,248	20,609	13,627	12,627	26,254
Gift	3	-14	0	0	0	0
Subtotal Dedicated	11,990	9,234	20,609	13,627	12,627	26,254
Total Revenue	**11,990**	**9,234**	**20,609**	**13,627**	**12,627**	**26,254**

Budget Activities Included:

⇒ School Readiness
⇒ Early Childhood Family Education Aid
⇒ Health & Development Screening Aid
⇒ Way to Grow
⇒ Head Start Program
⇒ Infants and Toddlers – Part C





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	52,933	52,235	50,073	51,161	42,106	93,267
Statutory Appropriations						
Special Revenue	3	28	29	0	0	0
Federal	7,378	5,382	6,437	6,395	6,395	12,790
Total	**60,314**	**57,645**	**56,539**	**57,556**	**48,501**	**106,057**
Expenditures by Category						
Operating Expenses	3	0	0	0	0	0
Local Assistance	60,311	57,645	56,539	57,556	48,501	106,057
Total	**60,314**	**57,645**	**56,539**	**57,556**	**48,501**	**106,057**
Expenditures by Activity						
School Readiness	10,395	10,395	9,667	9,833	10,312	20,145
Early Childhood Family Educ	20,396	20,774	18,693	20,292	10,758	31,050
Health & Development Screen	2,330	2,661	2,475	2,661	2,661	5,322
Way To Grow	475	475	475	0	0	0
Head Start Program	19,402	17,981	18,854	18,395	18,395	36,790
Infants & Toddlers-Part C	7,316	5,359	6,375	6,375	6,375	12,750
Total	**60,314**	**57,645**	**56,539**	**57,556**	**48,501**	**106,057**
Revenue by Type and Fund						
Dedicated						
Special Revenue	25	25	0	0	0	0
Federal	7,697	5,753	6,832	6,831	6,831	13,662
Subtotal Dedicated	7,722	5,778	6,832	6,831	6,831	13,662
Total Revenue	**7,722**	**5,778**	**6,832**	**6,831**	**6,831**	**13,662**

Activity Description

Citation: M.S. 124D.15; 124D.16

The School Readiness program funds school districts to provide child development programs that promote future success in school. Participants are either referred through Early Childhood Screening or must participate in screening within 90 days of enrollment in School Readiness or the child's fourth birthday.

Activity at a Glance

In 2001:

- 79,500 children and parents participated in the program.
- More than 22,000 referrals were made to and from other community services and programs.
- Almost 22,000 children received 30 or more hours per year of child/parent services.

Population Served

Preschool children three and a half to four years old who are identified with health and development problems are priority participants in this program. A total of 40,047 children and 39,427 parents were served in 2001. In the 2000-01 school year, 131 districts reported that they served 5,326 children younger than three and one-half years of age. 280 districts reported that they provided 30 hours or more of School Readiness services to 21,921 three and one-half to five year old children.

The following are participant characteristics in 2001.

⇒ 5,369 children were identified with developmental delays and disabilities through an early childhood screening or special education evaluation process.

⇒ More than 24% of parents had no more education than a high school diploma/GED.

⇒ Over 24% of participating families had household incomes of less than $30,000, including almost 4% of families who had household incomes of less than $10,000.

⇒ Over 20% of participating families were headed by a single parent.

Services Provided

School Readiness provides a continuum of services for three and a half to four year old children based on needs. Services are provided directly by school districts or through district contracts or agreements with community based programs. Because this program requires close coordination and cooperation of various health, education, and human services providers, local service providers' strategies for delivering services to eligible children and families include both referrals and a wide array of coordinated or integrated services, such as:

- comprehensive Head Start and Family Literacy/English Language Learner programs;
- the addition of parent education and special needs services to preschool and center-based child care programs;
- staff development and consultation for family child care providers;
- "kindergarten connection" classes for children and parents;
- special nutrition education sessions offered through Minnesota Extension Services;
- coordination of referrals and follow-up to Early Childhood Screening;
- one or two days of child only activities added to Early Childhood Family Education; and
- Early Childhood Special Education and School Readiness integrated classrooms.

Historical Perspective

The School Readiness program was first enacted in 1991 for four year olds. It was expanded in 1993 to cover children ages three and one-half to kindergarten, and younger than three and one-half if necessary for program effectiveness.

Key Measures

⇒ Since 1994, Education (DOE) has provided training on the use of the Work Sampling System of child assessment in order to measure child progress of participating children. Over 1/3 of the school districts currently report using Work Sampling.

⇒ A DOE-sponsored study of a random group of School Readiness program participants found more than 85% of the study children demonstrated improved performance on indicators that enhanced their transition to school as reported by teachers.

The Early Childhood and Family Support Division in the Office of Community Services has adopted a single indicator as a focus around which to integrate individual early childhood programs. This indicator is to increase the percentage of young children who are ready for school as measured by an observational performance assessment. In the fall of 2002, DOE will pilot a School Readiness Indicator Study in which information about the school readiness of a random sample of approximately 2,000 kindergarten children will be gathered.

Activity Funding

This program is funded entirely with state aid. School districts receive aid equal to: 1) the number of eligible four-year old children in the district times the ratio of 50% of the total school readiness aid for that year to the total number of eligible four-year old children reported to the commissioner that year; plus 2) the number of pupils enrolled in the school district from families eligible for the free or reduced lunch program times the ratio of 50% of the total school readiness aid for that school year to the number of pupils in the state from families eligible for the free or reduced school lunch program. The average district aid for 2003 will be $30,754. The biennial state aid appropriation has remained constant at $10,395,000 since 1999.

State law allows districts to maintain a School Readiness reserve, but limits the amount of School Readiness funds districts can carry forward to 25 percent of their prior year revenue, including aid and fees.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Department of Education, (651) 582-8372 and the DOE web site for Early Childhood & Family Initiatives http://cfl.state.mn.us/ecfi.

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Gov's Rec FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	10,394	10,395	9,442	9,913	10,394	20,307
2. Total School District Revenue - All Funds	10,394	10,395	9,442	9,913	10,394	20,307
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	1,040	1,039	1,039	1,605	1,685	3,290
Current Year (90% FY 01-02) (83% FY 03-05)	9,355	9,356	7,838	8,228	8,627	16,855
Total State Aid - General Fund	**10,395**	**10,395**	**8,877**	**9,833**	**10,312**	**20,145**
TOTAL APPROPRIATIONS	**10,395**	**10,395**	**8,877**	**9,833**	**10,312**	**20,145**

Activity Description

Citation: M.S. 124D.13; 124D.135; 124D.15

The Early Childhood Family Education (ECFE) program is funded by state aid and local levy. The program provides early childhood education, parent-child learning opportunities, and parent education that enhance the ability of parents to provide for their children's optimal learning and development.

Activity at a Glance

In 2001:

- over 300,000 children and parents participated; and
- approximately 43% of Minnesota's children, ages birth to kindergarten, and their families, were involved.

Population Served

All families with children ages birth to kindergarten are eligible for ECFE. Demand for program services is increasing as indicated by the growing number of families on waiting lists (approximately 4,000 reported in 2001) and the number of families needing more intensive services, e.g. family literacy and referrals for families with multiple stresses. ECFE served 143,000 children and 159,000 parents in 2001.

Services Provided

All ECFE programs are planned and implemented locally and typically include the following services. Services are provided directly by school districts or through district contracts or agreements with community based programs.

- parent discussion groups
- parent-child interaction
- play and learning activities that promote children's development
- home visits
- special events for the entire family
- information on community resources for young children and families
- libraries of books, toys, and other learning materials

Historical Perspective

⇒ ECFE began as a series of pilot programs from 1974-1983. In 1984, the legislature made it possible for any school district with a community education program to establish the program. ECFE was offered in all 343 school districts and the four tribal schools in Minnesota in 2001. There has been an increase of parent participants from 87,374 in 1989-1990 to 159,050 in 2000-01.

Key Measures

Increase the percentage of young children who are ready for school as measured by an observational performance assessment.

⇒ In a 1996 study of low-income participants in ECFE, parents reported that ECFE participation helped their children's school readiness in the following areas: increased independence (72%), better communication skills (68%), and improved relationships with other children (62%).

Increase the number of parents receiving the education and support they need to assist their children's development and learning.

⇒ In a 1999 study of parents with infants, parents reported that their ECFE participation resulted in improved understanding of how infants learn and develop (83%), learning how to support their infant's learning and development (81%), improved confidence as a parent (79%), improved understanding and response to their child's behavior (76%), and making connections with other parents (73%).

Increase the percentage of parents involved in activities at home, school, and in the community related to their children's learning, development, and education.

⇒ A 1992 study comparing former ECFE participants to non-participants with children in second and fifth/sixth grades found that ECFE participating parents were more likely to make telephone calls to teachers (68% compared to 41%), participate in classroom activities (53% compared to 32%), work with their children on school work (48% compared to 29%), and take on leadership roles in PTA or parent advisory councils (27% compared to 11%).

The Early Childhood and Family Support Division in the Office of Community Services has adopted a single indicator as a focus around which to integrate individual early childhood programs. This indicator is to increase the percentage of young children who are ready for school as measured by an observational performance assessment. In the fall of 2002, the Department of Education (DOE) will pilot a School Readiness Indicator Study in which information about the school readiness of a random sample of approximately 2,000 kindergarten children will be gathered. In addition, DOE is in the process of training early childhood teachers to use the "Ounce of Prevention Scale" with children ages 0-2 in order to determine the school readiness of children.

Activity Funding

This is a state aid and levy program. A district's state aid is the difference between the revenue and levy. The ECFE levy is the lesser of a fixed rate times the district's adjusted tax capacity, or the ECFE maximum revenue. A district's maximum revenue equals the ECFE allowance of $120 times the greater of 150 or the number of children under age five residing in the district on October 1 of the previous school year.

State law allows districts to maintain an ECFE reserve, but limits the amount of ECFE funds districts can carry forward to 25% of their prior year revenue, including aid, levy, and fees.

Districts are required to have a sliding fee scale and formula funding may be supplemented with registration fees and funds from other sources.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Department of Education, 651-582-8372 and the DOE web site for Early Childhood & Family Initiatives http://cfl.state.mn.us/ecfi.

DEPARTMENT OF EDUCATION
Program: EARLY CHILDHOOD & FAMILY SUPPORT
Activity: Early Childhood Family Education Aid

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Gov's Rec FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	20,350	20,789	19,055	20,545	8,753	29,298
2. Local Levy	19,145	21,019	22,107	22,226	21,105	43,331
3. evenue (Total of Aid & Levy)	39,495	41,808	41,162	42,771	29,858	72,629
4. U-Care ECFE Partnership	3	28	29			
5. Total School District Revenue - All Funds	39,498	41,836	41,191	42,771	29,858	72,629
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	2,079	2,036	2,079	3,239	3,492	6,731
Current Year (90% FY 01-02) (83% FY 03-05)	19,028	18,710	15,816	17,053	7,265	24,318
Cancellation	(714)					
Total State Aid - General Fund	**20,393**	**20,746**	**17,895**	**20,292**	**10,758**	**31,050**
Other Approp. Federal Plus Other State Funds	3	28	29			
TOTAL APPROPRIATIONS	**20,396**	**20,774**	**17,924**	**20,292**	**10,758**	**31,050**

Activity Description

Citation: M.S. 121A.16; 121A. 17; 121A.19

Early Childhood Health and Developmental Screening promotes educational readiness and improved health of young children through the early detection of factors that may impede children's learning, growth, and development.

Population Served

All children must participate in Early Childhood Screening before entering kindergarten. This program targets children who are three and a half to four years of age. (Children who have had a comparable health and development screening through another provider are exempt from this requirement.) Districts typically notify all parents of children ages three and one half to four of the screening requirement and where the screening can be obtained.

Activity at a Glance

In 2001, a total of 58,500 children were screened. This included:

- over 19,000 children referred to health and education services for assessment;
- over 3,200 children placed in Early Childhood Special Education; over 4,400 children referred to the School Readiness Program; over 4,700 families referred to Early Childhood Family Education; over 1,500 children referred to Head Start; and
- over 260 parents referred to adult education/literacy.

Services Provided

Early Childhood Health and Development Screening include the following services: outreach, screening, referral, and follow-up.

⇒ Required screening components include 1) vision; 2) hearing; 3) height; 4) weight; 5) development (cognitive, social/emotional, fine/gross motor, and speech/language); 6) immunization review; 7) identification of risk factors that may interfere with learning; and 8) a summary interview with parents.

⇒ Optional screening components include 1) health history; 2) review of family factors that might affect development; 3) nutritional assessment; 4) physical and dental assessment; 5) blood pressure; and 6) laboratory tests.

The objectives of early childhood screening are to

- detect and seek solutions to conditions interfering with children's growth, development, and learning;
- increase parental awareness of physical health, development, and learning readiness connections;
- improve access to and encourage the regular use of preventive health services; and
- link families to a wide array of community services and programs.

Historical Perspective

The screening program began in 1977 in order to identify children who may have possible health or development concerns that could delay their future learning and to refer children to health, school, and other community services for further assessment.

In 1990, the legislature established a comprehensive health screening program. In 1992, it was replaced with a mandated screening prior to public school enrollment. The mandatory screening is less comprehensive than the screening established in 1990. Screening now targets children ages three and a half to four years, which allows for one year of intervention services prior to school enrollment.

Key Measures

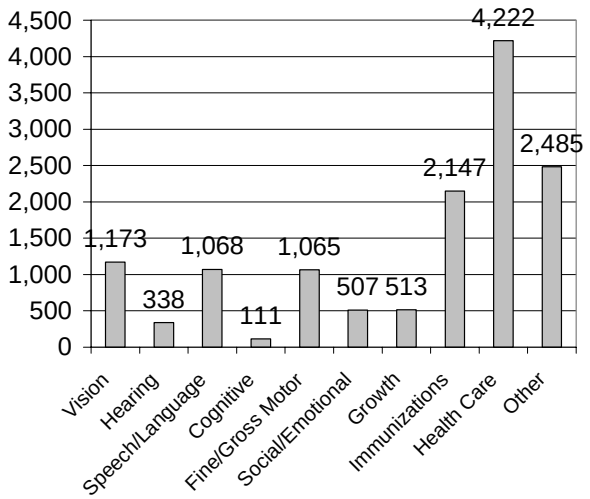
Increase the percentage of children who receive the nutrition, physical activity, and health care that they need to arrive at school with healthy minds and bodies.

⇒ In 2001, 19,179 referrals were made for possible health or developmental problems identified at the time of Early Childhood Health and Developmental Screening. (Note: Education (DOE) has implemented a web-based application for reporting annual aggregated Early Childhood Health and Development Screening data from school districts, including data on the status of children's immunizations, hearing, vision, growth, and access to health care coverage.)

Increased coordination and integrated screening efforts and follow-up process with county health and social services, school districts, and other providers are implemented through the

- provision of integrated regional staff development opportunities offered jointly by the Minnesota Departments of Children Families and Learning, Health (MDH), and Human Services (DHS);
- development of common screening forms for Early Childhood Screening, Child and Teen Checkups/EPSDT, and Head Start; and
- development of links between the DOE Early Childhood and Family Initiatives web site and the appropriate sites at MDH and DHS.

1999: Number of New Potential Problems Indentified



The Early Childhood and Family Support Division in the Office of Community Services has adopted a single indicator as a focus around which to integrate individual early childhood programs. This indicator is to increase the percentage of young children who are ready for school as measured by an observational performance assessment. In the fall of 2002, DOE will pilot a School Readiness Indicator Study in which information about the school readiness of a random sample of approximately 2,000 kindergarten children will be gathered.

Activity Funding

This program is funded with state aid and supplemented with in-kind funding from other education aid and community resources.

In 1998, the Minnesota legislature increased the reimbursement to school districts from $25 to $40 per child screened to more closely cover the actual average cost of $50 per child screened. In FY 2001, the average actual cost for the required components was $57 per child screened. State funding does not reimburse for optional components.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Department of Education, (651) 582-8372 and the DOE web site for Early Childhood & Family Initiatives.

DEPARTMENT OF EDUCATION
Program: EARLY CHILDHOOD & FAMILY SUPPORT
Activity: HEALTH & DEVELOPMENT SCREEN

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	2,341	2,661	2,661	2,661	2,661	5,322
2. Total School District Revenue - All Funds	2,341	2,661	2,661	2,661	2,661	5,322
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	255	266	266	452	452	904
Current Year (90% FY 01-02) (83% FY 03-05)	2,395	2,395	2,209	2,209	2,209	4,418
Balance Forward	223					
Transfers per M.S. 127A.41, subdivision 8 & 9	(543)					
Total State Aid - General Fund	**2,330**	**2,661**	**2,475**	**2,661**	**2,661**	**5,322**
TOTAL APPROPRIATIONS	**2,330**	**2,661**	**2,475**	**2,661**	**2,661**	**5,322**

Activity Description
Citation: M.S. 124D.17

Way to Grow promotes the intellectual, social, emotional, and physical development, and school readiness of children pre-birth to age six by improving access to community-based and neighborhood-based services that assist parents in meeting the health and developmental needs of their children at the earliest possible age.

Activity at a Glance

In 2001:
- Way to Grow was offered through five grants (four to school district ECFE programs and one to the City of Minneapolis Youth Coordinating Board).
- Over 5,700 children and 5,600 parents participated in Way to Grow.

Population Served
All children pre-birth to age six and their families in the grantee areas are eligible for Way to Grow.

Participants by Year

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
# of Child Participants	4,325	4,490	4,570	4,650	4,630	5,736

Services Provided
Way to Grow is a method of delivering services in a coordinated, extensive, and intensive approach to meet identified community needs. The funding is flexible and decision-making is community based. It allows public funds to be used strategically to leverage other public and private funding to support healthy and vital communities.

Depending upon community needs, programs may provide the following:
- services to pregnant women early in their pregnancies;
- establishment of networks and collaboration to promote culturally specific systems of services to families; and
- support to prevention and intervention programs for families with young children at risk of child abuse and neglect.

The program is designed around the following strategies:
- employing home visitors that link families at-risk with services and advocate for their needs;
- coordinating interdisciplinary resource teams of professionals that identify family needs and refer families to appropriate services;
- identifying and promoting local resources for families; and
- organizing neighborhood-based education and training.

Historical Perspective
Way to Grow began in 1989 in Minneapolis. St. Paul-Frogtown and Columbia Heights were added as grantees the next year. In 1991, the legislature funded two additional sites in St. Cloud and Winona.

Four of the five grantees are Early Childhood Family Education (ECFE) programs. The fifth grantee is the city of Minneapolis' Youth Coordinating Board.

Key Measures
Increase the number of parents receiving the education and support they need to assist their children's development and learning.

⇒ In a 1997 study of WTG:
- 96% of parents reported that their participation in WTG made a positive difference in their knowledge and understanding of child development;
- 93% reported increases in their confidence as parents; and

- 88% reported better understanding of programs and services for families and children and greater ease in obtaining services on their own.

The Early Childhood and Family Support Division in the Office of Community Services has adopted a single indicator as a focus around which to integrate individual early childhood programs. This indicator is to increase the percentage of young children who are ready for school as measured by an observational performance assessment. In the fall of 2002, the Department of Education (DOE) will pilot a School Readiness Indicator Study in which information about the school readiness of a random sample of approximately 2,000 kindergarten children will be gathered. In addition, DOE is in the process of training early childhood teachers to use the "Ounce of Prevention Scale" with children ages 0-2 in order to determine the school readiness of children.

Activity Funding

This program is funded with state aid, and requires a 50% local match. Current program funding level is: Columbia Heights $58,333; Minneapolis $175,000; St. Paul $125,000; St. Cloud $58,333; Winona $58,333. The matching funds come from school district funds, community based organizations, counties, and other early childhood programs. Contributions can be cash or in-kind.

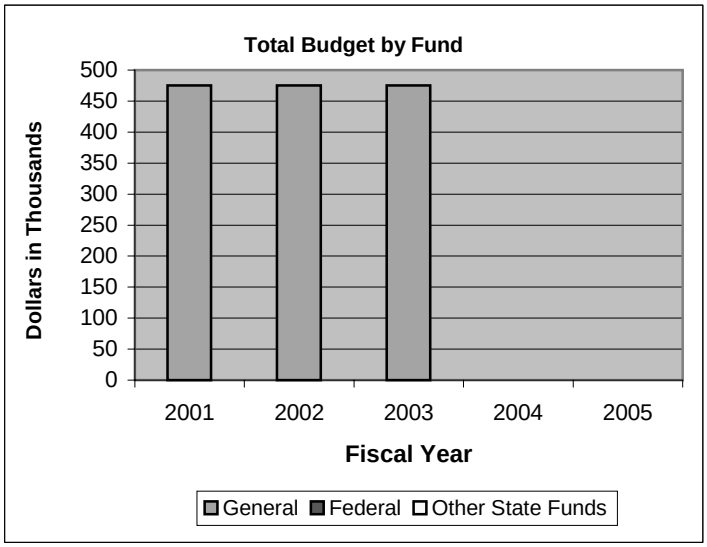
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Department of Education, (651) 582-8372.

DEPARTMENT OF EDUCATION
Program: EARLY CHILDHOOD & FAMILY
Activity: WAY TO GROW

Fiscal Report



Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	475	475	475	0	0	0
Total	**475**	**475**	**475**	**0**	**0**	**0**
Expenditures by Category						
Local Assistance	475	475	475	0	0	0
Total	**475**	**475**	**475**	**0**	**0**	**0**

Activity Description

Citation: M.S. 119A.50-119A.54; 42 U.S.C.9801 et seq.

Head Start is a comprehensive family-oriented program with the overall goal of increasing the social competence and school readiness of young children in low-income families. Research has shown that families with the highest risk factors gain the most from high quality early childhood programming.

Activity at a Glance

In 2001:

- 34 Head Start grantees enrolled almost 16,000 children; about 3,000 of these children were served with state funds.
- 12% of enrolled children had a diagnosed disability.
- 51% of participating families had annual incomes below $12,000.
- Approximately 38% of Head Start families were participating in MFIP.

Population Served

Head Start primarily serves three to five year olds from low-income families. Some programs also receive funds to serve infants, toddlers and pregnant mothers. At least 90% of enrolled children must come from families who are living at or below the federal poverty level or participating in Minnesota Family Investment Program (MFIP). Ten percent of enrollment in Head Start is reserved for children with diagnosed disabilities. About 44% of the eligible population is currently being served.

Services Provided

Head Start provides a comprehensive, individualized program of health, nutrition, education, parent involvement and social services to children and families. Education or employment training services were provided for 86% of the parents indicating a need for such services. Of the families needing counseling or information on mental health issues that place the family at risk, 80% received services.

Grantees provide required services that respond to local needs and available resources. Programs use a center-based, home-based and/or combination option with the most common design operating four to five hours a day, four or five days a week for nine months of the year. In response to changing needs of children and their families, most grantees also offer some full-day, full-year services through Head Start-child care partnerships. Other collaborative partners include public health, Early Childhood Screening, Early Childhood Special Education, Early Childhood Family Education, School Readiness, Adult Basic Education, family literacy, public school kindergarten, child support and other self-sufficiency programs.

Parent participation is integral to Head Start. Parents work in classrooms as volunteers and employees, participate in parent education activities and program governance, and work in partnership with Head Start staff. Former or current Head Start parents made up 29% of the staff and 48% of the 41,349 volunteers in 2001.

Historical Perspective

Head Start began as a federal program in 1965. In 1988, the Minnesota legislature first appropriated state funds. State funding has remained constant over the years. Federal funding has increased modestly to allow the programs to serve the same number of participants.

Key Measures

The percentage of children who complete all appropriate medical screenings and examinations within the last twelve months and the percentage of children who receive follow-up services for identified health and developmental needs.

⇒ In 2001, over 81% of all enrolled children completed all medical screenings.

⇒ In 2001, over 91% of children with identified health needs received treatment.

Increase the percentage of Head Start grantees providing all-day care.

⇒ The percentage of Head Start grantees involved in partnerships that provide full-day services to support family self-sufficiency.

⇒ The percentage of Head Start grantees involved in partnerships to integrate services resulting in expanded service offerings and all-day care.

The Early Childhood and Family Support Division in the Office of Community Services has adopted a single indicator as a focus around which to integrate individual early childhood programs. This indicator is to increase the percentage of young children who are ready for school as measured by an observational performance assessment. In the fall of 2002, the Department of Education (DOE) will pilot a School Readiness Indicator Study in which information about the school readiness of a random sample of approximately 2,000 kindergarten children will be gathered.

Activity Funding

Federal Head Start funds flow directly from the federal agency to 34 local Head Start grantees ($72 million in FFY 2001 and $79 million in FFY 2002). At least 20% of the total cost of a Head Start program must come from local resources. In-kind contributions constitute much of this match through volunteer hours and donated space, materials and services. Only federally funded Head Start agencies in existence as of 1989 are eligible to receive state Head Start funds. The Minnesota legislature chose to use the existing programs, administrative structure and program performance standards already in place for Head Start. State allocation of funds is based equally on the grantee share of federal Head Start funds and on the proportion of eligible children in the grantee service area who are not currently being served.

State Innovative Funds - Up to 11% of the state funds appropriated annually may be used to provide competitive grants to local Head Start agencies for innovative programming. These programs are designed either to target Head Start resources to particular at-risk groups of children or to provide services in addition to those currently available under federal Head Start regulations.

Head Start Birth to Three – Since 1998, the Minnesota legislature has set aside $1 million each year to be competitively awarded to Head Start programs to develop and implement full-year programming for children ages birth to three.

Minnesota Head Start Collaboration Project – Since 1992, Minnesota has annually received a $100,000 federal grant from the Head Start Bureau in the U.S. Department of Health and Human Services for the Minnesota Head Start Collaboration Project. The purpose of the grant is to create significant statewide partnerships between Head Start and local communities in order to meet the challenges of improving services for low-income children and their families.

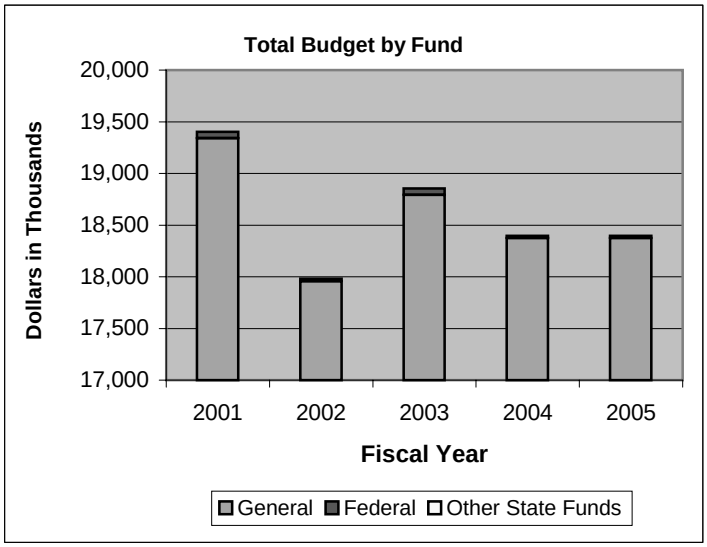
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

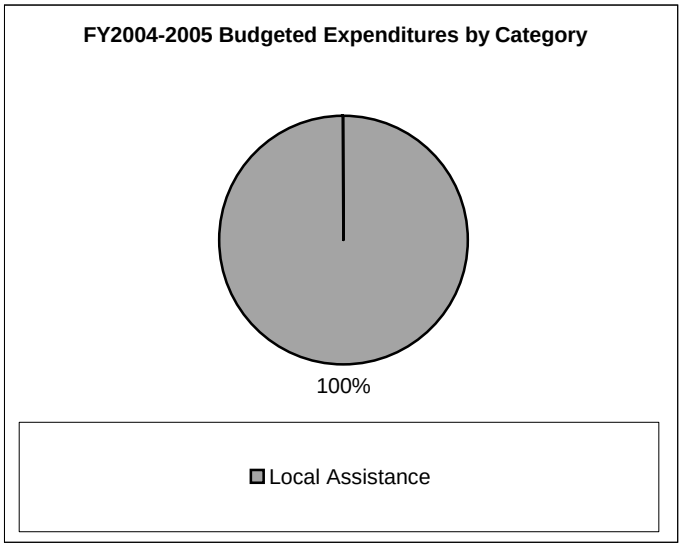
Contact

Additional information is available from the Department of Education, (651) 582-8372 and at http://cfl.state.mn.us/ecfi/headstart. Information about federal initiatives, regarding the impact of Head Start, the Federal Head Start statute, regulations and guidance including the Program Performance Standards are available from the Head Start Bureau at http://www2.acf.dhhs.gov/programs/hsb/.

DEPARTMENT OF EDUCATION
Program: EARLY CHILDHOOD & FAMILY
Activity: HEAD START PROGRAM

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	19,340	17,958	18,792	18,375	18,375	36,750
Statutory Appropriations						
Federal	62	23	62	20	20	40
Total	**19,402**	**17,981**	**18,854**	**18,395**	**18,395**	**36,790**
Expenditures by Category						
Operating Expenses	3	0	0	0	0	0
Local Assistance	19,399	17,981	18,854	18,395	18,395	36,790
Total	**19,402**	**17,981**	**18,854**	**18,395**	**18,395**	**36,790**
Revenue by Type and Fund						
Dedicated						
Federal	70	106	122	121	121	242
Subtotal Dedicated	70	106	122	121	121	242
Total Revenue	**70**	**106**	**122**	**121**	**121**	**242**

Activity Description

Citation: M.S.125A.26-125A.48; Part C, IDEA (Individuals with Disabilities Act)

The Part C - Infants and Toddlers Program is a federally funded program that provides comprehensive interagency family-centered services to eligible children with disabilities, ages birth through age two, and their families, based upon identified need.

Activity at a Glance

In 2001:

- over 3,000 Minnesota children and families received services through an Individual Family Services Plan.
- 96 community coordinating committees design comprehensive intervention services for children with disabilities.

Population Served

Eligible infants and toddlers with disabilities birth to age three and their families as described in Minnesota Rule Chapter 3525 are served by the program. To be eligible, children must meet the eligibility criteria for early childhood special education.

Services Provided

The program assists and provides funds to the 96 local Interagency Early Intervention Committees (IEICs) through the IEIC annual application planning process (ecfi/planinstructions.pdf.) IEICs are responsible for the development, coordination, and implementation of comprehensive local interagency early childhood intervention services for young children with disabilities and their families. IEIC members include representatives of school districts, county human service agencies, county boards, and early childhood family education programs, parents of young children with disabilities under age 12, and health care providers.

Early intervention services are offered in conformity with an Individual Family Services Plan (IFSP) and provided in natural environments including the home, child care setting, early childhood special education program, or other early childhood education settings.

Additional components of the Part C state and local system to enhance quality and accountability include:

- local staff development, including occupational therapists, Early Childhood Special Education (ECSE) staff, speech pathologists, physical therapists, physicians, nurses, nutritionists, and child care providers;
- technical assistance to local areas through the Minnesota Technical Assistance for Family Support, Early Hearing Detection and Intervention Network, Project Exceptional for inclusive child care, and the Autism Network;
- the development of web-based applications, such as the IFSP to enhance service coordination and family involvement and the Early Childhood Family Initiatives web site to serve as a resource for those interested in the health and development of young children with disabilities which includes the YOUR LINK newsletter;
- the central directory and the 1-800 number which provides parents with referral and resource information;
- the “Follow Along” program available in 84 of the 87 counties in Minnesota to track and follow young children at risk for early intervention services;
- local and state interagency agreements that include procedures for intra- and interagency dispute resolution, complaints, agency roles and responsibilities for child find, services, service coordination, financial commitments, and data collection;
- due process procedures for families and providers;
- analysis of IEIC self-study results for Child Find conducted during FY 2002, local referral sources, demographics and other data sources are examined and used to determine technical assistance to be provided; and
- coordination with child care providers and other early childhood care and education service providers is used to improve Child Find.

Historical Perspective

Minnesota has participated in Part C, IDEA (formerly Part H), a federal, interagency family centered change initiative for infants and toddlers with disabilities and their families since FY 1987.

The Minnesota Departments of Education (DOE), (designated by the state as the lead agency), Health (MDH); and Human Services (DHS) work together with local interagency early childhood intervention Committees (IEICs) to provide coordinated interagency services and funding for each eligible child and family. The Governor's Interagency Coordinating Council on Early Childhood Intervention (ICC) serves in an advisory role.

The number of eligible children, birth to age three, with an IFSP on December 1 of each year has increased from 2,312 in 1993 to 3,053 in 2001.

	Children and Families with an IFSP on December 1								
	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Number of Children and Families Participating	2,312	2,436	2,563	2,620	2,658	2,806	2,820	2,948	3,053
Percentage of Children Age 0-3 Participating (est.)	1.16%	1.26%	1.34%	1.39%	1.42%	1.49%	1.49%	1.54%	1.53%

Key Measures

The percentage of infants and toddlers birth to age three (particularly under one year of age) and their families who have IFSPs is increased and is proportional to the general state population.

⇒ The percentage of all infants under age one who receive early intervention services as identified in an IFSP (the federal benchmark is 1%).

⇒ The percentage of all infants and toddlers age birth to three who receive early intervention services as identified in an EFSP (the federal benchmark is 2%).

The Early Childhood and Family Support Division in the Office of Community Services has adopted a single indicator as a focus around which to integrate individual early childhood programs. This indicator is to increase the percentage of young children who are ready for school as measured by an observational performance assessment. In the fall of 2002, DOE will pilot a School Readiness Indicator Study in which information about the school readiness of a random sample of approximately 2,000 kindergarten children will be gathered.

Activity Funding

Minnesota's federal allocation for Part C is based on the number of all children in the cohorts from birth through age two annually.

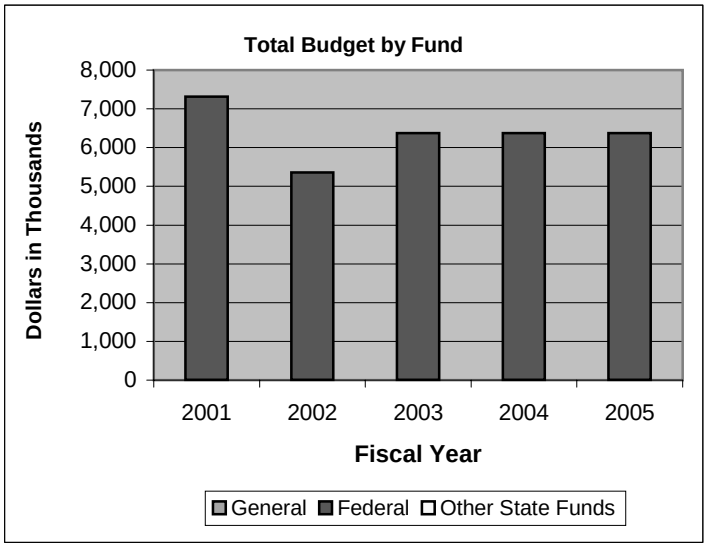
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

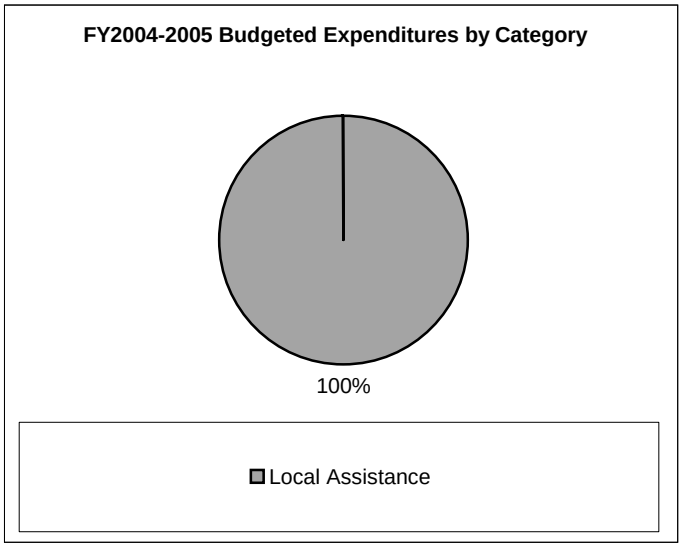
Contact

Additional information is available from the Department of Education (651) 582-8372 and the DOE web site for Early Childhood and Family Initiatives.

DEPARTMENT OF EDUCATION
Program: EARLY CHILDHOOD & FAMILY
Activity: INFANTS & TODDLERS-PART C

Fiscal Report

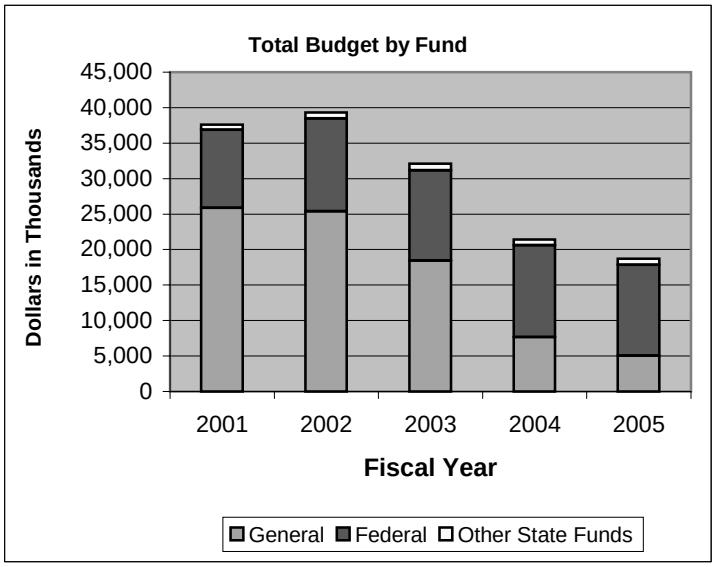


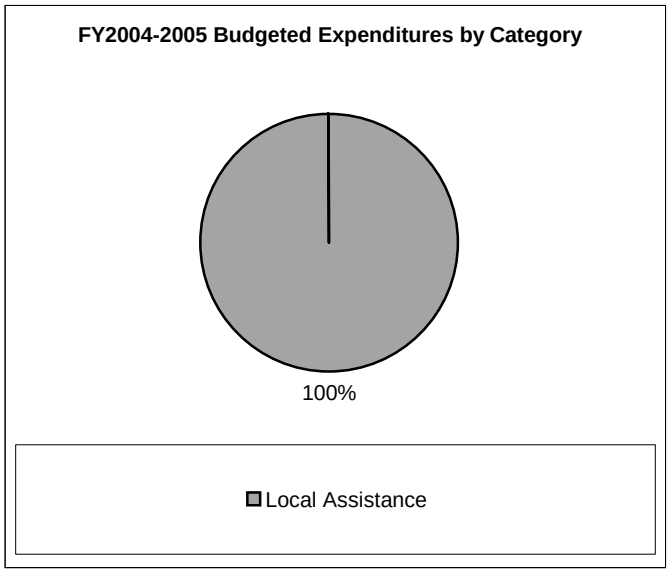


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Federal	7,316	5,359	6,375	6,375	6,375	12,750
Total	**7,316**	**5,359**	**6,375**	**6,375**	**6,375**	**12,750**
Expenditures by Category						
Local Assistance	7,316	5,359	6,375	6,375	6,375	12,750
Total	**7,316**	**5,359**	**6,375**	**6,375**	**6,375**	**12,750**
Revenue by Type and Fund						
Dedicated						
Federal	7,627	5,647	6,710	6,710	6,710	13,420
Subtotal Dedicated	7,627	5,647	6,710	6,710	6,710	13,420
Total Revenue	**7,627**	**5,647**	**6,710**	**6,710**	**6,710**	**13,420**

Budget Activities Included:

- ⇒ Family Collaboratives
- ⇒ Community Education
- ⇒ Adults with Disabilities Program Aid
- ⇒ Hearing Impaired Adults
- ⇒ Violence Prevention Grants
- ⇒ Abused Children
- ⇒ Children's Trust Fund
- ⇒ Parenting Time Centers
- ⇒ After School Enrichment Grants
- ⇒ 21st Century Community Learning Centers
- ⇒ Safe and Drug-Free Schools
- ⇒ School Age Care Revenue
- ⇒ State Incentive Grant
- ⇒ Coordinated School Health





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	25,891	25,379	18,454	7,678	5,071	12,749
State Government Special Revenue	96	101	96	96	96	192
Statutory Appropriations						
Special Revenue	601	746	828	730	730	1,460
Federal	10,996	13,083	12,712	12,918	12,800	25,718
Gift	1	0	0	0	0	0
Total	**37,585**	**39,309**	**32,090**	**21,422**	**18,697**	**40,119**
Expenditures by Category						
Payments To Individuals	9	0	0	0	0	0
Local Assistance	37,576	39,309	32,090	21,422	18,697	40,119
Total	**37,585**	**39,309**	**32,090**	**21,422**	**18,697**	**40,119**
Expenditures by Activity						
Family Collaboratives	3,698	2,948	1,732	0	0	0
Community Education	30,616	28,388	15,766	11,330	6,648	17,978
Adults With Disabilities	1,370	1,278	1,322	1,420	1,420	2,840
Hearing Impaired Adults	102	108	172	140	140	280
Violence Prevention Grants	2,884	2,610	2,698	492	0	492
Abused Children	4,874	4,548	1,952	1,890	1,890	3,780
Children'S Trust Fund	2,934	8,866	6,016	4,372	4,372	8,744
Parenting Time Centers	592	596	598	192	192	384
After School Enrichment Grants	10,256	11,012	11,028	0	0	0
21st Century Comm Learning Ctr	0	0	6,314	9,524	9,524	19,048
Safe & Drug-Free Schools	6,303	6,204	5,740	5,642	5,642	11,284
School Age Care Revenue	538	448	188	84	44	128
State Incentive Grant	4,280	4,866	4,470	1,536	1,300	2,836
Coordinated School Health	420	542	444	580	580	1,160
Total	**68,867**	**72,414**	**58,440**	**37,202**	**31,752**	**68,954**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Dedicated						
State Government Special Revenue	0	5	0	0	0	0
Special Revenue	448	478	300	300	300	600
Federal	12,662	14,683	14,372	13,936	13,813	27,749
Subtotal Dedicated	13,110	15,166	14,672	14,236	14,113	28,349
Total Revenue	**13,110**	**15,166**	**14,672**	**14,236**	**14,113**	**28,349**
Full-Time Equivalents (FTE)	**0.9**	**1.1**	**0.0**	**0.0**	**0.0**	

Activity Description
Citation: M.S. 124D.23

Family Services Collaboratives provide incentives to communities that foster integrated services, encourage preventive services, promote service accountability, and improve outcomes for children and families. Collaboratives are provided up to five years of state funding to support needs assessment, planning, coordination, and pilot programs. Funding will be phased out by February 2004.

Activity at a Glance

Family Services Collaboratives
- enhance local decision-making;
- encourage prevention and early intervention services;
- promote public accountability; and
- improve outcomes for children and families.

95% of Minnesota's children and families live in an area served by a Family Service Collaborative.

Population Served
The target population is children and adolescents ages 0-18, or birth through age 21 for individuals with disabilities, and their families.

Services Provided
Family Services Collaboratives (FSC) promote the development and maintenance of services including prevention, early intervention and outreach services, parenting services, family preservation services and culturally sensitive services. FSC have identified as priorities clearly defined outcomes and valid methods of assessment, effective service coordination, participation by the maximum number of jurisdictions and funding sources, integrated transportation and housing services and other local resources, and effective service coordination.

Collaborative governing boards must include at least one school district, one county, one public health organization, and one community action agency (CAA) or a Head Start grantee (if the CAA is not the Head Start grantee).

Historical Perspective
In 1993, the Minnesota legislature passed permissive language that allowed local communities to design flexible, comprehensive service systems and invest funds in locally determined services that focus on prevention and early intervention rather than crisis management. Communities that establish collaboratives must have a comprehensive plan for serving children ages 0-18, or birth through age 21 for individuals with disabilities, and their families. The plan must coordinate funding streams and commit resources to an integrated fund, and contain clear goals and outcome-based indicators to measure progress toward these goals.

The number of FSC has grown from 13 in 1994 to 80 as of 7-1-02.

Key Measures
Ensure that Collaboratives have established and implemented plans for improving outcomes for children and adolescents.

In the fall of 2000, a review focused on the first 28 FSC established in Minnesota. The review compared outcome measures averaged across these 28 FSC's counties, and compared these results to those of an average, or typical county in Minnesota (calculated by dividing state totals by 87).

On average, communities impacted by the work of the 28 FSC indicated better outcomes in the areas of early childhood development, education, healthy and caring communities. The 28 county averages show:
- fewer school transfers;
- higher rates of on-time immunizations; and
- higher academic achievement as measured by performance on the 8th Grade Basic Skills, Reading and Math Test as well as the 10th Grade Writing Exam.

This report, "Targeted Family Services and Community-Based Collaboraties Review," is available for review at http://cfl.state.mn.us/PUBRES.html

Activity Funding

In 1999, the Minnesota legislature mandated that no new collaboratives be funded after 6-30-99 (2000 Session Law, Ch. 489, Art. 1, Sec. 30). As a result, there will be no state funding available to FSC after FY 2004.

Collaborative grants are funded for five years. Funding remains constant for the first three years then declines by 1/3 in each of the final two years.

In FY 2003, Education will have 15 active FSC grants.

Collaborative grants state funding has leveraged over $41 million in federal revenue enhancement in 2000 through participation in the Local Collaborative Time Study (LCTS) administered by the Department of Human Services.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Children, Families & Learning, (651) 582-8453.

Collaborative Web addresses and Links

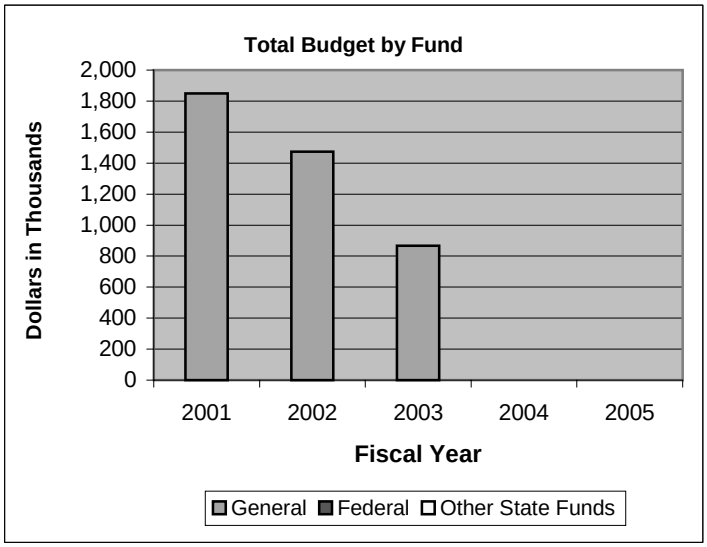
List of Family Services Collaboratives:
http://cfl.state.mn.us/cfldirectory/report_d.cgi?prog_num=1045

Information regarding Children's Mental Health Collaboratives:
http://www.dhs.state.mn.us/childint/Programs/ChildMentalHealth/default.htm

Information regarding Local Collaborative Time Study:
http://www.dhs.state.mn.us/newsroom/facts/LTCS.htm

DEPARTMENT OF EDUCATION
Program: PREVENTION
Activity: FAMILY COLLABORATIVES

Fiscal Report



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,849	1,474	866	0	0	0
Total	**1,849**	**1,474**	**866**	**0**	**0**	**0**

Expenditures by Category						
Local Assistance	1,849	1,474	866	0	0	0
Total	**1,849**	**1,474**	**866**	**0**	**0**	**0**

Activity Description

Citation: M.S. 124D.18; 124D.19; 124D.20; 124D.21

This state aid and local levy program provides funding for community education programs to provide lifelong learning opportunities for all community members and allows access to school facilities for public use.

Activity at a Glance

- Every Minnesota school district operates a community education program.
- More than 100,000 activities offered in 2001.
- Programs serve participants of all ages from preschool through senior citizens.

Population Served

Every Minnesota school district operates a Community Education program. Programs may include (as specified in M.S. 124D.20, subd. 8)

- Adults with Disabilities,
- Adult Basic Education (ABE),
- Youth development,
- Youth service,
- Early Childhood Family Education (ECFE),
- School-Age Care,
- Summer programs for elementary and secondary pupils,
- Youth after-school enrichment programs, and
- Non-vocational, recreational, and leisure activities.

Participation in youth development/service activities increased to over 200,000 young people in 1999, a 5% increase from the previous year.

Services Provided

Community Education is a partnership between the community and the school district through which the resources of each are used for the continuing growth and betterment of both. Community Education provides services beyond the regular K-12 program as recommended by the Community Education Advisory Council and approved by the local school board (State Board Rule 3530.5600).

Community Education administers many popular programs, such as family literacy, ABE, School Age Care, and ECFE.

Local school boards establish Community Education advisory councils and hire local staff to promote and implement the program.

Historical Perspective

State funding for Community Education began in 1971 with the idea that the community should be able to use the public schools beyond the regular school day. Since that time, community education has grown rapidly and in many different directions depending upon the needs/desires of the local community. Many programs emphasize strong recreational opportunities while others focus on skill development. Others still emphasize general interest topics or provide opportunities to explore the arts. This local flexibility allows communities to build programs that meet their own interests and demands, but complicate efforts to maintain statewide support since there is no common understanding of what community education is.

Key Measures

Districts reported nearly two million participants in 2000-01, not including ECFE or ABE. New reporting procedures have been implemented in 2001-02 to ascertain expenditure data.

An annual Phi Delta Kappa poll found that offering activities that bring people into school buildings increases citizens' overall support for education.

Department staff recently completed work with the Center for Democracy and Citizenship at the Humphrey Institute on the Value of Citizen Work project to develop qualitative data about changes in individuals and communities that result from citizen involvement. Results from the Value of Citizen Work project show changes in the perception of community education from a series of classes to a system of citizen development and civic engagement. Pilot sites report expanded involvement in community education from a wider range of residents. The Value of Citizen Work project offers new operational models for community education and a revitalized theory and practice for the profession. The Value of Citizen Work project was funded by the Charles Stewart Mott Foundation.

Activity Funding

A district's maximum revenue equals the Community Education allowance times the greater of 1,335 or the population of the district. The Community Education allowance has remained at $5.95 for the past 14 years.

Districts that have implemented a youth development plan and a youth service program receive an additional $1 times the greater of 1,335 or the population of the district.

The Community Education levy is the lesser of a fixed tax rate times the district Adjusted Net Tax Capacity (ANTC) or the Community Education revenue. The district's Community Education aid is the difference between the revenue and the levy. The 1998 legislature reduced the tax rate from 1.09% to 0.41% of ANTC, increasing the state share from 4% in FY 1999 to 49% in FY 2000.

Formula funding is supplemented with registration fees and funds from other sources. General community education revenue is not used to subsidize the direct activity costs for adult enrichment programs (the cost of the activity leader or instructor, cost of materials, transportation costs, etc.). Funding commonly supports parenting education and parent/child classes, youth recreation and athletics, community meetings, and community service activities.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Lifework Development Division, (651) 582-8330

DEPARTMENT OF EDUCATION
Program: PREVENTION
Activity: COMMUNITY EDUCATION

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Gov's Rec FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	15,284	14,073	5,626	5,673	2,842	8,515
2. Statutory Excess/(Shortfall)	(34)					
3. Appropriated Entitlement	15,250	14,073	5,626	5,673	2,842	8,515
4. Adjustment(s)						
a. Excess Funds Transferred In / (Out)	34					
5. State Aid Entitlement	15,284	14,073	5,626	5,673	2,842	8,515
6. Local Levy	17,483	19,218	31,245	33,653	28,426	62,079
7. Revenue (Total of Aid & Levy)	32,767	33,291	36,871	39,326	31,268	70,594
8. Total School District Revenue - All Funds	32,767	33,291	36,871	39,326	31,268	70,594
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	1,552	1,528	1,407	956	964	1,920
Current Year (90% FY 01-02) (83% FY 03-05)	13,722	12,666	4,670	4,709	2,359	7,068
Transfers per M.S. 127A.41, subdivision 8 & 9	34					
Total State Aid - General Fund	**15,308**	**14,194**	**6,077**	**5,665**	**3,324**	**8,989**
TOTAL APPROPRIATIONS	**15,308**	**14,194**	**6,077**	**5,665**	**3,324**	**8,989**

Activity Description
Citation: M.S. 124D.56

This state aid and local levy program provides funding to school districts to support activities that integrate adults with disabilities with other people in their community.

Population Served
The number of adults with disabilities participating in this program increased from approximately 9,000 in FY 1988 to 39,000 in 1999, and has remained relatively stable since that time.

Activity at a Glance

- 77 school districts are approved for Adults with Disabilities Program Aid.
- The number of participants supported has remained relatively constant since 1999.
- Many more adults with disabilities are served by community education than are supported by the program.

Services Provided
Community Education programs locally administer the Adults with Disabilities program. Thirty of 77 supported school districts are in the seven county metropolitan area. The local programs use the following service strategies to achieve their objectives:

- services enabling adults to participate in community activities, such as training for community members, one-on-one assistance, Braille and interpreter services;
- classes specifically for adults with disabilities;
- outreach to identify adults needing services; and
- activities to increase public awareness of the roles of people with disabilities.

Key Measures
Local Community Education teachers work with others to:

- identify and encourage adults with disabilities to enjoy community life;
- develop specific learning and leisure time opportunities for those with disabilities;
- teach community members how to include people with differing abilities; and
- raise awareness of contributions of people with disabilities.

Activity Funding
To be eligible for specific categorical revenue to serve adults with disabilities, a school district's community education program must receive approval from the Minnesota Department of Education.

State aid formula provides the lesser of $30,000 or one-half the actual expenditures. A district is required to match this aid amount from local sources. A district is permitted to levy the lesser of $30,000 or the actual expenditures minus the amount of state aid for the program.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact
Additional information is available from the Minnesota Department of Education, Lifework Development Division, (651) 582-8330

DEPARTMENT OF EDUCATION
Program: PREVENTION
Activity: ADULTS WITH DISABILITIES

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	685	710	710	710	710	1,420
2. Local Levy	670	670	670	670	670	1,340
3. Revenue (Total of Aid & Levy)	1,355	1,380	1,380	1,380	1,380	2,760
4. Total School District Revenue - All Funds	1,355	1,380	1,380	1,380	1,380	2,760
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	0	0	71	120	120	240
Current Year (90% FY 01-02) (83% FY 03-05)	710	639	590	590	590	1,180
Balance Forward	29					
Cancellation	(54)					
Total State Aid - General Fund	**685**	**639**	**661**	**710**	**710**	**1,420**
TOTAL APPROPRIATIONS	**685**	**639**	**661**	**710**	**710**	**1,420**

Activity Description
Citation: M.S. 124D.57

This state aid program provides funding to districts and other organizations to assure access to educational opportunities for deaf and hard of hearing adults by paying for interpreter or note-taker services.

Activity at a Glance

- 32 sites received funding under this program in 2001-02 with aid ranging from less than $20 to more than $6,000.

Population Served
Both public and private agencies providing adult education classes to hearing impaired adults may apply to Children, Families & Learning (CFL) for reimbursement of the costs of providing interpreting services. Applications for aid are received on a first-come, first-served basis only to the extent that funds are available. Over estimation of need by some may prevent aid flow to others.

Services Provided
This program
- targets part-time adult students with hearing impairments;
- provides access to vocational education programs promoting educational growth and development; and
- enhances and encourages lifelong learning.

Services provided include interpretation, note-taking, and closed captioning.

Access to education programs for persons with disabilities is assured by the American with Disabilities Act (ADA). Providers are learning ways to cover the costs of interpreter services within their budget plans. Nevertheless, some providers still turn to this program for assistance with the one-time costs of interpreter and note-taker services. The aid allocation is not meant to support all the interpreter services for deaf and hard of hearing adult learners, but to help in unforeseen situations.

Key Measures
Approximately 70% of reimbursement requests come from school districts providing adult education. The remaining 30% come from other public and private organizations.

During 1999-2000, 45 different agencies received funds, ranging from over $8,000 for Hearing Dogs of Minnesota to $70 for a local school district to interpret a one-time community education class for one adult.

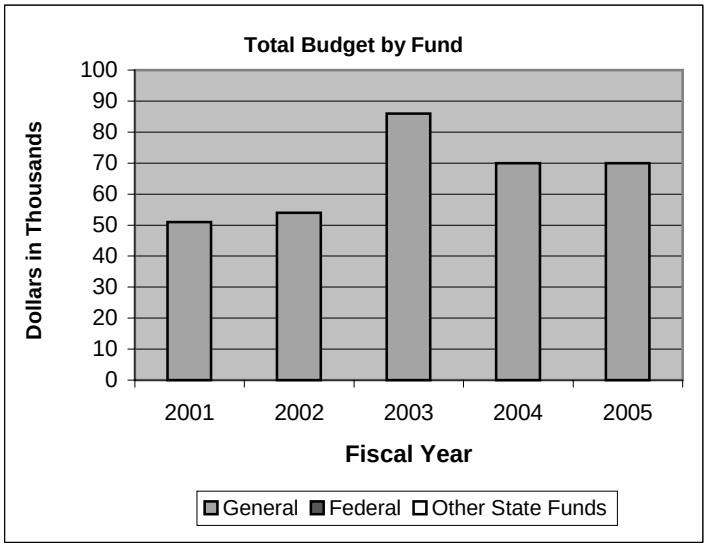
Activity Funding
CFL provides reimbursement of the actual costs of direct services. The cost of providing interpreter services to one person for an activity/program is the same as providing that service to a group of people. The average cost for an hour of American Sign Language interpretation, estimated by the Minnesota Council on Disability, is $35 to $50 per hour, with a two-hour minimum charge.

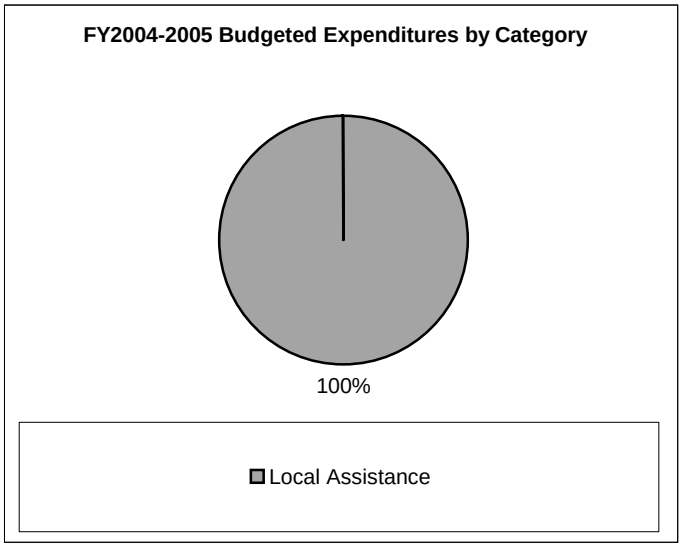
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact
Additional information is available from the Minnesota Department of Children, Families & Learning, Lifework Development Division, (651) 582-8330.

DEPARTMENT OF EDUCATION
Program: PREVENTION
Activity: HEARING IMPAIRED ADULTS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	51	54	86	70	70	140
Total	**51**	**54**	**86**	**70**	**70**	**140**

Expenditures by Category						
Local Assistance	51	54	86	70	70	140
Total	**51**	**54**	**86**	**70**	**70**	**140**

Activity Description
Citation: M.S. 120B.22-120B.23

Violence Prevention grants integrate violence prevention education programming into existing K-12 curricula and help students learn to resolve conflicts and reduce violence at school.

Activity at a Glance

- All Minnesota public school districts are eligible to receive funding. Participation rate is between 98-100% annually.
- Violence prevention education programs include:

	% of Districts
Peer Education	47%
Youth to Youth Mentoring	54%
Community Service	53%
Conflict Resolution and Peer Mediation	80%
Restorative Measures	40%

Population Served
Students, kindergarten through senior high school, attending public schools are the targeted service population.

Services Provided
Districts conduct a needs assessment, select measurable goals to work towards, use best or promising practices and conduct evaluation to assess the effectiveness of their efforts. Services vary based on each district's needs assessment and plan but may include a comprehensive, accurate, and age appropriate curriculum on violence prevention, nonviolent conflict resolution, sexual, racial, and cultural harassment, and student hazing that promotes equality, respect, understanding, effective communication, individual responsibility, thoughtful decision making, positive conflict resolution, useful coping skills, critical thinking, listening and watching skills, and personal safety.

The Violence Prevention Program staff work with schools, policy makers, and community groups to develop and adopt effective ways to address conflict in schools, to improve school climate, and to implement policies and practices which support safe schools and equitable treatment.

The Violence Prevention Program works in conjunction with Safe and Drug Free Schools to reduce violence and promote school safety. School districts apply for funds in a single application that combines use of the federal Safe and Drug-Free School and Communities funds with state Violence Prevention Education funds to address common violence-prevention goals.

Key Measures
Increase the proportion of students reporting they feel safe at school on the Minnesota Student Survey result.

⇒ About 90% of youth surveyed in 2001 reported that they feel relatively safe at school.

⇒ Recent research from the National Adolescent Health Study has shown that feelings of safety and security at school and a positive school climate are one of the strongest protective factors associated with positive youth outcomes in a wide range of areas, including school-relates indicators of success.

Decrease the number or rate of incidents involving dangerous weapons in schools

⇒ The rate of dangerous weapons incidents (calculated based on reports by school administrators of dangerous weapons incidents, and number of enrolled students) has decreased each year since 1998 from 1.9% to 1.1% in 2002.

Activity Funding
Total statewide annual funding for program initiatives is $1.45 million. There are no funds provided for administration. $1.45 million is appropriated annually for distribution to school districts based on resident student counts from the previous school year, resulting in a distribution of funds of approximately $1.50 per pupil unit. Funds are restricted to no more than $3 per resident pupil.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, (651) 582-8453. Also see: http://www.makethepeace.org The Make the Peace Campaign web site and link to other related sites http://cfl.state.mn.us/PUBRES.html includes the 2001 Minnesota Student Survey report and other Deportment of Education reports relating to violence prevention.

DEPARTMENT OF EDUCATION
Program: PREVENTION
Activity: VIOLENCE PREVENTION GRANTS

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	1,442	1,450	1,450	0	0	0
2. Total School District Revenue - All Funds	1,442	1,450	1,450	0	0	0
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	0	0	145	246	0	246
Current Year (90% FY 01-02) (83% FY 03-05)	1,450	1,305	1,204	0	0	0
Cancellation	(8)					
Total State Aid - General Fund	**1,442**	**1,305**	**1,349**	**246**	**0**	**246**
TOTAL APPROPRIATIONS	**1,442**	**1,305**	**1,349**	**246**	**0**	**246**

Activity Description

Citation: M.S. 119A.20; 119A.21; 119A.22; 119A.35
Federal Citation: Victims of Crimes Act of 1984 (VOCA)

The Abused Children Program provides intervention services to children and adolescent victims of abuse and neglect, including victims of physical and sexual assault.

Population Served

Seventy percent of program participants are from greater Minnesota; 30% from the seven-county metropolitan area.

Activity at a Glance

- In 2001, almost 13,000 primary victims and 8,000 secondary victims were served in 53 programs statewide.
- Grants are co-administered by the Department of Education (DOE) and the Department of Public Safety.
- 44 sites funded statewide, averaging $47,000 annually.

Services Provided

The program provides a variety of intervention strategies including legal advocacy, support groups for children and non-offending family members, community awareness presentations, and outreach activities. Funds are made available through a competitive grant application.

Historical Perspective

The Abused Children Program began in 1987 with federal funds through the Victims of Crime Act (VOCA). In 1993, the advisory council identified a need for a statewide system of community-based services for children who have been abused or neglected. In 1994, the Minnesota legislature appropriated state funds to supplement the federal funds.

The Abused Children Program, in partnership with the Children's Trust Fund, supports the Children's Advisory Council. The Children's Advisory Council was created in 2001 when the legislature combined the previously existing Children's Trust Fund Advisory Council and the Abused Children Advisory Council into a single advisory body charged with identifying unmet needs and establishing goals for children abuse prevention and intervention resources in Minnesota. The Children's Advisory Council began meeting in the spring of 2002 with 22 representatives, 18 of who were appointed by the governor.

Beginning in FY 2002, DOE entered into an interagency agreement with the Department of Public Safety's Minnesota Center for Crime Victims Services (MCCVS) to administer this grant program. Because the interagency agreement allows MCCVS to have direct access to both state and federal Victims Of Crime Act (VOCA) funds that are used in this program, this agreement provides increased efficiency for the grantees and the agencies. MCCVS provides grant administration, monitoring, compliance, and technical assistance to local grantee programs.

Key Measures

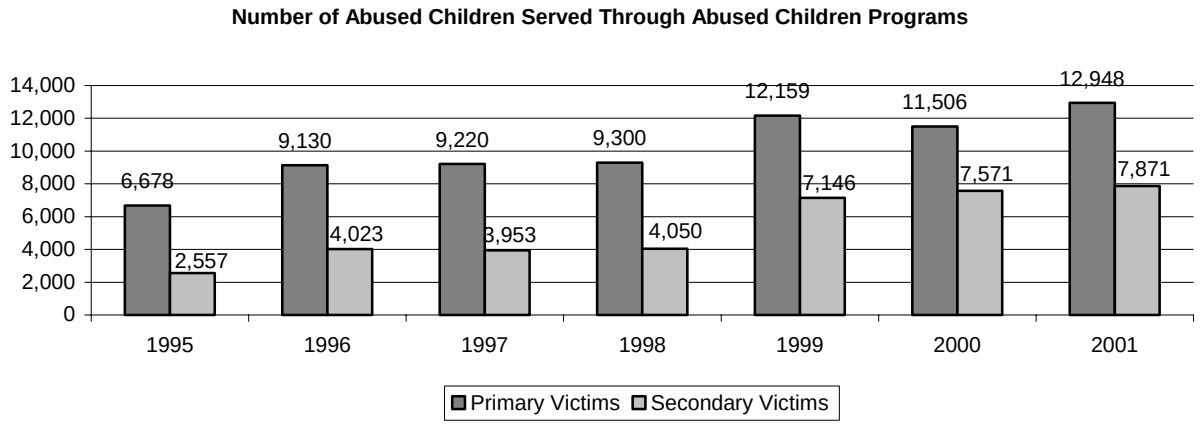
Increase the number of child victims of abuse provided support services.

⇒ The number of child abuse victims served in Minnesota has doubled since 1995.

⇒ Research has shown that when child abuse is not addressed and the victims are not provided support and care, victims often demonstrate continuing, serious emotional and social problems throughout their lives.

Increase the number of secondary child abuse victims – individuals impacted but not experiencing abuse directly, such as siblings – provided support and education.

⇒ The number of secondary victims has more than tripled since 1995 as programs began to target services to everyone impacted by the violence of child abuse.



Activity Funding

The federal VOCA funding results from fines, forfeitures, and other monies collected from federal offenders and is awarded in form of a grant to Department of Public Safety. Federal Victims of Crime Act funds may not be used to supplant state and local funds that would otherwise be available for crime victim services. Beginning in FY 2003, the federal dollars will be awarded directly to the Department of Public Safety. DOE retains administrative responsibilities.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

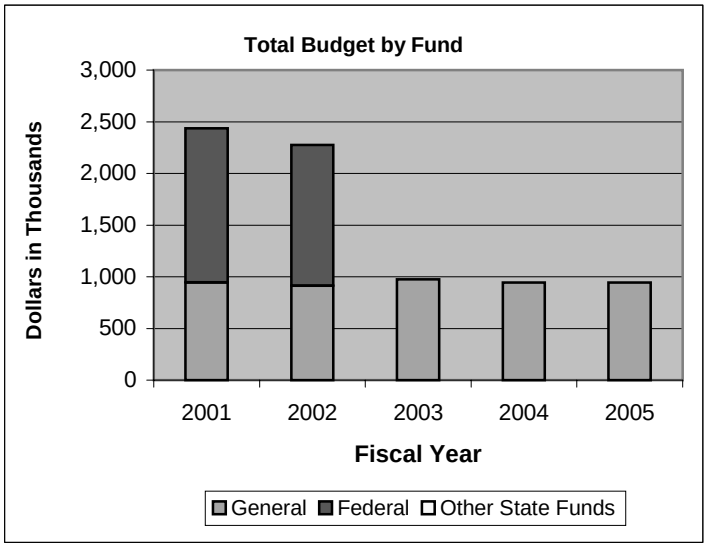
Contact

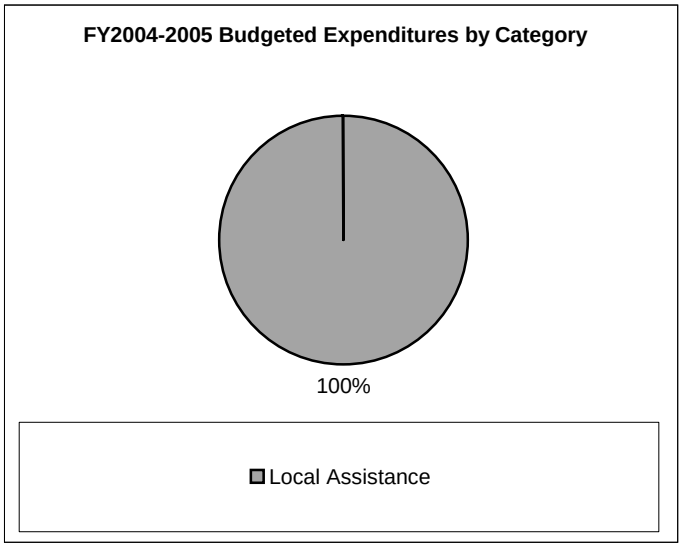
Additional information is available from the Department of Public Safety, (651) 205-4821 or Department of Education, (651) 582-8453.

For a list of Abused Children grants awarded through the 2001 Prevention & Intervention grant application process go to: http://cfl.state.mn.us/prevention

DEPARTMENT OF EDUCATION
Program: PREVENTION
Activity: ABUSED CHILDREN

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	945	914	976	945	945	1,890
Statutory Appropriations						
Federal	1,492	1,360	0	0	0	0
Total	**2,437**	**2,274**	**976**	**945**	**945**	**1,890**
Expenditures by Category						
Local Assistance	2,437	2,274	976	945	945	1,890
Total	**2,437**	**2,274**	**976**	**945**	**945**	**1,890**
Revenue by Type and Fund						
Dedicated						
Federal	1,516	1,421	0	0	0	0
Subtotal Dedicated	1,516	1,421	0	0	0	0
Total Revenue	**1,516**	**1,421**	**0**	**0**	**0**	**0**

Activity Description

Citation: M.S. 119A.10 to M.S. 119A.17; 119A.35
Community Based Family Resources and Support Program Grants for Children's Trust Fund Title II Child Abuse Prevention and Treatment Act 42 U.S.C. 5116

The Children's Trust Fund (CTF) helps to prevent child abuse and neglect by giving parents the tools and resources they need to parent their children effectively.

Activity at a Glance

- Children's Trust Fund serves almost 15,000 families, and 16,000 children in 45 programs.
- Child Abuse Prevention Councils are located in 85 of the state's 87 counties.
- 98% of the programs have significant involvement of parents in the governance of the agency serving them.
- 112 grants statewide averaging $45,800.

Population Served

From 2000-2002, the CTF awarded 45 grants based on principles of promising practice in preventing child abuse and neglect. The practices supported by grant funding include: parenting support and education, home visiting, and crisis nursery/respite care. Additionally, some grant funded programs focus on specific areas of high need including: ethic/cultural populations, gender and/or geographic locations. The Department of Education (DOE) awarded grants to 26 programs in greater Minnesota and 19 grants in the metro area.

Services Provided

Programming ranges from parenting education and support activities, to respite care, to fathering education and support services and school-based programs for adolescent parents and their children. Grants are awarded with state and federal funds to nonprofit and public agencies providing child abuse and neglect prevention services, male responsibility and fathering programs, and adolescent pregnancy prevention programs.

The CTF creates and maintains a community-based prevention infrastructure through a network of authorized local Child Abuse Prevention Councils (CAPCs) in 85 of the 87 counties in the state. CAPCs are grass roots, community-based, volunteer organizations. Their purpose is to develop and promote educational campaigns designed to raise awareness of and prevent child abuse and neglect.

Historical Perspective

The Children's Trust Fund was established in Minnesota in 1986. In 1992, federal grants (CBFRS- Community Based Family Resource and Support) were made available to assist state in supporting their families with child abuse prevention programming. Minnesota has received the federal grant each year for the past decade.

The Children's Trust Fund, in partnership with the Abused Children Program, supports the Children's Advisory Council. The Children's Advisory Council was created in 2001 when the legislature combined the previously existing Children's Trust Fund Advisory Council and the Abused Children Advisory Council into a single advisory body charged with identifying unmet needs and establishing goals for children abuse prevention and intervention resources in Minnesota. The Children's Advisory Council began meeting in the spring of 2002 with 22 representatives, 18 of who were appointed by the governor.

Key Measures.

Maintain the number of school-aged youth reporting that they feel their parents' care about them as measured in the Minnesota Student Survey conducted every three years.

⇒ Data from the 2001 survey shows that a vast majority of students reported that they feel their parents care about them a great deal—88% of 12th grades, 90% of 9th graders, and 96% of 6th graders. These trends are relatively stable across the three points in time in which the survey was administered.

Decrease in the numbers of families with determinations of Child Maltreatment

⇒ As reported in a Department of Human Services (DHS) report titled "Minnesota's Child Welfare Report for 2000" in 2000, 24,680 reports alleging child maltreatment were taken by local Child Protection offices. Of those, 47% (or 11,845) were found to be cases where determination of maltreatment could be made.

⇒ Reports from DHS indicate a slight downward reduction in the maltreatment rate per 1,000. 1992 was a 10-year high with 9.1 children per 1,000 proven abused, while in 2001 the rate is 8.5 per 1,000.

⇒ The report documents racial and ethnic groups most at risk for maltreatment. African-American and Native American are seven times more likely to be victims of abuse.

Reduce the number of births by youth under the age of 18.

⇒ There were 1,790 births to teens in 2000. The rate of teen births has declined since 1993 for almost every region in the state and for the state as a whole.

Activity Funding

The program receives funding from three sources.

⇒ State General Fund: Included in this appropriation are funds to support child abuse prevention programs, male responsibility and fathering programs and adolescent parenting programs.

⇒ Federal: The annual federal grant award is based on a child population formula and totals $1.945 million in federal FY 2002. The federal award can be expended over three years. The Minnesota CTF is the designated program to receive the Community Based Family Resource and Support Program (CBFTS) monies.

⇒ Special Revenue: CTF receives revenue from a $3 surcharge on birth certificates and the interest earned on a trust account.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

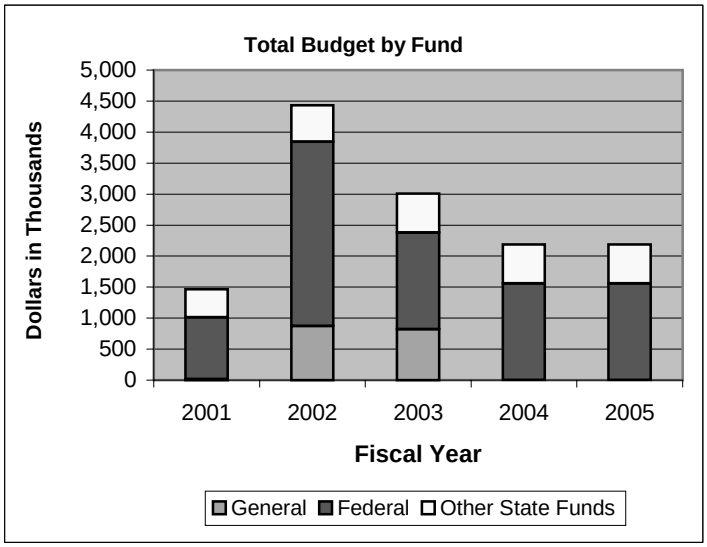
Contact

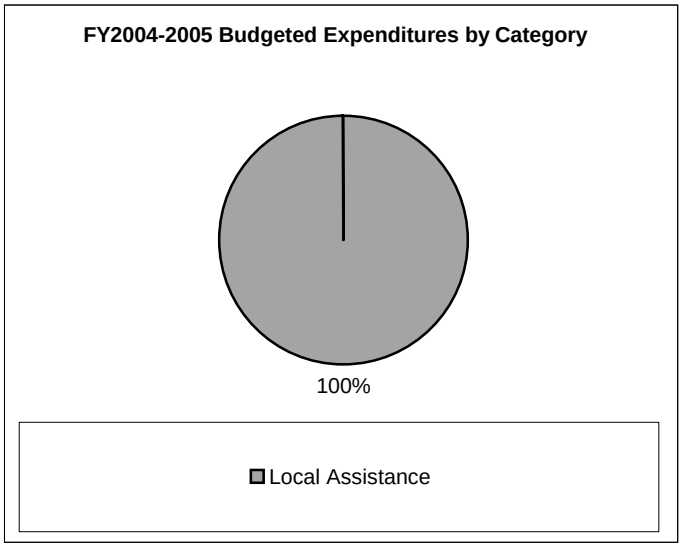
Additional information is available from the Minnesota Department of Education, (651) 582-8453.

For more information about Minnesota's Children Trust fund go to: http://cfl.state.mn.us/ctf/index.htm

DEPARTMENT OF EDUCATION
Program: PREVENTION
Activity: CHILDREN'S TRUST FUND

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	14	872	822	0	0	0
Statutory Appropriations						
Special Revenue	456	587	630	630	630	1,260
Federal	996	2,974	1,556	1,556	1,556	3,112
Gift	1	0	0	0	0	0
Total	**1,467**	**4,433**	**3,008**	**2,186**	**2,186**	**4,372**
Expenditures by Category						
Payments To Individuals	9	0	0	0	0	0
Local Assistance	1,458	4,433	3,008	2,186	2,186	4,372
Total	**1,467**	**4,433**	**3,008**	**2,186**	**2,186**	**4,372**
Revenue by Type and Fund						
Dedicated						
Federal	1,188	3,220	1,945	1,945	1,945	3,890
Subtotal Dedicated	1,188	3,220	1,945	1,945	1,945	3,890
Total Revenue	**1,188**	**3,220**	**1,945**	**1,945**	**1,945**	**3,890**

Activity Description

Citation: M.S. 119A.37; 517.08, subd. I.c.(2)

Parenting Time Centers reduce children's vulnerability to violence and trauma related to family visitation (parenting time) and assist children in developing a relationship with an estranged parent, grandparent, or other family member.

Activity at a Glance

- Almost 1,600 children and 1,000 families were served in eight centers during 2001.
- 3,450 visitations were provided in 2001, an increase of 21% over the previous year.
- 4,000 exchanges were arranged in 2001, an increase of 26% over the previous year.

Population Served

Centers serve children from newborn to 18 years of age. The majority of children served are six years old or younger.

Services Provided

Parenting grants have been awarded to eight parenting time centers statewide. Centers serve residents of Becker, Carver, Crow Wing, Itasca, Kandiyohi, Hennepin, Mower, Otter Tail, St. Louis, Scott, and Stearns counties. These centers provide a safe place for non-custodial parents or parents of children in foster care to visit and/or exchange children. Many programs offer additional services, including parent education, child/parent groups, and toy and book lending libraries.

Parenting time and exchanges are often court ordered, but child protection workers, attorneys, or therapists may also refer families. Upon request, center staff provides courts and/or child protection with documentation of parent/child interaction observed during supervised visits.

Historical Perspective

The Minnesota legislature first funded Family Visitation Centers in 1992. During the 2000 legislative session, the name of the program changed from Family Visitation Centers to Parenting Time Centers.

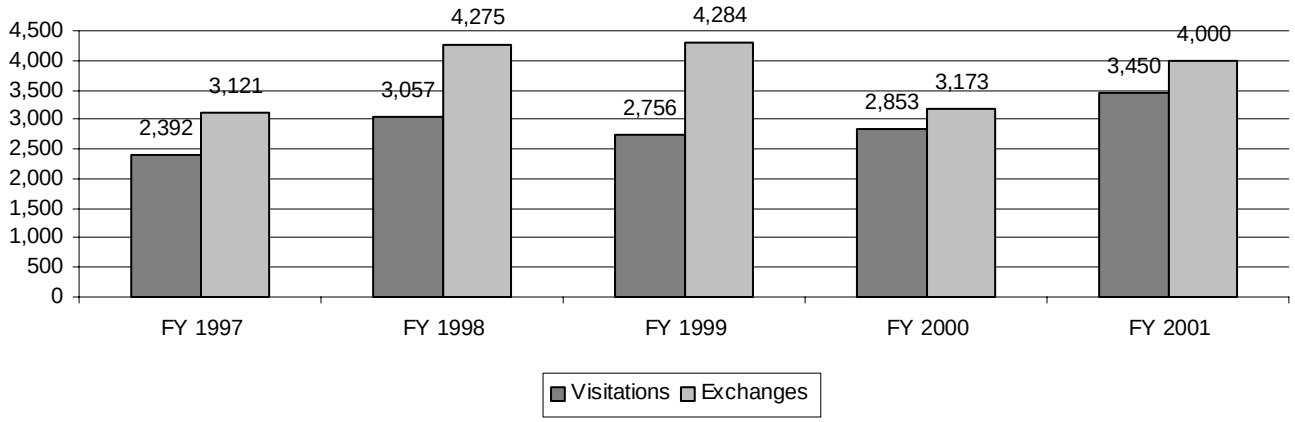
Key Measures

Increase the number of children provided safe visitation and supervised visits annually.

⇒ 32% increase in number of children served in 2001 from previous year.

⇒ 23% increase in the number of families accessing Parenting Time Center resources last year.

Number of Visitation and Exchanges through Parenting Time Centers



Activity Funding

The program has two sources of state funding: 1) general fund, and 2) $3 in special revenue funds from the sale of each marriage license. Funds are distributed through competitive grant application to sites statewide.

M.S. 119A.37, subd. 1 requires local programs to provide a 25% state fund match. In FY 2001, sites reported a 138% match of state dollars with local cash or in-kind donations.

Some programs have purchase of service contracts with county child protective services. Courts sometimes order the offending parent to pay a fee to the center. Most centers have a sliding fee scale, but centers waive the fee for victims of domestic violence.

Beginning in FY 2002, the Department of Education (DOE) entered into an interagency agreement with the Department of Public Safety to administer this grant program because of the close association that Parenting Centers have in providing services to abused children and their families (see the Abused Children Narrative). Through this interagency agreement, the Department of Public Safety provides grant administration, monitoring, compliance and technical assistance to local grantee programs.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

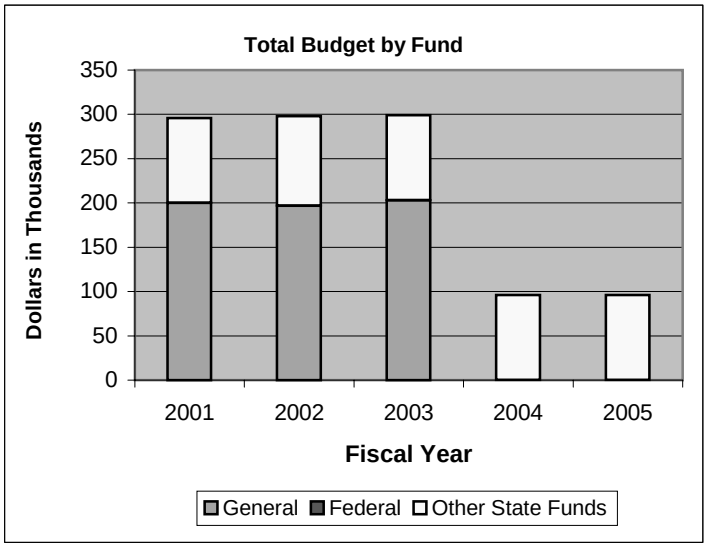
Contact

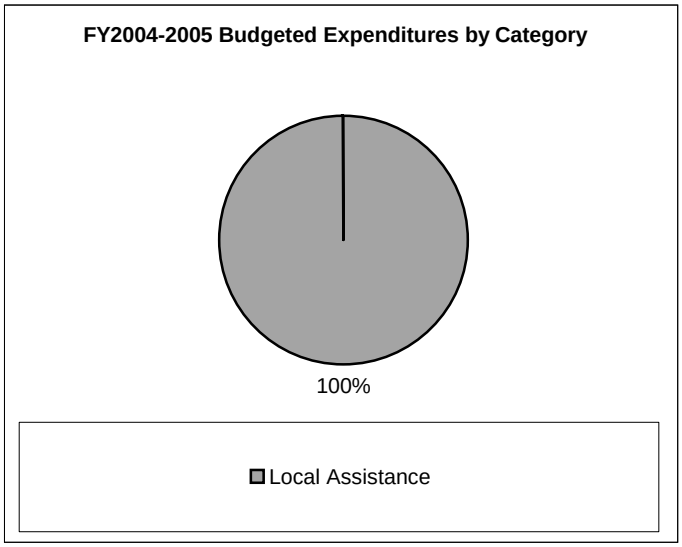
Additional information is available from the Department of Public Safety, (651) 205-4821 or the Department of Education, (651) 582-8453.

For a list of the Parenting Time Centers funded through the 2001 Prevention & Intervention grant application process go to: http://cfl.state.mn.us/prevention

DEPARTMENT OF EDUCATION
Program: PREVENTION
Activity: PARENTING TIME CENTERS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	200	197	203	0	0	0
State Government Special Revenue	96	101	96	96	96	192
Total	**296**	**298**	**299**	**96**	**96**	**192**
Expenditures by Category						
Local Assistance	296	298	299	96	96	192
Total	**296**	**298**	**299**	**96**	**96**	**192**
Revenue by Type and Fund						
Dedicated						
State Government Special Revenue	0	5	0	0	0	0
Subtotal Dedicated	0	5	0	0	0	0
Total Revenue	**0**	**5**	**0**	**0**	**0**	**0**

Activity Description

Citation: M.S. 124D.221

The After School Enrichment is a state funded program with two goals: 1) to prevent at-risk behavior by children during out-of-school time hours; and 2) to enrich the development of children through involvement in quality programming.

Activity at a Glance

- Participation in the 44 programs statewide increased by over 30% in the last reporting year to almost 59,000 youth.
- Participant contact hours averaged three hours per week during 2001.

Population Served

The program serves at-risk, school aged youth before-school, after-school, and in the summer with programming provided through partnerships that effectively utilize and build on existing community resources.

Services Provided

After School Enrichment provides funding for community-based partnerships to bring together school and community youth-serving organizations and provide a variety of activities for children and adolescents. Programming offered includes skill building in the use of computers, the arts, athletics, and other cultural enrichment programs that engage youth in constructive activities, as well as tutoring, homework help and other academic support.

After School programming includes before and after school, weekend, summer, and release time programming. The grants are designed to encourage local control and collaborative decision-making about allocating resources efficiently to the services communities identify as most important. Local After School grantees are selected through open competition with priority given to local partnerships with experience in providing youth programming and maximizing resources. These partnerships usually involve representatives of youth-serving organizations, schools, recreation departments, local government, parents, and youth. In 2001, 59% of the grantees selected for funding in 2001 had previously received After School funding.

Three programs focusing on out-of-school time—School-Age Care, Minnesota's After School Enrichment Program and the 21st Century Learning Centers—work on promoting school connectedness. These programs provide complementary activities to what goes on during the school day. Activities include tutoring, recreational programs, and work in computer, sports and arts that help build well-rounded youth, particularly during key time periods during the day when youth lack adult supervision and opportunities to engage in structured activities.

Key Measures

Increase by 15% the number of at-risk youth participating in before, after school, and summer programming.

⇒ Programs reported a 31% increase in participation in 2000-01.
⇒ 38% report a decrease in juvenile crime.
⇒ 74% report that participants were involved in community service.

Maintain at-risk youth participation level at two hours or more per week.

⇒ Programs reported participation at three hours per week in 2000-01. A 1997 study by the U.S. Department of Health and Human Services showed that youth spending one to four hours per week in out-of-school time programming are less likely to use drugs and become teen parents than their peers who do not participate.

Improve academic achievement.

⇒ 76% of the 2000-2001programs report increased academic achievement.
⇒ 47% report improved school attendance.
⇒ 82% reported on increased skill in technology.

Activity Funding

After School Enrichment funding is provided through a state general appropriation. FY 2003 funding is $5.51 million. Grant requests consistently exceed available funding. In 1998, 111 programs requested $17 million for After School Enrichment Grants. Of these requests, 24 programs received grants In 2000, 148 programs requested After School Enrichment Grants. Of these requests, 34 programs received grants. In 2002, 160 programs applied from throughout the state and 44 programs were funded. Most applicants are funded at the level they request.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, (651) 582-8453.

http://cfl.state.mn.us/prevention Application information for 2002 after-school enrichment grants and list of current grantee programs

http://cfl.state.mn.us/PUBRES.html includes the 2001-2002 After School Enrichment Data Report, the 2001 Minnesota Student Survey report and other Department of Education reports relating to out-of-school time programs.

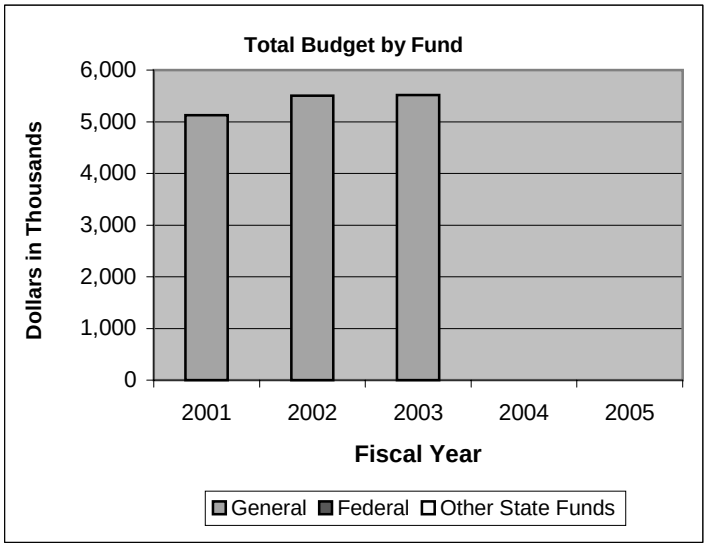
www.afterschool.gov/cgi-binh/home.pl Clearinghouse to federal resources that support youth in the out of school hours.

www.gse.harvard.edu/hfrp/projects/afterschool/about.html Harvard Family Research Project's out of School Time Evaluation Database provides accessible information on programs and initiatives.

www.nydic.org/nydic/ National Youth Development Information Center provides program, policy and evaluation information on youth development issues, including out of school time.

DEPARTMENT OF EDUCATION
Program: PREVENTION
Activity: AFTER SCHOOL ENRICHMENT GRANTS

Fiscal Report



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	5,128	5,506	5,514	0	0	0
Total	**5,128**	**5,506**	**5,514**	**0**	**0**	**0**
Expenditures by Category						
Local Assistance	5,128	5,506	5,514	0	0	0
Total	**5,128**	**5,506**	**5,514**	**0**	**0**	**0**

Activity Description

Citation: Elementary-Secondary Education Act, Title IV, Part B, Sec. 4201-4026

The 21st Century Community Learning Centers is a federal program that funds academic, artistic and cultural enrichment programs during out-of-school time to help children and adolescents attending low performing schools or schools with concentrations of families in poverty improve academic achievement.

Activity at a Glance

- 21st Century Community Learning Centers was transferred from federal to state administration beginning July 1, 2002.
- Grants will be made to local school/ community partnerships through open competition during the fall of 2002, with local programming beginning February 2003.

Population Served

School aged youth attending Title 1 schools with a rate of poverty of 40% and/or identified as "in need of improvement" and their families are targeted by this program.

Services Provided

Programs provide academic and cultural enrichment activities to support academic achievement before and after school, on weekends, summer breaks, and school early release times. Allowable activities include tutoring services, youth development activities, drug and violence prevention programs, counseling programs, art, music and recreation, technology education programs, and character education programs that are designed to reinforce and complement the regular academic instruction. Literacy and other educational opportunities may be offered for the families of eligible youth.

Historical Perspective

This program was funded and administered by the U.S. Department of Education from 1998 to June 30, 2002. Currently, 23 Minnesota programs receive these federal grant funds.

Three programs focusing on out-of-school time—School-Age Care, Minnesota's After School Enrichment Program and the 21st Century Learning Centers—work on promoting school connectedness. These programs provide complementary activities to what goes on during the school day and function to support the work of the schools. Activities of these "after school" programs include tutoring, recreational programs, and work in computer, sports and arts that help build well-rounded youth, particularly during key time periods during the day when youth lack adult supervision and opportunities to engage in structured activities.

Key Measures

Minnesota impact data is not currently available because the program was transferred from federal to state administration in July 2002. Minnesota impact data will be available in the fall of 2003.

⇒ Increase the percentage of youth meeting school district attendance goals.

⇒ Increase the percentage of youth meeting or exceeding local academic achievement standards in reading or math.

⇒ Maintain youth participation level at two hours or more per week as measured by average contact hour reports.

Activity Funding

Announcement of new funds available for local programming was made in July, 2002, by the Department of Education (DOE) with applications due October 30, 2002. Approximately 8 to 10 programs will be funded during this first year of state administration for up to five years of programming based on continued availability of federal funds.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, (651) 582-8453.

For more information relating to 21st Century Community Learning Centers, access the following web sites:

http://cfl.state.mn.us/prevention Application information for 2002 21st Century Community Learning Centers Program

www.ed.gov/21stcclc The Federal government's official site for 21st Century Community Learning Centers.

www.ncrel.org/21stcclc North Central Regional Educational Laboratory: Resources for After-School Programming provides resources for effective school-based after-school programs with links to potential partners.

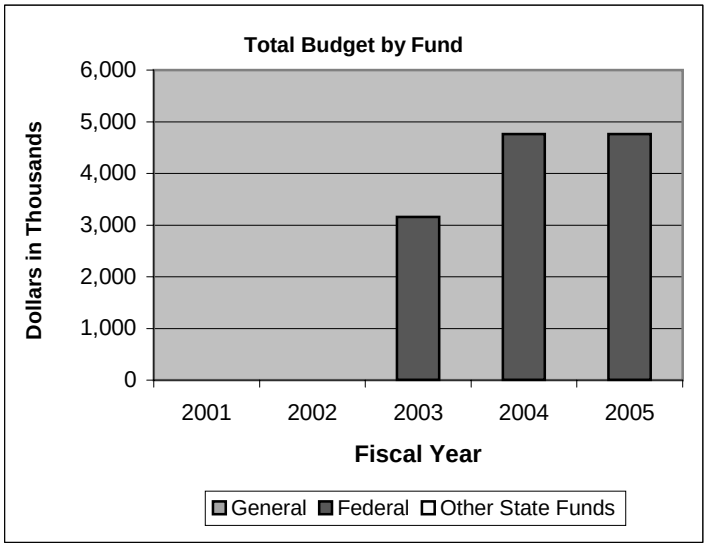
www.afterschool.gov/cgi-binh/home.pl Clearinghouse to federal resources that support youth in the out of school hours.

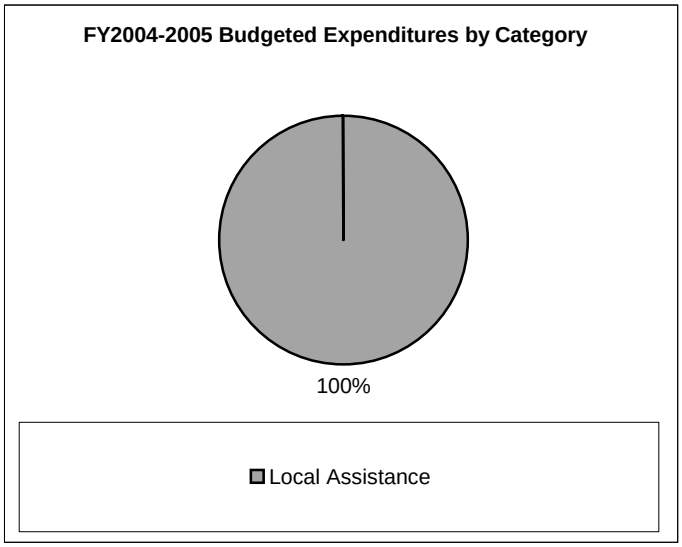
www.gse.harvard.edu/hfrp/projects/afterschool/about.html Harvard Family Research Project's out of School Time Evaluation Database provides accessible information on programs and initiatives.

www.nydic.org/nydic/ National Youth Development Information Center provides program, policy and evaluation information on youth development issues, including out of school time.

DEPARTMENT OF EDUCATION
Program: PREVENTION
Activity: 21ST CENTURY COMM LEARNING CTR

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Federal	0	0	3,157	4,762	4,762	9,524
Total	**0**	**0**	**3,157**	**4,762**	**4,762**	**9,524**
Expenditures by Category						
Local Assistance	0	0	3,157	4,762	4,762	9,524
Total	**0**	**0**	**3,157**	**4,762**	**4,762**	**9,524**
Revenue by Type and Fund						
Dedicated						
Federal	0	17	3,306	5,000	5,000	10,000
Subtotal Dedicated	0	17	3,306	5,000	5,000	10,000
Total Revenue	**0**	**17**	**3,306**	**5,000**	**5,000**	**10,000**

Activity Description

Citation: Elementary and Secondary Education Act, 2001, Title IV, Part A, Secs. 4001-4124, 4126; 20 U.S.C. 7111-7117

This program is funded by federal sources to assist and support programs to prevent violence in and around schools and to prevent the illegal use of alcohol, tobacco, and other drugs.

Activity at a Glance

- 846,000 children and youth are served annually in 364 districts and charter schools.
- Approximately 20 at-risk youth grants funded annually.
- All school districts receive enrollment-based allocation of approximately $4 per student.

Population Served

Youth in grades kindergarten through twelfth grade are the targeted participants for Safe and Drug-Free Schools and Communities (SDSFC) programs. These funds are targeted through grants or contracts to school districts and charter schools, parent groups, law enforcement agencies, community action agencies, community-based organizations, and other public and private organizations to address violence and drug abuse problems in schools and communities.

Services Provided

The purpose of Safe and Drug-Free Schools and Communities funding is to:

- support research-based drug abuse and violence prevention and education programs that involve parents and are coordinated with related community efforts and resources programs;
- provide grants to local and intermediate educational agencies and charter schools to establish, operate, and improve local programs of violence and drug abuse prevention, early intervention, rehabilitation referral, and education in elementary and secondary schools; and
- provide grants to and contracts with community-based organizations for programs of violence and drug abuse prevention and education, early intervention, and rehabilitation referral for school dropouts and other high-risk youth.

Historical Perspective

The original Drug-Free Schools Act was passed in 1986 authorizing the U.S. Department of Education to provide funding to state to prevent substance abuse by youth. The most recent reauthorization of the Act occurred in 2001 as part of the "No Child Left Behind Act."

Key Measures

Increase the proportion of youth reporting they feel safe at school.

⇒ About 90% of youth reported in 2001 that they feel relatively safe at school – about 90% for each of grades 6, 9, and 12 based on the Minnesota Student Survey results. Recent research from the National Adolescent Health Study has shown that feelings of safety and security at school and a positive school climate are one of the strongest protective factors associated with positive youth outcomes in a wide range of areas, including school-related indicators of success.

Increase the number of youth remaining abstinent from alcohol, tobacco, and other drug use, while delaying the onset of experimentation with alcohol, tobacco, and other drugs.

⇒ Data from the Minnesota Student Survey show small but positive shifts relating to youth choosing not to use tobacco, alcohol, and marijuana between 1998 and 2001.

Reduce the number of youth engaging in high-risk patterns of substance use, such as binge drinking.

⇒ Data from the Minnesota Student Survey shows the pattern of binge drinking has stayed relatively stable across time, with small minimal decreases between 1998 and 2001. In 2001, 17% of 9th grade males and 15% of 9th grade females reported drinking 5+ drinks at a time within the past two weeks, as did 39% of 12th grade males and 25% of 12th grade females.

Activity Funding

Minnesota receives the SDFSC under Title IV from the U.S. Department of Education. This grant is divided into two different categories: 1) state education agency (SEA), and 2) Governor's Safe and Drug-Free Schools.

Public school districts, regional education agencies, charter schools, and other school district consortia access funds through submission of a four-year application to Education (DOE). The department requires that school districts submit a single application detailing the use of Safe and Drug-Free Schools funds and Minnesota Violence Prevention Education funds (M.S. 120B.22). School-based program funds are allocated according to an entitlement formula based 60% on the relative amount such agencies received under part A of ESEA Title I for the preceding year and 40% on public and nonpublic school enrollment with a district.

Community-based program funds – the Governor's Program – are targeted to impact youth at-risk of school failure and are awarded through the Prevention & Intervention competitive grant process. Eighty percent of the Safe and Drug-Free Schools funds received by the state are allocated to the school-based program; the remaining 20% is allocated to the Governor's Program.

Ninety-four percent of these funds are used for subgrants to local education agencies and community-based organizations. In accordance with federal law, 4% is used by the state agency for technical assistance, capacity building, training, evaluation and program improvement and coordination activities; and 2% is used for administrative costs.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, (651) 582-8453.

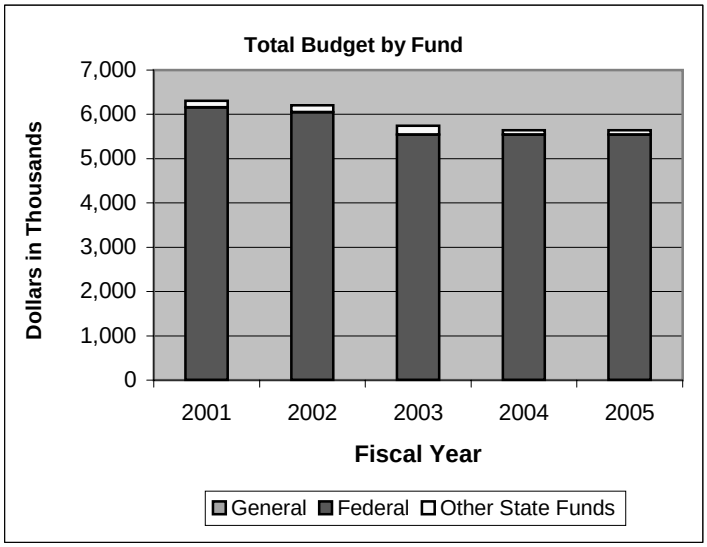
Application materials for Project Reconnect – Dropout Prevention Programming funded through the Safe and Drug-Free Schools and Communities Governor's Program, go to http://cfl.state.mn.us/prevention.

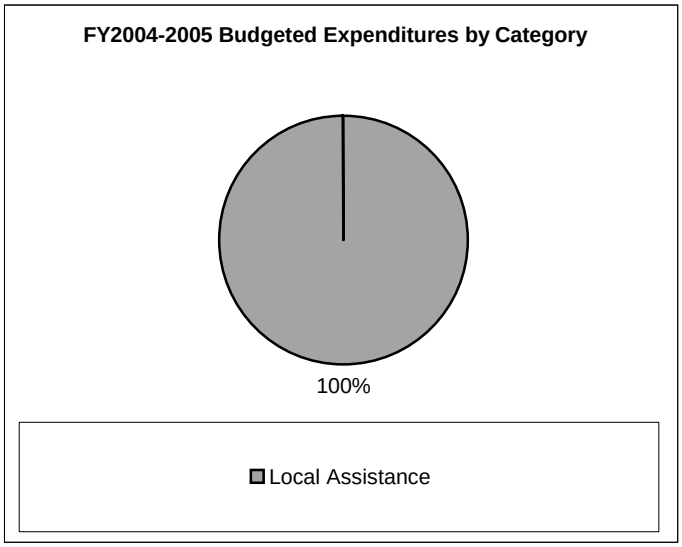
For more information about the Safe and Drug-Free Schools and Communities national program go to http://www.ed.gov/offices/OESE/SDFS/.

To access the 2001 Minnesota Student Survey Report and other information relating to this area go to http://cfl.state.mn.us/PUBRES.html.

DEPARTMENT OF EDUCATION
Program: PREVENTION
Activity: SAFE & DRUG-FREE SCHOOLS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Special Revenue	145	159	198	100	100	200
Federal	6,158	6,045	5,542	5,542	5,542	11,084
Total	**6,303**	**6,204**	**5,740**	**5,642**	**5,642**	**11,284**
Expenditures by Category						
Local Assistance	6,303	6,204	5,740	5,642	5,642	11,284
Total	**6,303**	**6,204**	**5,740**	**5,642**	**5,642**	**11,284**
Revenue by Type and Fund						
Dedicated						
Special Revenue	448	478	300	300	300	600
Federal	6,807	6,584	6,183	6,183	6,183	12,366
Subtotal Dedicated	7,255	7,062	6,483	6,483	6,483	12,966
Total Revenue	**7,255**	**7,062**	**6,483**	**6,483**	**6,483**	**12,966**
Full-Time Equivalents (FTE)	**0.9**	**1.1**	**0.0**	**0.0**	**0.0**	

Activity Description
Citation: M.S. 124D.19; 124D.22

School-Age Care (SAC) Revenue is a state aid and levy program that supports after school programming for children with disabilities or children experiencing family or related problems of a temporary nature. While funding is provided only for these students, many districts offer school age programming funded primarily through parent fees to other students.

Activity at a Glance

- 195 school districts offered school age care programs in 2001.
- 141 school districts certified levies in 2001.
- Over 56,000 children participate annually.

Population Served
Services are for children with disabilities or who experience problems of a temporary nature and participate in out-of-school time programs while parents are at work are funded by this program.

Services Provided
Activities of these "after school" programs include tutoring, recreational programs, and work in computer, sports and arts that help build well-rounded youth, particularly during key time periods during the day when youth lack adult supervision and opportunities to engage in structured activities. Local school districts set the standards of the program which must include the following components:

- adult supervised activities while school is not in session;
- parent involvement in program design and direction;
- partnerships with K-12 system, and other public, private, or nonprofit entities;
- opportunities for trained secondary school pupils to work with younger children as part of a community service program; and
- access to available school facilities when otherwise not in use as part of the operation of the school.

Historical Perspective
The Minnesota Legislature created the school age care program (previously called Extended Day) in 1989. No authorized levy or state aid was appropriated at that time.

In 1992, the legislature authorized school districts to levy for programs to serve children with disabilities or children experiencing family or related problems of a temporary nature who participate in the school age care program. Problems of a temporary nature include events such as medical emergency, divorce, and behavioral changes due to a move. All state aid and levy funding goes to fund the additional costs of providing services for these children.

The number of districts authorized to levy has gown from 109 in 1995 to 141 for the 2001 school year.

Public schools age care programs have grown from 40 districts to 195 districts in 2001. Over 56,000 children participate in these programs.

Key Measures
Increase the number of school districts that levy for the SAC disabilities revenue and increase the number of children with disabilities served by the SAC programs.

⇒ FY 2000-01, 120 districts claimed levy expenditures serving 2,529 children.

Activity Funding
The School Age Care Revenue for a district equals the eligible additional cost of providing services to children with disabilities or who experience problems of a temporary nature and participate in out of school time programs while parents are a work. The levy authority equals the revenue times the lesser of one, or the ratio of the quotient derived by dividing the adjusted net tax capacity by the actual pupil units, to $3,280. State aid equals the difference between the revenue and the levy.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, (651) 582-8352.

Other recommended web sites:
Minnesota School-Age Care Alliance: www.mnsaca.org/
The Professional Development Consortium: www.mnpdc.org/
National Institute on Out-of-School Time: www.wellesley.edu/WCW/CRW/SAC/
Department of Education SAC Schools Program Guide: http://cfl.state.mn.us/ecfe/publications.htm

DEPARTMENT OF EDUCATION
Program: PREVENTION
Activity: SCHOOL AGE CARE REVENUE

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	271	215	87	33	20	53
2. Statutory Excess/(Shortfall)	(23)	(3)				
3. Appropriated Entitlement	248	212	87	33	20	53
4. Adjustment(s)						
a. Excess Funds Transferred In / (Out)	23	3				
5. State Aid Entitlement	271	215	87	33	20	53
6. _ocal Levy	6,177	5,771	7,059	7,749	7,762	15,511
7. evenue (Total of Aid & Levy)	6,448	5,986	7,146	7,782	7,782	15,564
8. Total School District Revenue - All Funds	6,448	5,986	7,146	7,782	7,782	15,564
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	27	30	21	14	5	19
Current Year (90% FY 01-02) (83% FY 03-05)	218	191	73	28	17	45
Transfers per M.S. 127A.41, subdivision 8 & 9	23	3				
Total State Aid - General Fund	**268**	**224**	**94**	**42**	**22**	**64**
TOTAL APPROPRIATIONS	**268**	**224**	**94**	**42**	**22**	**64**

Activity Description
Citation: P.H.S. Act Section 501 (D)(5)

The purpose of this federally funded program is to reduce substance abuse among youth by developing and implementing a statewide prevention strategy grounded in research findings designed to improve community-based prevention efforts. This project is completing its final year of funding. No new funds will be received in FY 2003.

Population Served
In 1999, three-year grants were made through the competitive Prevention and Intervention grant process to community-based organizations across the state to implement research-based substance services for pre-adolescents and adolescents.

Activity at a Glance

- Numbers served through 19 SIG funded programs to date:
  - Youth – 33,000
  - Parents – 33,000
  - Families – 13,000
  - Teachers – 9,000
- Partnership between Minnesota Departments of Health; Human Services; Public Safety; Department of Education; and the U.S. Department of Health and Human Services Center for Substance Abuse Prevention.

Services Provided
A multi-agency partnership including the state departments of Health (MDH), Human Services (DHS), Public Safety and Department of Education (DOE) established an advisory body comprised of state and local representatives to conduct a needs assessment regarding youth substance abuse prevention programs. This needs assessment will result in a plan for increased efficiency and impact that will be forwarded to the governor for review and implementation in fall 2002 for review.

State Incentive Grants (SIG) are testing a variety of youth and community-focused prevention strategies to demonstrate their effectiveness. Strategies include community-wide public health initiatives, school-based curricula, early intervention strategies, and culturally specific programs. Each SIG grant is required to document impact information with the results reported statewide and nationally. Process evaluation results are currently available. Outcome evaluation results will be available in 2003.

Historical Perspective
In 1998, Minnesota received a three-year partnership award from the federal Substance Abuse and Mental Health Services Administration/Center for Substance Abuse Prevention (CSAP). Four state agencies combined in leading this application and its implementation: DOE; MDH; Public Safety; and DHS.

The partnership is expected to coordinate, leverage, and/or redirect all substance abuse prevention resources toward promising preventive approaches that reduce use of marijuana and other drugs by youth.

In 1999, Safe and Drug-Free Schools Governor grant funds were folded into the SIG grant process to simplify application and reporting processes for local communities.

Key Measures
The Statewide Youth Alcohol, Tobacco, and Other Drugs (ATOD) Prevention Plan targets three goals for substance-use focused prevention programs across Minnesota.

⇒ Increase the proportion of youth who abstain from tobacco, alcohol, and other drug use.
⇒ Delay the onset of use of alcohol, tobacco, and other drugs among youth.
⇒ Reduce high-risk patterns of substance use among youth.

Data from the Minnesota Student Survey show small but positive shifts relating to youth choosing not to use tobacco, alcohol, and marijuana between 1998 and 2001. These changes reflect the results of a number of prevention initiatives going on in Minnesota, including the 21 projects funded through SIGs.

Activity Funding

The CSAP three-year grant totaled $8.9 million, with a minimum of 85% of the funds restricted to community-based program implementation.

In addition to the CSAP funds, $1.2 million in federal Safe and Drug-Free Schools and $1.3 million in Bureau of Justice Assistance, Edward Byrne Memorial Formula Grant Program funds were included in the 1999 grant awards to Minnesota programs.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

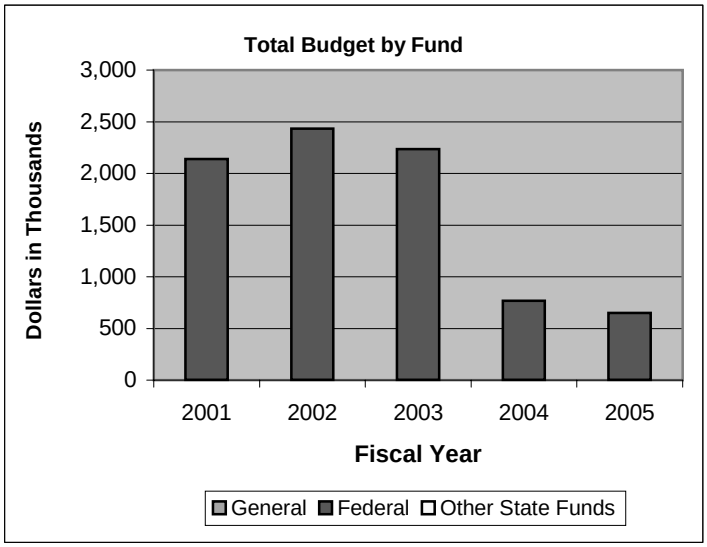
Additional information is available from the Minnesota Department of Education, (651) 582-8453.

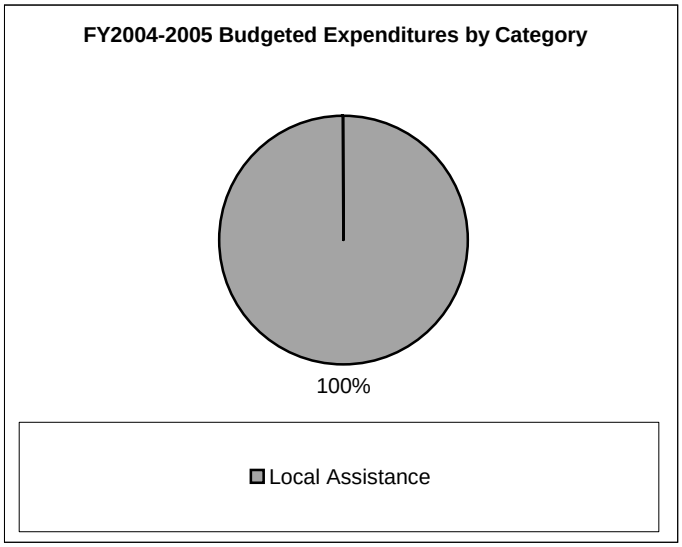
See the following site for evaluation information on each of the SIG grants statewide:
http://education.umn.edu/CAREI/Programs/SIG/default.html

To access the 2001 Minnesota Student Survey Report, visit web site: http://cfl.state.mn.us/PUBRES.html

DEPARTMENT OF EDUCATION
Program: PREVENTION
Activity: STATE INCENTIVE GRANT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Federal	2,140	2,433	2,235	768	650	1,418
Total	**2,140**	**2,433**	**2,235**	**768**	**650**	**1,418**
Expenditures by Category						
Local Assistance	2,140	2,433	2,235	768	650	1,418
Total	**2,140**	**2,433**	**2,235**	**768**	**650**	**1,418**
Revenue by Type and Fund						
Dedicated						
Federal	2,403	2,648	2,329	123	0	123
Subtotal Dedicated	2,403	2,648	2,329	123	0	123
Total Revenue	**2,403**	**2,648**	**2,329**	**123**	**0**	**123**

Activity Description
Citation: P.L. 101-381

Coordinated School Health (CSH) is a federally funded program promoting coordinated efforts among schools, communities and families to measurably improve the health and educational status of Minnesota's young children.

Activity at a Glance

- Over 1,500 teachers, school staff, and public health educators were trained on best-practice, science-based health curricula.
- Over 50% of Minnesota health teachers have used CSH school health resources.

Population Served
CSH works with school district and public health agency staff statewide to provide health education to children.

Services Provided
Coordinated School Health (CSH) is a partnership between the Department of Education (DOE) and the Minnesota Department of Health (MDH). The partnership agreement requires implementation of strategies to

- build infrastructure in state and local agencies so policies, procedures and resources are in place to support school health programs;
- strengthen the health education curriculum in the area of these health behaviors: unintended injuries, alcohol and other drug use, sexuality/HIV/AIDS, tobacco, diet and physical activity; and
- assist school districts in providing effective HIV/AIDS/STD education (M.S.121A.23).

Currently, staff provide training for both school and public health audiences, produce and identify written materials for distribution, conduct statewide conferences and workshops, and provide technical assistance to customers. A coordinated school health resource center is maintained to review, purchase and distribute videos, curricula and other instructional material for use in prevention programs focusing on sexuality and HIV prevention. Over 50% of Minnesota health teachers have used resources provided through the program. A 23-member panel representing a cross section of Minnesotans and a student panel review materials for the resource center.

Historical Perspective
In 1987, the Centers for Disease Control and Prevention (CDC) established cooperative agreements with many of the nation's state education agencies to help them implement health education programs designed to prevent HIV infection among youth. Each state, including Minnesota, received $240,000.

In 1995, Minnesota became one of 13 states to be funded for a new program in coordinated school health. This program expanded the HIV/STD/Unintended Pregnancy Cooperative partnerships to include other youth risk behavior areas identified as leading causes of death in young people, such as drug and alcohol abuse; tobacco use; poor dietary habits; sedentary lifestyles; and intentional and unintentional injuries. The partnership agreement requires staffing of four positions, a director at MDH and DOE, a training facilitator, and a HIV/AIDS specialist. Funding is restricted to activities and programs detailed in the partnership agreement.

In 1996, the state of Minnesota began a pilot program to develop regional training sites for HIV/STD prevention. The purpose of these sites is to assist school districts in implementing M.S. 121A.23. Two sites in greater Minnesota and one site in the metro area were established. In 1998, the legislature extended funding to those sites, and created two additional sites in greater Minnesota and an evaluation component.

Key Measures
Maintain the number of school districts incorporating education into classroom instruction relating to increasing youth health as reported in the School Health Profile report. Data collected from the 2002 School Health Profile report shows that of the 97% of Minnesota school districts requiring health education for 6th through 12th grade students:

- 99% reported teaching about positive dietary practices;
- 100% reported teaching about tobacco use prevention;
- 98% reported teacher about alcohol and drug prevention;

- 98% reported teaching about prevention of sedentary lifestyles;
- 99% reported teaching about HIV prevention; and
- 98% reported teaching about preventing other sexually transmitted diseases (STD's).

Activity Funding

Funding for the Coordinated School Health Project is provided through a federal cooperative agreement with the CDC. Current annual funding is $690,000 for two purposes:

- federal HIV/AIDS funding ($250,000), and
- federal coordinated school health funding (440,000).

The department must apply every year to renew the five-year cooperative agreement with the CDC. This is a competitive grant process. Currently, CDC funds 21 states for this initiative. The block grant is up for reauthorization after FFY 2002. The state will apply for continued funding.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

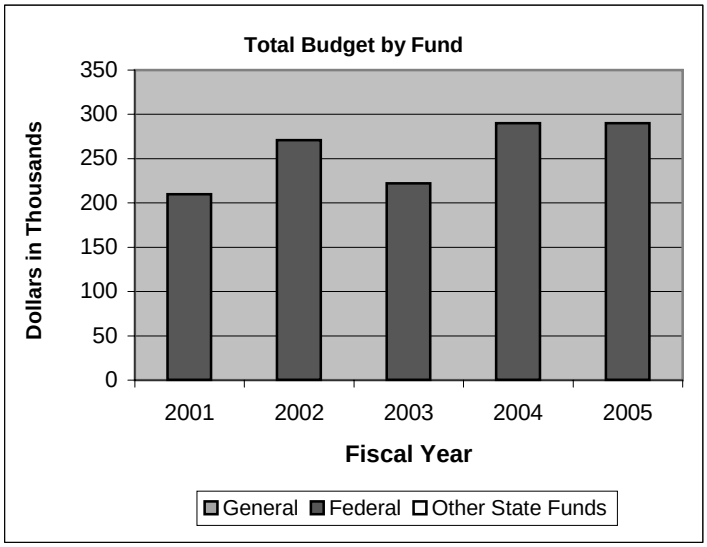
Contact

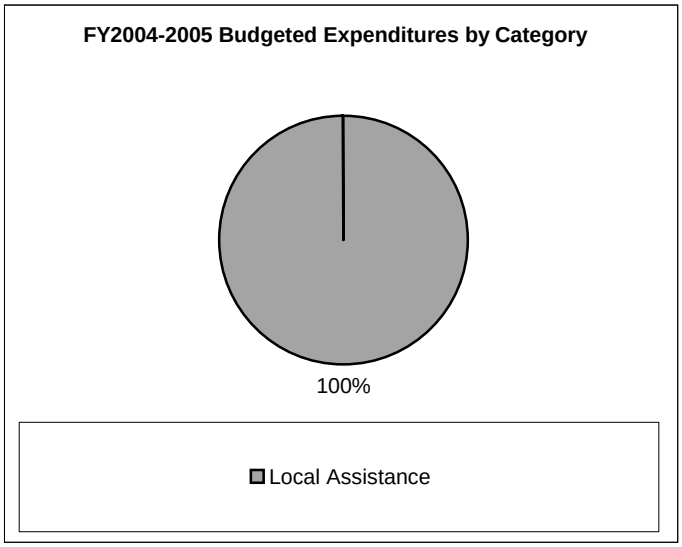
Additional information is available from the Minnesota Department of Education, (651) 582-8453.

For more information about Coordinated School Health and other related programs go to:
http://www.mnschoolhealth.com/index2.html

DEPARTMENT OF EDUCATION
Program: PREVENTION
Activity: COORDINATED SCHOOL HEALTH

Fiscal Report

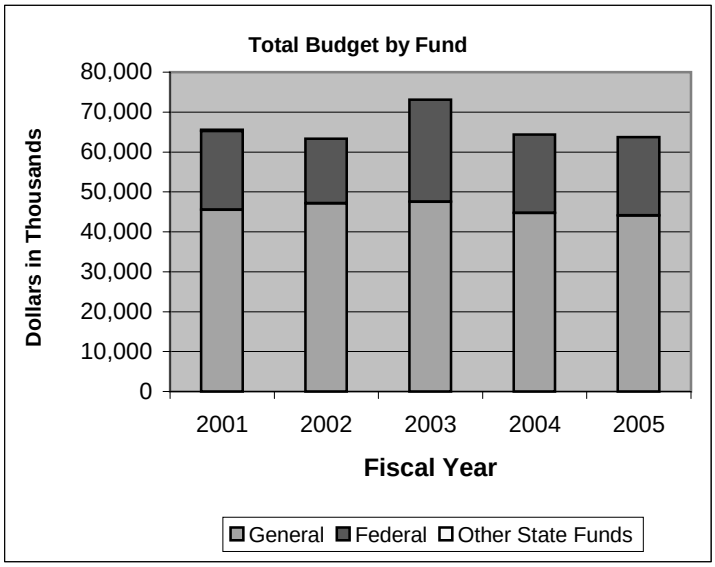


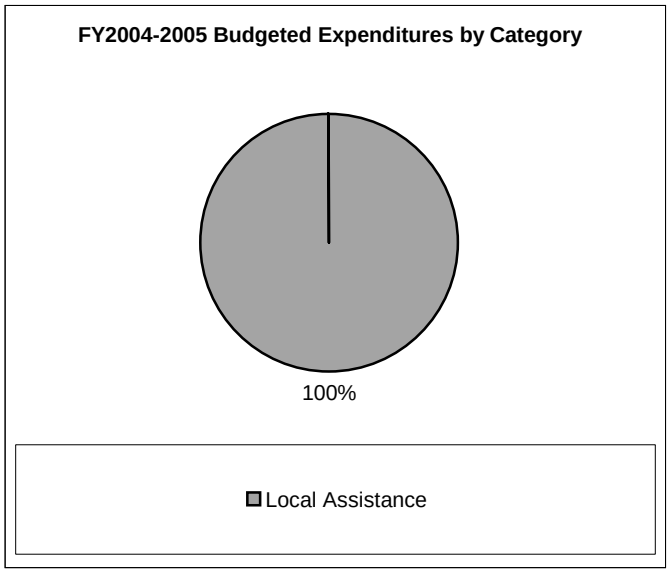


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Federal	210	271	222	290	290	580
Total	**210**	**271**	**222**	**290**	**290**	**580**
Expenditures by Category						
Local Assistance	210	271	222	290	290	580
Total	**210**	**271**	**222**	**290**	**290**	**580**
Revenue by Type and Fund						
Dedicated						
Federal	748	793	609	685	685	1,370
Subtotal Dedicated	748	793	609	685	685	1,370
Total Revenue	**748**	**793**	**609**	**685**	**685**	**1,370**

Budget Activities Included:

⇒ Minnesota Economic Opportunity Grants
⇒ Transitional House Programs
⇒ Food Shelf Programs
⇒ Adult Basic Education Aid
⇒ Adult Graduation Aid
⇒ GED Tests
⇒ Emergency Services Grants
⇒ Lead Hazard Reduction
⇒ ABE Audits
⇒ Family Assets for Independence
⇒ Energy Programs (The Energy and Westernization Programs were transferred form the Department of Education, to the Department of Economic Security as of 10-21-2000.)





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	45,493	47,174	47,509	44,753	44,101	88,854
Federal Tanf	1,811	3,015	4,684	0	0	0
Statutory Appropriations						
State Government Special Revenue	302	0	0	0	0	0
Special Revenue	43	0	0	0	0	0
Federal	17,933	13,099	20,882	19,601	19,601	39,202
Total	**65,582**	**63,288**	**73,075**	**64,354**	**63,702**	**128,056**
Expenditures by Category						
Operating Expenses	427	210	526	0	0	0
Local Assistance	65,155	63,078	72,549	64,354	63,702	128,056
Total	**65,582**	**63,288**	**73,075**	**64,354**	**63,702**	**128,056**
Expenditures by Activity						
Mn Economic Opportunity Grants	18,053	13,135	21,053	15,284	15,284	30,568
Transitional Housing Program	10,620	11,100	13,848	7,590	7,590	15,180
Foodshelf Program	3,776	4,088	3,454	3,454	3,454	6,908
Adult Basic Education Aid	63,186	77,700	79,860	84,354	84,842	169,196
Adult Graduation Aid	3,642	4,374	4,356	792	0	792
Ged Tests	250	224	276	250	250	500
Emergency Service Grants	2,006	1,620	1,700	700	700	1,400
Lead Hazard Reduction	452	200	200	0	0	0
Abe Audits	132	0	350	0	0	0
Family Assets For Independence	390	1,000	0	1,000	0	1,000
Energy Programs	5,302	0	0	0	0	0
Total	**107,809**	**113,441**	**125,097**	**113,424**	**112,120**	**225,544**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Dedicated						
Federal	19,346	14,228	22,028	20,773	20,773	41,546
Gift	19	0	0	0	0	0
Subtotal Dedicated	19,365	14,228	22,028	20,773	20,773	41,546
Total Revenue	**19,365**	**14,228**	**22,028**	**20,773**	**20,773**	**41,546**
Full-Time Equivalents (FTE)	**3.7**	**2.9**	**2.9**	**2.9**	**2.9**	

Activity Description

Citation: M.S. 119A.374-.376; Community Services Block Grant (CSBG) PL 97-35

Funding for the Minnesota Economic Opportunity Grant (MEOG) and the federal Community Services Block Grant provides low-income citizens with the information and skills necessary to become more self-reliant and to alleviate the effects of poverty in Minnesota.

Population Served

Approximately 200,000 economically disadvantaged households are served annually. Many of these households are working and still meet income eligibility guidelines for program services. The federal poverty guidelines are used.

Activity at a Glance

- Community Action Agencies (CAAs) serve 200,000 economically disadvantaged households annually statewide.
- The state Minnesota Economic Opportunity (MEOG) and the federal Community Services Block Grant (CSBG) serve as the base funding for CAAs and together leverage $240 million in other federal, state, local, and private funds to break the cycle of poverty.
- 48,000 volunteers provide 1.5 million hours of service.

Services Provided

A statewide network of 40 Community Action Agencies (CAAs), including 11 Indian Tribal Governments, deliver the locally designed programs.

CAAs are locally governed. A unique feature of CAAs is that members of the low-income community must make up one-third of each local governing board. Local elected officials and representatives from the local private sector constitute the other two-thirds.

Each grantee assesses needs and assets, establishes priorities, determines strategies to respond to local poverty issues and delivers a broad range of services and activities to strengthen self-reliance. CAAs are known by the services they offer, which include:

Energy Assistance
Family Assets for Independence in Minnesota (FAIM)
Food Shelves
Head Start
Homeless Prevention and Housing
Senior Dining
Transportation
Weatherization

Minnesota Economic Opportunity Grant funds are used to support all of these services across the state. Activities are locally determined and designed to provide a range of services based on local needs and are delivered using a variety of different mechanisms. Services include:

- intervention programs designed to provide immediate assistance for basic needs to stabilize households in economic crisis;
- family support programs that partner with clients seeking to become more self-reliant and build assets;
- economic development initiatives and entrepreneurial projects; and
- community building and advocacy.

Because of their ambitious mission of alleviating the effects of poverty, CAAs have a strong tradition of partnering with other community services. By sharing resources and developing partnerships, these agencies realize both cost and timesavings in providing services. Clients benefit as the traditional barriers between agencies dissolve and everyone works together toward a common goal of helping to increase self-reliance.

Historical Perspective

CAAs are federally recognized organizations and were established in the 1964 Economic Opportunity Act to fight America's "War on Poverty." Funding for the state MEOG program began in 1976. Federal funding for community action began in 1965 and was block granted into the Community Service Block Grants in 1981 when the federal government created block grants.

Key Measures

One of the goals of the Department of Education's Strategic Plan is to strengthen families and build a solid foundation for living and learning. One of the outcomes relating to this goal is that families and individuals are moved out of poverty and all families provide a stable environment for their children. This budget activity reports information on the indicator that "low-income people will be more self-sufficient."

Community Action grantees utilize results oriented management and accountability (ROMA), a national interagency initiative promoting outcome-based management strategies to continuously improve results at the more than 1,000 community action agencies nationwide. Additional information on ROMA can be found at www.romal.org.

As one part of their effort to measure outcomes, a Self-Reliance Achievement Scale was piloted with seven CCAs in September 2000. Preliminary results from the first year of the pilot indicate that participants are experiencing positive outcomes. Continued effort is necessary to learn whether or not the findings will hold true over time and to insure the reliability and validity of the data. Subsequent to the pilot, the Self Reliance Achievement Scale was implemented statewide.

Examples of the benefits provided by Community Action agencies to participants in the pilot based on the Self Reliance Achievement Scale include the following.

- ⇒ 43% of those with incomes inadequate to meet the costs of food and shelter at first observation reported that after receiving Community Action services, they were able to meet the costs of food and shelter.
- ⇒ 37% of those who received services related to employment increased their hours of employment by at least 10 hours or more.
- ⇒ 70% of those who were homeless or in emergency and/or transitional housing at first observation reported an increase in housing stability after receiving services such that they were in market rate or subsidized rental housing or were home owners at last observation.

Activity Funding

This budget activity includes the state MEOG as well as the federal CSBG.

Funding is allocated statewide using a statutory formula based on the number of people living in poverty in each grantee's community and a base amount.

CAA programs are funded with various sources: state, federal, and private funds.

While federal and state laws provide overall direction that govern MEOG and CSBG expenditures, the flexibility for local agencies in terms of the use of the funding has been essential. The need for access to flexible funds has been exemplified by emergency services that CAAs have provided to local residents affected by flooding, tornadoes, and other catastrophic events.

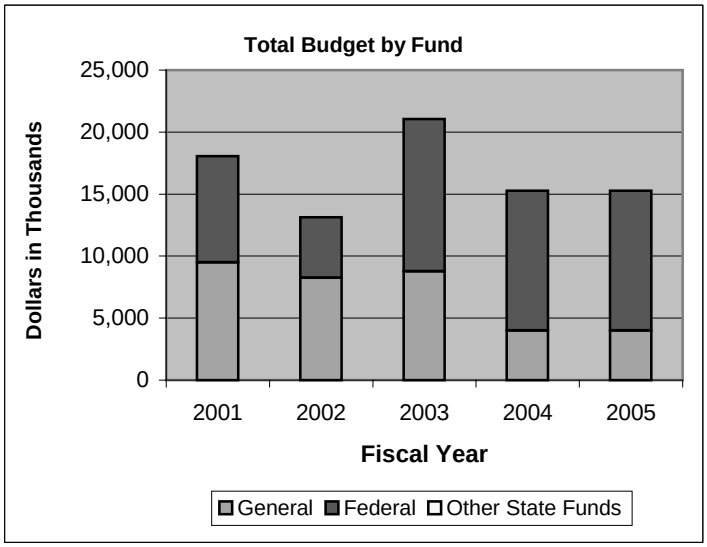
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

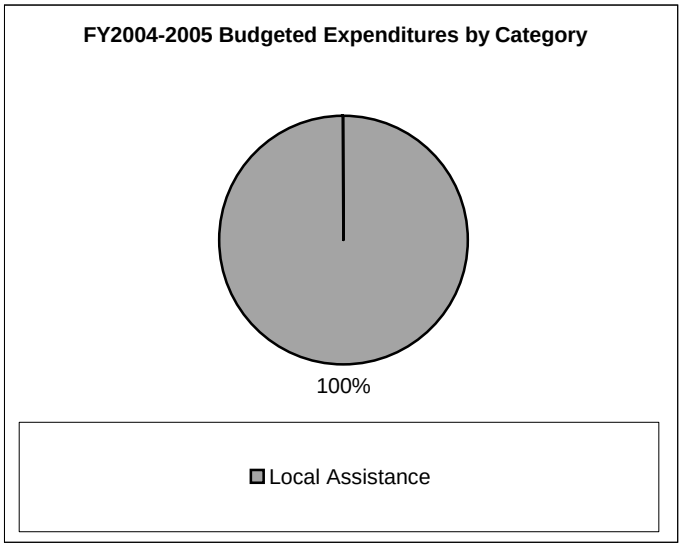
Contact

Additional information is available from the Minnesota Department of Education, (651) 582-8569 and the DOE web site for the Office of Economic Opportunity http://cfl.state.mn.us/OEO/.

DEPARTMENT OF EDUCATION
Program: SELF-SUFF & LIFELONG LEARNING
Activity: MN ECONOMIC OPPORTUNITY GRANTS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	9,488	8,259	8,769	4,000	4,000	8,000
Statutory Appropriations						
Federal	8,565	4,876	12,284	11,284	11,284	22,568
Total	**18,053**	**13,135**	**21,053**	**15,284**	**15,284**	**30,568**
Expenditures by Category						
Local Assistance	18,053	13,135	21,053	15,284	15,284	30,568
Total	**18,053**	**13,135**	**21,053**	**15,284**	**15,284**	**30,568**
Revenue by Type and Fund						
Dedicated						
Federal	8,912	5,265	12,522	11,512	11,512	23,024
Subtotal Dedicated	8,912	5,265	12,522	11,512	11,512	23,024
Total Revenue	**8,912**	**5,265**	**12,522**	**11,512**	**11,512**	**23,024**

Activity Description
Citation: M.S. 119A.43

The Transitional Housing Program (THP) provides housing assistance and support services to individuals and families experiencing homelessness. The program supports participants in moving into and maintaining independent, stable, permanent housing.

Activity at a Glance

- 65% of homeless parents and 60% of homeless single adults are homeless for the first time in their lives.
- 41% of all homeless adults and 43% of homeless parents are employed.
- 2,500 households in 2001 received housing and support services through the program.

Population Served
Individuals and families who experience homelessness are eligible for transitional housing. This program serves varied populations including domestic violence survivors, veterans, single parent and two parent families, single adults, unaccompanied youth, migrant and seasonal farm workers, and people with HIV/AIDS, mental illness or chemical dependency.

Children represent the fastest growing segment of the homeless population. In 1985, the majority of persons using shelters and transitional housing were men. By 2000, children had become almost 50% of this population. The increase in the numbers of homeless families is partially attributed to the disparity between income and housing costs. Welfare reform and the recent economic downturn also contribute to problem of homelessness.

The percentage of persons using shelters who are employed has risen from 19% in 1991 to 41% in 2000. Tight housing markets have resulted in increasing rents, lower vacancy rates, fewer landlords accepting housing subsidies such as Section 8, and stricter screening of potential tenants for bad rental or credit histories. The 2000 Statewide Survey of Homeless Adults, Children, and Youth in Minnesota conducted by Wilder Research Center provides information about the causes and dynamics of homelessness.

Services Provided
The Transitional Housing Program funds housing in congregate facilities and scattered site apartments. Participants must pay at least 25% of their household income for rent, and program stay is limited to 24 months. Participants work with a case manager to develop an individualized plan to work toward self-reliance and permanent, stable housing. Participants work regularly with a case manager to overcome the obstacles preventing them from attaining and maintaining permanent housing. Services may include job search, job training, chemical dependency treatment, mental health treatment, transportation, child care, as well as others. THP programs also coordinate with other social services programs.

Historical Perspective
In the 1980s, transitional housing was developed to reintegrate an increasing number of homeless persons back into stable, permanent housing. The Minnesota Legislature established the State Transitional Housing Program in 1984. Over time, funding for this program has grown, but the number of persons in need of services has also steadily increased.

Key Measures
One of the goals of Education's Strategic Plan is to strengthen families and build a solid foundation for living and learning. One of the outcomes relating to this goal is that families and individuals are moved out of poverty and all families provide a stable environment for their children. This budget activity reports information on the indicator "decrease the number of homeless people."

⇒ Almost 70% of participants moved into independent, permanent housing upon graduating from transitional housing programs.

⇒ 32% of the individuals receiving TANF at entrance into the program were no longer receiving these funds upon exiting transitional housing programs.

⇒ Transitional housing participants increased their full-time employment by 61% from program entrance to exit.

Activity Funding

The department awards state funding on a competitive basis to nonprofit transitional housing agencies. During the 2002-03 biennium, $7.8 million was available from a combination of state aid ($4.0 million) and federal TANF funds ($3.8 million). In FY 2002-03, 81 service providers received funding with an average grant of $60,000.

Transitional Housing Program funding is flexible to best meet the local needs of Minnesota communities. Funds are awarded on a competitive basis in conjunction with the following federal homeless programs funding.

⇒ The Emergency Shelter Grant Program (ESGP) provides federal funds to shelters and transitional housing programs for operating costs, essential services, and homelessness prevention. In the 2002-2003 biennium, $2.2 million was awarded to 36 programs.

⇒ The Rural Housing Assistance and Stability Program (RHASP), funded under the federal Supportive Housing Program (SHP), provides supportive services to homeless people to move them into permanent housing. Supportive services may include first month's rent, damage deposit, assistance with down payment, transportation and child care costs, assistance with job search and self-sufficiency case management. The White Earth Indian Reservation, 20 rural Community Action Agencies, and an organization serving migrant farm workers agencies receive RHASP funding.

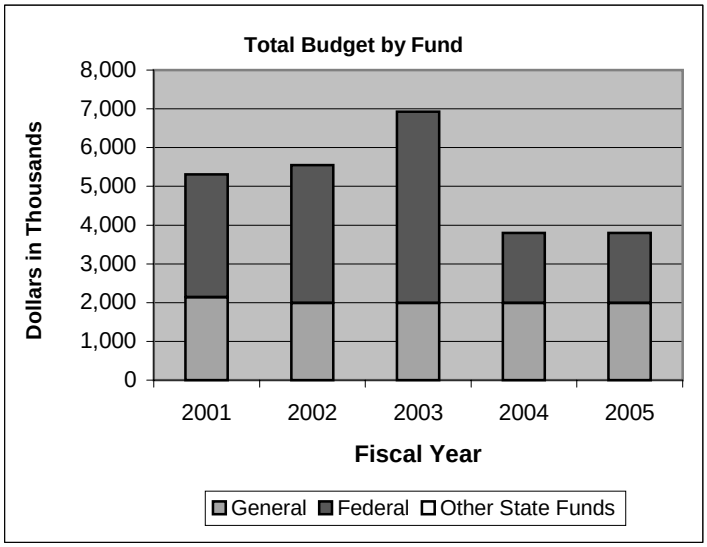
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

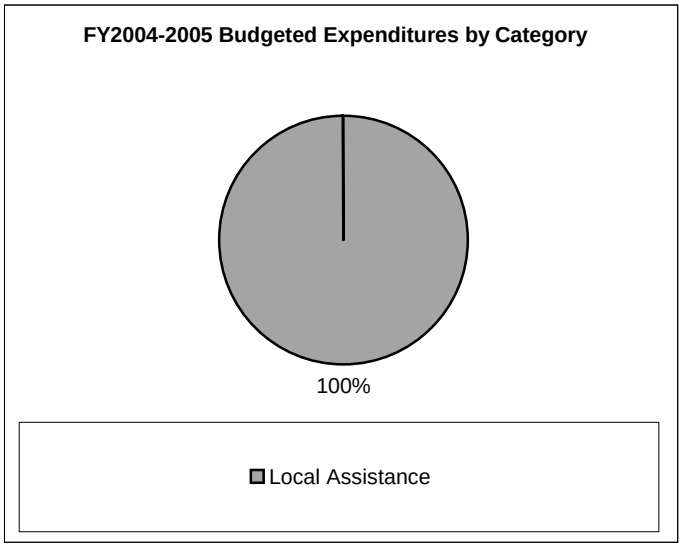
Contact

Additional information is available from the Minnesota Department of Education, (651) 582-8399 or (651) 582-8569 and the Department of Education web site for the Office of Economic Opportunity http://cfl.state.mn.us/OEO/homelesss.htm.

DEPARTMENT OF EDUCATION
Program: SELF-SUFF & LIFELONG LEARNING
Activity: TRANSITIONAL HOUSING PROGRAM

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,142	1,988	1,988	1,988	1,988	3,976
Federal Tanf	1,070	1,832	2,848	0	0	0
Statutory Appropriations						
Federal	2,098	1,730	2,088	1,807	1,807	3,614
Total	**5,310**	**5,550**	**6,924**	**3,795**	**3,795**	**7,590**
Expenditures by Category						
Operating Expenses	61	191	306	0	0	0
Local Assistance	5,249	5,359	6,618	3,795	3,795	7,590
Total	**5,310**	**5,550**	**6,924**	**3,795**	**3,795**	**7,590**
Revenue by Type and Fund						
Dedicated						
Federal	2,187	1,814	2,180	1,899	1,899	3,798
Subtotal Dedicated	2,187	1,814	2,180	1,899	1,899	3,798
Total Revenue	**2,187**	**1,814**	**2,180**	**1,899**	**1,899**	**3,798**
Full-Time Equivalents (FTE)	**0.0**	**2.9**	**2.9**	**2.9**	**2.9**	

Activity Description

Citation: M.S. 119A.44; 7 U.S.C. 612c, 42 U.S.C. 9910a, sec. 681A

The purpose of the program is to provide food to low-income individuals and families who have exhausted other resources to meet their basic nutritional needs.

Activity at a Glance

- In 2001, Minnesota's 320 food shelves distributed over 29 million pounds of food to 1.32 million individuals.
- This is an increase of almost 10% over the previous year and is the largest single year increase in more than a decade.
- One-half of the individuals served at food shelves are children, 20% are seniors.

Population Served

It is estimated that one in 22 Minnesotans received help from a food shelf in 2001, and half of those served were children under the age of 18.

⇒ In 2001, one-half of the individuals served at food shelves were children, 20% were seniors.

⇒ Eleven percent of the children served at food shelves are forced to skip meals because there is not enough food in the home; 43% of their parents are skipping meals also.

⇒ Forty three percent of the households statewide report paid employment as the family's major source of income. In the Twin Cities suburbs the number of working poor approaches 60% of the families served. The working poor is the fastest growing group of food shelf clients.

⇒ Sixty five percent of the households using food shelves report incomes below $799 a month, less than $9,500 a year.

The effects of welfare reform, low wages, and the high costs of child care, housing, and health care continue to leave many individuals and families hungry. In 2001, Minnesota's 320 food shelves distributed over 29 million pounds of food to 1.32 million individuals. High housing and prescription costs, and low wages are cited by these populations as reasons for increased reliance on emergency food sources.

Services Provided

Food banks, food shelves, on-site meal programs, and shelters provide food through the programs described below.

Minnesota Food Shelf Program (MFSP)

The department grants MFSP funds to Hunger Solutions Minnesota (HSM) for distribution to over 300 individual food shelves throughout the state. Food shelves use these funds to purchase nutritious foods and to offset operating costs. Each food shelf is a nonprofit organization that distributes food to individuals and families based on need. HSM allocates funds to food shelves semi-annually based on the number of individuals served by each food shelf during the previous six-month period.

The Emergency Food Assistance Program (TEFAP)

The department partners with HSM to distribute U.S. Department of Agriculture (USDA) TEFAP commodities. HSM is comprised of six regional Second Harvest food banks that provide a balanced distribution of commodities to all 87 counties. TEFAP commodities are allocated to the regional food banks based on the population and poverty level of their service areas.

Community Food and Nutrition Program (CFNP)

The CFNP is federally funded under the Community Services Block Grant to improve nutrition for low-income people. CFNP funds are awarded to public or private organizations to coordinate existing public and private food assistance resources.

Historical Perspective

Established in 1981, The Emergency Food Assistance Program distributes USDA food commodities through food shelves, on-site meal programs, and shelters to low-income individuals and families. TEFAP funds are used to cover costs associated with the distribution of USDA commodities, including warehousing, transportation, commodity tracking and allocation, and technical assistance. State matching funds are required.

The state began funding food shelves in 1992 because the demand for food assistance could not be met without state help, and the legislature realized the importance of a stable diet for all Minnesotans.

Key Measures

One of the goals of CFL's Strategic Plan is to strengthen families and build a solid foundation for living and learning. One of the outcomes relating to this goal is that families and individuals are moved out of poverty and all families provide a stable environment for their children. This budget activity reports information on the indicator "low-income people will not go hungry."

HSM reports the following evaluation findings from FY 2001:

⇒ Those who used food shelves do so an average of 6 times a year. Nearly 40% used a food shelf only once or twice a year.

⇒ The six Second Harvest Food Banks distributed 5.5 million pounds of USDA TEFAP commodity food to over 250 food shelves and 500 on-site meal programs and shelters.

Activity Funding

This budget activity is funded with both state and federal funds.

TEFAP provided over $600,000 in federal funds and approximately five and a half million pounds of food in 2001. State program administration funding is matched dollar-for-dollar by USDA.

Emergency Food Program Funding by Federal Fiscal Year

Dollars in Thousands

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
State Funding:										
MSFP	$600	$600	$700	$700	$1,250	$1,250	$1,278	$1,278	$1,278	$1,278
TEFAP State Matching Funds	100	100	97	97	97	97	97	97	103	103
TOTAL	$700	$700	$797	$797	$1,347	$1,347	$1,375	$1,375	$1,381	$1,381
Federal Funding:										
TEFAP	$540	$480	$508	$571	$592	$563	$559	$550	$607	$607
CFNP	62	65	48	33	34	34	42	53	55	55
TOTAL	$602	$545	$556	$604	$608	$604	$601	$603	$662	$662
GRAND TOTAL	$1,302	$1,245	$1,353	$1,401	$1,955	$1,951	$1,976	$1,978	$2,043	$2,043

Funding levels shown in this table may differ from the expenditures shown on the federal program fiscal summary page due to carryover and statewide accounting period closing requirements.

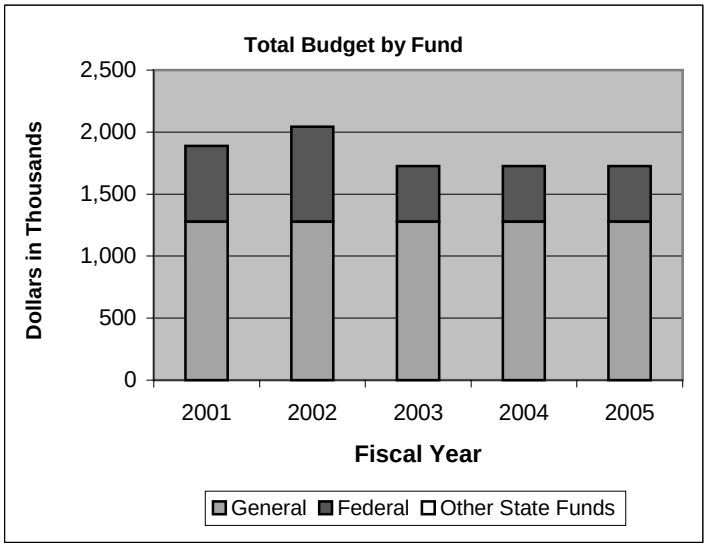
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

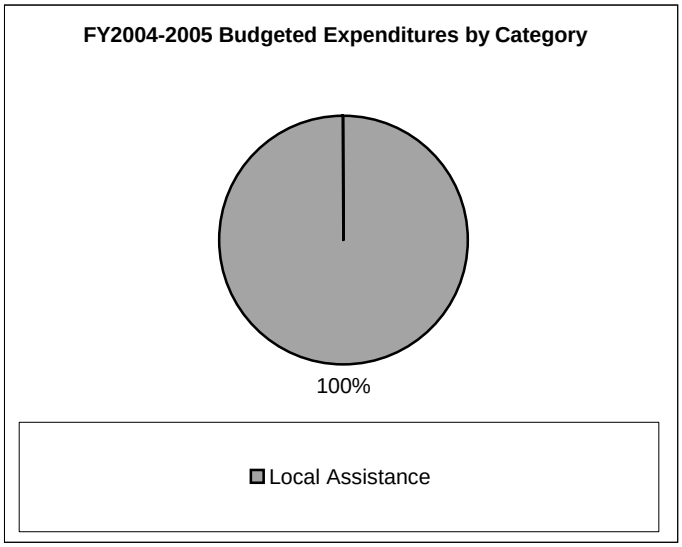
Contact

Additional information is available from the Minnesota Department of Education, (651) 582-8396 and the CFL web site for the Office of Economic Opportunity http://cfl.state.mn.us/OEO/.

DEPARTMENT OF EDUCATION
Program: SELF-SUFF & LIFELONG LEARNING
Activity: FOODSHELF PROGRAM

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,278	1,278	1,278	1,278	1,278	2,556
Statutory Appropriations						
Federal	610	766	449	449	449	898
Total	**1,888**	**2,044**	**1,727**	**1,727**	**1,727**	**3,454**
Expenditures by Category						
Local Assistance	1,888	2,044	1,727	1,727	1,727	3,454
Total	**1,888**	**2,044**	**1,727**	**1,727**	**1,727**	**3,454**
Revenue by Type and Fund						
Dedicated						
Federal	692	861	519	555	555	1,110
Subtotal Dedicated	692	861	519	555	555	1,110
Total Revenue	**692**	**861**	**519**	**555**	**555**	**1,110**

Activity Description

Citation: M.S. 124D.52; 124D.53 ;
Federal Citation: P.L. 105-220, Title II - The Adult Education and Family Literacy Act Adult Education and Family Literacy Act of 1998

This state and federal funded program provides education opportunities for adults who lack basic academic skills, and whose low educational levels are barriers to employment and to productive participation in their families and in our society.

Activity at a Glance

- 57 Adult Basic Education (ABE) consortia, 500 delivery sites statewide.
- 1,200 licensed teachers and 3,000 volunteers served over 82,500 learners in FY 2002.
- 1 out of every 6 diplomas issued in Minnesota during 2002 was a General Educational Development (GED) or Adult High School Diploma.
- 46% of all learners were English as a Second Language (ESL) students 66% were parents, and 19% were unemployed.
- Research shows that the average high school graduate earns about $7,000 more per year than a drop out.

Population Served

Adults are eligible to participate when they are at least 16 years old, are not enrolled in school (formally withdrawn or dropped out), and function below the high school completion level in basic skills. The 2000 U.S. census reports that 12% of Minnesotans over 25 lack high school equivalency - over 380,000 people. Over 200,000 Minnesota residents are immigrants or refugees in need of English skills. Enrollment in English as a Second Language (ESL) programs has doubled in the past five years. During FY 2002, over 37,000 adults enrolled in ESL classes and 46% of all enrollees in Adult Basic Education (ABE) were ESL learners.

Services Provided

Adult basic education program options include the following choices.

⇒ **GED** (general education development diploma) - high school equivalency program Minnesota Department of Children Families & Learning -- GED.
⇒ **Adult Diploma** - programs for adults leading to a Minnesota high school diploma.
⇒ **English as a Second Language** - for learners whose language is other than English.
⇒ **Family Literacy** - features instruction for adults in literacy and parenting, and children receive education services as well through other funding sources.
⇒ **Basic Skills Education** - for learners who need to brush-up on some specific basic skills, such as math or reading (typically related to their employment).
⇒ **Workforce Preparation** - literacy skills related to learners' need to obtain, retain or improve their employment. Instruction uses work-related content, often delivered at the learner's work site.
⇒ **U.S. Citizenship and Civics** - programs for legal non-citizens and immigrants to attain English and civic knowledge necessary for U.S. citizenship and democratic participation.

State ABE funding supports individual public school districts or groups of districts (consortia) and other eligible nonprofit providers including community-based organizations and correctional institutions. ABE is provided at over 500 sites located in every Minnesota county at public schools, workforce centers, community/technical colleges, prisons/jails, libraries, learning centers, tribal centers, and nonprofit organizations. Programs have voluntarily formed ABE consortia (57 administrative units) to maximize efficiency and to share resources.

A literacy "hotline" has been established to link Minnesota residents with ABE programs statewide. This site is also used to refer persons who are interested in becoming volunteer tutors Hotline.

In 2001, the reported waiting list for ABE services was 2,071 adults.

Key Measures

Increase the percentage of Minnesota adults who currently lack basic skills to achieve their educational and economic goals through participation in adult basic education programs.

Selected Outcome Results	FY 1998	FY 2002	Percent Change
Enrollment	48,220	82,778	72%
GEDs Earned	6,270	11,268	80%
H.S. Diplomas Earned	920	1,224	35%
Left Public Assistance	132	156	18%
Entered Post-Secondary Education	2,070	2,865	38%
Earned U.S. Citizenship*	1,100	408	-63%
Able to Assist Children in School	1,045	1,895	81%
Gained or Better Employment	1,895	2,477	31%
Annual Cost Per Learner	$307	$473	54%

*In FY 1998 and FY 1999, ABE received a $2 million state grant to promote citizenship acquisition. That grant ended in FY 2000 resulting in reduced outcomes for that measure.

Activity Funding

Adult basic education aid is formula-based on the following factors:

- base population aid at the greater of $4,000 or $1.80 times the census population of the member district; and
- of the remaining funds available, 84% is distributed based on prior year contact hours, 8% is distributed based on the population of K-12 Limited English Proficient (LEP) learners in the member district, and 8% is distributed based on the census population of adults aged 20 and over who do not hold a high school diploma.

Under the state funding formula, two funding caps are in law: 1) programs are held to a 17% or $20,000 growth cap (the greater of) on contact hour revenue; and 2) programs are held to a gross revenue per contact hour of four times the base contact hour rate. By law, the total state ABE appropriation each year is set at the previous year's level times the lesser of 1.08 or the percentage increase in learner contact hours. Therefore the appropriation may by law increase as much as 8% each year as long as the growth in the preceding year contact hours was 8% or higher. The increase in learner contact hours over the past three years is given in the table below.

	FY 2000	FY 2001	FY 2002
Contact Hours	3,205,283	3,552,917	4,170,176
% Increase in Contact Hours Over Prior Year	42.0%	10.8%	17.4%

Under the federal Adult Education and Family Literacy Act (P.L.105-220), federal funds are received by the Department of Education (DOE) and must be used to coordinate with and supplement other ABE funds. Federal maintenance of effort provisions exist to promote the existing level of state resources.

The Adult Education and Family Literacy Act (AEFLA) requires state to keep within 90% of recent spending levels for adult education and literacy activities in order to continue to receive their full allotment of AEFLA funds. States spending at less than 90% face a drop in their federal allotments.

Federal Temporary Assistance to Needy Families (TANF) funds are used to provide ESL services. This is a time-limited appropriation for fiscal years 2001 through 2003.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Lifework Development Division, (651) 582-8442.

DEPARTMENT OF EDUCATION
Program: SELF-SUFFICIENCY & LIFELONG LEARNING
Activity: ADULT BASIC EDUCATION AID

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	30,001	32,368	34,994	36,346	36,361	72,707
2. Adjustment(s)						
b. Net Prior Year Payments	7					
3. State Aid Entitlement	30,008	32,368	34,994	36,346	36,361	72,707
4. Federal Funds	1,762	5,727	6,061	6,061	6,061	12,122
5. Federal TANF	741	973	1,586			
6. Total School District Revenue - All Funds	32,511	39,068	42,641	42,407	42,422	84,829
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	2,101	3,019	3,237	5,949	6,180	12,129
Current Year (90% FY 01-02) (83% FY 03-05)	27,067	29,131	29,046	30,167	30,180	60,347
Cancellation	(78)					
Total State Aid - General Fund	**29,090**	**32,150**	**32,283**	**36,116**	**36,360**	**72,476**
Other Approp. Federal Plus other State Funds	2,503	6,700	7,647	6,061	6,061	12,122
TOTAL APPROPRIATIONS	**31,593**	**38,850**	**39,930**	**42,177**	**42,421**	**84,598**

Activity Description
Citation: M.S. 124D.54

This state aid program provides funds for the Adult Graduation program to provide adults age 21 and above with options and opportunities to earn their high school diploma.

Activity at a Glance

- FY 2001 participating districts 103
- FY 2001 participants 609
- FY 2001 graduates 291
- Individuals who receive their high school diplomas earn on the average about $7,000 more per year than a dropout.

Population Served
Adults age 21 and over who have not completed high school may complete their secondary education under this program. The individual must qualify under one of the following criteria:

- eligible for unemployment benefits or have exhausted unemployment benefits;
- eligible for and receiving income maintenance or support services; and
- eligible under the displaced homemaker program, state wage subsidy program, or any program under the Workforce Investment Act.

Most participants supported by Adult Graduation Aid are students in high school or a state-approved alternative program who reach the age of 21 before meeting high school graduation requirement.

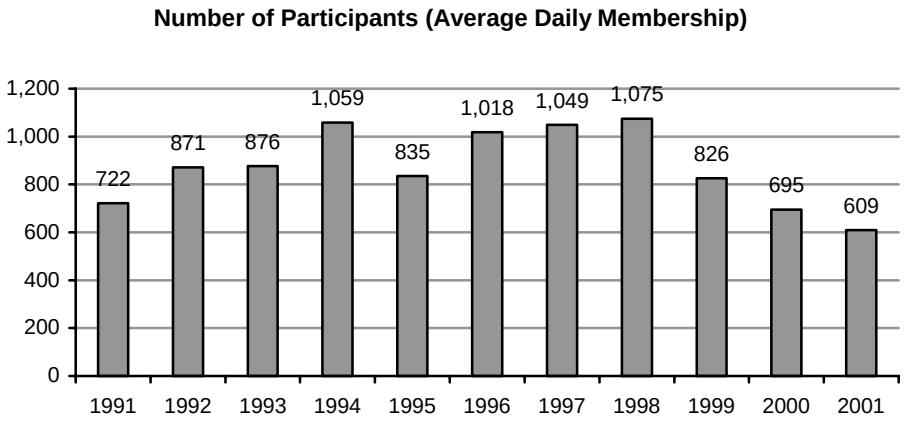
Unlike adult basic education where participation is based on proficiency in basic skills, participation in the Adult Graduation Aid program is time-limited (no more that 14 years of public or nonpublic education from age five) and tied to eligibility for unemployment benefits or services under the federal Job Training Partnership Act.

Services Provided
Eligible individuals may enroll in area learning centers, public alternative programs, or any public high school. Individuals may access postsecondary courses under the Postsecondary Enrollment Options program if eligible under that program.

Enrollment is currently limited to two school years or until the adult learner completes the course work required for graduation, whichever is less. At the completion of the program, the individual receives a high school diploma. Many adult learners are part-time students. In FY 2001, 2,190 adults participated in the program, the equivalent of 609 full-time students.

The decline in participation since 1998 is indicative of improved efforts to assist learners to meet graduation requirements before reaching age 21, and of district decisions to focus efforts on younger learners, relying on adult basic education programs to address the over 21 population. Efforts have also been increased to enforce eligibility requirements of section 124D.68.

Key Measures
Provide increased access and effective programming to economically disadvantaged Minnesotans over 21 who desire to earn their high school diploma.



Activity Funding

The aid amount for each eligible pupil for FY 2002 equals $2,338 times 1.3 times the Average Daily Membership (ADM) for the pupil. For this aid, ADM equals yearly hours in membership divided by the instructional hours for the district. The district may not count pupils for any other purpose other than adult graduation aid. Participation is expected to increase due to increased K-12 dropout rates and adults entering Minnesota who do not possess high school diplomas.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Lifework Development Division, (651) 582-8442.

DEPARTMENT OF EDUCATION
Program: SELF-SUFFICIENCY & LIFELONG LEARNING
Activity: ADULT GRADUATION AID

Fiscal Report

Dollars in Thousands **Budget Activity Summary**	**Actual FY2001**	**Estimate FY2002**	**Budgeted FY2003**	**Gov's Rec FY2004**	**Gov's Rec FY2005**	**Biennial Total 2004-05**
1. Statutory Formula Aid	3,058	2,122	2,334	0	0	0
2. Statutory Excess/(Shortfall)	0	275				
3. Appropriated Entitlement	3,058	2,397	2,334	0	0	0
4. Adjustment(s)						
a. Excess Appropriation	(1,182)	(275)				
5. State Aid Entitlement	1,876	2,122	2,334	0	0	0
6. Total School District Revenue - All Funds	1,876	2,122	2,334	0	0	0
Appropriations Basis for State Aid						
Prior Year (10% FY 01-03) (17% FY 04-05)	278	305	240	396	0	396
Current Year (90% FY 01-02) (83% FY 03-05)	2,753	2,157	1,938	0	0	0
Cancellation	(1,153)	(272)				
Transfers per M.S. 127A.41, subdivision 8 & 9	(57)	(3)				
Total State Aid - General Fund	**1,821**	**2,187**	**2,178**	**396**	**0**	**396**
TOTAL APPROPRIATIONS	**1,821**	**2,187**	**2,178**	**396**	**0**	**396**

Activity Description
Citation: M.S. 124D.55

This state aid program provides increased access for eligible individuals to complete the test of general educational development (GED) by paying a portion of the student's GED testing fees.

Activity at a Glance

- 60 GED testing centers.
- In FY 2002, 16,788 examinees took at least one GED test and 13, 244 took all five tests.
- In FY 2002, 11,268 adults were granted GED diplomas.
- Individuals who receive their high school diploma or GED earn about $7,000 more per year than a dropout.

Population Served
To be eligible to take the GED exam and have the cost subsidized by the state, an individual must meet three criteria:

- be a Minnesota resident and have been so for at least 90 days;
- not be currently enrolled in a program leading to a high school diploma; and
- not have the testing fee paid by another government agency.

In FY 2001-02:

- 23.8 years = average age of GED examinee.
- 10.3 years = average years of education of GED examinee.*
- 16-18 year olds accounted for 2,370 of the graduates, 21.0 % of the total.

*This represents a decline by 10% in the past three years.

Services Provided
This budget activity provides supplementary funds to GED testing centers to help offset the cost of the testing for eligible students. As a result of this subsidy, fees for individual GED examinees are reduced. Minnesota GED Testing Centers. There are 60 testing centers in Minnesota including 10 at state correctional facilities.

The GED examination consists of a battery of five tests that measure major and lasting outcomes associated with a high school education. The five tests (Writing, Social Studies, Science, Reading, and Mathematics) employ a multiple-choice format with the two-part Mathematics test also using alternative format questions. The writing skills test requires an essay. Many GED candidates are from low-income backgrounds and cannot afford the full cost of the five-test GED battery. Minnesota Department of Education -- GED

Successful completion of the GED test battery results in the awarding of a state of Minnesota GED diploma by the Department of Education. A high school diploma or GED is required by many employers, and virtually all of Minnesota's post-secondary educational institutions accept the GED as a valid high school credential for admission purposes. Minnesota GED Testing Centers

In FY 2001-02, 7,013 applicants received $20 discounts toward the cost of the full GED test battery and 2,908 applicants received $4 discounts toward the test of a single GED test.

Historical Perspective
State funding for the GED Testing Reimbursement program began in 1992 when the state began to pay the lesser of $20 or 60% of the fee charged to an eligible individual for the full battery of the GED test. Nearly all GED applicants qualify for GED test free support. In 2001-02, GED testing centers received $125,000, but discounted test fees by $151,892. Because of this disparity, some test sites may discontinue this service. Test leasing fees established by the GED Testing Service have tripled in the past three years.

Minnesota's 11,268 graduates in 2001 represent an annual increase of 4,383, or 63.7%, the fifth highest percentage increase in the United States.

Key Measures

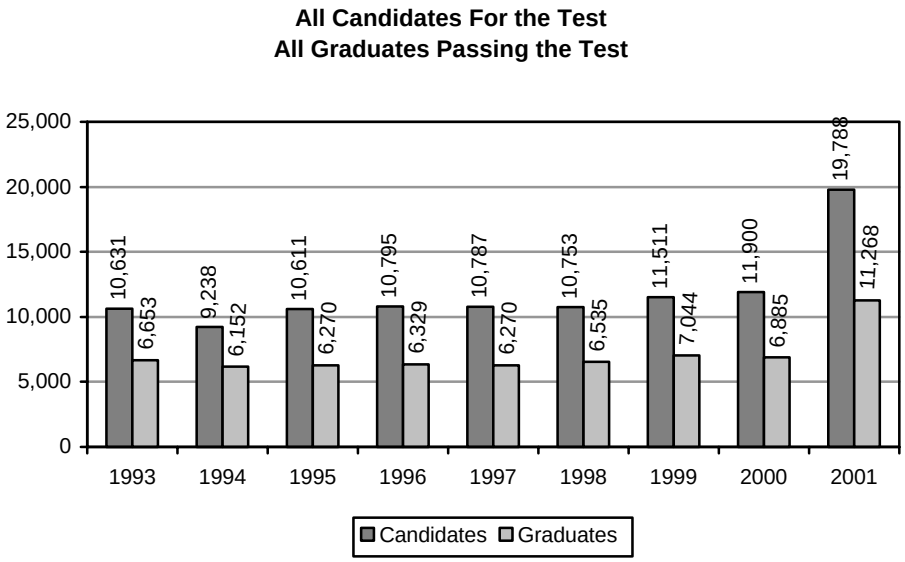
Provide increased access for eligible individuals to complete the test of GED by paying a portion of the student's testing fees.

FY 2001-02 Statistics

⇒ Passing rate in Minnesota is 85.0 % (Top 10 in US).

⇒ In 2001, more than 1 of 7 high school credentials issued in Minnesota was a GED. This translates to 11,268 out of 71,786 total credentials (15.6%).

⇒ 67% of examinees wanted GED to be able to further education; 33% for employment; and 3% for entrance into the military. NOTE: Respondent could have given more than one answer, hence more than 100% total.



Activity Funding

The average GED test fee per participant is $50. Test leasing fees established by the GED Testing Service have tripled during in the last three years.

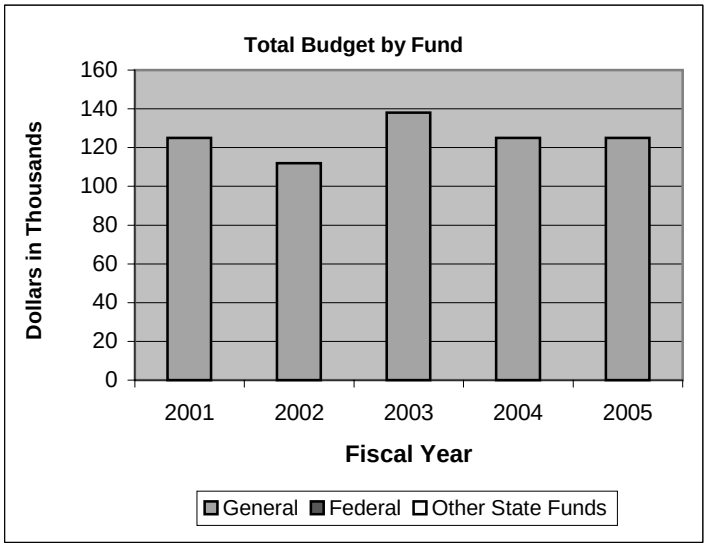
The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

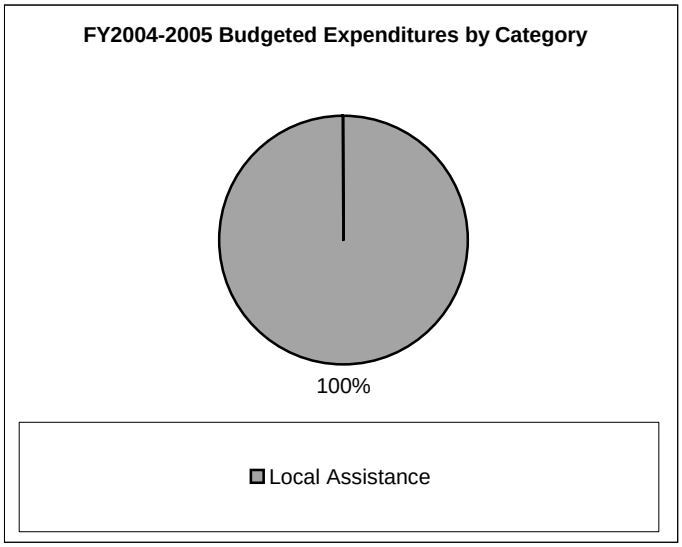
Contact

Additional information is available from the Minnesota Department of Education, Lifework Development Division, (651) 582-8437

DEPARTMENT OF EDUCATION
Program: SELF-SUFF & LIFELONG LEARNING
Activity: GED TESTS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	125	112	138	125	125	250
Total	**125**	**112**	**138**	**125**	**125**	**250**

Expenditures by Category						
Local Assistance	125	112	138	125	125	250
Total	**125**	**112**	**138**	**125**	**125**	**250**

Activity Description

Citation: MN Laws 1997, Chap. 162, Art. 3, Sec. 7 ; MN Laws 1999, Chap. 205, Art. 4, Subd. 12 ; MN Laws 2001, 1st Spec. Session, Chap. 3, Art. 3, Subd. 4

The Emergency Services Program (ESP) provides funding to shelters and nonprofit agencies to support the costs of emergency shelter and support services to homeless families and individuals.

Activity at a Glance

- On any given night, an estimated 8,600 people are homeless in Minnesota. Nearly 50% are children.
- In 2001, nearly 2,000 households received emergency shelter and 28,000 received supportive services funded by ESP.
- In 2002, 35 service providers received funding with an average grant of $47,000.

Population Served

The program serves individuals and families who lack a regular and adequate nighttime residence. The program serves varied populations including, domestic violence survivors, veterans, single parent and two parent families, single adults, unaccompanied youth, migrant and seasonal farm workers, people with HIV/AIDS, mental illness or chemical dependency.

Children represent the fastest growing segment of the homeless population. In 1985, the majority of persons using shelters and transitional housing were men. By 2000, children had become almost 50% of this population. The increase in the number of homeless families is partially attributed to the disparity between income and housing costs. Welfare reform and the recent economic downturn also contribute to problem of homelessness.

The percentage of employed persons using shelters has risen from 19% in 1991 to 41% in 2000. Tight housing markets have resulted in increasing rents, lower vacancy rates, fewer landlords accepting housing subsidies such as Section 8, and stricter screening of potential tenants for bad rental or credit histories. The 2000 Statewide Survey of Homeless Adults, Children, and Youth in Minnesota conducted by Wilder Research Center provides information about the causes and dynamics of homelessness.

Services Provided

The ESP assists service providers in improving the quality of existing shelters, expanding the availability of emergency housing, meeting the operating and maintenance costs of shelter, and providing essential services to homeless persons. The ESP provides a range of support services including:

- case management;
- employment counseling and job placement;
- housing location, placement and rental assistance;
- substance abuse treatment;
- medical and psychological services;
- emergency childcare, voicemail, furniture, transportation, and other services to stabilize homeless persons in housing; and
- access to financial assistance from mainstream social services programs.

Historical Perspective

Homeless programs were developed in response to the increasing number of people experiencing homelessness. The Minnesota Legislature established the ESP in 1997.

Key Measures

One of the goals of the Department of Education's Strategic Plan is to strengthen families and build a solid foundation for living and learning. One of the outcomes relating to this goal is that families and individuals are moved out of poverty and all families provide a stable environment for their children. This budget activity reports information on the indicator that "decrease the number of homeless people."

The program provides financial and technical assistance to provider agencies throughout the state. Through the provision of housing and support services, persons receive necessary protective shelter and services to meet their basic needs.

⇒ In 2001, approximately 30,000 households received emergency shelter or supportive services funded by ESP.

⇒ Individuals and families with children experiencing homelessness received critical services to meet their basic needs and to access permanent housing.

Activity Funding

ESP funding is flexible to best meet the local needs of Minnesota communities. Funds are awarded on a competitive basis and work in conjunction with the following federal homeless programs.

⇒ The Emergency Shelter Grant Program (ESGP) provides federal funds to shelters and transitional housing programs for operating costs, essential services, and homelessness prevention. In the 2002-2003 biennium, $2.2 million was awarded to 36 programs.

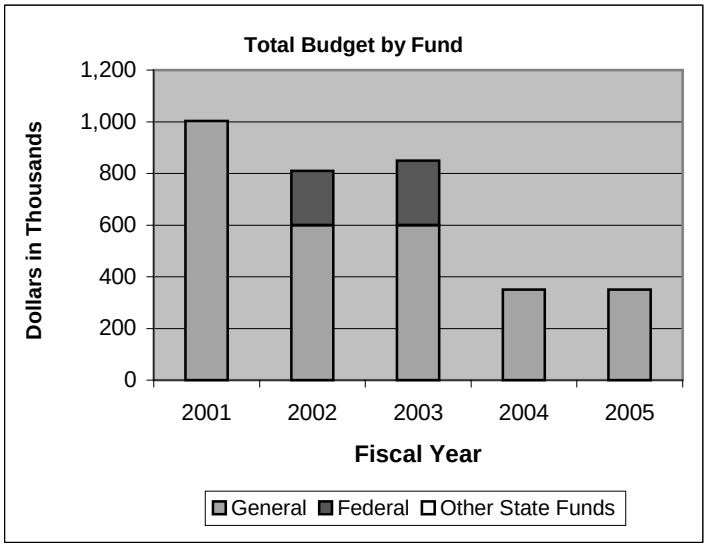
⇒ The Rural Housing Assistance and Stability Program (RHASP), funded under the federal Supportive Housing Program (SHP), provides supportive services to homeless people to move them into permanent housing. Supportive services may include first month's rent, damage deposit, assistance with down payment, transportation and child care costs, assistance with job search and self-sufficiency case management. The White Earth Indian Reservation, 20 rural Community Action Agencies, and an organization serving migrant farm workers agencies receive RHASP funding.

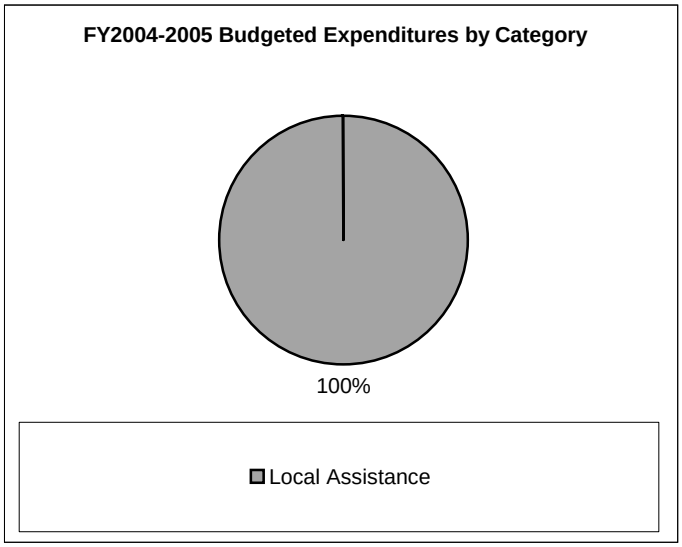
In addition, the ESP received a time-limited appropriation of Federal Temporary Assistance to Needy Families (TANF) funding for fiscal years 2001 through 2003.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education (DOE), (651) 582-8399 or (651) 582-8569 and the DOE web site for the Office of Economic Opportunity http://cfl.state.mn.us/OEO/homelesss.htm





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,003	600	600	350	350	700
Federal Tanf	0	210	250	0	0	0
Total	**1,003**	**810**	**850**	**350**	**350**	**700**
Expenditures by Category						
Local Assistance	1,003	810	850	350	350	700
Total	**1,003**	**810**	**850**	**350**	**350**	**700**

Activity Description
Citation: M.S. 119A.46

The purpose of this program is to reduce the potential for lead poisoning in the homes of children from low-income families.

Activity at a Glance

- One in every six children under six years of age is lead poisoned.
- 100 homes receive lead hazard inspections and dust sampling each year from this program.
- 50 homes receive lead hazard reduction services each year from this program.
- The program provides outreach and educational activities related to lead poisoning for 2,000 Minnesota residents each year.
- State funds provide the required match for federal funds.

Population Served
This program serves low-income families statewide. One in every six children, under six years of age, is lead poisoned which can lead to learning and behavioral problems, kidney damage, hearing deficits, speech and language problems, and poor attention span in children.

Exposure to residential sources of lead is the most common environmental health hazard to children under six years of age. Homes built prior to 1978 likely contain some levels of lead paint. In addition, leaded gasoline contributed to widespread lead exposure in soil, especially near busy roadways. The Third National Health and Nutrition Examination Survey estimates 12-15% of the population under age six have blood levels of 15 micrograms of lead per deciliter of blood (mg/dl) or greater (high risk of lead poisoning) and 1.1% have blood lead levels of 20 mg/dl or greater (lead poisoned). The social costs of health effects of childhood lead blood (Pb) exposure go beyond the personal suffering of the child and the family. They include direct societal costs (medical and educational expenses) and indirect costs (reduced future earnings of the afflicted children).

Services Provided
AmeriCorp member crews visit households identified as lead contaminated. The crews are trained to assess homes for lead levels, educate residents on measures to keep safe from lead, clean and repaint surfaces using special equipment to reduce lead dust levels to make the home lead safe for children, and provide assistance necessary to meet the residents immediate needs while lead hazard reduction services are being completed on their residence.

⇒ The program provides outreach and educational activities related to lead poisoning for 2,000 Minnesota residents each year.

⇒ Residential houses for the lead hazard reduction services are identified by the Minnesota Department of Health. Activities include: 1) lead hazard inspections and dust sampling; and 2) lead hazard reduction services, including treating windows, stabilizing paint surfaces and re-painting, and treating and recovering soil.

⇒ Sustainable Resources Center (SRC), the organization that receives the state funds, provides lead hazard reduction activities statewide. These funds are used to supplement federal funding. Federal funds require a dollar-for-dollar match. One million dollars was available for the 2002-03 biennium and a similar amount is anticipated for the next biennium.

Historical Perspective
The lead abatement program was originally funded in 1993 for a two-year period. The program was not funded from 1995 to 1997, but was re-established in the 1997 legislative session.

Key Measures
⇒ Lead hazard reduction services are provided at an average cost of $2,000 each for an average of 50 households each year.

⇒ 100 homes receive lead hazard inspections and dust sampling each year.

⇒ 50 homes receive lead hazard reduction services.

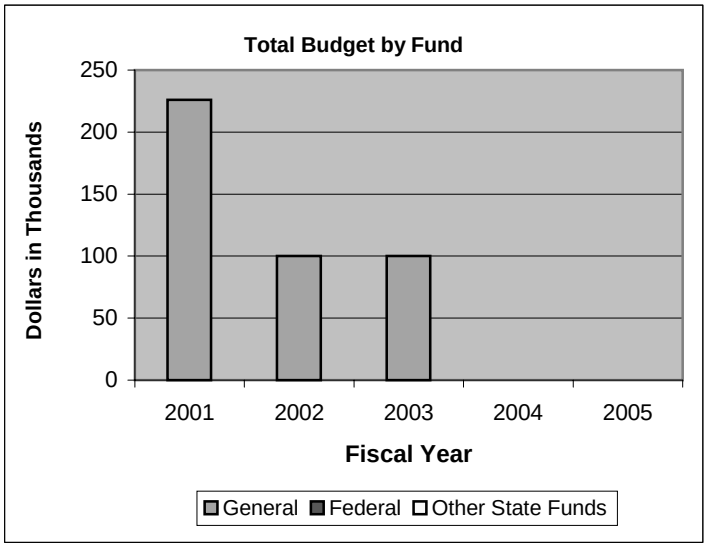
Activity Funding

Sustainable Resources Center uses state funds to leverage other funds for the project including: federal funding through the Department of Health and Human Services, the city of Minneapolis, the Center for Disease Control (CDC), foundations, private donations, CLEARcorps National Project of Service to America Volunteers, and supplies and paint donated by paint manufacturers which together provide more complete education and community collaborative activities. Federal funding is contingent upon receipt of the state funding match.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, (651) 582-8405 and web site for the Office of Economic Opportunity http://cfl.state.mn.us/OEO/.



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	226	100	100	0	0	0
Total	**226**	**100**	**100**	**0**	**0**	**0**
Expenditures by Category						
Local Assistance	226	100	100	0	0	0
Total	**226**	**100**	**100**	**0**	**0**	**0**

Activity Description

Citation: M.S. 124D.531; M.S. 124D.52

The purpose of this state funded activity is to begin a cycle of audits for all Adult Basic Education (ABE) consortia that receive state aid under M.S. 124D.52 beginning in FY 2003.

Activity at a Glance

- New, mandated DOE activity for FY 2003
- 29 ABE programs must be audited by DOE during FY 2003
- Audits are scheduled to begin in January 2003

Population Served

The ABE audits will occur beginning in FY 2003 and will involve 58 programs statewide that serve approximately 82,000 learners per year. All programs will be audited in either FY 2003 or FY 2004. Thereafter, a cycle will be established to audit each program at least once every five years.

Services Provided

The ABE audits will determine if all state ABE revenue received was accounted for properly and used solely for ABE purposes. The contact hour audit component of the audit will determine if learner hours were counted in accordance with the ABE learner eligibility and contact hour policies. Approximately three-fourths of the state ABE appropriation is distributed based upon a program's prior year contact hours. In addition, the audits will ensure that state ABE funds are expended for ABE allowable services, materials and equipment and that learner contact hours which generate state aid revenue are collected and reported to the Department of Education (DOE) in accordance with state law and applicable ABE policy.

Key Measures

Audit findings will address the fiscal accountability issues of:

- whether ABE funds were properly accounted for and used solely for the defined purposes; and
- whether contact hours collected and reported were in accordance with ABE learner eligibility and contact hour policies.

Programs that are found to be out of compliance with ABE fiscal accountability requirements will be required to return funding to the state and recommendations will be made for program accountability improvements and/or continued eligibility. Similarly, any programs who may have under-reported activity and underpaid will be paid the balance owed.

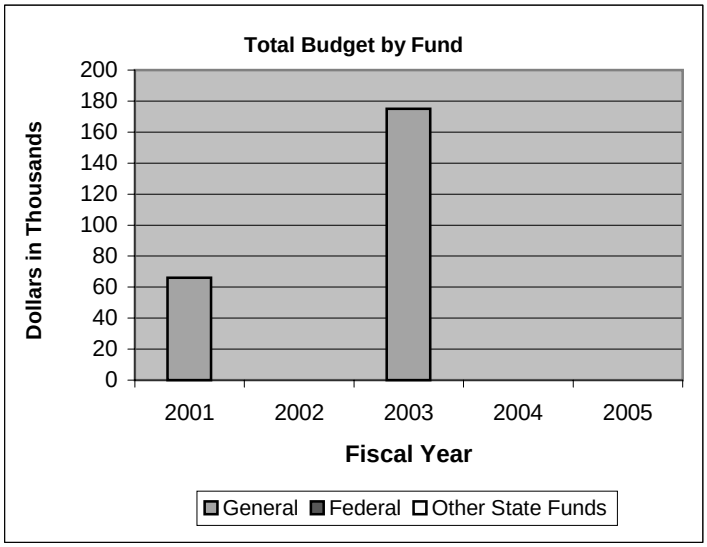
Activity Funding

The FY 2001 legislation appropriated $175,000 for this activity for FY 2003 and FY 2004 to complete the initial round of audits for all programs, with a base of $70,000 for FY 2005 and beyond to begin the cycle of auditing each program at least once every five years.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, Lifework Development Division, (651) 582-8442.



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	66	0	175	0	0	0
Total	**66**	**0**	**175**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	66	0	175	0	0	0
Total	**66**	**0**	**175**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	

Activity Description

Citation: M.S. 119A.445; Assets for Independence Act (AFIA) P.L. 105-285, Title IV. 42 U.S.C. 604

The purpose of Family Assets for Independence in Minnesota (FAIM) is to help low-income working Minnesotans build assets and develop positive financial management habits and skills in order to achieve long-term economic self-sufficiency.

Activity at a Glance

- 466 Minnesotans have accounts.
- Eligible savings goals include home ownership, postsecondary education and microenterprise.
- As of June 2002, accountholders had saved over $300,000.
- Savings are matched at a 3:1 rate, half coming from state funding and half from non-state funding.
- FAIM accountholders also receive financial education.

Population Served

FAIM serves 466 accountholders statewide. In order to be eligible for FAIM, households must have incomes at or below 200% of the federal poverty level and have a net worth of $10,000 or less. Because savings must come from earned income, FAIM participants are considered the "working poor."

Evaluation of Minnesota's FAIM participants show the following characteristics:

- 86% of households have at least one child,
- 46% of participants have incomes below 100% of poverty,
- 79% have incomes below 150% of poverty,
- 64% are or have been "welfare" recipients (AFDC or TANF),
- 75% do not currently own a home, and
- 35% of FAIM participants are people of color.

Services Provided

Individual development accounts (IDAs) are subsidized savings accounts. Unlike other subsidized savings accounts such as Individual Retirement Accounts (IRAs) or 401(k) plans, IDAs are targeted to the poor, provide subsidies through matches rather than through tax breaks, and require participants to attend financial education. As Minnesota's IDA program, FAIM is delivered by a statewide multi-site collaborative of community action agencies (CAAs), Women Venture, Inc., the City and County Credit Union, and two tribal governments. A total of 28 local agencies participate in the program. Ramsey Action Program, Inc. (RAP) is the fiscal agent for the initiative. A FAIM Council made up of the collaborative partners provides oversight and monitoring of the program activities.

FAIM participants earn match at a rate of a 3:1 (half coming from state funds, half from non-state funds). Savings must be from earned income. Participants are encouraged to save regular amounts on a monthly basis (e.g. $30 per month). Upon reaching their savings goal, participants use their accrued savings, interest and match to purchase a home, pursue post-secondary education, or start a small business.

Each FAIM participant receives 18 hours of general financial education to help them achieve their savings goals. They are also required to take 10 additional hours of asset-specific training.

FAIM agencies negotiate with local financial institutions to secure favorable banking arrangements for participants (e.g. no minimum balances, no service charges). Banks receive Community Reinvestment Act (CRA) credits when they provide financial contributions, mentoring, economic literacy, or other community services.

FAIM participants have the following savings goals: 16% for post-secondary education, 22% for micro-enterprises, and 62% home purchase.

Historical Perspective

The first phase of Minnesota's FAIM operations began in 2000 and runs through 2003. FAIM is part of a national initiative to promote IDAs that emerged in the early 1990s. The concept of IDAs came from the recognition that poor and working-poor families are often excluded from financial opportunities for asset development traditionally available to middle- and upper-income families (e.g. mortgage interest deduction, capital gains, IRAs).

Data on income inequality show that incomes (adjusted for inflation) from the late 1970s to the late 1990s showed no growth for the poorest 20% of Minnesotans. This compared to 16.6% growth of incomes for the middle 20% of Minnesotans, and 42.6% growth of incomes for the richest 20% of Minnesotans. (Minnesota Budget Project, January 2000.) Differences in the distribution of economic gains are even more pronounced for asset accrual than for income.

Key Measures

One of the goals of the Department of Education's Strategic Plan is to strengthen families and build a solid foundation for living and learning. One of the outcomes relating to this goal is that families and individuals are moved out of poverty and all families provide a stable environment for their children. This budget activity reports information on the indicator "low-income people will become for self-sufficient."

FAIM employs a combined strategy of financial assistance, mandatory participant education, and research and evaluation to achieve its goals. The Center for Social Development/Washington University in St. Louis published evaluation findings in September 2001 (http://gwbweb.wustl.edu/csd/Publications/IDAs_in_Minnesota.pdf). In addition, the University of Minnesota's Department of Family Social Sciences is conducting a qualitative analysis.

Key deposit and savings outcomes from the September 2001 FAIM evaluation of 27 FAIM sites and participants demonstrated the following:

- The average participant saved $25 per month, and
- The average participant saved 9 out of every 12 months.

Information from MIS-IDA (the information management system used to collect information of all IDA programs receiving federal funding) showed the following statewide totals for Minnesota through June 2002:

⇒ 31 homes have been purchased, 18 businesses started, and 22 payouts for postsecondary education have occurred.

Activity Funding

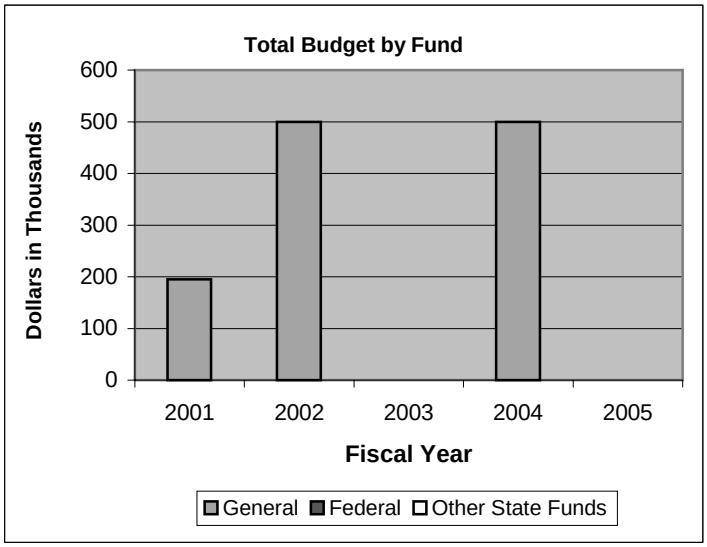
Funding for FAIM includes the state appropriation, the federal Assets for Independence Act (AFIA) grant, and private support. State funds must be matched by nonstate funds on at least a 1:1 basis.

Funding is allocated to participating agencies according to a state statutory requirement of a 60/40 greater Minnesota/metro split.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Additional information is available from the Minnesota Department of Education, (651) 582-8375 and web site for the Office of Economic Opportunity http://cfl.state.mn.us/OEO/.

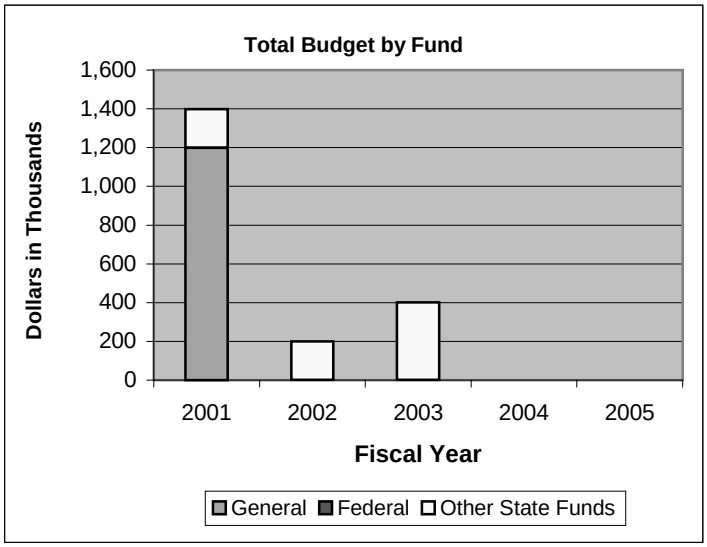


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	195	500	0	500	0	500
Total	**195**	**500**	**0**	**500**	**0**	**500**
Expenditures by Category						
Local Assistance	195	500	0	500	0	500
Total	**195**	**500**	**0**	**500**	**0**	**500**

Statute requires a report of discontinued education aids or grants if there is an expenditure in FY 2001, FY 2002, or FY 2003.

DEPARTMENT OF EDUCATION
Program: DISCONTINUED PROGRAMS (EC)
Activity: DISCONTINUED PROGRAMS

Fiscal Report



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,138	0	0	0	0	0
Statutory Appropriations						
General	61	0	0	0	0	0
Special Revenue	200	200	401	0	0	0
Total	**1,399**	**200**	**401**	**0**	**0**	**0**
Expenditures by Category						
Local Assistance	1,399	200	401	0	0	0
Total	**1,399**	**200**	**401**	**0**	**0**	**0**
Revenue by Type and Fund						
Dedicated						
General	75	0	0	0	0	0
Special Revenue	0	0	399	0	0	0
Subtotal Dedicated	75	0	399	0	0	0
Total Revenue	**75**	**0**	**399**	**0**	**0**	**0**

Program Description

The mission of the Department of Education (DOE) is to "increase the capacity of Minnesota communities to measurably improve the well-being of children and families." (*M.S.* 119A.01)

Population Served

The agency provides services to a broad range of customers throughout the state, including:

- 851,384 Pre-kindergarten – grade 12 students and their parents;
- 343 school districts;
- 69 charter schools;
- 62,745 licensed educators;
- 15,619 licensed child care providers;
- nonprofit community organizations and CAP agencies;
- legislators and other policymakers; and
- all Minnesota citizens.

Program at a Glance

- District/Charter Revenue processed annually (est. FY2003):

Federal	(5%)	$0.4 billion;
Local	(20%)	$1.7 billion;
State	(75%)	$6.2 billion.

- State and annual federal grants administered annually: $650 million.
- Public access: DOE responds to 3.5 million e-mails, 7,000 citizen letters and 750 media contacts each year.

Services Provided

The agency provides the following set of core services to its customers throughout the state:

- provides information, training, and technical assistance to schools, school districts, counties, and local service providers;
- administers state and federal aids, subsidies, and grants;
- calculates school district property tax levy limitations;
- licenses teachers and administrators;
- develops and administers statewide school performance/accountability systems;
- ensures compliance with state and federal laws; and
- establishes and maintains information technology systems that gather and disseminate data about children, students, schools, services, and finances.

Key Measures

The functions and activities of the agency and its staff are broad. Outcome measures are presented throughout this budget to illustrate the impact of the programs the agency provides for learners in Minnesota. The agency program includes all state-paid staff positions throughout the department, as well as the support and infrastructure needed to maintain those positions and the activities they staff. Staff oversee a range of functions. Some are compliance related, to ensure that all state and federal monies are properly accounted for and administered within the provisions of state and federal law, including grant administration, aid calculation and payment, and audits. Others provide direct services to students, parents and schools/districts in the areas of curriculum development, special education, financial management and school/district administration and funding. Some key areas of service are presented here as examples of the critical services the agency provides for children and families in Minnesota.

⇒ Curriculum specialists, special education specialists and agency subject matter experts work with educators throughout the state to provide professional development so that teachers can learn new tools, techniques and strategies to better serve all categories of learners. Over 10,000 teachers are trained annually at DOE professional development workshops.

⇒ Staff in teacher licensure provide assistance to teachers and schools seeking information about licensure and licensed educators. During the 2002-03 biennium, the Teacher Licensure Division automated the application process for a license and reduced processing time for a license from 12 weeks to 4 weeks, a reduction of 66%.

⇒ The agency partners with schools, local units of government and nonprofit community organizations to facilitate collaborative programs for substance abuse prevention, effective early childhood education for all children, anti-poverty programs and after-school enrichment opportunities. The effect of such collaborations is to leverage, local, state, federal and private funds to ensure that effective strategies can be formulated for each community to ensure that their unique needs are met.

⇒ The Financial Management Team provides training and technical assistance to Minnesota school districts and charter schools on financial management, administration and accountability. Over 1,000 school officials received training each year. Participants rated the workshops as a 4.5 on average (on a 5.0 scale) for meeting their training needs in financial management. In addition to the formal workshops, hundreds of site visits and on-site training activities are conducted throughout the state for newly opened charter schools, schools in statutory operating debt, and new superintendents and business managers in school districts and charter schools.

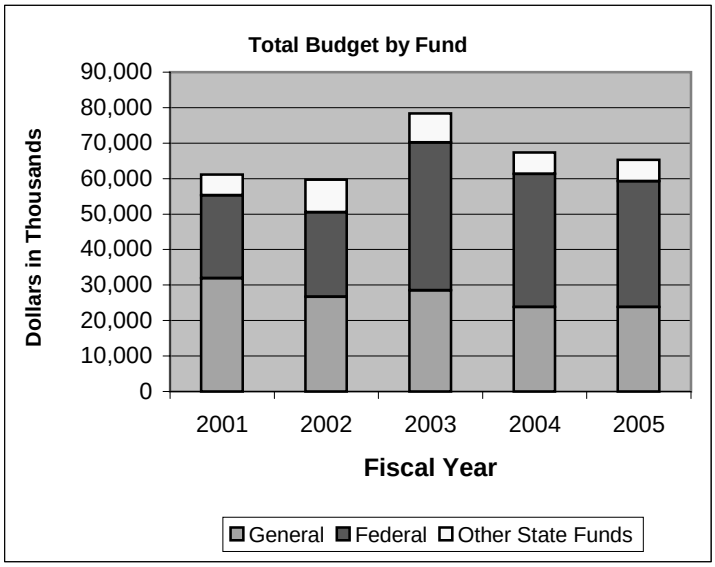
Program Funding

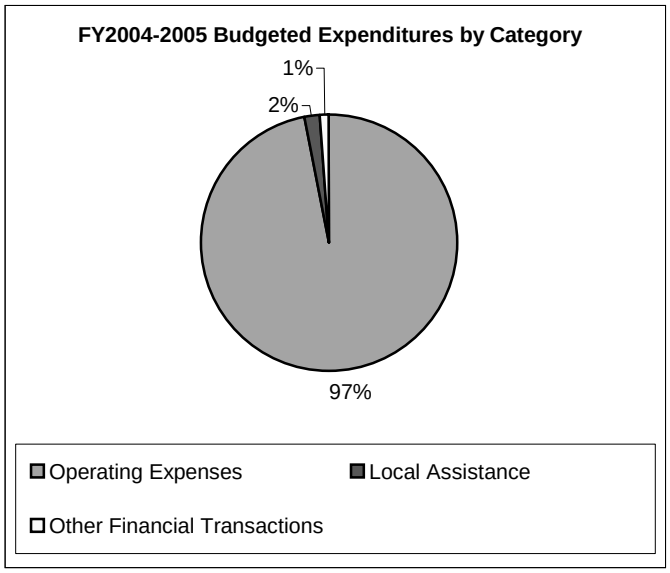
This program is funded with both state and federal monies. Approximately 51% of the agency's personnel are paid from federal funds and 49% from state funds.

The amounts in the narrative may differ when compared to the fiscal summary due to timing of the state fiscal year-end close and forecast changes.

Contact

Agency contact: (651) 582-8200
Department of Education web site: http://cfl.state.mn.us/





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	31,742	26,501	28,351	23,653	23,653	47,306
Trunk Highway	21	0	0	0	0	0
Statutory Appropriations						
General	182	158	140	139	139	278
Special Revenue	4,462	7,068	7,072	5,220	5,220	10,440
Federal	23,366	23,803	41,709	37,555	35,454	73,009
Miscellaneous Agency	632	723	850	777	777	1,554
Gift	776	1,405	220	24	24	48
Total	**61,181**	**59,658**	**78,342**	**67,368**	**65,267**	**132,635**

Expenditures by Category						
Operating Expenses	58,494	56,824	76,320	65,313	63,212	128,525
Local Assistance	2,094	2,188	1,322	1,355	1,355	2,710
Other Financial Transactions	593	646	700	700	700	1,400
Total	**61,181**	**59,658**	**78,342**	**67,368**	**65,267**	**132,635**

Expenditures by Activity						
Teaching & Learning	19,970	21,292	30,825	28,296	27,389	55,685
Management Services	19,042	17,886	21,217	16,763	16,388	33,151
Policy Development	6,787	6,882	7,438	6,672	6,766	13,438
Councils And Foundations	1,829	1,533	679	621	621	1,242
Community Services	13,553	12,065	18,183	15,016	14,103	29,119
Total	**61,181**	**59,658**	**78,342**	**67,368**	**65,267**	**132,635**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	2	1,638	1,707	2,017	2,017	4,034
Cambridge Deposit Fund	1,630	0	0	0	0	0
Subtotal Non Dedicated	1,632	1,638	1,707	2,017	2,017	4,034
Dedicated						
General	181	143	139	139	139	278
Special Revenue	4,808	4,585	4,815	4,879	4,880	9,759
Federal	6,834	5,756	16,459	17,042	14,942	31,984
Miscellaneous Agency	643	730	777	777	777	1,554
Gift	1,306	514	19	24	24	48
Subtotal Dedicated	13,772	11,728	22,209	22,861	20,762	43,623
Total Revenue	**15,404**	**13,366**	**23,916**	**24,878**	**22,779**	**47,657**
Full-Time Equivalents (FTE)	**525.6**	**502.8**	**498.0**	**497.0**	**493.0**	

State of Minnesota
Department of Education

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February 18, 2003

Please accept this letter as the formal submission of the agency and K-12 program budget for the Minnesota Department of Education for F.Y. 2004-05. The Department of Education's proposed general fund budget for school financing is approximately $12 billion in F.Y. 2004-05. The Department's proposed administrative budget is approximately $47 million and the Department oversees approximately $1.5 billion in federal funds biennially.

The State faces many challenges during the next two years. While the challenges are difficult, the Pawlenty administration will set a course for our K-12 school system that is positive, innovative, promotes student achievement and accountability, protects core services and also provides *better* services to parents, educators, students and taxpayers.

Currently, Minnesota has the fourth highest graduation rate in the nation. And, according to the U.S. Department of Education, Minnesota's 16:1 student to teacher ratio is better than the national average. Minnesota has also been a leader for school choice -- initiating post-secondary enrollment options and open enrollment in 1980s, charter schools in the early 1990s and the passage of landmark legislation with the expansion of education tax credits and deductions in 1997.

These positive attributes indicate the priority that our state has consistently placed on education. While our public schools are solid, we need to move forward and respond to the public's desire to implement new and positive changes.

The Pawlenty administration recommends retiring the state's controversial standards called the Profile of Learning and implementing new academic standards that are rigorous and grade-level specific in the areas of reading/writing, mathematics, science, geography and history. As these standards are implemented, the state will work with school districts, and also address the new federal requirements under the *No Child Left Behind* legislation. The Pawlenty administration supports President Bush's efforts to bring accountability and measurable results to our educational system.

The Pawlenty administration has made protecting the classroom a major priority of the budget presented to the Legislature and to Minnesotans. Under this budget, the revenue per student will increase from $7,633 in 2003 to $7,799 in 2004. But in protecting the classroom dollars, we also recognize that Minnesotans demand accountability. The Pawlenty administration has several recommendations that will provide taxpayers with the assurance that their tax dollars are being spent wisely. First, Governor Pawlenty recommends an overhaul of school finances that complements the Property Tax and School Finance Reform enacted in 2001 and builds on reform measures presented in this budget to legislators and the public.

Reform measures in the Governor's F.Y. 2004-05 budget include: imposing a five-year limit on additional funding for Limited English Proficiency (LEP), which will give school districts incentives to quickly move students to become proficient in English; eliminating Training & Experience revenue and encouraging school districts to move to an alternative compensation system of pay for teachers; and creating equity in tax burdens between districts that have passed a referendum and districts that are receiving an equivalent number of dollars per pupil unit from equity revenue.

However, in order for the Governor, Legislature, school districts and the public to engage in school finance reform, there needs to be accurate and clear reference points to begin the debate. The budget presented to the Legislature and the public will begin the debate by funding a school evaluation initiative that will provide clear and accurate information to the public.

In addition, Governor Pawlenty proposes that we create school performance report cards so that parents, teachers, students and taxpayers will have easy-to-read information about each school district, including student achievement; graduation rates and student attendance; levels of state and local spending; and safety and school environmental standards.

During 2003, the Pawlenty administration will seek public comment and input on a school finance reform plan. The final school finance reform plan will be presented to the Legislature in 2004.

Governor Pawlenty's education agenda and budget presented to the 2003 Legislature and Minnesotans is one that places priority on protecting the classroom; providing higher and more rigorous academic standards; setting the stage to begin school finance reform; and bringing a new level of accountability to our educational system.

Sincerely,

Cheri Pierson Yecke, Ph.D
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	11,393,228	1,462,906	12,856,134
Biennial Appropriations	2,000	0	2,000
February Forecast Adjustment	-80,287	0	-80,287
November Forecast Adjustment	105,868	0	105,868
One-Time Appropriations	-35,000	0	-35,000
Program/Agency Sunset	-12,060	-6,600	-18,660
Statutory Adjustment	1,382,181	0	1,382,181
Adjusted Base Funding	12,755,930	1,456,306	14,212,236
Change Items			
Agency Budget Reductions	-8,348	0	-8,348
General Education			
Changes To General Education	-59,584	0	-59,584
Percentages For Aid Payments	-183,173	0	-183,173
Property Tax Shift	-173,602	0	-173,602
Other General Programs			
Eliminate Richfield Airport Aid	-2,601	0	-2,601
Nonpublic Pupil Programs			
Eliminate Impact Of $415 Roll-In	-2,690	0	-2,690
Charter Schools			
Eliminate Charter School Integration	-92	0	-92
Reduce Charter School Lease Aid	-1,348	0	-1,348
Desegregation Programs			
Change Integration Revenue	-290	0	-290
Elim Teachers Of Color/Minority Fellow	-2,000	0	-2,000
Accountability & Reform			
School Evaluation Services Project	500	0	500
Prgs For Special Populations			
Eliminate Reading Competency Program	-200	0	-200
Reduce Adv Placement/International Bacc.	-1,100	0	-1,100
Special Programs			
Special Education & Excess Cost Changes	-47,587	0	-47,587
Facilities & Technology			
Reduce Alt Facilities/Health & Safety	-17,386	0	-17,386
Nutrition Programs			
School Breakfast Consolidation	-271	0	-271
Libraries			
Reduce Basic Library Support Aid	-183	0	-183
Child Care Programs			
Change Child Care Assistance Funding	-17,573	0	-17,573
Early Childhood & Family			
Early Childhood Family Ed/Sch Readiness	-11,828	0	-11,828
Eliminate Way To Grow	-950	0	-950
Prevention			
Community Education Changes	-1,680	0	-1,680
Eliminate After School Enrichment Aid	-11,020	0	-11,020
Eliminate Family Collaboratives Funding	-370	0	-370
Eliminate Parenting Time Centers Aid	-400	0	-400
Eliminate Violence Prevention Funding	-2,654	0	-2,654
Reduce Children'S Trust Fund	-1,750	0	-1,750
Self-suff & Lifelong Learning			
Adult Basic Education/Adult Graduation	-10,143	0	-10,143
Eliminate Adult Basic Education Audits	-245	0	-245
Eliminate Lead Abatement Aid	-200	0	-200
Reduce Economic Opportunity Grants	-9,028	0	-9,028
Governor's Recommendations	12,188,134	1,456,306	13,644,440
Biennial Change, 2002-03 to 2004-05	1,950,142	76,707	2,026,849
Percent Change	19%	6%	17%

Recommended Levy Impacts
($000s)

	2004	2005	2006	2007
Changes to General Education	0	37,720	30,534	40,619
General Fund Levy Changes	0	(6,248)	(6,274)	(6,300)
Change Integration Revenue	0	(177)	5,514	5,320
Reduce Building Lease Levy	0	(4,329)	(4,542)	(4,765)
Alt. Facilities/Health & Safety Reduction	0	(18,550)	(23,073)	(36,519)
Community Education Changes	0	(7,960)	(3,208)	(3,587)
ECFE/School Readiness Funding Changes	0	(1,030)	0	0
Total Levy Impacts	**$0**	**($574)**	**($1,049)**	**($5,232)**

Recommended Fee Revenue

The Governor recommends fully recovering the costs of licensing teachers in Minnesota by increasing the licensure fee from $47 to $57 per license. The fee increase is estimate to generate an additional $310,000 in revenue per year ($10 * 31,000 licenses per year). The total revenue for teacher licensing is estimated to be $1.8 million per year. This change will allow the fee to fully cover the costs of teacher licensing and will avoid general fund subsidy of these services.

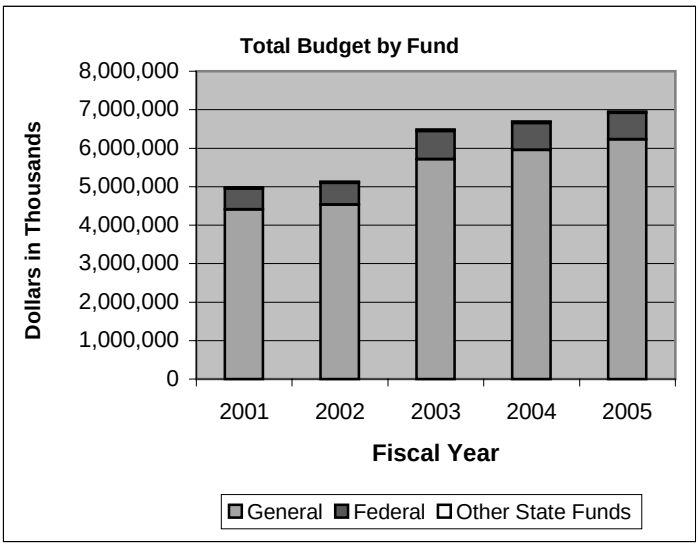
Changes from FY 2002-03

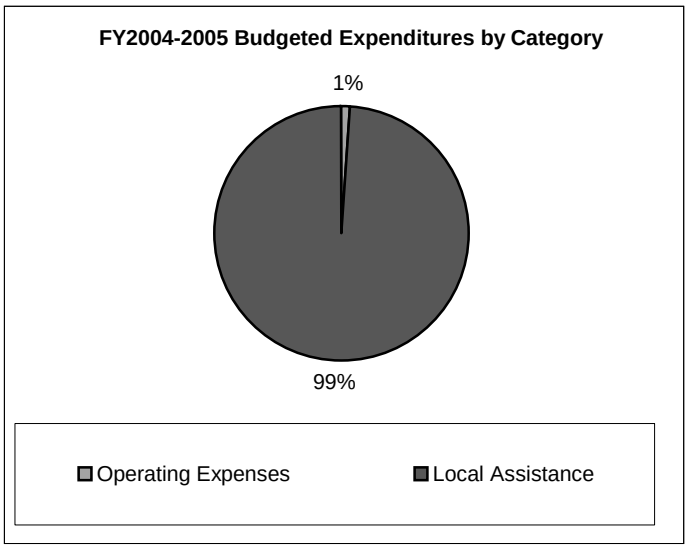
Much of the change in recommended appropriations for 2004-05 relative to the 2002-03 biennium is related to two funding changes for education finance.

⇒ The state takeover of the general education levy as part of the 2001 property tax reform results in almost $1 billion in biennial spending growth for education aids.

⇒ Additionally, a 2002 law change to school aid payment percentages resulted in a 7 percent reduction in 2003 spending. This payment is included in the 2004 and 2005 estimated level of spending, resulting in approximately $438 million in biennial spending growth.

Additionally, recommended expenditures have also been adjusted for the November 2002 and February 2003 budget forecasts. These changes are generally related to updated estimates of enrollment changes and other program experience.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	4,403,836	4,528,482	5,709,212	5,957,097	6,230,759	12,187,856
State Government Special Revenue	96	101	96	96	96	192
Trunk Highway	21	0	0	0	0	0
Federal Tanf	1,811	3,015	4,684	0	0	0
Open Appropriations						
Endowment School	24,053	21,368	19,282	19,634	19,986	39,620
Statutory Appropriations						
General	243	158	140	139	139	278
State Government Special Revenue	302	0	0	0	0	0
Special Revenue	6,333	13,312	14,262	13,861	11,437	25,298
Federal	544,697	566,284	733,891	698,626	690,868	1,389,494
Miscellaneous Agency	632	723	850	777	777	1,554
Gift	1,013	1,455	276	74	74	148
Total	**4,983,037**	**5,134,898**	**6,482,693**	**6,690,304**	**6,954,136**	**13,644,440**

Expenditures by Category						
Operating Expenses	70,358	66,615	89,665	76,337	71,236	147,573
Payments To Individuals	2,762	2,734	2,673	8,058	5,634	13,692
Local Assistance	4,909,324	5,064,903	6,389,655	6,605,209	6,876,566	13,481,775
Other Financial Transactions	593	646	700	700	700	1,400
Total	**4,983,037**	**5,134,898**	**6,482,693**	**6,690,304**	**6,954,136**	**13,644,440**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Program	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
General Education	3,296,451	3,430,409	4,668,968	4,833,163	5,123,323	9,956,486
Other General Programs	7,173	6,819	3,802	3,508	3,929	7,437
Nonpublic Pupil Programs	31,909	31,864	36,252	37,205	37,607	74,812
Charter Schools	18,207	20,102	19,555	23,790	27,789	51,579
Desegregation Programs	55,259	64,240	53,011	68,159	68,585	136,744
American Indian Programs	3,588	5,363	5,783	6,524	6,657	13,181
Accountability & Reform	30,619	31,929	66,175	65,490	63,490	128,980
Prgs For Special Populations	117,888	115,711	179,172	174,342	174,288	348,630
Special Programs	662,773	707,882	692,681	770,916	777,921	1,548,837
Facilities & Technology	64,620	61,393	60,831	69,212	53,173	122,385
Nutrition Programs	155,366	166,058	168,405	168,533	169,181	337,714
Libraries	14,546	12,246	14,433	14,632	14,836	29,468
Discontinued Programs (K-12)	108,879	48,206	21,015	0	0	0
Child Care Programs	189,698	212,576	252,163	244,130	237,190	481,320
Early Childhood & Family	60,314	57,645	56,539	57,556	48,501	106,057
Prevention	37,585	39,309	32,090	21,422	18,697	40,119
Self-Suff & Lifelong Learning	65,582	63,288	73,075	64,354	63,702	128,056
Discontinued Programs (Ec)	1,399	200	401	0	0	0
Agency	61,181	59,658	78,342	67,368	65,267	132,635
Total	**4,983,037**	**5,134,898**	**6,482,693**	**6,690,304**	**6,954,136**	**13,644,440**

Revenue by Type and Fund						
Non Dedicated						
General	2	1,638	1,707	2,017	2,017	4,034
Cambridge Deposit Fund	1,630	0	0	0	0	0
Subtotal Non Dedicated	1,632	1,638	1,707	2,017	2,017	4,034
Dedicated						
General	256	143	139	139	139	278
State Government Special Revenue	0	5	0	0	0	0
Special Revenue	8,362	12,553	11,267	10,666	10,542	21,208
Federal	546,887	563,482	733,575	698,626	690,868	1,389,494
Maximum Effort School Loan	1,060	940	940	940	940	1,880
Miscellaneous Agency	643	730	777	777	777	1,554
Gift	1,399	518	42	74	74	148
Subtotal Dedicated	558,607	578,371	746,740	711,222	703,340	1,414,562
Total Revenue	**560,239**	**580,009**	**748,447**	**713,239**	**705,357**	**1,418,596**
Full-Time Equivalents (FTE)	**543.6**	**518.7**	**511.0**	**509.7**	**505.7**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(4,174)	(4,174)	(4,174)	(4,174)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(4,174)	(4,174)	(4,174)	(4,174)

Recommendation

The Governor recommends $47.3 million for the Department's administrative budget in FY 2004-05. This is a biennial reduction of $4.174 million per year. The Governor expects that the Department will focus on its mission of improving K-12 education in Minnesota as it implements these administrative reduction in non-core service areas. Additionally, the Governor intends to provide as much flexibility as possible to the agency for the implementation of these reductions.

Relationship to Base Budget

This change reflects a reduction of approximately 15% of the agency's FY 2004-05 base budget.

Fiscal Impact* ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	($310)	($310)	($310)	($310)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($310)	($310)	($310)	($310)

*Net fiscal impact equals expenditure change minus revenue change. Positive numbers can be expenditure increases or revenue decreases. Negative numbers can be expenditure reductions or revenue increases.

Recommendation

The Governor recommends fully recovering the costs of licensing teachers in Minnesota by increasing the licensure fee from $47 to $57 per license.

Background

Per *Minn. Stat.* §122A.21, teachers pay a fee for licensure that is intended to recover the costs of administering teacher licensure in the State of Minnesota. The current fee of $47 does not cover the full costs of administering licensure provisions, including the operations of the Personnel Licensing Division and systems in the Department, the operations of the Minnesota Board of Teaching and legal fees.

The proposed $10 increase to the licensure fee will ensure that the full costs of licensing are offset by fee collections. The fee has been constant for at least the last eight years.

Relationship to Base Budget

This is a non-dedicated fee. The fee increase will ensure that revenue is sufficient to support estimated expenditures and the state general fund is not subsidizing these program costs.

Statutory Change: Not applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact				
1 Eliminate Learning Year Pupil Units	($58,483)	($69,190)	($69,060)	($69,183)
2 Five Year Limit on LEP Funding	($3,855)	($7,480)	($8,460)	($8,896)
3a Delete $415 Impact Compensatory	($20,435)	($24,989)	($24,087)	($23,971)
3b Delete $415 Impact Sparsity	($1,179)	($1,448)	($1,490)	($1,538)
3c Delete $415 Impact Transp. Sparsity	($4,468)	($5,350)	($5,308)	($5,265)
3d Delete $415 Impact PSEO	($1,866)	($1,878)	($1,910)	($1,958)
4 Eliminate Training & Experience Revenue	($14,262)	($11,550)	($6,683)	($3,301)
5 Hold Harmless Gen. Ed. Revenue/PU	$89,407	$53,404	$37,282	$31,212
6 Change Equity Revenue from Aid to Levy	0	($14,597)	($18,811)	($20,401)
7 First Tier-Referendum Equalization	0	$38,635	$56,461	$56,018
Total Appropriation Basis	($15,141)	($44,443)	($42,066)	($47,283)
Aid Entitlement Basis				
1 Eliminate Learning Year Pupil Units	($70,461)	($68,930)	($69,087)	($69,203
2 Five Year Limit on LEP Funding	($4,644)	($8,061)	($8,542)	($8,968)
3a Delete $415 Impact Compensatory	($24,621)	($25,064)	($23,887)	($23,988)
3b Delete $415 Impact Sparsity	($1,420)	($1,454)	($1,497)	($1,546)
3c Delete $415 Impact Transp. Sparsity	($5,383)	($5,343)	($5,301)	($5,258)
3d Delete $415 Impact PSEO	($1,866)	($1,878)	($1,910)	($1,958)
4 Eliminate Training & Experience Revenue	($17,183)	($10,396)	($5,922)	($2,764)
5 Hold Harmless Gen. Ed. Revenue/PU	$107,719	$42,279	$36,258	$30,179
6 Change Equity Revenue from Aid to Levy	0	($17,587)	($19,062)	($20,675)
7 First Tier-Referendum Equalization	0	$46,548	$58,491	$55,511
Total Appropriation Basis	($17,859)	($49,886)	($40,459)	($48,670)
Levy Impact				
1 Eliminate Learning Year Pupil Units	0	$2,232	0	0
5 Hold Harmless Gen. Ed. Revenue/PU	0	$64,449	$69,963	$75,455
6 Change Equity Revenue from Aid to Levy	0	$17,587	$19,062	$20,675
7 First Tier-Referendum Equalization	0	($46,548)	($58,491)	($55,511)
Total Levy Impact	0	$37,720	$30,534	$40,619
Total District/Non-District Revenue	($17,859)	($12,166)	($9,925)	($8,051)

Recommendation

The Governor recommends changes to the general education program to ensure greater accountability and more equitable targeting of resources. The Governor's plan seeks increased accountability through changes to learning year and limited English proficiency revenue. To provide more fairness in district finances, the Governor recommends eliminating the distortions caused by rolling in $415 of referendum revenue in the tax reform of 2001, requiring a local contribution for districts accessing equity revenue, and significantly raising the fully equalized portion of referendum revenue. Funding for K-12 classrooms is protected by ensuring district general education revenues are held harmless on a per pupil basis with a new transition revenue. The proposed reductions are $15,141,000 in FY 2004 and $44,443,000 in FY 2005.

The Governor recommends the following changes in the general education program:

⇒ Beginning in FY 2004, eliminate learning year pupil units for students enrolled more than full-time. To neutralize the impact on referendum revenue, adjust each district's referendum allowance based on the ratio of the district's FY 2004 old formula resident marginal cost pupil units (RMCPU) to its new formula RMCPU, and adjust the standard referendum cap from 18.2% to 18.6% of the general education formula allowance.

⇒ Beginning in FY 2004, change the student count used to drive limited English proficiency (LEP) funding from the duplicated headcount of LEP students identified (but not necessarily served) to the average daily membership (ADM) of LEP students served in an LEP program. Limit LEP funding eligibility to students who have been enrolled in Minnesota public schools for fewer than five years (5 ADM). To partially offset the reduction in eligible LEP student counts, increase the basic LEP formula from $584 to $700, and increase the maximum concentration allowance from $190 to $250.

⇒ Beginning in FY 2004, compute Compensatory, Sparsity, Transportation Sparsity, and Post Secondary Enrollment Options Program (PSEO) revenue using the formula allowance less $415, instead of the full formula allowance.

⇒ Beginning in FY 2004, eliminate Training & Experience (T&E) revenue.

⇒ For FY 2004, provide transition aid to guarantee that a district's FY 2004 general education revenue per old law adjusted marginal cost pupil unit (AMCPU), excluding operating referendum levies and open enrollment adjustments, will at least equal the lesser of the district's FY 2003 general education revenue per AMCPU or the district's old law FY 2004 general education revenue per AMCPU. For FY 2005-08, a district's transition revenue will equal the district's FY 2004 transition revenue per AMCPU times the district's current year AMCPU, and will be funded through an equalized levy. The levy will be spread on referendum market value and equalized at the same rate as Tier 1 referendum revenue. Districts may convert their transition revenue to operating referendum revenue with voter approval. The referendum cap for each district will be increased by the amount converted from transition revenue. Transition revenue will expire in FY 2009.

⇒ Beginning in FY 2005, change the funding for equity revenue from all aid to an equalized levy. The levy will be spread on referendum market value and equalized at the same rate as Tier 1 referendum revenue.

⇒ Expand first tier referendum equalization from $126 per pupil unit to $405 per pupil unit in FY 2005 and to $500 per pupil unit in later years.

Background

1 - Eliminate Learning Year Pupil Units

Under current law, if students are enrolled in a learning year program, an area learning center, a contract alternative program, or an alternative program approved by the commissioner, for more than 1,020 hours per year (secondary), 935 hours per year (elementary) or 425 hours per year (K), the student is counted as more than one pupil in ADM. ADM is limited to 1.2 for a kindergarten student or 1.5 for a student in grades 1 – 12.

The learning year program began with a pilot project at the North Branch school district in the late 1980s, shortly after categorical funding for summer school was eliminated and rolled into the general education formula by the 1987 legislature. The original concept was to enable secondary students to accelerate their learning by attending school year-round. While students would generate more than one ADM per year, they would graduate early, with no net long-term cost to the state. Over time, the program expanded to include elementary as well as secondary

students, and to include remedial programs as well as accelerated learning. The program has grown rapidly since the mid-1990s, spurred by the introduction of basic skills testing and by the availability of additional general education funding for additional student learning time. Between 1995 and 2002, the number of additional ADM generated by students attending more than full time has increased from 2,095 to 12,174.

The program has produced positive results for at-risk learners, but there are problems:

⇒ With the additional ADM for these students buried in each district's basic student accounting data and funded through the general education formula and all other formulas based on ADM data, there is a lack of accountability at the state and local levels for the costs of this program.

⇒ Cost per pupil information reported to the public and to policy makers is misleading if the reader does not know that some students are counted as more than one ADM. Most would assume that the cost of additional services would show up as a higher cost per student, but that doesn't happen when the student count is inflated for the extra time.

⇒ A significant number of hours are generated through independent study, which may have lower costs and/or limited accountability for time spent in the program. There have also been instances where districts have reported ADM for programs that resemble extended day programs operated through community education.

⇒ Compensatory revenue or basic general education revenue can be used to provide additional learning time for at-risk learners during the school year or during the summer. Most districts with a significant number of learning year pupil units receive substantial compensatory funding that could be used for this purpose.

⇒ Additional learning time is only one of many options for remedial education. When extra funding is provided for additional learning time but not for other strategies operating within the normal school day and year, there is an incentive to add time instead of choosing other options.

Statewide, about 14,000 pupil units are generated in this manner, or about 1.4% of all pupil units. The Minneapolis district is by far the heaviest user of this option: 8.1% of the district's total AMCPU are generated by hours exceeding one ADM per student.

2 - Five Year Time Limit on Limited English Proficiency (LEP) Funding

Under current law, school districts receive $584 for each pupil of limited English proficiency enrolled in the district at some time during the year, plus an additional amount up to $190 per enrolled LEP student, depending on the concentration of LEP students. Beginning in FY 2003, LEP students in grades 3-12 are required to score below a cut score set by the commissioner on the Test of Emerging Academic English (TEAE) to remain eligible for funding in the following school year. Test results from FY 2003 are summarized below:

LEP students tested	31,563
LEP students scoring above the cut score on both tests	441
Percent of tested LEP students passing both tests	1.4%
LEP students not tested / refused	1,493
Students not previously identified who were tested and scored below the cut score	5,454

While the TEAE was intended to be used as an exit criteria to ensure that students didn't remain eligible for funding after gaining English proficiency, the net effect has been to add significantly more students to LEP eligibility than have been excluded from eligibility.

The current funding formula provides no incentive for school districts to provide effective instruction for LEP students. The longer a student remains in LEP status, the more aid the district receives.

3 - Eliminate Impact of $415 Roll-in on Revenues Linked to Formula Allowance

The formulas for compensatory, transportation, transportation sparsity and PSEO are linked to the general education formula as a means of adjusting for inflation. Linking these formulas to the general education formula ensures that a consistent inflation rate will be used across programs.

For FY 2003, the general education formula was increased by 2.6% and an additional $415, or 9.9%, for the roll-in of referendum revenue into the basic formula. For most school districts, the $415 increase was offset by a reduction in referendum revenue, so the actual adjustment was 2.6%. For the programs linked to the formula allowance, there was no offsetting transfer into the general education formula, thereby increasing funding by an additional 9.9% on top of the general adjustment.

Eliminating the additional 9.9% increase for these programs will reduce funding below the FY 2003 level, but will maintain funding well above the FY 2002 levels. Total compensatory revenue for the FY 04-05 biennium will exceed total compensatory revenue for the FY 02-03 biennium by $18 million or 3.7%. Total compensatory revenue will be 12.8% higher in FY 2004 and 14.8% higher in FY 2005 than in FY 2002. This reflects the 2.6% adjustment provided to the formula in FY 2003 that will continue to be funded and growing poverty concentrations related to the downturn in the economy.

FY 2004 combined funding for sparsity and transportation sparsity funding will be lower than in FY 2003, but 2.4% higher than in FY 2002. This reflects the 2.6% adjustment provided to the formula in FY 2003 that will continue to be funded, offset by declining enrollments in rural districts.

FY 2004 PSEO-college funding will also be lower than in FY 2003, but 3.6% higher than in FY 2002. This reflects the 2.6% adjustment provided to the formula in FY 2003 that will continue to be funded, and slight growth in the number of PSEO students.

4 - Eliminate T&E Funding
Training & Experience (T&E) revenue is being phased out as state policy encourages districts to move away from the traditional step and lane approach to teacher compensation and to consider alternative teacher compensation tied to improved student performance. Current funding is based on teachers employed by a district in FY 1997, and phases out as these teachers leave the district.

The current phase-out process is slow and uneven; some districts no longer qualify for T&E funding, while others still receive significant T&E revenue. On average, the remaining T&E revenue per pupil is higher in rural districts than in the metro area.

5 - Transition Revenue (Hold-Harmless)
The recommendations outlined above are a first step toward reform of the general education program, increasing accountability and strengthening incentives for cost-effective operations. Because of the magnitude of the funding changes resulting from these recommendations, a hold-harmless provision is recommended to mitigate the short-term impact on school districts.

Transition revenue will guarantee each district that its FY 2004 general education revenue per old law AMCPU (excluding referendum revenue and open enrollment adjustments), will at least equal the lesser of: (i) the district's FY 2003 general education revenue per AMCPU, or (ii) the district's FY 2004 general education revenue per AMCPU under current law.

Because the property tax levy for FY 2004 has already been made, transition revenue will be funded with state aid in FY 2004. By continuing transition revenue for an additional four years as an equalized levy, school districts will be given ample opportunity to evaluate cost-effective program options and determine whether to seek voter approval for a longer term extension of these revenues.

6 & 7 - Change Equity Revenue from Aid to Equalized Levy and Expansion of First Tier Referendum Equalization
Under current law, districts with referendum revenue below the regional (metro or rural) 95th percentile, (except Minneapolis, St Paul & Duluth), receive state aid equal to $10 per pupil unit plus, for districts with a referendum, up to an additional $55 per pupil unit on a sliding scale. For FY 2004, metro districts with referendum allowances below $1,289 per pupil unit qualify for this revenue, while rural districts qualify with referendum allowances below $951 per pupil unit.

Equity revenue is designed to reduce the revenue gap between high and low referendum revenue districts by providing low revenue districts with additional unrestricted funds to compensate for their lack of referendum revenue.

Equity revenue is not an efficient or effective approach to reducing revenue disparities among districts, and focuses on the symptoms of revenue disparity instead of the underlying causes. The amounts of revenue per pupil unit provided through the formula -- $10 to $65 – have minimal impact in closing the revenue gaps between high and low revenue districts. Funding is not well targeted to low revenue districts. In the metro area, districts with referendum allowances as much as $452 over the standard referendum cap receive equity revenue; in the rural area, districts with referendums as much as $114 over the standard cap receive this revenue. While equity revenue seeks to address wealth-related disparities in referendum revenue – (districts with low tax base per pupil must levy at a higher rate to receive equivalent amounts of revenue per pupil) - the formula is not adjusted for tax base differences among districts. The formula generally assumes that all differences in referendum allowances are inequitable and should be mitigated by state aids to low revenue districts. In reality, a significant portion of referendum variations are related to differences in the cost of providing equivalent education among districts.

The formula does attempt to factor in cost differences by restricting access to the $55 sliding scale revenue to districts that have passed a referendum. Districts with no referendum may not need the extra funds due to low cost structures. An unforeseen consequence of this approach is that several districts have passed a $1 per pupil unit referendum to qualify for an additional $55 per pupil unit from the state.

Over the long term, the state should address the underlying causes of the equity problem instead of using an inefficient and ineffective means of treating the symptoms. The recommended changes help level the playing field in terms of tax burdens required to access a given level of referendum revenue per pupil, and then allow local communities to select their desired taxing and spending levels within reasonable limits through the referendum process. By requiring districts to levy for a portion of equity revenue, state resources would be freed up for enhanced referendum equalization. The referendum equalization formula allocates dollars more efficiently and effectively by targeting aid to low tax base communities, thereby allowing the state dollars to go farther in reducing revenue gaps.

The proposed equity levy would be spread on referendum market value, and would be equalized at the same rate as first tier referendum equalization. This would create equity in tax burdens between districts that have passed a referendum and districts that are receiving an equivalent number of dollars per pupil unit from equity revenue. Enhanced referendum equalization would also help mitigate the tax impact of the transition/hold harmless levy. Like the equity levy, that levy would also be spread on referendum market value and equalized at the same rate as first tier referendum equalization.

A variety of policy levers are available for increasing referendum equalization—first and second tier equalizing factors and the size of the first tier relative to the second tier. The option being proposed is to expand the size of the first tier. This will focus most of the tax relief on existing referendum levies, and not provide as much incentive for new referendums as increasing second tier equalization.

Under current law, the state share of referendum revenue declines from 22.8% in FY 03 to 9.9% in FY 07 due to growing market values, declining enrollments and a growing share of total referendum revenue in Tier 2. The Governor's proposal would help to stabilize the state and local shares of this revenue. Because only the aid portion of referendum revenue follows students to charter schools, stabilizing the state share of referendum revenue will also prevent a revenue loss to charter schools.

Relationship to Base Budget

The proposed reductions in state aid appropriations are 0.3% of the base budget for FY 2004 and 0.9% of the base budget for FY 2005. The proposed revenue reductions (aid entitlement plus levy) are 0.3% of current law revenue for FY 2004 and 0.2% of current law revenue for FY 2005.

Key Measures

The table below shows school district general operating resources for fiscal years 2002-2007 (operating resources includes other revenue sources like special education, but excludes non-general fund items like debt service and nutrition programs). This table takes into account the Governor's budget recommendations across all aid and levy programs that affect districts' general funds. Under the Governor's budget, district revenue per ADM will be $7,799 in FY 2004 and $7,900 in FY 2005.

Total District General Fund Revenue
From State Aids and Property Taxes
Governor's Budget Recommendations

	Revenue per ADM		
Fiscal Year	Operating Referendum Revenue	Other Revenue	Total Revenue Per ADM
2002	$ 644	$ 6,501	$ 7,144
2003	348	7,285	7,633
2004	508	7,291	7,799
2005	609	7,291	7,900
2006	667	7,265	7,932
2007	736	7,272	8,008

The table below is a subset of the district general fund table above. This shows district revenue from the General Education program only. The slight annual declines shown in General Education revenue per ADM from sources outside of Referendum Revenue reflect the current law trends such as the phase out of T&E revenue and other reductions projected in the February Forecast, as well as the impact of the Governor's budget recommendations.

General Education Revenue Only
From State Aids and Property Taxes
Governor's Budget Recommendations

	Revenue per ADM		
Fiscal Year	Operating Referendum Revenue	Other Revenue	Total Revenue Per ADM
2002	$ 644	$ 5,416	$ 6,060
2003	348	6,060	6,408
2004	508	6,041	6,549
2005	609	6,040	6,649
2006	667	6,021	6,688
2007	736	6,020	6,756

Statutory Changes: Amend MS 126C.05, subd. 15, to eliminate authority to count students as more than one ADM. Amend MS 124D.59, MS 124D.65 and MS 126C.10, subd. 4, to change LEP student accounting procedures and LEP funding formula. Amend MS 126C.10, subd. 3, to change the compensatory revenue formula. Repeal MS 126C.10, Subd. 5 (T&E revenue) and MS 126C.11 (T&E index). Amend MS 126C.10, subd. 7 & 8 to change the elementary and secondary sparsity formulas. Amend MS 126C.10, subd. 18, to change the transportation sparsity formula. Amend MS 124D.09, subd. 13, to change PSEO formula. Add new subdivisions to MS 126C.10 for equity levy and aid and transition revenue, levy and aid. Amend MS 126C.17, subdivisions 2 and 5, to change referendum equalization formulas and referendum cap.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact (Appropriation)	($185,452)	$2,279	$2,072	($758)

District/Non-District Revenue Change	0	0	0	0

Recommendation
The Governor recommends that the payment schedule for state aids and property tax credits paid to school districts and charter schools on an 83% current, 17% final adjustment basis be changed to an 80% current, 20% final adjustment basis beginning in FY 2004.

Background
Beginning in FY 2003, school districts, including charter schools, receive state aid equal to 83% of the estimated annual entitlement during the current school year in a metered flow of semimonthly payments from July 15 through June 20 as provided in MS 127A.47. In the following school year, the remaining amount due (based on final data) is paid in three installments on August 30, September 30 and October 30.

Prior to this year, districts received 90% of the estimated annual entitlement during the current year with the remainder received in October. Reducing the percentage of estimated annual aid paid to school districts in the current year from 90% to 83% moved state expenses of approximately $437.5 million from FY 2003 into FY 2004. The current recommendation will move state expenses of $185,452,000 from FY 2004 to FY 2005.

Because school districts operate on an accrual basis rather than a cash basis, the reduction in cash paid during the school year allows the districts to recognize the same level of revenue while allowing the state (operating on a cash basis) to defer the cost to the next year.

School districts have authority to borrow for a period of up to 13 months against receivable state aid, federal flow-through aid and local tax receipts and participate in a state credit enhancement plan that allows districts to qualify for the best interest rates with state guarantee of payment in the event of district default under MS 126C.50-56. In FY 2003, approximately 155 districts have accessed additional cash by borrowing against state and federal aids. The number of districts choosing to access additional cash by borrowing against taxes receivable is unknown at this time as the process begins in January and February after final certification of school district tax levies. In addition, districts may establish a line of credit or borrow using warrants under MS 123B.12 at rates negotiated with a financial institution. As nonprofit corporations, charter schools have no specific statutory authority to borrow, as they have no levy authority to provide assurance that taxpayers will repay the debt in event of default. Further reductions from 83% to 80% will increase district borrowing as available cash balances and reserves are depleted. Additional borrowing increases school district interest expense and costs of issuance of aid anticipation certificates.

Key Measures
Districts will not experience a revenue loss as a result of the payment shift.

Statutory Change: Amend MS 127A.47.

Fiscal Impact by Budget Activity ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Education	$(156,127)	$1,247	$410	$425
Referendum Tax Base Replacement	(241)	3	6	103
Abatement Aid	(82)	(8)	(4)	(5)
Nonpublic Pupil Aid	(447)	(26)	(22)	(32)
Nonpublic Pupil Transportation	(656)	(4)	(26)	(34)
Consolidated Transition	(6)	(15)	3	4
Charter School Lease Aid	(549)	(102)	(112)	(121)
Charter School Startup Aid	(54)	(17)	(4)	21
Integration Aid	(1,921)	184	(559)	(887)
Magnet School Startup	0	(17)	(4)	21
Success for the Future	(64)	0	214	214
American Indian Scholarships	0	0	188	188
Tribal Contract Schools	(69)	(1)	1	(1)
Special Education	(15,919)	44	(10)	8
Home Based Travel	(7)	(1)	(1)	(1)
Special Ed—Excess Cost	(1,907)	(34)	1,039	1,051
Secondary Voc-Students with Disabilities	(267)	1	0	0
Health & Safety Aid	(237)	68	14	12
Debt Service Equalization	(1,084)	(54)	166	88
Alternative Facilities Bonding Aid	(579)	579	0	0
Fast Break to Learning	(147)	(17)	(239)	(290)
Subtotal K-12 Aids	(180,363)	1,830	1,056	743
School Readiness	(297)	(15)	0	0
Early Childhood Family Education	(617)	355	(8)	(17)
Health & Developmental Screening	(80)	0	0	0
School Age Care Revenue	(1)	0	1	0
Community Education	(170)	84	23	18
Adults with Disabilities	(22)	0	0	0
Adult Basic Education	(1,020)	(1)	0	(2,501)
Adult Graduation Aid	(70)	0	0	0
Basic Support Library Grants	(294)	0	887	887
Multicounty, Multitype Library	(27)	0	90	90
Subtotal Family & Early Childhood	(2,598)	423	993	(1,523)
School Portion Property Tax Aids & Credits	(2,491)	26	23	22
Total Aid Payment Delay	**$(185,452)**	**$2,279**	**$2,072**	**$(758)**

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact (Appropriation)	($157,541)	($16,061)	($23,897)	($18,333)
District/Non-District Revenue Change	0	0	0	0

Recommendation

The Governor recommends implementation of early recognition of property tax levies with a corresponding reduction to state aid payments beginning in FY 2004. Implementation of early recognition will result in decreased need for state appropriations of $157,541,000 in FY 2004 and $16,061,000 in FY 2005.

Background

This early recognition and corresponding aid reduction provides a savings in FY 2004 that will help to balance the state's budget and lessen appropriation reductions in education programs, while maintaining district revenues. Smaller savings in future years result from projected growth in district property tax levies.

There is currently an early recognition requirement in place for school districts. In each year, districts recognize specific levies identified in statute at 100% to match district revenue with district expenditure. In addition, districts recognize revenue equal to 31% of the referendum levy certified in 2000. For districts with early recognition amounts greater than cash receipts from property taxes, statute directs early recognition of the amount of general education aid that when added to tax receipts will equal the required early recognition amount. These provisions will remain in place and there will be no aid adjustments associated with the early levy recognition currently in place.

Under this recommendation, districts would recognize revenues equal to 36.6% of local property tax levies, including operating referendum levies, in the same year the levies are certified. State savings in FY 2004 are realized through reduction of state aid payments to school districts in an amount equal to the sum of 1) the difference between 36.8% of the Pay 2004 operating referendum levies and 31% of the Pay 2001 referendum levy and 2) 36.8% of other general and community service levies adjusted for levies currently recognized early. To lessen the negative effect on district cash flow, aid reduction would begin as late in the fiscal year as possible to coincide with district receipt of cash for spring tax collections.

This recommendation will create cash flow issues for schools as total cash receipts for the final year are reduced. While districts are authorized by M.S. 126C.52 to resolve cash shortfalls through short-term borrowing based on property taxes or state aids receivable, they will incur costs for issuance and interest. Districts may also earn less interest on investments as cash reserves are drawn down.

Relationship to Base Budget

Aid savings resulting from this change equal approximately $161 per adjusted marginal cost pupil unit for FY 2004.

Statutory Changes: Amend M.S. 123B.75; required new language similar to 127A.44, repealed in First Special Session 2001.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact (Appropriation)	($1,180)	($1,421)	($1,126)	($772)
District/Non-District Revenue Change	($1,421)	($1,421)	($1,066)	($711)

Recommendation

The Governor recommends elimination of this program. The proposed reductions are $1,180,000 in FY 2004 and $1,421,000 in FY 2005.

Background

This change will eliminate the state aid for the Richfield School District in FY 2004-08 provided in the Laws of 2000, Chapter 486, Article 2, Section 36 as amended by Laws 2001, 1st Special Session, Chapter 6, Article 1, Section 36.

This program provides financial assistance to the Richfield Public School District for the loss of students due to the Minneapolis-St. Paul International Airport expansion and the resulting demolition of residential housing. The airport expansion project required the demolition of residential housing within the airport expansion zone which was defined in Laws 1999, Chapter 243, Article 16, Section 35. Provision was also made for acquisition of other land in Richfield for relocation and reconstruction of a portion of the residential housing lost.

This aid program, authorized for FY 2004-08, would replace a portion of the revenues attributable to students residing in the airport expansion zone in the 1998-99 school year. For FY 2004-05, the statutory formula provides aid of 70% of the general education formula allowance multiplied by the 1998-99 pupil units attributed to the airport impact zone defined in Laws 1999, Ch. 243, Article 16, Section 35. That percentage declines to 52.5% in FY 2006, 35% in FY 2007, and 17.5% in FY 2008, as the district adapts to the student losses. The program is eliminated in FY 2009.

Richfield's Average Daily Membership (ADM) in FY 1999 impacted by the airport expansion project was 392.21. The district began losing housing due to the airport expansion project in calendar year 1998 and the loss of housing was impacted by various delays in the project. This housing change was expected to have a sudden and significant impact on the total enrollment of the school district. The data provided below shows the total resident ADM and the total adjusted ADM of the Richfield School District for the periods FY 1997 through FY 2005. This data includes the impact of the loss of pupil units for the school district due to the loss of housing associated with the airport expansion project.

Fiscal Year	Resident ADM	ADM Change	Percentage Change	Adjusted ADM	ADM Change	Percentage Change	Status
FY 1997	4,445.50	-	-	4,446.20	-	-	Actual
FY 1998	4,371.10	(74.4)	-1.67%	4,419.60	(26.6)	-0.60%	Actual
FY 1999	4,297.00	(74.1)	-1.70%	4,389.00	(30.6)	-0.69%	Actual
FY 2000	4,254.70	(42.3)	-0.98%	4,335.40	(53.6)	-1.22%	Actual
FY 2001	4,359.00	104.4	2.45%	4,387.40	52.0	1.20%	Actual
FY 2002	4,323.50	(35.5)	-0.81%	4,383.80	(3.6)	-0.08%	Actual
FY 2003	4,281.00	(42.5)	-0.98%	4,155.00	(228.8)	-5.22%	Est.
FY 2004	4,345.00	64.0	1.49%	4,199.00	44.0	1.06%	Est.
FY 2005	4,290.00	(55.0)	-1.27%	4,172.00	(27.0)	-0.64%	Est.

The change in total resident ADM was not as significant and was not as sudden as expected. The district has had sufficient time to make budget adjustments to accommodate the anticipated changes in pupil units due to the project. The district has made adjustments to their operating and financial plans for the impact in the change of pupil units associated with this project prior to FY 2004.

This change item will eliminate the additional aid payment to the Richfield School District thereby reducing the district's projected general fund revenue by the following estimated aid amounts in the following fiscal years:

- FY 2004 $1,420,651
- FY 2005 $1,420,651
- FY 2006 $1,065,488
- FY 2007 $ 710,325
- FY 2008 $ 355,163

Relationship to Base Budget

The proposed reductions would eliminate this program.

In FY 2004, the reduction is projected to be 4.9% of the district's estimated General Education Revenue of $28,751,690, under current law.

Statutory Change: Repeal Laws of 2000, Chapter 486, Article 2, Section 36 amended by Laws 2001, 1st Special Session, Chapter 6, Article 1, Section 36.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
Levy Impact				
Tree Growth Levy	0	($695)	($695)	($695)
Swimming Pool Levy	0	($400)	($420)	($440)
Staff Development Levy	0	($36)	($36)	($36)
Ice Arena Levy from 100% to 90% of cost	0	($90)	($96)	($102)
Reemployment Insurance from 100% to 90% of cost over $10/PU	0	($4,854)	($4,854)	($4,854)
Judgment Levy from 100% to 90% of cost over $10/PU	0	($173)	($173)	($173)
Total Levy Impact	0	($6,248)	($6,274)	($6,300)
Total District/Non-District Revenue	0	($6,248)	($6,274)	($6,300)

Recommendation

The Governor recommends the elimination of the following levies. The following levies provide additional revenue to a few districts that is not generally available to all school districts in the state:

⇒ The tree growth levy replaces payments school districts previously received from counties from the proceeds of the tree growth tax repealed in 2001. Forty-nine districts levy a total of $695,000 under this provision.

⇒ The swimming pool levy, which is used to cover the net operating costs for swimming pools, is available only to certain districts located in counties along the Canadian border. Four districts are projected to levy a total of $400,000 in Pay 2004 taxes.

⇒ The staff development levy allows districts with an ongoing outplacement program for teachers to levy up to $8.15 per teacher for site-level staff development activities. Five districts are projected to levy a total of $36,000 in Pay 2004 taxes.

In addition to eliminating the levies listed above, the Governor recommends reducing the levy authorities for the following programs:

⇒ Ice arena: districts that operate and maintain an ice arena are allowed to levy for the net operating costs – this somewhat parallels the inclusion of leases for ice time in the building lease levy for other districts. A change from 100% to 90% is consistent with the building lease levy change.

⇒ Unemployment insurance: reducing the levy from 100% of cost to 90% of the cost of unemployment claims exceeding $10 per pupil unit will require districts to pay a portion of these claims from the general fund, thereby improving incentives to minimize the number and duration of layoffs.

⇒ Judgments: reducing the levy from 100% of cost to 90% of the cost of judgments exceeding $10 per pupil unit will require districts to pay a portion of any judgments from the general fund, thereby improving incentives to avoid judgments.

Key Measures

The elimination of these levies will increase the equity of the availability of levy programs to districts in Minnesota.

Statutory Change: The following Minnesota Statutes would be impacted: Ice Arena Levy - 126C.45; Reemployment Levy - 126C.43, Subd. 2; Judgment Levy - 126C.43, Subd. 3 and 126C.47, Tree Growth Levy – 126C.445; Swimming Pool Levy - 126C.445; Staff Development Levy - 122A.62.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact				
Nonpublic Pupil Aid	($434)	($89)	0	0
Nonpublic Transportation Aid	($1,799)	($368)	0	0
Total Appropriation Basis	($2,233)	($457)	0	0
Aid Entitlement Basis				
Nonpublic Pupil Aid	($523)	0	0	0
Nonpublic Transportation Aid	($2,167)	0	0	0
Total Aid Entitlement	($2,690)	0	0	0
Total District/Non-District Revenue	($2,690)	0	0	0

Recommendation
The Governor recommends a reduction in the nonpublic pupil aid and nonpublic pupil transportation programs to eliminate the impact of the $415 transfer of referendum revenue into the general education formula on the FY 2004 statutory inflation adjustment for these programs. The proposed reduction is $2,233,000 for FY 2004 and $457,000 for FY 2005.

Background
Nonpublic pupil transportation aid and the textbooks and instructional materials portion of nonpublic pupil aid are determined using expenditure data from the second prior year, adjusted for inflation using the ratio of the general education formula allowance for the current year to the general education formula allowance for the second prior year. Because of the $415 transfer of referendum revenue into the general education formula for FY 2003 and later, the ratio of the FY 2004 formula allowance to the FY 2002 formula allowance substantially overstates the actual inflationary adjustment provided in the general education formula. Under current law, a 13.1% inflation adjustment is provided ($4,601/$4,068). The proposed two-year inflation adjustment would be 2.9% ($4,186/$4,068).

While the funding for nonpublic pupil transportation and nonpublic textbooks and instructional materials would be reduced by 5.7% from the base level, funding would still be adequate to provide an inflationary increase over FY 2002 expenditure levels. For many school districts, nonpublic pupil transportation revenue does not fully cover the cost of transporting nonpublic school pupils. This is because the funding is based on the average cost for all pupils transported and transportation for nonpublic pupils is frequently more expensive than for public school pupils because of larger attendance areas and greater dispersion of pupils. Because school districts are required to provide equal transportation to nonpublic school pupils, a reduction in nonpublic pupil transportation aid will result in greater cross-subsidies from the districts' general funds. A reduction in nonpublic pupil aid will reduce the quantity or quality of textbooks and instructional materials purchased on behalf of nonpublic school pupils.

Relationship to Base Budget
The proposed reductions are 5.7% of the base budget for FY 2004.

Key Measures
The proposed reduction in nonpublic pupil aid is not expected to change the percentage of nonpublic school pupils participating in the program.

Statutory Change: Uncodified change included in Governor's budget bill.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact (Appropriation)	($42)	($50)	($50)	($50)
District/Non-District Revenue Change	($50)	($50)	($50)	($50)

Recommendation
The Governor recommends elimination of this program. The proposed reductions are $42,000 in FY 2004 and $50,000 in FY 2005.

Background
The funding for Charter School Integration is insufficient to have significant impact on desegregation/integration efforts in the state of Minnesota. Due to budget cuts in the 2002 legislative session, the Department of Education does not have the staff capacity to administer and manage a grant with such limited impact.

Key Measures
The Department will not track desegregation efforts of charter schools if the program is eliminated.

Statutory Change: Repeal Minn. Stat. §124D.11 subd. 6(e): Integration Revenue for Charter Schools.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact (Appropriation)	($388)	($960)	($1,576)	($2,221)
District/Non-District Revenue Change	($468)	($1,061)	($1,682)	($2,331)

Recommendation
The Governor recommends reducing the maximum Charter School Lease Aid to the greater of $1,200 per pupil unit or the school's FY 2003 lease aid per pupil unit, beginning in FY 2004. The proposed reductions are $388,000 in FY 2004 and $960,000 in FY 2005.

Background
The Charter School Lease Aid program began in FY 1998 to pay building lease costs for charter schools. The appropriation in 1998 was $1,198,000 with 27 charter schools receiving aid. In FY 2003, the appropriation is $15,846,000 with a projected 78 charter schools participating.

The lease aid program was created because charter schools do not have levy authority or access to other sources of capital funds that school districts do. For better equity between school districts and charter schools, a reduction in the lease cap is recommended. Under the proposed formula, the estimated maximum lease aid per pupil unit for new charter schools would be $1,200 beginning in FY 2004. For existing charter schools, the maximum lease aid per pupil unit would be the greater of $1,200 or the school's FY 2003 lease aid per pupil unit.

Relationship to Base Budget
The proposed reductions are 2.1% of the base budget for FY 2004 and 4.2% of the base budget for FY 2005.

Key Measures
The average lease cost per pupil for FY 2003 is $1,289 for all participating charter schools. The grandfather provision for existing school will help ensure that all charter schools will receive sufficient funding to meet existing agreements.

Statutory Change: Minn. Stat. §124D.11, subd.4 (b).

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact				
Integration Revenue	0	0	($4,825)	($5,772)
Adjustment for Learning Year Pupil Unit	($27)	($263)	($582)	($911)
Total Appropriation Basis	($27)	($263)	($5,407)	($6,683)
Aid Entitlement Basis				
Integration Revenue	0	0	($5,813)	($5,764)
Adjustment for Learning Year Pupil Unit	($32)	($310)	($638)	($967)
Total Aid Entitlement	($32)	($310)	($6,451)	($6,731)
Levy Impact				
Integration Revenue	0	0	$5,813	$5,764
Adjustment for Learning Year Pupil Unit	0	($177)	($299)	($444)
Total Levy Impact	0	($177)	$5,514	$5,320
Total District/Non-District Revenue	($32)	($487)	($937)	($1,411)

Recommendation

The Governor recommends the following changes in the integration revenue program:

⇒ Maintain the levy share of integration revenue at 29% for FY 2006 and later, instead of reducing the levy share to 22%.

⇒ To mitigate the impact of eliminating learning year pupil units (see General Education Changes) on integration revenue, increase the revenue allowances for integration revenue for FY 2004 and later as follows:

- Minneapolis -- from $446 with $35 added levy to $488 with $38 added levy
- St Paul – from $446 to $468
- Duluth – from $207 to $210
- Districts @ $130 – from $130 to $132
- Districts @ $93 – from $93 to $94

The Governor recommends reductions of $27,000 in FY 2004 and $263,000 in FY 2005.

Background

In recent years the levy share of integration revenue has varied from a high of 37% for FY 2003 to a low of 22% for FY 2004. Under current law, the levy increases to 29% for FY 2005 and then goes back to 22% for later years. The change to 29% in FY 2005 helped the 2002 legislature limit the out year costs that were projected for the FY 2004-05 biennium; the change back to 22% in FY 2006 was not tracked as a cost during the 2002 legislative session because FY 2006 and FY 2007 fiscal impact was were not being tracked at that time. A significant local share helps encourage efficiency in these programs.

The proposed changes in integration revenue allowances neutralize the FY 2004 impact on integration revenue of eliminating learning year pupil units for students enrolled more than full time. However, because learning year pupil units are projected to increase as a percentage of all pupil units for the group of districts receiving this revenue, eliminating learning year pupil units creates a gradually increasing net reduction from current law integration revenue in later years.

Relationship to Base Budget

The proposed reductions in state aid appropriations are negligible for FY 2004 and 0.5% of the base budget for FY 2005. Total integration revenue reductions from aid and levy are negligible in FY 2004 and 0.6% in FY 2005.

Statutory Change: MS 124D.86.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact (Appropriation)	($1,000)	($1,000)	($1,000)	($1,000)
District/Non-District Revenue Change	($1,000)	($1,000)	($1,000)	($1,000)

Recommendation
The Governor recommends elimination of this program. The proposed reductions are $1 million each fiscal year.

Background
These programs have been targeted for elimination due to lack of measurable results. The programs have not produced data demonstrating any significant increase in minority teachers employed in Minnesota due to this funding. Due to previous cuts in Department of Education staff, the agency lacks the capacity to provide the assistance and oversight needed to ensure future measurable results in these programs.

Program funding was initiated prior to the adoption of the 1999 Desegregation Rule and Integration Revenue. Districts eligible for Integration Revenue can now use this revenue source to increase the number of minority teachers in their districts.

Eighteen school districts have received this funding in the past. One hundred sixty-five post-secondary students and the several post-secondary institutions that receive the funding on behalf of the enrolled students will be affected by the elimination of this program. Six previously funded districts that do not qualify for Integration Revenue will be affected more than districts that do qualify.

Key Measures
Eliminating this funding will lead to the possibility that the fourteen candidates participating in the Minority Fellowship Program and the 165 candidates in the Teacher of Color Program may not attain licensure and employment.

Statutory Change: Eliminating these programs requires the repeal of MN Laws 1994, Chapter 647, Art. 8, Sec. 29: Minority Fellowship Program, M.S. 122A.64: Teacher of Color Program, M.S. 124D.89: Cultural Exchange Program and 122A.65 Minority Teacher Incentives. The elimination of the program would also decrease significantly the need for the State Multicultural Education Advisory Committee: M.S. 124D.894 and the Desegregation Advisory Board: M.S. 124D.892.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact (Appropriation)	$500	0	0	0
District/Non-District Revenue Change	0	0	0	0

Recommendation
The Governor recommends increased funding for school evaluation and accountability. This would support compliance with requirements under the No Child Left Behind Act, school finance reform efforts, and the distribution of information about student achievement and school district spending. The recommendation is for an increase of $500,000 to the FY 2004 appropriation of $1.5 million. This would bring the total appropriation in FY 2004 to $2 million. The Governor also requests carry forward authority for these funds to the second year of the biennium.

Background
The legislature appropriated $2.5 million for this project during the 2001 special session. During the 2002 session funding was decreased to $1.5 million.

To engage in school finance reform, the Governor, Legislature, school districts and the public need accurate and clear reference points. This request for additional school evaluation funding will help provide these reference points. In addition, the project will help support the Department's efforts to comply with the federal requirement under No Child Left Behind. Additional federal funds will also be sought by the Department to accomplish this goal.

In addition to supporting school finance reform and compliance with federal requirements, the initiative will provide parents, teachers, students and taxpayers with easy-to-read information about each school district, including student achievement; graduation rates and student attendance; levels of state and local spending; and safety and school environmental standards.

A final school finance report will be presented to the Legislature in 2004.

Relationship to Base Budget
This proposal would increase the base level of this program from $1,500,000 to $2,000,000 for the 2004-05 biennium.

Key Measures
A contract with an independent third party was executed on 06-28-02 and the project will be completed on or before 06-30-03 as required by legislation. The recommended additional funding would allow further accountability initiatives in the FY 2004-05 biennium.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact (Appropriation)	($100)	($100)	($100)	($100)
District/Non-District Revenue Change	($100)	($100)	($100)	($100)

Recommendation
The Governor recommends elimination of this program. The proposed reductions are $100,000 each fiscal year.

Background
While reading education is a very high priority for the Department, this program has a very narrow scope within reading and only impacts a very limited number of students. The federal reading grants that Minnesota has received have a broader focus than the program funded through current legislation and will impact most low performing schools statewide.

Key Measures
It was anticipated that 90% of continuously enrolled children in participating sites would pass a phonemic segmentation accuracy test, read lowercase letter sounds and read third grade material at 90 words correct per minute at the end of grade three. This data will not be available.

Statutory Change: Repeal Laws 2001, Chapter 6, Art. 2. Section 70, 77, Subd. 27.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact (Appropriation)	($550)	($550)	($550)	($550)
District/Non-District Revenue Change	($550)	($550)	($550)	($550)

Recommendation
The Governor recommends a reduction from base level spending for this program beginning in FY 2004, while continuing support for students from low-income families. The proposed reductions are $550,000 in FY 2004 and $550,000 in FY 2005.

Background
Advanced Placement (AP) and International Baccalaureate (IB) courses offer students rigorous, challenging courses of study as part of regular offerings in secondary schools. Students have the opportunity to participate in national or international examinations at the conclusion of each course. Success on these exams provides students college credit for courses taken in high school. The appropriation provides scholarships to train teachers to initiate or improve AP and/or IB courses and subsidies for student exam fees. While more students will have to pay the examination fee themselves, the reduced appropriation will continue to support participation of the most needy students in these examinations.

The result of this reduction is that examination fees will be provided only for students of low-income families.

Relationship to Base Budget
The proposed reductions are 55% of the base budget for FY 2004 and each year thereafter.

Key Measures
The number of exams taken has increased steadily since 1996. With no subsidy for exam fees, the number of students testing will level off or decrease.

The number of students awarded an IB diploma will stay level or decrease.

Statutory Change: M.S. 120B.13 will be revised to eliminate examination fee subsidies for all students except students from low-income families.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact				
Special Education Regular-Eliminate Growth Factor	($20,259)	($45,486)	($71,943)	($99,564)
Special Education Excess Cost-Eliminate Growth Factor	0	($1,842)	($4,780)	($6,708)
Adjust for Elimination of Learning Year Pupil Units	0	0	($23)	($65)
One-Time Cross-Subsidy Aid	$5,000	$15,000	0	0
Total Appropriation Basis	($15,259)	($32,328)	($76,746)	($106,337)
Aid Entitlement Basis				
Special Education Regular-Eliminate Growth Factor	($24,409)	($49,803)	($76,478)	($104,293)
Special Education Excess Cost-Eliminate Growth Factor	($1,842)	($3,710)	($5,623)	($7,569)
Adjust for Elimination of Learning Year Pupil Units	0	0	($33)	($78)
One-Time Cross-Subsidy Aid	$5,000	$15,000	0	0
Total Aid Entitlement	($21,251)	($38,513)	($82,134)	($111,940)
Total District/Non-District Revenue	($21,251)	($38,513)	($82,133)	($111,940)

Recommendation

The Governor recommends removing the automatic increases in special education and providing one-time special education cross-subsidy aid. The proposed reductions total $15,259,000 in FY 2004 and $32,328,000 in FY 2005.

The Governor recommends the following changes in the special education and special education excess cost programs:

⇒ Eliminate the statutory program growth factors of 4.6% per year for special education-regular aid and 2.0% per year for special education-excess cost aid. Annual increases for these programs should be determined as part of the biennial budget process. Consistent with the recommendation for general education, no increase is recommended for these programs in FY 2004 and FY 2005.

⇒ To neutralize the impact of eliminating learning year pupil units, (see General Education Changes), fix the state total special education-regular aid at $530,642,000 in FY 2004 and $529,164,000 in FY 2005, and fix the state total special education-excess cost aid at $92,067,000 in FY 2004 and at $91,811,000 in FY 2005. Beginning in FY 2006, set the state total aid for each program equal to the state total aid for the previous fiscal year times the ratio of the state total average daily membership (ADM) for the current fiscal year to the state total ADM for the previous fiscal year.

⇒ Provide one-time special education cross subsidy aid of $5 million in FY 2004 and $15 million in FY 2005 to reduce the cross subsidy of special education expenditures from general education revenue. The cross subsidy aid would be allocated among school districts in proportion to each district's share of the state total special education excess cost aid for the previous fiscal year, and would be paid 100% during the current fiscal year.

Background

Under current law, state total funding for the following programs is automatically increased each year as follows:

⇒ Special education: funding per pupil in ADM is increased by 4.6% annually.

⇒ Special education excess cost: funding per ADM is increased by 2.0% annually.

Other programs, including the basic general education formula, do not receive automatic annual increases. Funding increases for all programs should be set at the same time during biennial budget deliberations, instead of making an advance commitment in statute to provide increases for some programs but not others. With no increase being recommended for the general education formula or other K-12 education programs, it is consistent to provide no increase for special education aid programs.

Federal law, (Maintenance of Effort), requires that local expenditures for special education not be reduced below previous levels. When state total special education revenue is frozen at the FY 2003 level, special education revenue per pupil will increase somewhat in FY 2004 and FY 2005 for some districts and decrease for other districts. To meet maintenance of effort requirements, the contribution of local funds must go up to offset any decrease in state aid in order to hold the level of expenditure per special education student constant. This will increase cross-subsidization of special education costs from general education funds. More generally, cross-subsidization will increase for all districts if special education cost per ADM increases over the FY 2003 level. This will tend to reduce program growth, most notably in districts with increasing enrollment and birth rates. One area where this is likely to occur is interagency coordination of services, where recent gains stimulated by the Legislature could be reversed.

The proposed cross subsidy aid would mitigate the impact of eliminating the statutory growth factors on cross-subsidies from general education revenue during the FY 2004-2005 biennium, without making a long-term commitment to ongoing increases in future biennia. To target the aid to school districts with the largest cross-subsidies, the aid would be allocated in proportion to each district's excess cost aid for the previous fiscal year.

Relationship to Base Budget

The proposed reductions are 3.3% of the base budget for FY 2004 and 5.8% of the base budget for FY 2005. The proposed state total special education revenue per ADM would increase over the FY 2003 base by 0.8% in FY 2004 and an additional 1.6% in FY 2005.

Key Measures

There is insufficient information at this time to project the impact of this change item on key measures for special education programs. The primary effect is expected to be an increase in cross-subsidization of special education expenditures from general education resources. A slowdown in special education program growth and increased student-to-staff ratios may slow long-term gains in student performance.

Statutory Change: Amend M.S. 125A.76, Subd. 1, and 125A.79, Subd.1.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
Levy Impact Building Lease from 100% to 90% of cost	0	($4,329)	($4,542)	($4,765)
Total Levy Impact	0	($4,329)	($4,542)	($4,765)
Total District/Non-District Revenue	0	($4,329)	($4,542)	($4,765)

Recommendation
The Governor recommends the modification of the Building and Land Lease levy beginning in FY 2005. The levy would be reduced from 100% of the approved costs to 90%. The proposed levy reduction is $4,329,000 in FY 2005.

Background
School districts currently levy for 100% of the cost of leasing instructional space up to a maximum of $100 per resident weighted average daily membership (WADM) and/or up to $25 per adjusted marginal cost pupil unit for leased space for an intermediate school district of which they are a member. Reducing the levy from 100% to 90% of approved cost for building leases will improve incentives for cost containment and is consistent with the 90% maximum for charter school building lease aid.

Relationship to Base Budget
This is a 10% change in district revenue supporting leased building and land costs.

Key Measures
This increases the level of equity between public school leasing authority and charter schools.

Statutory Change: Amend Building and Land Lease Levy, 126C.40, Subd. 1

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact				
Replace Alt. Fac. Bonding Aid with Levy	0	($16,007)	($19,287)	($19,287)
Alternative Bonding-Reverse Referendum	0	0	0	0
H&S Project Limit $500,000 Balance to Alt. Fac.	0	($1,164)	($1,309)	($1,205)
H&S Offsetting Increase in Alt. Bonding	0	$84	$93	$86
H&S Narrow Scope of Projects	0	($299)	($336)	($309)
Total Appropriation Basis	0	($17,386)	($20,839)	($20,715)
Aid Entitlement Basis				
Replace Alt. Fac. Bonding Aid with Levy	0	($19,286)	($19,286)	($19,286)
Alternative Bonding-Reverse Referendum	0	0	0	0
H&S Project Limit $500,000 Balance to Alt. Fac.	0	($1,402)	($1,290)	($1,187)
H&S Offsetting Increase in Alt. Bonding	0	$101	$91	$85
H&S Narrow Scope of Projects	0	($360)	($331)	($305)
Total Aid Entitlement	0	($20,947)	($20,816)	($20,693)
Levy Impact				
Replace Alt. Fac. Bonding Aid with Levy	0	$19,286	$19,286	$19,286
Alternative Bonding-Reverse Referendum	0	($3,771)	($4,154)	($4,521)
H&S Project Limit $500,000 Balance to Alt. Fac.	0	($33,653)	($39,024)	($45,174)
H&S Offsetting Increase in Alt. Bonding	0	$8,228	$9,486	$2,585
H&S Narrow Scope of Projects	0	($8,640)	($8,667)	($8,695)
Total Levy Impact	0	($18,550)	($23,073)	($36,519)
Total District/Non-District Revenue	0	($39,497)	($43,889)	($57,212)

Recommendation

The Governor recommends increasing public notification and voter approval requirements for alternative facilities bonding, eliminating alternative facilities bonding aid, limiting the scope of projects that can be funded through health and safety aid, and clarifying statutory language regarding qualification for health and safety aid. The Governor recommends reductions of $17,386,000 in FY 2005.

Specifically, the Governor recommends the following changes in the alternative facilities and health and safety programs:

Alternative Facilities

⇒ Require alternative bonding districts to provide public notice and a public hearing before issuing bonds or making an annual levy, and require a referendum if a petition is signed by 15% of the registered voters in the district.

⇒ Eliminate alternative facilities aid and require districts to levy if they choose to maintain the current spending levels.

Health and Safety

⇒ Limit health and safety funding to projects under $500,000 per building. Approved projects over $500,000 will qualify for revenue with a pay-as-you-go levy or as bonded debt under alternative facilities bonding.

⇒ Provide first tier debt service equalization for health and safety projects over $500,000 funded through alternative bonding and levy, but exclude these projects from the calculation of second tier debt equalization.

⇒ Clarify health and safety funding to exclude projects lacking a clear health and safety basis under current law.

Background

Alternative Facilities

This program was initiated in the early 1990s in response to large and growing deferred maintenance issues in urban districts; since then it has been expanded gradually to include more districts. As the program continues, many of the "deferred" maintenance problems have been addressed, and funding goes more and more toward ongoing capital maintenance.

Under current law, 17 school districts with more than 1.85 million square feet of building space and average facility age exceeding 15 years, or more than 1.5 million square feet of building space and average facility age exceeding 35 years, are permitted to issue bonds or make annual levies for deferred capital maintenance projects and health & safety projects without voter approval.

Alternative facilities bonding aid of $19.3 million funds a portion of facilities improvement projects for seven school districts (Minneapolis, Anoka, Bloomington, Robbinsdale, Rochester, St Paul, and Duluth) based on historical data from 1997 and 1998, without regard to the local tax effort requirements and tax capacity factors used in the state's general-purpose debt service equalization program. The aid equals 100% of the district's alternative bonding debt service levy for taxes payable in 1997, not to exceed the district's current alternative bonding debt service levy, plus 1/6 of the district's alternative bonding annual pay-as-you-go levy for taxes payable in 1998, not to exceed the district's current year annual pay-as-you-go levy.

1. The program lacks accountability to local voters/taxpayers and creates an unfair dual standard where some districts are required to get voter approval for capital maintenance projects and others are not required to get this approval. Requiring a referendum if petitioned by 15% of registered voters in the district will increase accountability and narrow the gap among districts in requirements for accessing revenue for capital maintenance.

2. The state pays a significant share of the costs for many of the alternative bonding districts based on a grandfathered allocation not based on need, while districts that must go to the voters do not receive this special aid. Elimination of alternative facilities bonding aid would subject all school districts to the same local tax effort requirements and tax capacity factors under the state's general-purpose debt service equalization program. When these criteria are applied to the combined debt service and alternative facilities bonding levies of the seven districts receiving alternative bonding aid, none of the districts are projected to qualify for state debt service equalization aid in FY 2005.

Health and Safety

Under current law, school districts are allowed to make annual levies for approved health and safety projects. The state currently uses $500,000 per site as the threshold for a higher level of accountability for capital projects generally, through the review and comment process. The health and safety program was designed for smaller projects that could be paid for in one or two years, but the recent trend is toward more large projects, especially in the area of indoor air quality. Individual projects of $500,000 or greater totaled over $22 million for FY 2002 and are expected to grow to $35 million in FY 2005 and $46 million in FY 2006 as districts face increasing indoor air quality issues including mold abatement. Use of health and safety levies to pay off bonds or other long-term debt

for health & safety projects is not permitted, but some districts skirt this issue by rolling over short term borrowing from year to year.

The current health and safety statute is general in nature and provides the Department with considerable discretion in approving costs. Over the years, the range of approved projects has gradually expanded to include projects that:

- Correct Department of Health violations in kitchen and pool areas;
- Implement violence prevention and facility security measures including hazard identification, plan development and maintenance and training;
- Implement ergonomic projects such as workstation modification, kitchen modifications, and installation of lifting assists for special needs students;
- Replace petroleum storage tanks;
- Demolish entire buildings or interior structures as a part of renovation;
- Replace ceilings or other structures after asbestos removal or maintenance issues leading to unsafe conditions (e.g., cracked sidewalks, warped wooden floors, failing athletic tracks);
- Replace failing exterior walls exterior landscaping to move water away from buildings; and
- Purchase HVAC filters, carpet cleaners, HVAC cleaning, and testing, calibration, and commissioning of systems.

While bearing some relationship to health and safety, many of these issues are maintenance or facility issues more appropriately funded by other district revenue sources. Once a precedent is set by funding these costs for some districts, it is difficult for the Department to refuse similar requests from other districts without direction from the Legislature.

1. Making health and safety projects of greater than $500,000 eligible for alternative facilities bonding will permit the cost of large projects to be funded over a greater number of years. Districts not currently able to complete and pay for large projects in a short period will have a stable funding source. Accountability to local taxpayers will be increased by requiring public notice, public hearing and a reverse referendum if 15% of registered district voters sign a petition.

2. Legislative clarification of appropriate uses for health and safety funding will clarify administration of the health and safety program at both the school district and agency level.

Relationship to Base Budget

The proposed reduction to state aid is 100% of the base budget for alternative facilities and 19.8% of the base budget for health and safety with a small offset for debt equalization aid for projects funded through alternative facilities bonding.

The impact on district levies for FY 2005 is a decrease of approximately 7% of all capital-related levies. Much of this results from a move from annual health and safety levies to bonded debt levies under the alternative facilities program.

Key Measures

The proposed elimination of alternative facility bonding aid would result in higher property taxes in the seven affected school districts. The change authorizing large health and safety projects to be funded through the alternative facilities program provides districts greater flexibility in financing these projects.

Statutory Changes: Amend M.S. 123B.57 and M.S. 123B.59.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact				
School Breakfast	$ 53	$776	$798	$830
Kindergarten Milk (School Lunch)	($800)	($800)	($800)	($800)
Fast Break to Learning	$656	($156)	($234)	($327)
Total Appropriation Basis	($91)	($180)	($236)	($297)
Aid Entitlement Basis				
School Breakfast	$53	$776	$798	$985
Kindergarten Milk (School Lunch)	($800)	($800)	($800)	($800)
Fast Break to Learning	($174)	($249)	($338)	($441)
Total Aid Entitlement	($921)	($273)	($340)	($256)
Total District/Nondistrict Revenue	($921)	($273)	($340)	($256)

Recommendation

The Governor recommends the following changes:

⇒ Consolidation of the school breakfast program under statutes 124D.115 and 124D.1156,

⇒ Redirection of the appropriation for the Minnesota Kindergarten Milk Program (124D.118) to the school breakfast program, and

⇒ Alignment of the Fast Break to Learning appropriation with other Nutrition Program appropriations.

The Governor recommends reductions of $91,000 in FY 2004 and $180,000 in FY 2005.

Background

This proposal replaces Minn. Stats. 124D.115 and 124D.1156 with a single consolidated statute to:

⇒ Simplify school breakfast aid so that each school that participates in the school breakfast program is eligible for only one type of state breakfast payment. Eligible elementary schools would receive "Fast Break to Learning" breakfast aid; all other schools that participate in school breakfast would receive "Traditional School Breakfast" aid.

⇒ Align the appropriation of the Fast Break to Learning program with all other Nutrition Program appropriations.

⇒ Eliminate the breakfast payments authorized in 124D.115, Subd.3(b). These funds would roll into the new Traditional School Breakfast aid.

⇒ Revise the rate of payment for state breakfasts to 30 cents for reduced price meals and 40 cents for regular meals to support the benefits of a school breakfast program for all students at an affordable cost.

⇒ Direct a portion of state breakfast funding to eliminate the "reduced-price" breakfast category so that students from "working poor" households receive breakfasts at no charge, saving these families $1.50 per week per child in school breakfast costs.

Current law provides for three types of state breakfast reimbursements. The first two types are for school breakfast programs as authorized in Minn. Stat. 124D.115. The third type of payment is for the state Fast Break to Learning breakfast program, which is authorized separately in Minn. Stat. 124D.1156. Eligibility for these three reimbursements may overlap, i.e., under current law each school participating in the School Breakfast Program is eligible to receive one, two, or all three of these breakfast payments. Under the proposed change, each school will receive one school breakfast aid – either Traditional School Breakfast aid or Fast Break to Learning breakfast aid.

The consolidated statute will streamline and simplify the School Breakfast Program for participating schools:

⇒ Eligibility options for school breakfast aids will be less complex for schools.

⇒ Determination of a school's eligibility for state breakfast aid will be easier for schools to understand.
⇒ The school breakfast application process will be simplified, with a clear choice for schools between two options.
⇒ Budgeting for state aids for school breakfast will be streamlined for schools.
⇒ Reconciliation of payments for school breakfast aids will be simplified for schools.

Although the number of state aid payments is reduced, the amount of school breakfast aid received per school will increase for some schools and for other schools will not decrease below the amount needed to cover costs.

⇒ Schools that are eligible for and choose to participate in the Fast Break to Learning breakfast program will no longer receive the current "5.1 cent" or "10.5 cent" state payments, but will continue to receive state Fast Break to Learning payments, which are set at a rate expected to cover the average cost for providing school breakfast when combined with federal reimbursements. Meals eligible for the federal free rate and the federal severe need rates are adequately funded to cover costs and will not receive state breakfast aid.
⇒ Schools that offer school breakfast but do not qualify for the Fast Break to Learning breakfast program will receive an increased state aid of 30 cents for reduced price meals and 40 cents for regular meals with the Traditional School Breakfast aid, compared to the current "5.1 cent" and "10.5 cent" payments. Meals eligible for the federal free rate and the federal severe need rates are adequately funded to cover costs and will not receive state breakfast aid.

Relationship to Base Budget

The recommendation moves the Fast Break program from the current 83% appropriation to align it with the 100% appropriation for all other Nutrition Programs in FY2004. Part of the funding for this change comes from the proposed elimination of the 7 cents reimbursement provided for each reduced price meal at severe need sites. The Federal Breakfast program already provides 23 cents additional funding per meal for reduced price meals at severe need sites compared with non-severe need sites. The balance of the funding required to move from 83% to 100% in FY2004 comes from a one-year reduction in the reimbursement rate proposed for all regular meals in the traditional breakfast program. The budget proposal for Traditional School Breakfast specifies a reimbursement rate of 40 cents per regular meal. In FY2004 only, the rate would be reduced to 20 cents per regular meal. The one time 20 cents reduction provides the balance of the savings to offset the FY 2004 cost of aligning the Fast Break program with all other Nutrition Program aids.

Key Measures

Consolidation and simplification of state school breakfast will support progress on the following key measure:

⇒ Increase overall student performance on the reading, writing, and math portions of the MCA.
⇒ Increased access for students in need of a nutritious school breakfast.

Options Considered

If the current school breakfast statutes are not consolidated and funding is not redirected as proposed, school breakfast aid will remain status quo, resulting in: 1) continued inequities in the amount of school breakfast aid received by schools; 2) continued deficiencies in the amount of school breakfast aid for some schools; and 3) foregone benefits associated with simplification of state school breakfast aid.

Statutory Change: This proposal will require: 1) a new statute to consolidate and simplify school breakfast aid, 2) repeal of current School Breakfast statutes, M.S. 124D.115 and 124D.1156, and 3) repeal of Minnesota Kindergarten Milk Program statute, M.S. 124D.118.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact (Appropriation)	($83)	($100)	($100)	($100)
District/Non-District Revenue Change	($100)	($100)	($100)	($100)

Recommendation
The Governor recommends a reduction from the base level funding for this program beginning in FY 2004. The proposed reductions are $83,000 in FY 2004 and $100,000 in FY 2005.

Background
Library Basic Support provides state aid to public libraries for operations, interlibrary programs, and services throughout the state of Minnesota. This funding is a combination of basic support for libraries and Regional Library Telecommunications aid. The Regional Library Telecommunications was $1.2 million in FY 2002 and $1.4 million in FY 2003. This change item eliminates funding that was added in the 2002 session and reduces the base to FY 2002 levels.

Relationship to Base Budget
The proposed reduction is 1% of the base budget for FY 2004.

Key Measures
This proposal would remove an increase in funding received in the 2002 session. Basic core services will remain intact.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact				
MFIP/TY: Chg Pay to Legal Nonlicensed Providers	($3,583)	($4,069)	($4,056)	($4,056)
MFIP/TY: Chg Family Copayment Amounts	($541)	($684)	($681)	($681)
BSF: Chg Pay to Legal Nonlicensed Providers	($2,277)	($2,585)	($2,585)	($2,585)
BSF: Chg Family Copayment Amounts	($1,694)	($2,140)	($2,140)	($2,140)
Total Appropriation Basis	($8,095)	($9,478)	($9,462)	($9,462)

Recommendation

The Governor recommends limitations on payments to Legal Non-Licensed (LNL) providers of child care and an increase in copyaments charged to families. This proposal would reduce the base level spending for the Minnesota Family Investment Plan (MFIP)/Transition Year (TY) and Basic Sliding Fee (BSF) programs beginning in FY 2004. The total reductions for the programs are $8,095,000 in FY 2004 and $9,478,000 in FY 2005.

There are two parts to this proposal. The first concerns LNL providers of child care services. Under this proposal, the Child Care Assistance Program (CCAP) would no longer reimburse LNL providers for registration fees. In addition, LNL providers would be paid at an hourly rate, rather than in blocks of time. In counties where the hourly rate for licensed family child care reflects the higher cost of part-time care (i.e. the hourly rate is higher than the weekly rate divided by 50), the hourly rate for LNL providers will be calculated by dividing the weekly rate by 50 then multiplying by 90%.

The second part of the proposal is an increase in copayments charged to families. The minimum copayment for families with incomes between 75% and 100% of poverty level will be increased from $5.00 to $10.00 per month. The sliding scale will continue to start at 100% of the federal poverty level. Copayments for families with income above the federal poverty guideline will start at 2.4% of income (as in current rule, based on families at the top end of each range) and reach 22% of gross income for families at the top end of the scale. These families are currently paying copayments ranging from 2.2% to 20% of gross family income.

Background

LNL providers are not subject to the rules and requirements governing licensed family child care providers. Currently all providers (licensed and LNL) may be paid in blocks of time, reflecting an acknowledgement of fixed costs associated with operating a private business. Regardless of how many slots (children) a provider serves, there are operational expenses that are predetermined. LNL providers, however, are allowed to care only for the children from one unrelated family. Many are relatives. Registration fees are intended to cover the costs associated with application and enrollment in licensed settings. LNL providers generally do not have an equivalent application process.

The copayment increase would maintain a gradual increase in fees that would allow the copayment and the actual cost of care to be similar at the time a family leaves the program. The proposed structure maintains an increase in copayments commensurate with an increase in income. Increasing the copayments of all families in the system will shift an increased cost of service to the parent.

Statutory Change:

1. Amend Minnesota Statutes, section 119B.12, subdivision 2.
2. Add new subdivision 1a to Minnesota Statutes, section 119B.13.
3. Include a section that would be a session law only that describes the changes that the commissioner must make to the sliding fee schedule in Minnesota Rules, chapter 3400.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact				
ECFE Formula Reduction with Sliding Fee	0	($10,825)	($13,628)	($14,077)
ECFE Fund Balance Cap	($323)	($35)	0	0
School Readiness	($562)	($83)	0	0
Total Appropriation Basis	($885)	($10,943)	($13,628)	($14,077)
Aid Entitlement Basis				
ECFE Formula Reduction with Sliding Fee	0	($13,042)	($13,748)	($14,144)
ECFE Fund Balance Cap	($200)	($1)	0	0
School Readiness	($482)	($1)	0	0
Total Aid Entitlement	($682)	($13,044)	($13,748)	($14,144)
Levy Impact				
ECFE Fund Balance Cap	0	($1,030)	0	0
Total Levy Impact	0	($1,030)	0	0
Estimated Total Fee Revenue	0	$6,558	$6,963	$7,072
Total District/Non-District Revenue	($682)	($7,515)	($6,785)	($7,072)

Recommendation

The Governor recommends:

⇒ Reducing the Early Childhood Family Education (ECFE) aid/levy revenue from the current level of $120 times the population of a district under five years of age to $120 times the population under five times the percent of first graders eligible for free or reduced price lunch plus $65 times the population under five times the percent of first graders not eligible for free or reduced price lunch.

⇒ Eliminating the reallocation of the proceeds from the current 25% caps on ECFE and school readiness fund balances.

The proposed reductions are $885,000 in FY 2004 and $10,943,000 in FY 2005.

Background

ECFE is not a mandated program, but an optional aid-equalized levy program. Because the program benefits individual participants as well as communities and the state as a whole, participating families who are not economically disadvantaged should be expected to pay a portion of program costs. The proposed reductions would increase the percentage of this state aid targeted to districts with higher populations of children from economically disadvantaged families and encourage districts to recover more program costs from participants.

Three hundred forty-one districts participate in ECFE. While statutes require that districts establish a sliding fee scale, not every district charges fees for its ECFE program. Districts must waive fees for any participant who is not able to pay. Of the 316 districts that responded to the 2000-01 ECFE Annual Report survey, 266 (84%) indicated that fees supported their program budget. Statewide, fees comprised $3.3 million (8%) of the $41.7 million in program revenue for ECFE from all sources that districts reported to the state in FY 2001.

The current ECFE formula generates revenue of $120 for each district resident under age five, as reported by the district on October 1 of the previous school year. The proposed changes would provide the full $120 entitlement for the estimated number of low-income zero to four year olds, and a reduced entitlement of $65 for the balance of the population. The percentage of enrolled first graders eligible for free and reduced lunch would be used to estimate the percentage of low-income residents under age five.

Estimated reductions in aid and levy revenue to individual districts range from 2% to 46%. Districts would have the option of charging fees or increasing participant fees to offset these reductions. Sixty-eight districts would no longer receive aid, as their levy revenue would equal or exceed their entitlement; of these districts, 10 have 150 or fewer residents under age five.

Additional information on this program is available from the Department of Education web site at http://cfl.state.mn.us/ecfi.

Current law imposes caps of 25 percent of annual revenue on ECFE and school readiness reserve accounts and authorizes the Department to reallocate excess reserve amounts to other school districts. This proposal recommends eliminating the reallocation.

Relationship to Base Budget

The proposed reductions in state appropriations are 4.3% of the base budget for FY 2004, 50.6% of the base budget for FY 2005, 60.3% of the base budget for FY 2006, and 59.8% of the base budget for FY 2007. When local levy and estimated fee increases are included, the proposed reductions are 1.6% of current law funding for FY 2004, 17% of current law funding for FY 2005, 15% of current law funding for FY 2006, and 15% of current law funding for FY 2007. It is expected that a portion of the decrease in state aid to districts would be offset with additional user fees.

Key Measures

This reduction would reduce the total amount of revenue that districts can raise from general taxpayer support – state aid and local levy – to support programs for infants, toddlers and their families. While districts would be able to replace a portion of the lost revenue through increased fees, they would not be able to shift the entire balance to program participants who are able and willing to pay. Thus, in addition to higher costs for participating families, districts are likely to reduce the number of classes offered and the range and availability of parent education and support services.

Alternatives Considered

Consideration was also given to maintaining total ECFE revenue at the current level, but reducing the state aid share and increasing the local property tax share of funding. This alternative would spread the cost among all taxpayers in each district, instead of requiring that the program participants who receive the direct benefit make a contribution to or pay a greater share of program costs. This alternative was not recommended because it was believed that charging program participants according to their ability to pay would be more effective in heightening program accountability and in aligning program benefits with costs.

Statutory Change: Amend 124D.135 ECFE revenue and reserve account limit. Amend 124D.16 School Readiness reserve account limit.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact (Appropriation)	($475)	($475)	($475)	($475)
District/Non-District Revenue Change	($475)	($475)	($475)	($475)

Recommendation
The Governor recommends elimination of this program. The proposed reductions are $475,000 each year.

Background
Way to Grow began in 1989 with a grant to the city of Minneapolis Youth Coordinating Board. The program was expanded in subsequent years to the Early Childhood and Family Education (ECFE) programs of four school districts: Columbia Heights, St. Paul, St. Cloud, and Winona. These five sites were intended to be models for a program of coordinated, intensive services to children and their families that would be expanded statewide. Although the program was never expanded, numerous ECFE programs in school districts throughout the state have created partnerships with other community agencies and organizations to provide the same kind of collaborative services. Continuation of special grants to five districts is no longer warranted.

The five grantees would have to cut programs or increase funds from non-state sources to make up reductions in state grant aid. The grant awards for FY 2003 are as follows: St. Cloud, Winona, and Columbia Heights, $58,333 each; Minneapolis, $175,000; and St. Paul, $125,000. Way to Grow requires a 50% match of non-state money. The loss of this grant aid is most significant to the school districts of Columbia Heights and Winona, where Way to Grow grants add 37% and 26%, respectively, to their FY 2003 ECFE aid and levy entitlements.

Key Measures
Programs may be able to replace some of the lost state grant money with funds from non-state sources. State grant reductions may result in reduced availability of these support services.

Statutory Change: Repeal M.S. 124D.17.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact				
Community Ed. $5.95 to $4.95 @.00985	0	($1,164)	($1,137)	($817)
Community Ed. Fund Balance Cap.	($484)	($32)	($2)	0
Community Ed. Grandfather Levy	0	0	0	0
Total Appropriation Basis	($484)	($1,196)	($1,139)	($817)
Aid Entitlement Basis				
Community Ed. $5.95 to $4.95 @.00985	0	($1,403)	($1,083)	($763)
Community Ed. Fund Balance Cap.	($137)	($11)	0	0
Community Ed. Grandfather Levy	0	0	0	0
Total Aid Entitlement	($137)	($1,414)	($1,083)	($763)
Levy Impact				
Community Ed. $5.95 to $4.95 @.00985	0	($2,300)	($2,679)	($3,058)
Community Ed. Fund Balance Cap.	0	(5,131)	0	0
Community Ed. Grandfather Levy	0	($529)	($529)	($529)
Total Levy Impact	0	($7,960)	($3,208)	($3,587)
Estimated Local Fee Increase	0	$2,000	$2,000	$2,000
Total District/Non-District Revenue	($137)	($7,374)	($2,291)	($2,350)

Recommendation

The Governor recommends:

⇒ Reducing the basic community education funding from $5.95 per capita to the sum of $5.95 per capita times the percent of the district's K-12 students eligible for free or reduced price lunch plus $4.95 per capita times the percent of the district's K-12 students not eligible for free or reduced price lunch.

⇒ Capping general community education fund reserve balances at 25% of annual revenue.

⇒ Eliminating the community education grandfather levy beginning in FY 2005.

The Governor recommends a reduction in these programs of $484,000 in FY 2004 and $1,196,000 in FY 2005.

Background

Participants in optional community education programs who have the means to pay should be charged fees that cover a substantial portion of the cost. Students who are unable to pay a fee should not be precluded from participating in programs due to inability to pay. While community education adult enrichment classes are largely fee driven, fees are lower for other community education programs and for ECFE programs, and state law prohibits fees for Adult Basic Education (ABE) classes. Currently, fees account for approximately 8% of ECFE revenues. The proposed change would provide the full $5.95 per capita for the estimated number of low-income K-12 students in a district, and a reduced amount of $4.95 per capita for the balance of the population.

This proposal would impose a cap of 25 percent of annual revenue on general community education fund reserve accounts. This proposal is consistent with reserve caps already in place for ECFE and School Readiness reserve accounts.

The community education grandfather levy is a hold harmless provision, enabling school districts that received more funding under the community education formula in effect for FY 1983 than in subsequent years to levy to offset the reduction. For Pay 2004, 108 districts are projected to levy a total of $529,000 for this program. This levy provides additional revenue to a few districts that is not generally available to all school districts in the state and is counter to other levies that equalize revenue across districts.

Relationship to Base Budget

The proposed reductions in state appropriations are 7.9% of the base budget for FY 2004 and 26.5% of the base budget for FY 2005. The proposed reduction in state aid to school districts is expected to be partially off-set with increased fees for services at the district level. Local levies for this program would decrease.

When local levy and estimated increases in local fees are included, the proposed reductions are 0.3% of total revenue for FY 2004, 18% of total revenue for FY 2005.

Key Measures

It is expected that increased fees for services in community education programs will affect the number of participants in programs.

Statutory Change: M.S. 124D.21 Community Education Grandfather Levy would be repealed and M.S. 124D.20 would be amended.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact (Appropriation)	($5,510)	($5,510)	($5,510)	($5,510)
District/Non-District Revenue Change	($5,510)	($5,510)	($5,510)	($5,510)

Recommendation
The Governor recommends elimination of this program. The proposed reductions are $5,510,000 in FY 2004 and $5,510,000 in FY 2005.

Background
After School Enrichment grants were provided statewide to local community youth serving agencies or partnerships serving low income, hard to reach children. State funding for this grant program had remained fairly static since it began in 1996. In the 2001 competitive grant cycle, 180 sites applied for funding and 44 were selected for programming. This reduction removes funding for this program from the agency's base. However, federal 21st Century Community Learning Center funds are available to school and community partnerships targeting youth attending schools in high poverty areas that have been classified as "in need of assistance" through the state's implementation of the federal "No Child Left Behind Act." In 2002, $3 million was available for competitive grants through 21st Century and the Department anticipates that approximately $5 million will be available in future years. The Department will seek to increase the federal funds allocated to Minnesota through the 21st Century Community Learning Center program.

Key Measures
This proposal will eliminate grants to approximately 44 sites statewide.

Statutory Change: Repeal 124D.221.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact (Appropriation)	($370)	0	0	0
District/Non-District Revenue Change	($370)	0	0	0

Recommendation

The Governor recommends elimination of the final year of state general fund support for this program. The proposed reduction is $370,000 in FY 2004.

Background

The change would eliminate state funding for family collaboratives one year earlier than planned. The funding was to be phased out by February 2004. In 1999, the Minnesota legislature mandated that no new collaboratives be funded after June 30, 1999. This change accelerates the phase out process. Collaborative grants are funded for five years. Family colloboratives would continue to be eligible for federal funds through participation in the Local Collaborative Time Study.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact (Appropriation)	($200)	($200)	($200)	($200)
District/Non-District Revenue Change	($200)	($200)	($200)	($200)

Recommendation
The Governor recommends eliminating state general fund support of this program. The proposed reductions are $200,000 in FY 2004 and $200,000 in FY 2005.

Background
Parenting Time Centers provide a safe place for non-custodial parents or parents of children in foster care to visit and/or pick-up children for visitation. The Governor recommends reducing general fund support for the program. The program will continue to receive approximately $96,000 per year from a fee on each marriage license. Increased local efforts to raise funds may also offset the reduction of state aid. Currently eight centers statewide received state funding to support their efforts. More information on center locations and services is available on the Department's web site located at: http://cfl.state.mn.us/prevention.

Key Measures
Currently, centers are working to increase the number of children provided safe visitation transfers and supervised visits. If state funding is not replaced by federal grant dollars, there may be service reductions with centers closing or being open for fewer hours weekly and providing less staff support when they are open.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact (Appropriation)	($1,204)	($1,450)	($1,450)	($1,450)
District/Non-District Revenue Change	($1,450)	($1,450)	($1,450)	($1,450)

Recommendation
The Governor recommends elimination of this program. The proposed reductions are $1,204,000 in FY 2004 and $1,450,000 in FY 2005.

Background
This program provides funding to integrate violence prevention education funding into existing K-12 curricula. The funding is distributed to school districts based on resident student counts from the previous school year. In addition to Violence Prevention funding, all school districts receive an enrollment-based allocation of federal Safe and Drug-Free Schools funding equal to approximately $4 per student. The federal program, which would remain in place, is focused on violence and drug abuse prevention, early intervention, rehabilitation referral, and education. School districts can also use the safe schools levy to fund these activities. The safe school levy was increased from $11 to $30 per pupil unit beginning in FY 2004.

The elimination of the Violence Prevention program would result in an annual reduction of approximately $1.50 per pupil to participating school districts.

Key Measures
Due to increased funding enacted in 2002 through the safe schools levy, this reduction should not significantly change measurable outcomes.

Statutory Change: Repeal M.S. 120B.23.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact (Appropriation)	($875)	($875)	($875)	($875)
District/Non-District Revenue Change	($875)	($875)	($875)	($875)

Recommendation
The Governor recommends eliminating state general fund support of this program. The proposed reductions are $875,000 each year.

Background
The Children's Trust Fund is supported by a combination of state general fund appropriation, state trust fund monies, and federal Community-Based Family Resources and Support Program grants. The state Trust Fund monies are sufficient to match the federal dollars. Funds are made available statewide for local child-abuse prevention funding through competitive application. In 2002, 45 grants were awarded through competitive application averaging $50,000 annually. In addition, approximately 60 Child Abuse Prevention Councils received up to $2,000 annually to support their activities. For a listing of current program sites see http://cfl.state.mn.us/ctf/index.htm.

Relationship to the Base Budget
This proposal would eliminate annual funding for Children's Trust Fund programs from nearly $3.1 million to approximately $2.2 million. The proposed reduction in state appropriations is approximately 29 percent of the base budget from all revenue sources.

Key Measures
The reductions will not result in any change in the statewide key measures.

Statutory Changes: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact				
Eliminate ABE Growth Factor	($2,336)	($5,336)	($8,578)	($12,078)
Additional Aid Reduction Offsetting Potential Fee Revenue	($830)	($1,000)	($1,000)	($1,000)
Roll Adult Graduation into ABE at FY 2003 Base Level	($194)	($447)	($725)	($1,031)
Total Appropriation Basis	($3,360)	($6,783)	($10,303)	($14,109)
Aid Entitlement Basis				
Eliminate ABE Growth Factor	($2,814)	($5,853)	($9,136)	($12,680)
Additional Aid Reduction Offsetting Potential Fee Revenue	($1,000)	($1,000)	($1,000)	($1,000)
Roll Adult Graduation into ABE at FY 2003 Base Level	($234)	($491)	($773)	($1,084)
Total Aid Entitlement	($4,048)	($7,344)	($10,909)	($14,764)
Estimated Local Fee Revenue	$500	$500	$500	$500
Total District/Non-District Revenue	($3,548)	($6,844)	($10,409)	($14,264)

Recommendation

The Governor recommends consolidation of the Adult Basic Education (ABE) and Adult Graduation Aid programs, statutory changes to allow fees for students over 21 years of age, and elimination of the statutory growth factor. These changes would generated program efficiencies, would allow fees to be charged to students with the ability to pay, and would require growth in program funding to be determined through the biennial budget process.

The recommendation includes the following changes in ABE and Adult Graduation Aid funding:

- ⇒ Eliminating the prohibition on fees for ABE students over 21 years of age.
- ⇒ Beginning in FY 2004, consolidate the Adult Basic Education (ABE) and Adult Graduation Aid programs and roll adult graduation funding into ABE at the FY 2003 funding levels.
- ⇒ Beginning in FY 2004, eliminate the statutory ABE growth factor.
- ⇒ For FY 2004 and later, set the statutory ABE funding level at $36,510,000. This is the sum of the FY 2003 statutory funding level for ABE and the FY 2003 estimated aid entitlement for adult graduation aid, minus a $1,000,000 reduction for potential fee revenue.
- ⇒ For FY 2004 only, include 60% of the FY 2003 contact hours for students participating in the adult graduation program in the FY 2003 contact hours used to determine FY 2004 ABE funding. For FY 2004 only, include the adult graduation aid for FY 2003 in the base used to calculate the individual consortium growth limit for ABE contact hour aid.
- ⇒ Beginning in FY 2004, reduce the individual consortium growth limit for ABE contact hour aid from the greater of 17% or $20,000 to the greater of 8% or $10,000.
- ⇒ Beginning in FY 2004, reduce the basic population aid from the greater of $1.80 per capita or $4,000 to the greater of $1.70 per capita or $3,800.

The Governor recommends reductions of $3,360,000 in FY 2004 and $6,783,000 in FY 2005.

Background

Adult Basic Education (ABE) 124D.52; 124D.531 programming has been growing at a rapid rate in recent years due in large part to increased demand for English as a Second Language services for immigrants. A task force was established by the 2000 legislature to review ABE funding and recommend an equitable formula that recognized growth while minimizing the negative impact on communities with stable populations of adults requiring ABE services. That formula placed a statewide growth cap on ABE funding of 8% as long as prior year contact hours increased at the same or greater levels.

Adult High School Graduation Aid 124D.54 has provided per pupil general education revenue to school districts for eligible individuals over the age of 21 who are working to obtain their high school diplomas. Eligibility is tied to unemployment or Workforce Investment Act eligibility, and services are limited to a maximum of 14 years of public or nonpublic education beginning at age five.

Fees for ABE are currently prohibited under state law but not under federal law. While direct measures of poverty incidence among for ABE participants are not available, it is estimated that roughly 85% of program participants have family incomes below the level needed to qualify for reduced price lunches (185% of federal poverty guideline). If program participants over 21 years of age with family incomes above 185% of the federal poverty guideline were charged fees to cover roughly 20% to 25% of program costs, program providers would raise roughly $1 million in fee revenues. Because there is no readily available proxy for the percent of program participants with family incomes below this level, a direct formula adjustment for poverty concentration would require cumbersome new data collection from program participants. Therefore, a specific formula adjusting aid for poverty concentration is not recommended for this program. Instead, fees would be permissive a flat formula reduction of $1 million is proposed that would roughly equate to the potential fee revenue available for these programs.

Rolling the Adult Graduation Aid into Adult Basic Education at the FY 2003 funding level would provide additional efficiencies in the programs. Responding to similarities in the populations served by this program and adult basic education, this proposal eliminates separate funding for adult graduation and rolls the FY 2003 base level of funding into the ABE appropriation for FY 2004 and later.

Relationship to Base Budget

The proposed reductions in state aid appropriations are 8.4% of the base budget for FY 2004, 15.7 % of the base budget for FY 2005. When estimated fee revenue is included, total program funding will remain constant at the FY 2003 level.

Key Measures

Eliminating the 8% statewide growth factor, reducing the individual consortium growth limit from 17% to 8%, and reducing the basic population aid will necessitate the imposition of fees for program participants with ability to pay to maintain overall funding at FY 2003 levels. Continued expansion to meet demand for the program will be difficult if not impossible, leading to longer waiting lists. Financial pressures may cause some smaller programs to close entirely. While many recipients of Adult High School Graduation Aid are expected to shift to Adult Basic Education programs for services, particularly in large urban districts, the transition will be more difficult in sparsely populated rural areas.

Statutory Change: Repeal MS 124D.54 (Adult High School Graduation Aid program). Amend MS 124D.52 to authorize fees for ABE programs. Amend MS 124D.531 to modify ABE funding formula. Add uncodified language for FY 2004 transition of adult graduation aid into the ABE funding formula.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact (Appropriation)	($175)	($70)	($70)	($70)
District/Non-District Revenue Change	($175)	($70)	($70)	($70)

Recommendation
The Governor recommends elimination of this program. The proposed reductions are $175,000 in FY 2004 and $70,000 in FY 2005.

Background
The Laws of 2000, Chapter 489 created a requirement for the Department to audit providers of Adult Basic Education (ABE) services who receive state funding. The audits were established to determine if ABE funds were properly accounted for and whether the hours reported by providers were correct. Programs found to be out of compliance are required to return any excess funding to the state and make programmatic changes to correct the underlying problems that created the audit findings. Initial reviews of all 58 programs were to be completed in 2004 and then a cycle of ongoing audits would be established to ensure that every program is audited once every four years.

Although ABE is an important program, the monitoring of ABE through audits is of limited value, given current fiscal constraints on the state budget. Initial ABE test audits contained procedural findings, but did not involve the recovery or payment of significant amounts of money. As such, the audits are of lower priority than other auditing responsibilities carried out by the agency, including compliance audits of attendance and transportation.

Key Measures
Most of the initial round of audits scheduled for the 58 programs will not be conducted. Further, there will be no cycle of audit reviews for ABE programs, although some ABE programs may be reviewed within the audits performed on school districts and other public entities.

Statutory Change: Minn. Stat. 124D.531, subd. 7, would be amended to eliminate the ABE audit requirement.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact (Appropriation)	($100)	($100)	($100)	($100)
District/Non-District Revenue Change	($100)	($100)	($100)	($100)

Recommendation
The Governor recommends elimination of the program beginning in FY 2004. The proposed reductions would be $100,000 in FY 2004 and $100,000 in FY 2005.

Background
This program was targeted for elimination because it is considered too small to maintain. The Lead Hazard Reduction program reduces the potential for lead poisoning in the homes of children from low-income families. For more information about the Lead Hazard Reduction program, see http://cfl.state.mn.us/oeo, http://www.epa.gov/opptintr/lead/index.html, or email or call the National Lead Information Clearinghouse at http://www.epa.gov/lead/nlic.htm or 1-800-424-LEAD.

Key Measures
As a result of this proposed program elimination, the non-profit operating this program may lose additional revenue sources.

Statutory Change: Repeal M.S. 119A.46.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
State General Fund Fiscal Impact (Appropriation)	($4,514)	($4,514)	($4,514)	($4,514)
District/Non-District Revenue Change	($4,514)	($4,514)	($4,514)	($4,514)

Recommendation
The Governor recommends funding of $4.0 million dollars in each year for Minnesota Economic Opportunity Grants. This is a reduction of $4,514,000 in FY 2004 and $4,514,000 in FY 2005.

Background
The Minnesota Economic Opportunity Grants (MEOG) provide funding to help low-income citizens attain the information and skills necessary to become more self-reliant and to alleviate the effects of poverty. In Minnesota, a statewide network of 40 Community Action Agencies (CAAs) including 11 tribal governments deliver the locally designed services. Approximately 200,000 economically disadvantaged households are served annually through the network. Many of these households are working and still meet income eligibility guidelines for program services. The proposed reduction would result in a decreased ability to provide services to low-income Minnesotans. For more information about MEOG, see http://cfl.state.mn.us/oeo or www.mncaa.org.

Relationship to Base Budget
The proposed reductions are 53% of the base budget in FY 2004 and FY 2005.

Key Measures
The proposed reduction means that fewer funds will be available to CAA and tribal governments to help low-income individuals become more self-sufficient.

Statutory Change: Not Applicable

Agency Code: DEPARTMENT OF EDUCATION
Fund Code: FEDERAL (300, 315)

Program	CFDA Number	App. Unit	Appropriation Unit Name	Primary Purpose	2002 Actual	2003 Budgeted	2004 Base Budget	2005 Base Budget
					Dollars in Thousands			
CHARTER SCHOOLS (24)								
	84.282	448	PUBLIC CHARTER SCHOOLS	GPS	5,888	4,856	4,856	4,856
TOTAL					**5,888**	**4,856**	**4,856**	**4,856**
ACCOUNTABILITY & REFORM (27)								
	84.332	454	COMP SCHOOL REFORM	GPS	2,947	3,777	3,941	3,941
	84.276	444	TITLE III GOALS 2000	GPS	7,528	1,591	0	0
	84.281	447	TITLE II EISENHOWER	GPS	2,811	709	0	0
	84.298	449	TITLE VI	GPS	5,239	5,622	6,465	6,465
	84.348	460	TITLE I ACCTABILITY	GPS	1,294	2,146	2,146	2,146
	84.367	465	IMPROVING TCHR QUALITY	GPS	0	37,118	37,118	37,118
TOTAL					**19,819**	**50,963**	**49,670**	**49,670**
PRGS FOR SPECIAL POPULATIONS (28)								
	94.006	470	AMERICORP – FORMULA	GCBO	1,509	0	0	0
	94.007	474	AMERICORPS PROMISE FELLOWS	GPS	94	0	0	0
	94.007	478	EDUCATIONAL AWARDS	GPS	51	0	0	0
	94.006	479	AMERICORPS COMPETITIVE	GCBO	2,428	0	0	0
	94.004	494	SERV AMERICA SCH BASED	SO	1	0	0	0
	93.576	495	REFUGEE CHILD SCH IMPACT	GPS	974	1,625	1,500	1,500
	94.004	497	SERV AMER-SCH BASED	GPS	361	356	356	356
	94.004	472	CHESP GRANT	GPS	345	252	252	252
	17.249	473	SCH TO WORK OPPORTUNITIES	GPS	953	95	0	0
	84.048	482	VOCATIONAL EDUC ACT 2B	GPS	6,508	6,885	6,885	6,885
	94.004	487	CEELS – LEARN & SERVE	GCBO	152	76	76	76
	84.185	436	BYRD SCHOLARSHIP	GI	729	730	722	722
	84.196	440	HOMELESS CHILDREN	GPS	387	540	540	540
	84.213	441	EVEN START FAMILY LIT	GPS	1,797	2,480	2,480	2,480
	84.216	442	CAPITAL EXPENSE PRIVATE	GPS	99	254	0	0
	84.278	445	SCHOOL TO WORK INITIATIVE	GPS	4,817	297	0	0
	84.010	450	TITLE I GRANTS TO LEAS	GPS	83,483	111,678	109,882	109,882
	84.011	422	MIGRANT EDUCATION	GPS	1,808	2,378	2,378	2,378
	84.338	455	READING EXCELLENCE	GPS	748	23,746	23,746	23,746
	84.330	459	ADVANCE PLACEMENT PROG	GPS	286	471	296	296
	94.009	476	AMERICORPS PDAT	SO	142	0	0	0
	84.314	456	EVEN START INITIATIVE G	GPS	171	164	0	0
	84.215	453	PARTNER IN CHARACTER ED	GPS	233	428	428	378
	84.365	464	ENGLISH LANGUAGE ACQ	GPS	0	4,733	4,733	4,733
	84.292	427	BILINGUAL ED – RESEARCH	GPS	0	238	0	0
	84.358	428	RURAL & LOW INCOME SCHOOLS	GPS	0	175	0	0
	84.361	486	VOLUNTARY SCHOOL CHOICE	GPS	0	2,650	3,000	3,000
	84.357	468	TITLE I READING FIRST	GPS	0	9,678	9,678	9,678
TOTAL					**108,076**	**169,929**	**166,952**	**166,902**
SPECIAL PROGRAMS (29)								
	84.027	451	CHILD W/DISABILITIES	GPS	97,243	128,363	128,323	128,323
	84.324	458	OUTREACH CHILD W/DISAB	GPS	135	232	0	0
	84.013	423	NEGLECTED & DELINQUENT	GPS	332	184	250	250
	84.326	424	DEAF BLIND CTR	GPS	238	184	184	184
	84.173	434	PRESCHOOL GRANT	GPS	7,845	7,590	7,590	7,590
	84.323	457	SPEC ED PROG IMPROVEMENT	GCBO	805	1,184	1,184	1,184
	84.326	443	SPEC ED-TECH ASST & DIS	SO	196	150	422	422
TOTAL					**106,794**	**137,887**	**137,953**	**137,953**
FACILITIES & TECHNOLOGY (30)								
	84.318	452	TECH LITERACY CHALLENGE	GPS	6,080	4,441	6,594	6,594
TOTAL					**6,080**	**4,441**	**6,594**	**6,594**

Agency Code: DEPARTMENT OF EDUCATION
Fund Code: FEDERAL (300, 315)

Program	CFDA Number	App. Unit	Appropriation Unit Name	Primary Purpose	2002 Actual	2003 Budgeted	2004 Base Budget	2005 Base Budget
					Dollars in Thousands			
NUTRITION PROGRAMS (31)								
	10.555	403	FOOD & NUTR LUNCH	GPS	74,620	75,011	75,000	75,000
	10.556	404	FOOD & NUTR SPEC MILK	GCBO	790	800	800	800
	10.558	405	FOOD & NUTR CACFP COMMOD	GCBO	622	659	659	659
	10.553	400	FOOD & NUTR BREAKFAST	GPS	16,903	17,220	17,220	17,220
	10.558	407	FOOD & NUTR CACFP FD SERV	GCBO	47,607	48,000	48,000	48,000
	10.558	408	FOOD & NUTR CACFP SP ADMIN	GCBO	6,637	6,500	6,500	6,500
	10.559	415	FOOD & NUTR SFSP SPONSOR	GPS	264	300	300	300
	10.559	416	FOOD & NUTR SFSP OPER	GPS	2,529	2,500	2,500	2,500
	10.560	411	FOOD & NUTRITION SAE	SO	2,391	3,283	3,783	3,283
	10.558	406	FOOD & NUTR CACFP AUDIT	SO	1,185	1,467	1,967	1,467
TOTAL					**153,548**	**155,740**	**156,729**	**155,729**
LIBRARIES (32)								
	45.310	426	LSTA TITLE I	GPS	1,821	4,400	4,400	4,400
TOTAL					**1,821**	**4,400**	**4,400**	**4,400**
DISCONTINUED PROGRAMS (K-12) (33)								
	84.340	496	CLASS SIZE REDUCTION	GPS	16,970	9,588	0	0
	84.162	432	EMERGENCY IMMIGRANT	GPS	1,890	27	0	0
	84.352	439	SCHOOL RENOVATION	GPS	9,336	9,376	0	0
TOTAL					**28,196**	**18,991**	**0**	**0**
CHILD CARE PROGRAMS (34)								
	93.596	320	CHILD CARE ASSISTANCE	GPS	63,220	75,454	75,454	75,454
	93.596	326	TANF – DHS TRANSFER	GPS	21,904	30,953	25,128	20,643
	93.575	322	CHILD CARE ADMIN & DEV	GCBO	13,282	24,547	17,565	16,565
	93.110	321	MATERNAL & CHILD HEALTH	GPS	104	89	89	89
	93.667	324	SOCIAL SERVICE BLOCK GRANT	GCBO	419	472	404	404
	93.647	327	MN CC RESEARCH	SO	289	395	0	0
TOTAL					**99,218**	**131,910**	**118,640**	**113,155**
EARLY CHILDHOOD & FAMILY (35)								
	93.600	365	HEAD START FED	SO	106	122	121	121
	84.181	435	INFANTS & TODDLERS	GPS	5,647	6,710	6,710	6,710
TOTAL					**5,753**	**6,832**	**6,831**	**6,831**
PREVENTION (36)								
	16.575	340	VOCA ABUSED CHILDREN	GCBO	1,421	0	0	0
	93.590	323	CHILD TRUST FUND CHALLENGE	GCBO	3,220	1,945	1,945	1,945
	84.287	461	21ST CENTURY COMM LRNG	GPS	17	3,306	5,000	5,000
	93.230	325	STATE INCENTIVE GRANT	GPS	2,648	2,329	123	0
	84.186	437	DRUG & VIOLENCE PREVENT	GPS	5,585	4,847	4,847	4,847
	84.186	438	DRUG & VIOL PREV – GOV	GCBO	999	1,336	1,336	1,336
	93.938	481	SCHOOL HEALTH PROG	SO	797	609	685	685
	93.243	328	ST INCENTIVE ENHANCEMENT	GPS	0	0	750	750
TOTAL					**14,687**	**14,372**	**14,686**	**14,563**
SELF-SUFF & LIFELONG LEARNING (37)								
	93.570	366	CSBG TRNG & TECHNICAL	SO	27	46	36	36
	93.569	353	CSBG	GCBO	5,238	12,476	11,476	11,476
	14.235	364	HUD SUPPORT HOUSING PROG	GCBO	619	1,019	745	745
	14.235	368	TANF-DHS TRANS HOUSING	GCBO	1,832	2,848	0	0
	14.231	351	HUD	GCBO	1,195	1,161	1,154	1,154
	14.231	369	TANF-DHS EMERG SERV	GCBO	210	250	0	0
	10.568	350	SURPLUS COMMODITIES	GCBO	806	464	500	500
	93.571	358	COMMUNITY FOOD & NUTR	GCBO	55	55	55	55
	84.002	367	INTENSIVE ESL TANF	GCBO	973	1,586	0	0
	84.002	421	ADULT BASIC EDUC	GPS	6,288	6,807	6,807	6,807
TOTAL					**17,243**	**26,712**	**20,773**	**20,773**

Agency Code: **DEPARTMENT OF EDUCATION**
Fund Code: **FEDERAL (300, 315)**

Program	CFDA Number	App. Unit	Appropriation Unit Name	Primary Purpose	2002 Actual	2003 Budgeted	2004 Base Budget	2005 Base Budget
					Dollars in Thousands			
CHILDREN, FAMILIES & LEARNING AGENCY (39)								
	10.555	402	FOOD SAFETY EDUCATION	SO	0	145	0	0
	83.523	363	FEMA EMERG FOOD & SHELTER	SO	0	4	3	3
	10.559	410	SUMMER FOOD SAE	SO	86	109	109	109
	10.574	412	TEAM NUTRITION	SO	141	150	130	130
	84.194	420	CONSOLIDATED ADMIN	SO	1,423	2,368	2,368	2,368
	84.094	483	COMMON CORE DATA	SO	11	11	11	11
	84.215	*485	CHRISTA MCAULIFEE	SO	36	0	0	0
		*490	NEXT STEP IOWA	SO	3	0	0	0
		*492	DATA DEVELOPMENT	SO	9	3	0	0
	10.573	*401	GRANTS PROVISION 2 & 3	SO	104	0	0	0
	94.007	*493	AMERICORP DISABILITY	SO	10	0	0	0
	94.007	*469	AMERICORP DISABILITY	SO	66	0	0	0
	94.003	*477	AMERICORPS ADMIN	SO	287	0	0	0
		463	NAEP COOR	SO	0	87	87	87
	84.369	462	STATE ASSESSMENT	SO	0	6,734	6,734	6,734
	84.184	466	COMM SRV EXPELLED STUDE	SO	0	618	0	0
	84.368	467	ENHANCE ASSESSMENT COMPT	SO	0	1,100	1,100	0
TOTAL					**2,176**	**11,329**	**10,542**	**9,442**
TOTALS FOR AGENCY E37 FUND CODE 300:					**569,299**	**738,362**	**698,626**	**690,868**

**Discontinued programs or moved to another agency.*

DEPARTMENT OF EDUCATION

STATE APPROPRIATION SUMMARY

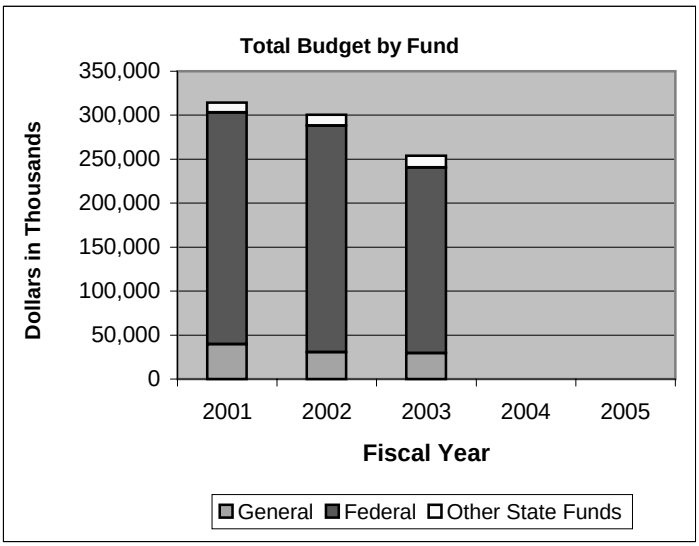
	Estimated Expenditures			Governor's Recommendations		
	FY 2002	FY 2003	FY 2002-03	FY 2004	FY 2005	FY 2004-05
General Education						
General Education	3,409,040	4,642,757	8,051,797	5,148,440	5,109,153	10,257,593
Property Tax Shift	0	0	0	(157,541)	(16,061)	(173,602)
Referendum Tax Base Replacement Aid	0	6,929	6,929	8,082	7,966	16,048
Subtotal General Education	3,409,040	4,649,686	8,058,726	4,998,981	5,101,058	10,100,039
Other General Programs						
Enrollment Options Transportation	26	45	71	50	55	105
Abatement Revenue	5,698	2,870	8,568	2,762	2,945	5,707
Consolidation Transition	539	230	769	213	620	833
Little Falls Payback	400	0	400	0	0	0
Richfield Airport Impact Aid	0	0	0	0	0	0
Tornado Impact Aid-Yellow Medicine	156	117	273	78	39	117
Declining Pupil-Albert Lea	0	300	300	225	150	375
Declining Pupil-Mesabi East	0	200	200	150	100	250
Declining Pupil-Roseau	0	40	40	30	20	50
Subtotal Other General Programs	6,819	3,802	10,621	3,508	3,929	7,437
Nonpublic Pupil Programs						
Nonpublic Pupil Aid	11,704	14,696	26,400	15,073	15,620	30,693
Nonpublic Transportation	20,160	21,557	41,717	22,132	21,987	44,119
Subtotal Nonpublic Pupil Programs	31,864	36,253	68,117	37,205	37,607	74,812
Charter Schools						
Charter School Lease Aid	12,399	13,850	26,249	17,689	21,120	38,809
Charter School Startup Aid	1,982	1,275	3,257	1,705	2,281	3,986
Charter School Integration Grants	45	42	87	8	0	8
Subtotal Charter Schools	14,426	15,167	29,593	19,402	23,401	42,803
Desegregation Programs						
Integration Revenue	62,437	47,552	109,989	61,576	58,963	120,539
Integration Programs	924	1,076	2,000	0	0	0
Magnet School Grants	448	1,052	1,500	750	750	1,500
Magnet School Startup Aid	431	230	661	37	471	508
Interdistrict Desegregation Transportation	0	3,101	3,101	5,796	8,401	14,197
Subtotal Desegregation Programs	64,240	53,011	117,251	68,159	68,585	136,744
American Indian Programs						
Success for the Future	1,884	1,987	3,871	2,137	2,137	4,274
Indian Scholarships	1,871	1,879	3,750	1,875	1,875	3,750
Indian Teacher Preparation Grants	190	190	380	190	190	380
Tribal Contract Schools	1,300	1,609	2,909	2,204	2,337	4,541
Early Childhood Programs at Tribal Schools	68	68	136	68	68	136
Subtotal American Indian Programs	5,313	5,733	11,046	6,474	6,607	13,081
Accountability & Reform						
Statewide Testing	6,333	6,667	13,000	6,500	6,500	13,000
7th Grade Testing	0	2,500	2,500	2,500	2,500	5,000
Best Practices Seminars	4,823	2,617	7,440	2,180	2,180	4,360
School Performance Evaluation	0	1,500	1,500	2,000	0	2,000
Alternative Teacher Compensation	3,000	3,700	6,700	3,700	3,700	7,400
Subtotal Accountability & Reform	14,156	16,984	31,140	16,880	14,880	31,760
Programs for Special Populations						
Advanced Placement/International Baccalaureate	1,149	1,851	3,000	450	450	900
First Grade Preparedness	7,011	7,250	14,261	7,250	7,250	14,500
Reading Competency	100	100	200	0	0	0
Youthwork Programs	1,169	2,407	3,576	1,788	1,788	3,576
Student Organizations	562	688	1,250	625	625	1,250
Subtotal Programs for Special Populations	9,991	12,296	22,287	10,113	10,113	20,226
Special Programs						
Special Education-Regular	506,594	493,402	999,996	531,011	529,415	1,060,426
Aid for Children with a Disability	1,346	2,074	3,420	2,177	2,244	4,421
Travel for Home-Based Services	162	182	344	227	262	489
Special Education-Excess Costs	91,502	59,881	151,383	94,512	93,019	187,531
Litigation Costs for Special Education	0	335	335	346	356	702
Transition for Disabled Students	8,939	8,302	17,241	8,892	8,866	17,758
Court Placed Special Education Revenue	0	147	147	152	160	312
Out of State Tuition for Special Education Students	0	250	250	250	250	500
Special Education Cross Subsidy	0	0	0	5,000	15,000	20,000

DEPARTMENT OF EDUCATION

LEVY TABLE

					Governor's Recommendation		
		F.Y. 2002 (PAY 2001)	F.Y. 2003 (PAY 2002)	F.Y. 2002-03	F.Y. 2004 (PAY 2003)	F.Y. 2005 (PAY 2004) Est.	F.Y. 2004-05
21	**GENERAL EDUCATION**						
01	General Ed	1,330,684.4	-	1,330,684.4	-	-	-
01	Transition	4,655.3	-	4,655.3	-	-	-
01	Supplemental	4,617.7	-	4,617.7	-	-	-
01	Learning Year	-	-	-	-	2,232.0	2,232.0
01	Equity	-	-	-	-	17,587.0	17,587.0
01	Hold-Harmless	-	-	-	-	64,449.0	64,449.0
01	Referendum	364,493.0	226,359.4	590,852.4	347,654.5	388,602.7	736,257.2
	TOTAL	**1,704,450.4**	**226,359.4**	**1,930,809.8**	**347,654.5**	**472,870.7**	**820,525.2**
22	**OTHER GENERAL PROGRAMS**						
02	Abatement Adjustments	2,982.9	3,182.0	6,164.9	9,374.5	7,715.6	17,090.1
09	Additional Retirement	8,391.3	9,168.1	17,559.4	9,649.4	10,131.9	19,781.3
09	St. Paul Severance	525.9	433.3	959.2	662.2	728.4	1,390.6
09	Mpls Health Insurance	-	261.9	261.9	291.5	320.6	612.1
09	Health Insurance	2,613.7	1,592.5	4,206.2	751.7	676.5	1,428.2
09	Health Benefits	3,625.4	4,071.4	7,696.8	4,278.7	3,722.5	8,001.2
09	Statutory Operating Debt	50.4	49.7	100.1	18.8	-	18.8
09	Reorganization Severance	1,330.7	866.0	2,196.7	621.3	621.3	1,242.6
09	Unemployment Insurance	1,989.4	3,775.1	5,764.5	8,364.1	3,510.1	11,874.2
09	Operating Debt	593.1	502.9	1,096.0	525.4	179.8	705.2
09	Reorganization Oper Debt	705.4	378.1	1,083.5	378.1	212.4	590.5
09	Safe Schools	9,984.5	10,065.9	20,050.4	27,615.2	28,444.0	56,059.2
09	Judgments	451.7	494.9	946.6	185.7	12.7	198.4
09	Consolidation	-	-	-	-	-	-
09	Swimming Pool	-	411.7	411.7	383.4	-	383.4
09	Ice Arena	608.4	751.4	1,359.8	840.1	810.0	1,650.1
09	Lost Interest Earnings	-	-	-	5,990.4	3,000.0	8,990.4
09	Tree Growth	-	-	-	694.9	-	694.9
09	Staff Development	34.9	33.7	68.6	36.3	-	36.3
09	Career Technical	-	12,497.9	12,497.9	12,620.3	-	12,620.3
09	Attached Machinery Adj	(808.7)	(810.1)	(1,618.8)	(810.1)	(810.1)	(1,620.2)
09	Fac & EQP Bond Adj	(8,706.2)	(7,927.6)	(16,633.8)	(7,257.9)	(6,812.3)	(14,070.2)
09	Other General	173.7	135.2	308.9	342.1	-	342.1
	Limitation Adjustment	4,427.4	950.0	5,377.4	(844.1)	5,512.4	4,668.3
	TOTAL	**28,973.9**	**40,884.0**	**69,857.9**	**74,712.0**	**57,975.8**	**132,687.8**
25	**DESEGREGATION PROGRAMS**						
01	Integration	15,322.4	27,374.4	42,696.8	19,513.4	25,056.5	44,569.9
	Limitation Adjustment	-	2,552.9	2,552.9	1,490.3	145.8	1,636.1
	TOTAL	**15,322.4**	**29,927.3**	**45,249.7**	**21,003.7**	**25,202.3**	**46,206.0**
29	**SPECIAL PROGRAMS**						
01	Special Education	-	-	-	-	-	-
	Limitation Adjustments	223.1	-	223.1	-	-	-
	TOTAL	**223.1**	**-**	**223.1**	**-**	**-**	**-**
30	**FACILITIES AND TECHNOLOGY**						
01	Hazardous/ Health & Safety	76,623.2	122,775.9	199,399.1	132,666.5	97,756.7	230,423.2
02	Basic Debt Levy (No Equal.)	475,797.9	503,639.0	979,436.9	541,438.5	595,014.4	1,136,452.9
02	Debt Equalization	(25,541.4)	(32,141.2)	(57,682.6)	(36,141.6)	(37,932.5)	(74,074.1)
02	Energy Loan	2,577.3	2,035.5	4,612.8	1,642.0	1,395.3	3,037.3
02	Lease Purchase	36,693.1	38,254.6	74,947.7	41,698.9	44,617.8	86,316.7
03	Alt Facilities Debt	35,327.1	43,709.6	79,036.7	46,723.1	48,282.0	95,005.1
03	Alt Facilities Debt Aid	(16,456.2)	(16,456.2)	(32,912.4)	(16,456.2)	-	(16,456.2)
03	Adjustment for Alt Aid	(822.8)	(838.7)	(1,661.5)	(98.5)	(150.0)	(248.5)
03	Adjustment for Taconite on Bonds	(4,556.5)	(4,501.7)	(9,058.2)	(4,978.7)	(5,000.0)	(9,978.7)
02	Facilities	5,949.5	6,376.3	12,325.8	5,622.8	5,098.4	10,721.2
02	Equipment	3,446.1	2,148.7	5,594.8	1,904.3	1,713.9	3,618.2
02	Debt Excess	(23,726.8)	(34,387.8)	(58,114.6)	(15,013.0)	(15,000.0)	(30,013.0)
02	Debt Surplus Transfer	-	(189.2)	(189.2)	-	-	-
04	Interactive TV / Technology	1,032.8	-	1,032.8	-	-	-
03	Alternate Facilities	27,268.6	39,683.1	66,951.7	39,934.7	43,399.6	83,334.3
03	Alternate Facilities Aid	(2,829.8)	(2,829.8)	(5,659.6)	(2,829.8)	-	(2,829.8)
03	Alternate Facilities Debt Aid	(120.5)	(838.7)	(959.2)	(98.5)	-	(98.5)
04	Disabled Access	1,789.2	1,126.2	2,915.4	1,062.5	1,000.0	2,062.5

Per current law, the Department of Economic Security is abolished effective 7-1-03. Additionally, current law proposes a merger between the Department of Economic Security and the Department of Trade and Economic Development. As a result, the Governor has merged the budgets of these two state agencies. While funding history will remain separate, recommendations for the 2004-05 biennial budget will be found within the Department of Trade and Economic Development budget.

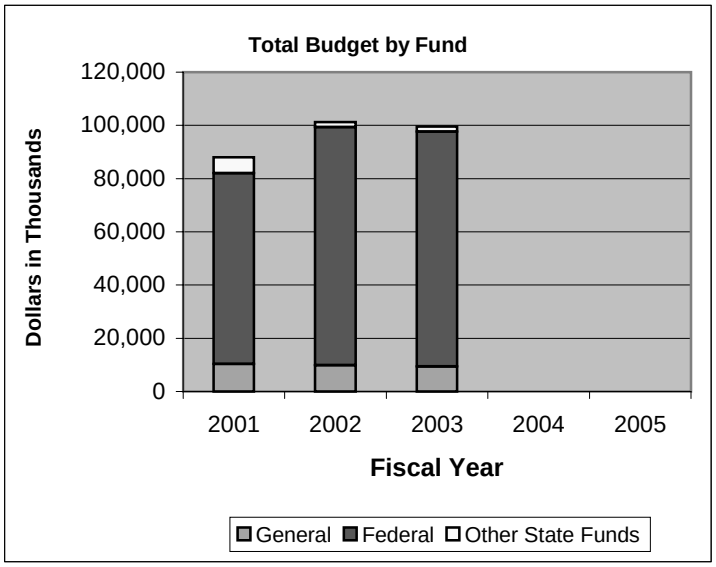


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	39,833	30,488	29,446	0	0	0
Workforce Development	5,938	9,993	9,670	0	0	0
Federal Tanf	0	6,066	5,927	0	0	0
Statutory Appropriations						
State Government Special Revenue	1,087	37	0	0	0	0
Special Revenue	3,782	1,423	3,185	0	0	0
Mdes Federal	262,754	251,534	205,162	0	0	0
Federal Tanf	363	0	0	0	0	0
Gift	450	1,067	641	0	0	0
Total	**314,207**	**300,608**	**254,031**	**0**	**0**	**0**

Expenditures by Category						
Operating Expenses	130,250	140,911	156,378	0	0	0
Capital Outlay & Real Property	16	0	0	0	0	0
Payments To Individuals	26,366	30,259	38,596	0	0	0
Local Assistance	157,575	129,438	59,057	0	0	0
Total	**314,207**	**300,608**	**254,031**	**0**	**0**	**0**

Expenditures by Program						
Workforce Services	87,994	101,288	99,541	0	0	0
Workforce Rehabilitation Svcs	59,567	60,238	64,261	0	0	0
Workforce Svcs For The Blind	15,366	17,061	15,244	0	0	0
Workforce Wage Assistance	57,310	62,589	74,985	0	0	0
Energy Programs	93,970	59,432	0	0	0	0
Total	**314,207**	**300,608**	**254,031**	**0**	**0**	**0**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	11	12	0	0	0	0
Subtotal Non Dedicated	11	12	0	0	0	0
Dedicated						
General	725	708	576	0	0	0
State Government Special Revenue	0	37	0	0	0	0
Special Revenue	4,430	4,844	10,659	0	0	0
Workforce Development	240	0	0	0	0	0
Mdes Federal	262,998	194,155	198,953	0	0	0
Federal Tanf	363	0	0	0	0	0
Gift	464	556	270	0	0	0
Subtotal Dedicated	269,220	200,300	210,458	0	0	0
Total Revenue	**269,231**	**200,312**	**210,458**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**1,713.5**	**1,731.5**	**1,718.2**	**0.0**	**0.0**	

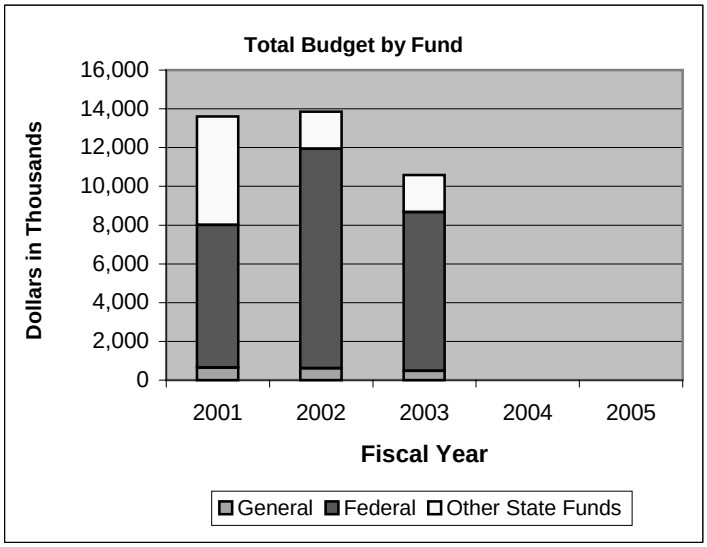


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	10,364	9,878	9,415	0	0	0
Workforce Development	5,888	1,925	1,925	0	0	0
Federal Tanf	0	5,920	5,927	0	0	0
Statutory Appropriations						
Special Revenue	87	50	0	0	0	0
Mdes Federal	71,649	83,515	82,274	0	0	0
Gift	6	0	0	0	0	0
Total	**87,994**	**101,288**	**99,541**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	38,405	44,456	46,420	0	0	0
Capital Outlay & Real Property	16	0	0	0	0	0
Payments To Individuals	1,630	3,656	11,200	0	0	0
Local Assistance	47,943	53,176	41,921	0	0	0
Total	**87,994**	**101,288**	**99,541**	**0**	**0**	**0**
Expenditures by Activity						
Employment Transition Services	13,599	13,855	10,587	0	0	0
Youth Services	24,996	27,873	22,130	0	0	0
Adult Training	12,476	17,800	14,774	0	0	0
Employment Programs	36,683	41,760	52,050	0	0	0
Dislocated Worker	240	0	0	0	0	0
Total	**87,994**	**101,288**	**99,541**	**0**	**0**	**0**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Dedicated						
General	725	696	576	0	0	0
Special Revenue	661	43	0	0	0	0
Workforce Development	240	0	0	0	0	0
Mdes Federal	72,539	78,508	78,128	0	0	0
Gift	6	0	0	0	0	0
Subtotal Dedicated	74,171	79,247	78,704	0	0	0
Total Revenue	**74,171**	**79,247**	**78,704**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**491.0**	**511.1**	**510.5**	**0.0**	**0.0**	

ECONOMIC SECURITY DEPT
Program: WORKFORCE SERVICES
Activity: EMPLOYMENT TRANSITION SERVICES

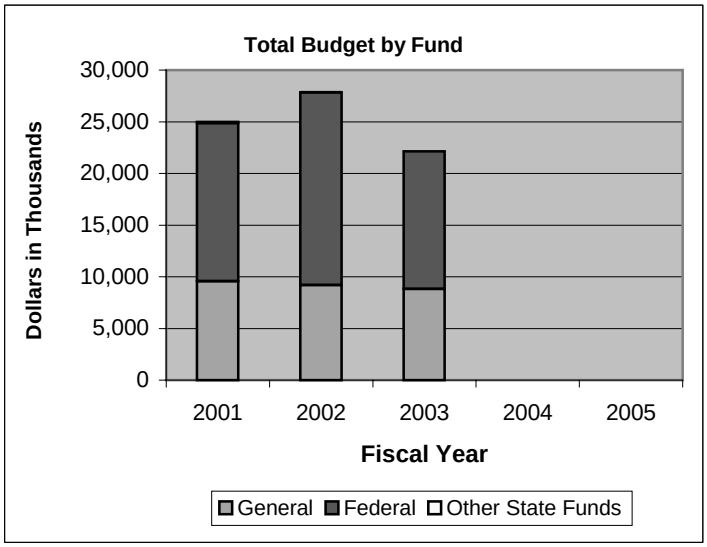
Fiscal Report



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	647	616	486	0	0	0
Workforce Development	5,598	1,925	1,925	0	0	0
Federal Tanf	0	5,920	5,927	0	0	0
Statutory Appropriations						
Mdes Federal	7,354	5,394	2,249	0	0	0
Total	**13,599**	**13,855**	**10,587**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	3,123	2,048	1,929	0	0	0
Payments To Individuals	108	100	0	0	0	0
Local Assistance	10,368	11,707	8,658	0	0	0
Total	**13,599**	**13,855**	**10,587**	**0**	**0**	**0**
Revenue by Type and Fund						
Dedicated						
General	641	616	486	0	0	0
Mdes Federal	7,587	5,042	2,249	0	0	0
Subtotal Dedicated	8,228	5,658	2,735	0	0	0
Total Revenue	**8,228**	**5,658**	**2,735**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**48.3**	**29.0**	**25.9**	**0.0**	**0.0**	

ECONOMIC SECURITY DEPT
Program: WORKFORCE SERVICES
Activity: YOUTH SERVICES

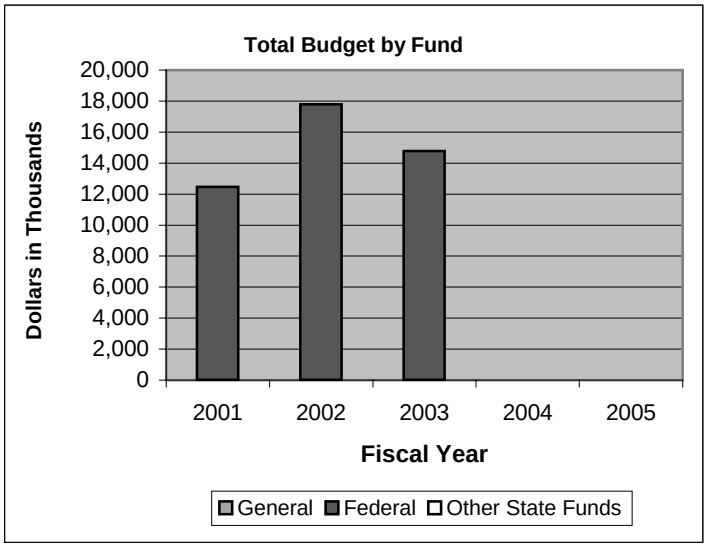
Fiscal Report



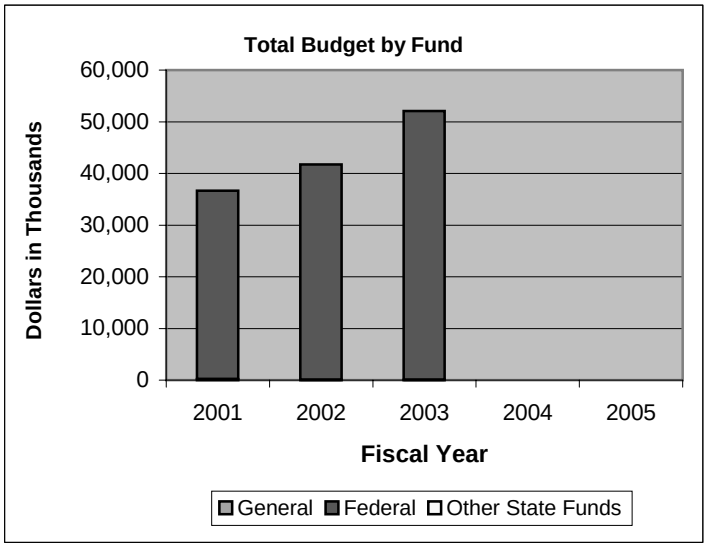
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	9,562	9,182	8,839	0	0	0
Workforce Development	50	0	0	0	0	0
Statutory Appropriations						
Special Revenue	87	50	0	0	0	0
Mdes Federal	15,297	18,641	13,291	0	0	0
Total	**24,996**	**27,873**	**22,130**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	995	922	1,078	0	0	0
Payments To Individuals	3	0	0	0	0	0
Local Assistance	23,998	26,951	21,052	0	0	0
Total	**24,996**	**27,873**	**22,130**	**0**	**0**	**0**
Revenue by Type and Fund						
Dedicated						
General	-6	0	0	0	0	0
Special Revenue	87	43	0	0	0	0
Mdes Federal	15,431	16,221	13,262	0	0	0
Subtotal Dedicated	15,512	16,264	13,262	0	0	0
Total Revenue	**15,512**	**16,264**	**13,262**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**11.4**	**12.5**	**13.7**	**0.0**	**0.0**	

ECONOMIC SECURITY DEPT
Program: WORKFORCE SERVICES
Activity: ADULT TRAINING

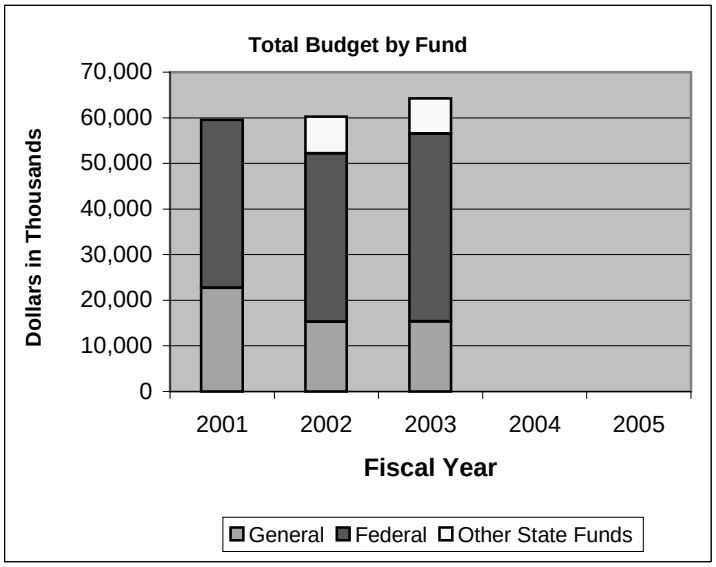
Fiscal Report



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Mdes Federal	12,476	17,800	14,774	0	0	0
Total	**12,476**	**17,800**	**14,774**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	1,418	3,772	3,063	0	0	0
Local Assistance	11,058	14,028	11,711	0	0	0
Total	**12,476**	**17,800**	**14,774**	**0**	**0**	**0**
Revenue by Type and Fund						
Dedicated						
Mdes Federal	13,473	17,627	12,520	0	0	0
Subtotal Dedicated	13,473	17,627	12,520	0	0	0
Total Revenue	**13,473**	**17,627**	**12,520**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**19.8**	**38.6**	**39.9**	**0.0**	**0.0**	



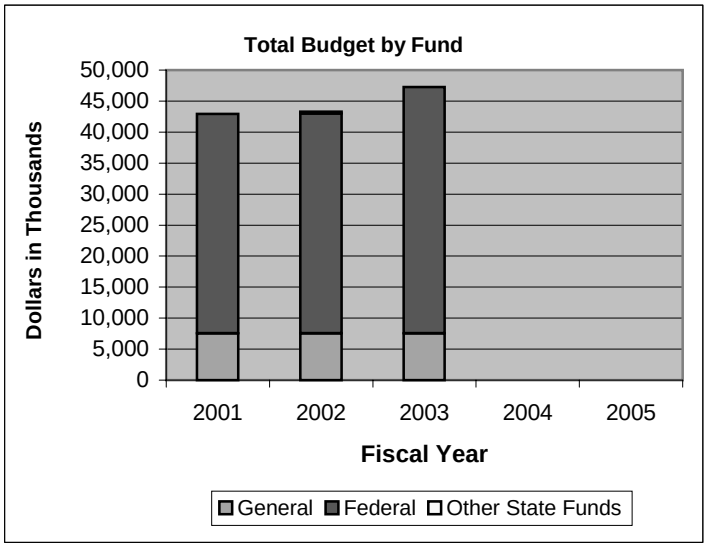
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	155	80	90	0	0	0
Statutory Appropriations						
Mdes Federal	36,522	41,680	51,960	0	0	0
Gift	6	0	0	0	0	0
Total	**36,683**	**41,760**	**52,050**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	32,629	37,714	40,350	0	0	0
Capital Outlay & Real Property	16	0	0	0	0	0
Payments To Individuals	1,519	3,556	11,200	0	0	0
Local Assistance	2,519	490	500	0	0	0
Total	**36,683**	**41,760**	**52,050**	**0**	**0**	**0**
Revenue by Type and Fund						
Dedicated						
General	90	80	90	0	0	0
Mdes Federal	36,048	39,618	50,097	0	0	0
Gift	6	0	0	0	0	0
Subtotal Dedicated	36,144	39,698	50,187	0	0	0
Total Revenue	**36,144**	**39,698**	**50,187**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**411.5**	**431.0**	**431.0**	**0.0**	**0.0**	



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	22,715	15,325	15,380	0	0	0
Workforce Development	50	8,068	7,745	0	0	0
Federal Tanf	0	146	0	0	0	0
Statutory Appropriations						
Mdes Federal	36,439	36,698	41,130	0	0	0
Federal Tanf	363	0	0	0	0	0
Gift	0	1	6	0	0	0
Total	**59,567**	**60,238**	**64,261**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	27,016	26,453	29,780	0	0	0
Payments To Individuals	15,664	16,442	17,366	0	0	0
Local Assistance	16,887	17,343	17,115	0	0	0
Total	**59,567**	**60,238**	**64,261**	**0**	**0**	**0**
Expenditures by Activity						
Vocational Rehabilitation	42,925	43,298	47,272	0	0	0
Independent Living	2,885	3,141	3,259	0	0	0
Extended Employment	13,757	13,799	13,730	0	0	0
Total	**59,567**	**60,238**	**64,261**	**0**	**0**	**0**
Revenue by Type and Fund						
Dedicated						
Mdes Federal	36,145	36,587	41,130	0	0	0
Federal Tanf	363	0	0	0	0	0
Gift	1	1	6	0	0	0
Subtotal Dedicated	36,509	36,588	41,136	0	0	0
Total Revenue	**36,509**	**36,588**	**41,136**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**402.9**	**400.5**	**399.9**	**0.0**	**0.0**	

ECONOMIC SECURITY DEPT
Program: WORKFORCE REHABILITATION SVCS
Activity: VOCATIONAL REHABILITATION

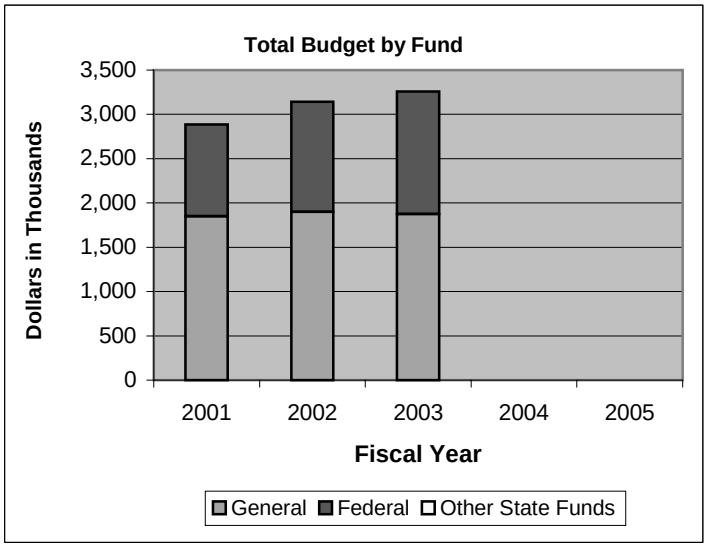
Fiscal Report



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	7,521	7,515	7,521	0	0	0
Workforce Development	0	325	0	0	0	0
Statutory Appropriations						
Mdes Federal	35,404	35,457	39,745	0	0	0
Gift	0	1	6	0	0	0
Total	**42,925**	**43,298**	**47,272**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	26,188	25,650	28,900	0	0	0
Payments To Individuals	15,534	16,289	17,246	0	0	0
Local Assistance	1,203	1,359	1,126	0	0	0
Total	**42,925**	**43,298**	**47,272**	**0**	**0**	**0**
Revenue by Type and Fund						
Dedicated						
Mdes Federal	35,110	35,346	39,745	0	0	0
Gift	1	1	6	0	0	0
Subtotal Dedicated	35,111	35,347	39,751	0	0	0
Total Revenue	**35,111**	**35,347**	**39,751**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**391.6**	**388.7**	**390.0**	**0.0**	**0.0**	

ECONOMIC SECURITY DEPT
Program: WORKFORCE REHABILITATION SVCS
Activity: INDEPENDENT LIVING

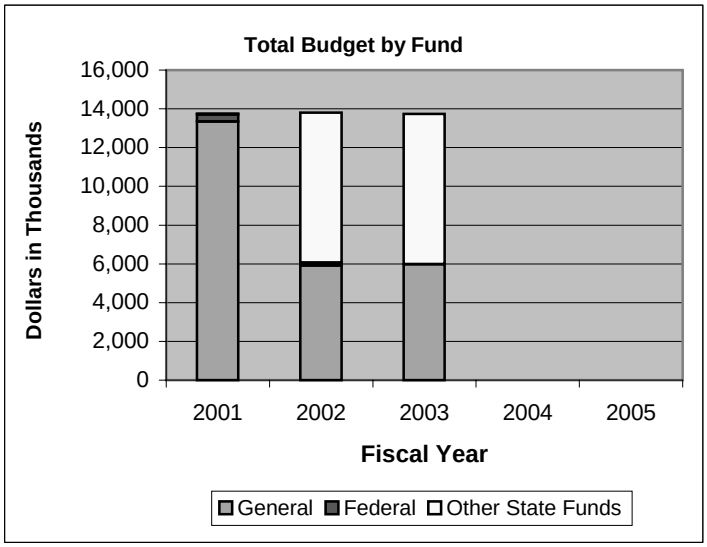
Fiscal Report



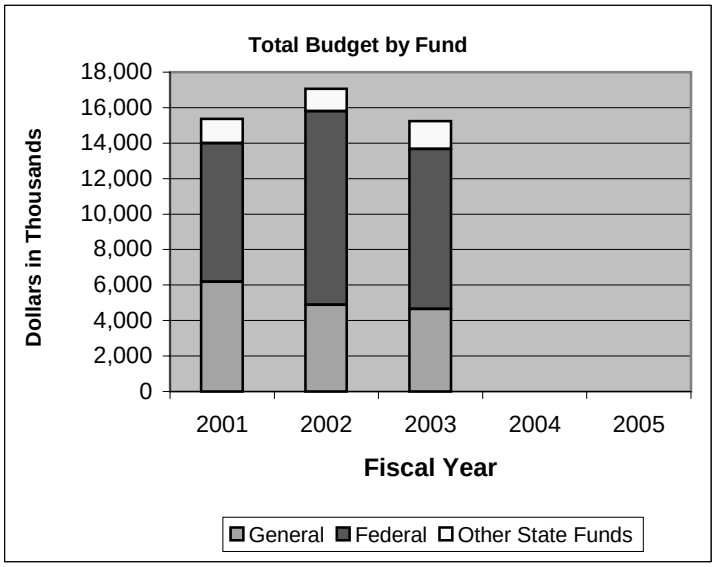
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,850	1,900	1,874	0	0	0
Statutory Appropriations						
Mdes Federal	1,035	1,241	1,385	0	0	0
Total	**2,885**	**3,141**	**3,259**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	369	274	375	0	0	0
Payments To Individuals	130	153	120	0	0	0
Local Assistance	2,386	2,714	2,764	0	0	0
Total	**2,885**	**3,141**	**3,259**	**0**	**0**	**0**
Revenue by Type and Fund						
Dedicated						
Mdes Federal	1,035	1,241	1,385	0	0	0
Subtotal Dedicated	1,035	1,241	1,385	0	0	0
Total Revenue	**1,035**	**1,241**	**1,385**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**5.1**	**5.9**	**4.0**	**0.0**	**0.0**	

ECONOMIC SECURITY DEPT
Program: WORKFORCE REHABILITATION SVCS
Activity: EXTENDED EMPLOYMENT

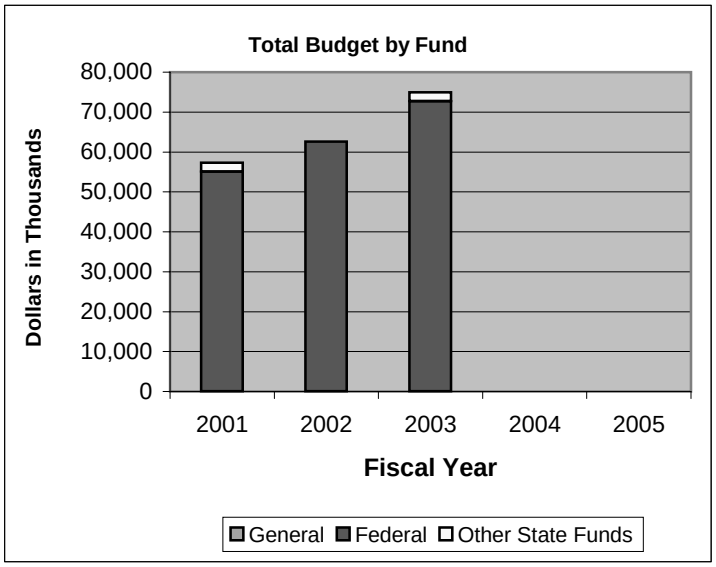
Fiscal Report



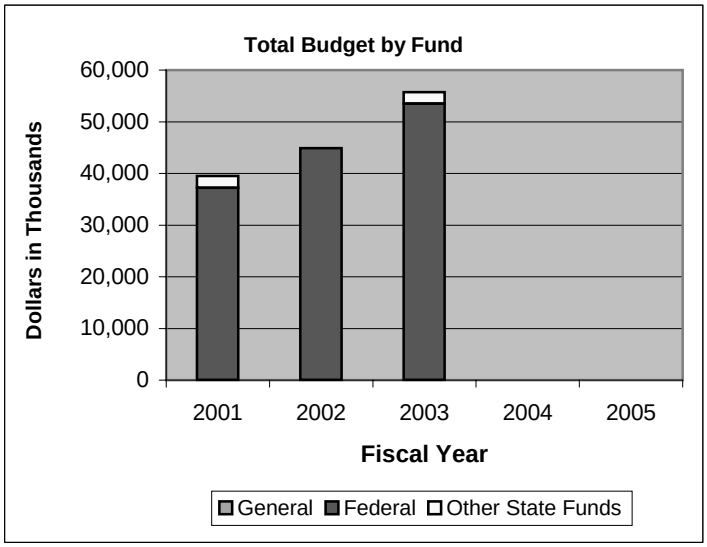
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	13,344	5,910	5,985	0	0	0
Workforce Development	50	7,743	7,745	0	0	0
Federal Tanf	0	146	0	0	0	0
Statutory Appropriations						
Federal Tanf	363	0	0	0	0	0
Total	**13,757**	**13,799**	**13,730**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	459	529	505	0	0	0
Local Assistance	13,298	13,270	13,225	0	0	0
Total	**13,757**	**13,799**	**13,730**	**0**	**0**	**0**
Revenue by Type and Fund						
Dedicated						
Federal Tanf	363	0	0	0	0	0
Subtotal Dedicated	363	0	0	0	0	0
Total Revenue	**363**	**0**	**0**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**6.2**	**5.9**	**5.9**	**0.0**	**0.0**	



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	6,187	4,880	4,651	0	0	0
Statutory Appropriations						
Special Revenue	945	981	935	0	0	0
Mdes Federal	7,812	10,921	9,023	0	0	0
Gift	422	279	635	0	0	0
Total	**15,366**	**17,061**	**15,244**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	11,879	12,658	11,193	0	0	0
Payments To Individuals	3,456	4,382	4,030	0	0	0
Local Assistance	31	21	21	0	0	0
Total	**15,366**	**17,061**	**15,244**	**0**	**0**	**0**
Expenditures by Activity						
Services For The Blind	15,366	17,061	15,244	0	0	0
Total	**15,366**	**17,061**	**15,244**	**0**	**0**	**0**
Revenue by Type and Fund						
Dedicated						
Special Revenue	1,029	1,076	859	0	0	0
Mdes Federal	7,028	12,855	6,960	0	0	0
Gift	454	522	264	0	0	0
Subtotal Dedicated	8,511	14,453	8,083	0	0	0
Total Revenue	**8,511**	**14,453**	**8,083**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**134.1**	**139.3**	**132.8**	**0.0**	**0.0**	



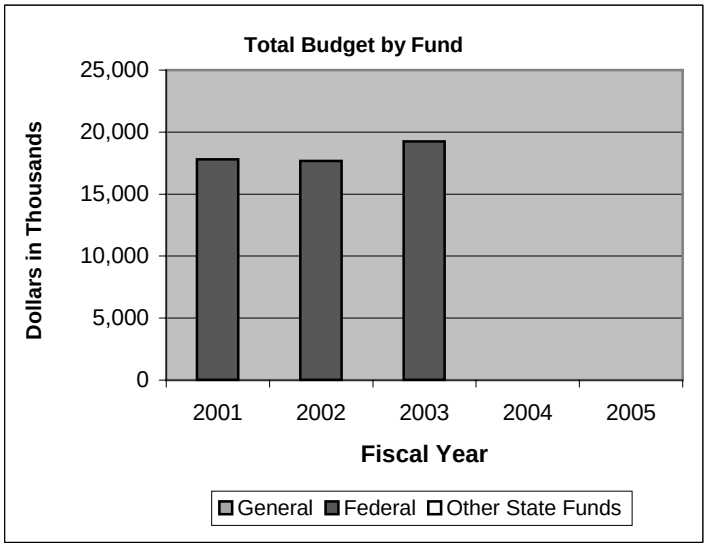
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	27	0	0	0	0
Statutory Appropriations						
Special Revenue	2,272	0	2,250	0	0	0
Mdes Federal	55,038	62,562	72,735	0	0	0
Total	**57,310**	**62,589**	**74,985**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	51,694	56,810	68,985	0	0	0
Payments To Individuals	5,616	5,779	6,000	0	0	0
Total	**57,310**	**62,589**	**74,985**	**0**	**0**	**0**
Expenditures by Activity						
Unemployment Insurance	39,513	44,919	55,750	0	0	0
Disability Determination	17,797	17,670	19,235	0	0	0
Total	**57,310**	**62,589**	**74,985**	**0**	**0**	**0**
Revenue by Type and Fund						
Dedicated						
Special Revenue	2,249	3,652	9,800	0	0	0
Mdes Federal	55,818	60,392	72,735	0	0	0
Subtotal Dedicated	58,067	64,044	82,535	0	0	0
Total Revenue	**58,067**	**64,044**	**82,535**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**672.2**	**675.1**	**675.0**	**0.0**	**0.0**	



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	27	0	0	0	0
Statutory Appropriations						
Special Revenue	2,272	0	2,250	0	0	0
Mdes Federal	37,241	44,892	53,500	0	0	0
Total	**39,513**	**44,919**	**55,750**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	39,513	44,919	55,750	0	0	0
Total	**39,513**	**44,919**	**55,750**	**0**	**0**	**0**
Revenue by Type and Fund						
Dedicated						
Special Revenue	2,249	3,652	9,800	0	0	0
Mdes Federal	38,343	42,722	53,500	0	0	0
Subtotal Dedicated	40,592	46,374	63,300	0	0	0
Total Revenue	**40,592**	**46,374**	**63,300**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**521.7**	**525.0**	**525.0**	**0.0**	**0.0**	

ECONOMIC SECURITY DEPT
Program: WORKFORCE WAGE ASSISTANCE
Activity: DISABILITY DETERMINATION

Fiscal Report



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Mdes Federal	17,797	17,670	19,235	0	0	0
Total	**17,797**	**17,670**	**19,235**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	12,181	11,891	13,235	0	0	0
Payments To Individuals	5,616	5,779	6,000	0	0	0
Total	**17,797**	**17,670**	**19,235**	**0**	**0**	**0**
Revenue by Type and Fund						
Dedicated						
Mdes Federal	17,475	17,670	19,235	0	0	0
Subtotal Dedicated	17,475	17,670	19,235	0	0	0
Total Revenue	**17,475**	**17,670**	**19,235**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**150.5**	**150.1**	**150.0**	**0.0**	**0.0**	

Agency Purpose

They exist to protect life and property from the hazards arising from the use of electricity by ensuring the qualifications of electricians through the electrical licensing requirements of M.S. Section 326.242 and the inspection of electrical wiring and equipment for compliance with the safety standards set forth in Section 326.243, as required by Section 326.244.

Core Functions

⇒ License individuals through an experience and examination process.
⇒ License businesses that perform electrical work.
⇒ Inspect installed electrical wiring.

At A Glance

The board's level of activity is based on demand for service by its clientele, including citizens, license applicants, and licensees. The demand for license related service is relatively constant and has increased approximately 15% over the last 10 years. The demand for electrical inspection has increased 50% over the same 10-year period and is directly related to the level of construction activity.

Operations

⇒ License approximately 3,000 businesses that perform electrical wiring for others.
⇒ Issue over 15,000 personal licenses across 10 different classifications. Approximately 2,000 persons are licensed in more than one category.
⇒ Examine over 1,500 persons for personal licensure each fiscal year. Additionally, the board has a reciprocal licensing agreement with 11 other states that allows individuals to become licensed in participating states without additional examination.
⇒ During the biennium ending 6-30-02, the board received approximately 320,000 separate requests for inspection and completed a similar number of inspections requiring approximately 750,000 separate inspection trips, an average of 1,500 each business day.

Budget

The board collects revenues for electrical examinations and licensing, inspection charges, handling fees, civil penalties, and miscellaneous charges. These revenues are deposited in a special revenue account in the state treasury.

⇒ Electrical inspection fees are held in escrow and are used to pay inspection service expenses as individual inspections are completed. In FY 2002, 83% of the collected inspection fee was used to pay for inspection service with the remaining 17% used to offset associated operating costs, including anticipated future costs.
⇒ Electrical licensing fees are collected at the time of initial licensure and upon renewal. All licenses are based on a two-year term.
⇒ Revenue from inspection accounted for 89%, licensing fees for 9%, and sale of request for inspection certificate forms and other sources the remaining 2% of the board's total revenue for the 2001-02 biennium.

Contact

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John A. Schultz, Executive Secretary
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Additional information is available on the board's web site at www.electricity.state.mn.us.

State of Minnesota
Department of Finance

400 Centennial Building
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St. Paul, Minnesota 55155
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Fax: (651) 296-8685
TTY: 1-800-627-3529

February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Economic Development omnibus bill. These agencies collectively administer $130 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $17.5 million (17.8%) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to preserve Minnesota's rich history, support the state's art community, regulate professional licensees, and provide advice to the Governor and legislature on issues effecting the state's minority populations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

We have evaluated the role of government in a number of these agencies and are recommending the elimination of state funding. The reduction level for most of the other non-cabinet agencies in the economic development area ranges from 15-20%. Most agencies have focused on reducing their administrative areas of the budget in order to preserve the core functions of the agency.

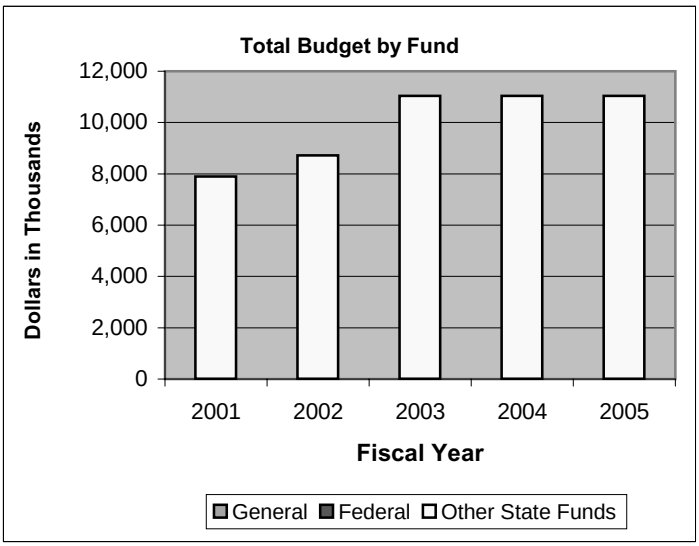
The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

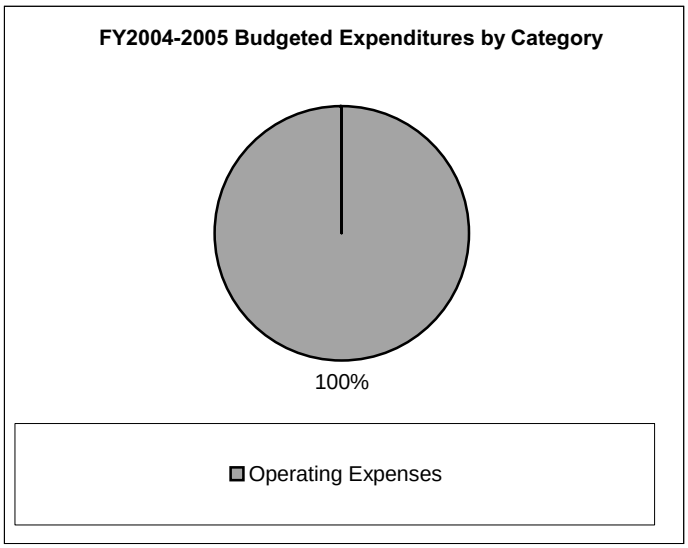
I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	0	22,090	22,090
Adjusted Base Funding	0	22,090	22,090
Governor's Recommendations	0	22,090	22,090
Biennial Change, 2002-03 to 2004-05	0	2,328	2,328
Percent Change	n.m	12%	12%





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Special Revenue	7,901	8,717	11,045	11,045	11,045	22,090
Total	**7,901**	**8,717**	**11,045**	**11,045**	**11,045**	**22,090**
Expenditures by Category						
Operating Expenses	7,901	8,717	11,045	11,045	11,045	22,090
Total	**7,901**	**8,717**	**11,045**	**11,045**	**11,045**	**22,090**
Expenditures by Program						
Board Of Electricity	7,901	8,717	11,045	11,045	11,045	22,090
Total	**7,901**	**8,717**	**11,045**	**11,045**	**11,045**	**22,090**
Revenue by Type and Fund						
Dedicated						
Special Revenue	8,413	9,476	11,045	11,045	11,045	22,090
Subtotal Dedicated	8,413	9,476	11,045	11,045	11,045	22,090
Total Revenue	**8,413**	**9,476**	**11,045**	**11,045**	**11,045**	**22,090**
Full-Time Equivalents (FTE)	**25.4**	**25.7**	**25.7**	**25.7**	**25.7**	

Agency Purpose

Minnesota Statutes, sections 144E.001-144E.52 designate the Emergency Medical Services Regulatory Board (EMSRB) as the lead agency for emergency medical services (EMS) in the state. Its mission is to *provide leadership which optimizes the quality of emergency medical care for the people of Minnesota – in collaboration with its communities – through policy development, regulation, system design, education and medical direction.*

At A Glance

- The EMS system in Minnesota is heavily dependent on volunteer ambulance services and on a diminishing pool of volunteers, particularly in rural areas.
- Low ambulance license fees and no fees for personnel certification (indicated by the voluntary makeup of EMS) prevent the agency from becoming fee-supported.

The EMSRB was created in 1995 legislation and began operations on 7-1-96. It was one of the first such independent EMS agencies in the nation and has served as a model for other states. Before its existence, EMS functions in Minnesota had been carried out in the Department of Health's EMS Section, dating to the 1960s when EMS was emerging here and nationally as a distinct public health component. The agency is governed by a 19-member board. Fifteen of those members are appointed by the governor from a variety of disciplines and areas comprising the EMS system. Additional members are a senator and a representative (both ex-officio) and the commissioners of Health and Public Safety.

The EMSRB also serves as the administering agency for the Health Professionals Services Program (HPSP). M.S. 214.31 to 214.37 charge (HPSP) with the responsibility to *protect the public from persons regulated by the* [14 health-licensing] *boards* [and the EMSRB and Department of Health] *who are unable to practice with reasonable skill and safety by reason of illness, use of alcohol, drugs, chemicals or any other material, or as a result of any mental, physical or psychological condition*.

Core Functions

⇒ Licenses and regulates approximately 300 ambulance services.
⇒ Certifies more than 28,000 EMS personnel after they have completed the required training and testing.
⇒ Approves approximately 100 training programs that conduct training courses for EMS personnel.
⇒ Designates and funds eight organizations that provide EMS support on a regional level throughout the state.
⇒ Registers approximately 1,000 first responder units, on a voluntary basis, statewide. This is a new function authorized by 2002 legislation and effective 8-1-02.
⇒ Monitors (through HPSP) nearly 500 health professionals to enhance public safety in health care.

Operations

⇒ Receives, investigates and resolves complaints from the public and EMS professionals about ambulance services, training programs and EMS personnel, taking action as necessary to protect the public from unsafe EMS practice.
⇒ Administers funding for Comprehensive Advanced Life Support (CALS) courses that teach advanced emergency care skills to rural doctors, nurses and emergency room personnel.
⇒ Administers federal funding for the EMS for Children (EMSC) Resource Center which provides information and training on pediatric emergency care and child safety.
⇒ Administers reimbursements to volunteer ambulance services for expenses associated with initial training and continuing education for approximately 1,400 volunteer EMS personnel.
⇒ Administers a Longevity Award Program that provides one-time cash awards to qualifying volunteer EMS personnel upon retirement.
⇒ Performs (through HPSP) intake and assessment services to determine if monitoring health professionals is indicated.
⇒ Creates (through HPSP) contracts for health professionals and monitors their compliance with the contracts (e.g., review drug screens, treatment provider and work site reports).

Budget

The EMSRB portion of the agency's budget comes from a variety of sources: general fund appropriations, dedicated funds, federal grants and fines for seat-belt violations. Operation of the EMSRB accounts for 27% of its budget expenditures (16 full-time equivalent employees), with the remainder going to grants and other dedicated uses. The HPSP portion of the budget is generated by the participating boards. Each board pays an annual participation fee of $1,000 and a pro rata share of program expenses based on the number of licensees they have in the program. HPSP has 7.0 full-time equivalent employees.

Contact

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Health and Human Services omnibus bill. These agencies collectively administer $163.2 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $1 million (0.6%) increase from the FY 2002-03 biennium. The funding for these agencies will be used to provide health and supportive housing services for Minnesota Veterans, license and regulate health professionals, promote high standards for treatment of mental illness, promote the protection of children, and coordinate training and administration for eight independent EMS organizations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, eliminate duplication, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Agencies have focused reduction plans around administrative areas of the budget. In most cases this protects the core function of the agency, albeit at a reduced level. In some cases, reduced staff will have direct effects on citizens as they try to access government services.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

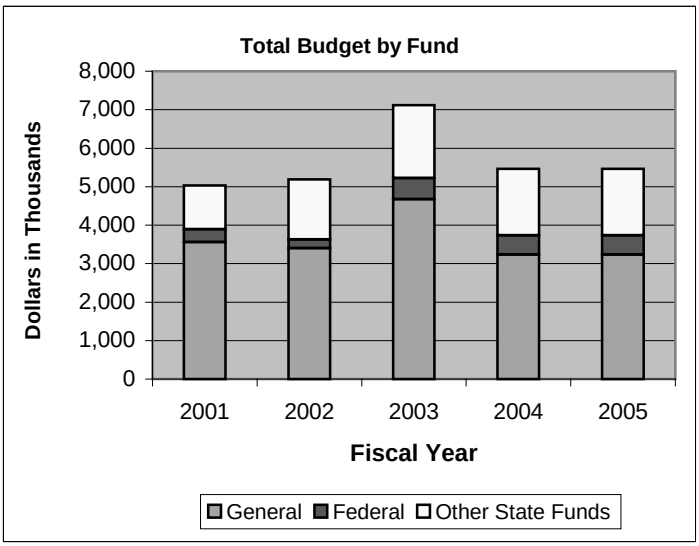
Sincerely,

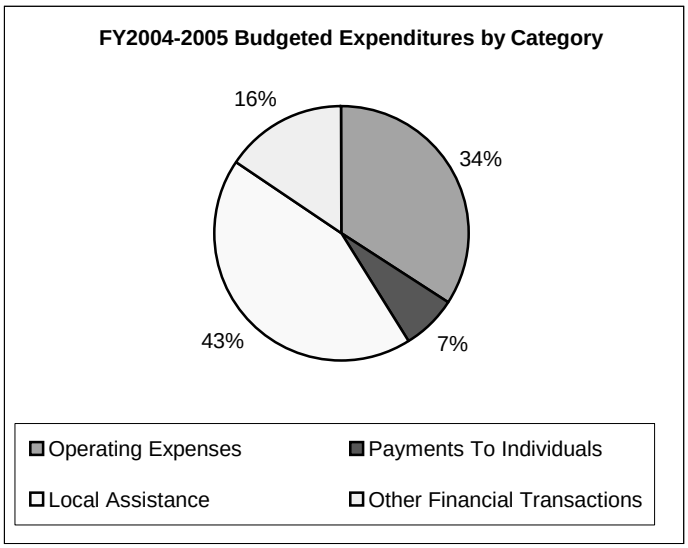
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	7,610	3,366	10,976
Agency Technical Reallocations	0	1,092	1,092
Adjusted Base Funding	7,610	4,458	12,068
Change Items			
Budget Reduction	-1,142	0	-1,142
Governor's Recommendations	6,468	4,458	10,926
Biennial Change, 2002-03 to 2004-05	-1,605	221	-1,384
Percent Change	-20%	5%	-11%

Brief Explanation Of Budget Decisions:

The Emergency Medical Services & Regulatory Board (EMSRB) is an organization that provides licensure and regulation services to ambulance services and EMS personnel. EMSRB will continue to approve training programs and work with the 8 regional EMS boards to maintain high priority services despite a decrease in administrative and grant funds for the coming biennium.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,618	2,470	3,638	2,387	2,387	4,774
State Government Special Revenue	0	432	629	546	546	1,092
Open Appropriations						
General	945	932	1,033	847	847	1,694
State Government Special Revenue	0	17	8	8	8	16
Statutory Appropriations						
Special Revenue	1,142	1,116	1,248	1,172	1,172	2,344
Federal	330	224	550	501	501	1,002
Gift	0	0	13	2	2	4
Total	**5,035**	**5,191**	**7,119**	**5,463**	**5,463**	**10,926**
Expenditures by Category						
Operating Expenses	1,494	1,781	2,371	1,867	1,867	3,734
Payments To Individuals	343	292	478	385	385	770
Local Assistance	2,253	2,186	3,237	2,364	2,364	4,728
Other Financial Transactions	945	932	1,033	847	847	1,694
Total	**5,035**	**5,191**	**7,119**	**5,463**	**5,463**	**10,926**
Expenditures by Program						
Emergency Medical Services Bd	5,035	5,191	7,119	5,463	5,463	10,926
Total	**5,035**	**5,191**	**7,119**	**5,463**	**5,463**	**10,926**

EMERGENCY MEDICAL SVCS REG BD

Fiscal Report

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	0	77	237	237	237	474
State Government Special Revenue	0	4	10	10	10	20
Cambridge Deposit Fund	55	0	0	0	0	0
Subtotal Non Dedicated	55	81	247	247	247	494
Dedicated						
General	23	12	30	30	30	60
Special Revenue	0	0	2	2	2	4
Federal	322	223	544	501	501	1,002
Gift	0	1	2	2	2	4
Subtotal Dedicated	345	236	578	535	535	1,070
Total Revenue	**400**	**317**	**825**	**782**	**782**	**1,564**
Full-Time Equivalents (FTE)	**13.6**	**19.5**	**19.3**	**19.3**	**19.3**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($571)	($571)	($571)	($571)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($571)	($571)	($571)	($571)

Recommendation
The Governor recommends a reduction of $571,000 in FY 2004 and FY 2005 from the budget of the Emergency Medical Services and Regulatory Board.

Background
The reduction will be taken from a number of areas in the agency budget. Reductions include cuts to volunteer training reimbursement, longevity awards, comprehensive advanced life support grants, and agency operations. Agency operations will be reduced in travel, equipment, printing and compensation.

Relationship to Base Budget
The recommended reduction represents 15% of the agency budget.

Alternatives Considered
None.

Statutory Change: 144E.42. Change language to indicate 90% of the General Fund appropriation is transferred to the trust fund.

Agency Purpose

The Minnesota Office of Environmental Assistance (OEA) is a state agency that works in partnership with businesses, local governments, schools, community groups, and individual citizens to apply innovative approaches to Minnesota's environmental issues. The OEA works with its partners to solve environmental problems and to further the state's economic and social priorities in an environmentally sound manner.

Our mission is to help Minnesotans make informed decisions and take actions that conserve resources and prevent pollution and waste to benefit the environment, economy and society.

The Office of Environmental Assistance is an organization that:

- works together with Minnesotans to address significant issues affecting human health and the environment;
- is a leader in developing innovative solutions to environmental challenges;
- incorporates environmental, economic, and social values into our approach to environmental issues;
- delivers services to Minnesotans in partnership with local, state and federal government; businesses; communities; schools; nongovernmental organizations and citizens;
- evaluates and measures the results of our work; and
- is a flexible, learning organization focused on positive environmental outcomes.

At A Glance

- Minnesota's recycling programs save 22 million BTUs, enough energy to power nearly all the homes in Ramsey County for one year.
- Our recycling industry created over 8,700 jobs, provided nearly $93 million in tax revenues, and added $1.6 billion to the state's economy.
- OEA's Minnesota Technical Assistance Program (MnTAP) has helped businesses reduce toxic waste by over 11 million pounds, reduce water use by over 90 million gallons and save over $5 million by adopting pollution prevention and conservation practices.
- OEA reaches thousands of Minnesotans with education and waste reduction campaigns.
- OEA leads multi-state efforts to create national recycling/reuse programs for used carpet and used electronics.
- Awarded over $10 million in grants for innovative environmental projects.
- Awarded $14 million annually in grants to counties to support local recycling programs.
- Awarded $6 million in solid waste processing credits.
- OEA environmental education web site accessed daily by over 2,000 people.

Core Functions

OEA's core functions support our mission to assure that human activities do not harm the environment, that resources are used with maximum efficiency and are replenished, and that environmental values are integrated into our economic and social systems. OEA's strategic goals are:

⇒ Minnesotans reduce and prevent pollution and toxicity.

⇒ Minnesotans use materials, products, and services in a manner that conserves resources and minimizes waste generation.

⇒ Our society recognizes and strengthens the interconnections between the environment, the economy and social structures.

⇒ Minnesotans understand and minimize the adverse environmental impacts of their actions.

To achieve these goals, the OEA:

- works with partners to develop consensus approaches to achieving our environmental goals and objectives;
- provides financial incentives with grants and loans;
- provides technical assistance to advance implementation of environmentally beneficial processes and prototypes; and
- provides environmental education and information to help Minnesotans make their own best decisions when interacting with the environment.

Operations

The OEA works with businesses, local governments, schools, community groups, and individual citizens to improve the quality of our natural environment:

- ⇒ **OEA's Policy and Grants Unit** identifies emerging environmental issues and develops innovative policies and programs to address those issues. These programs, which benefit all Minnesotans, include product stewardship, resource conservation research, and the environmental assistance grant program.
- ⇒ **OEA's Business Assistance Unit** focusing on waste prevention and toxicity reduction, offers technical and financial assistance to businesses to help them prevent pollution by implementing innovative technology and manufacturing processes; and encourages consumers to purchase non-hazardous and non-toxic products.
- ⇒ **OEA's Project Assistance Unit** offers financial and technical assistance to businesses and local governments to implement programs and policies designed to conserve and recover resources and energy, and safely manage any remaining waste. This assistance is provided by developing markets for recyclables, helping to finance and develop solid waste processing facilities and giving solid waste technical assistance.
- ⇒ **OEA's Local Government Assistance Unit** works with Minnesota counties and cities to plan and develop waste management systems that maximize the reduction, recycling and reuse of waste, as well as provides information and assistance on environmentally responsible building construction and purchasing of supplies, materials and equipment.
- ⇒ **OEA's Environmental Education Unit** works with educators, local government officials, and citizens to develop environmental education programs and provide information on making good choices for the environment. It operates web sites and the Education Clearinghouse, holds events and workshops, and provides sustainable development assistance to communities.

Budget

The OEA's 2002 budget is an estimated $30.3 million. There are 69 full-time equivalent positions.

Included in the 2002 budget is 67% of appropriated General Fund money, and 12% Environmental Fund money which is primarily received from metropolitan landfill abatement fees. An additional 20% comes from the Solid Waste Fund and an average of 1% from the federal government and other sources.

Contact

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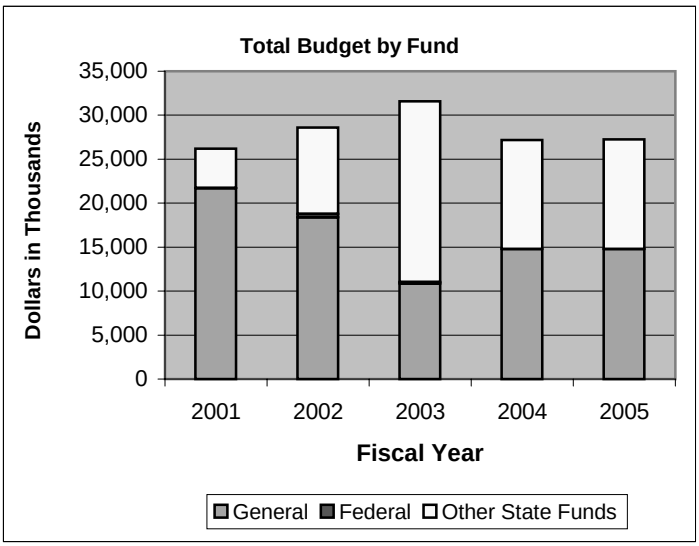
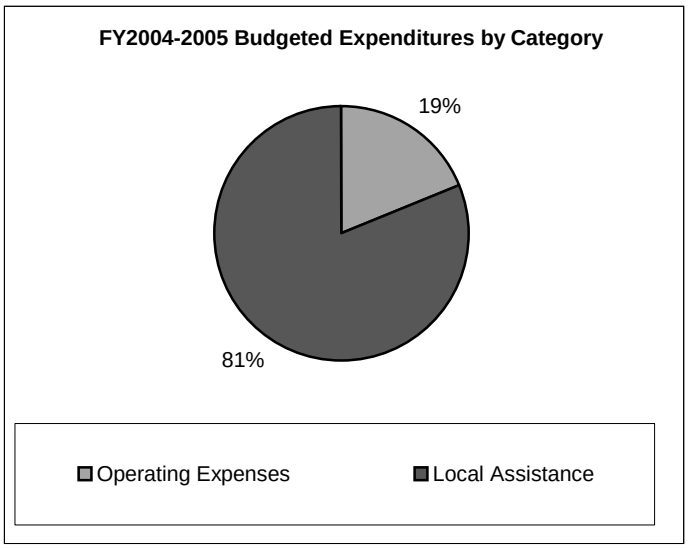
The OEA's home web site (http://www.moea.state.mn.us) offers visitors resources for learning more about pollution prevention, reuse, recycling, responsible waste management, and sustainable practices. Other OEA web sites: waste reduction campaign (http://www.reduce.org): an online source for Minnesotans who want to know more about preventing garbage and reducing what they throw away. NextStep (http://www.nextstep.state.mn.us): resources for finding and sharing information on sustainability. SEEK (http://www.seek.state.mn.us): Minnesota's interactive directory of EE resources for educators. MnTAP (http://www.mntap.umn.edu): resources for technical assistance to businesses, including information about its intern programs, a materials exchange program, etc.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	95	0	0	0	0	0
General	21,680	18,380	10,857	14,785	14,785	29,570
Environmental	1,553	1,291	1,417	1,513	1,513	3,026
Solid Waste	0	6,000	16,500	8,541	8,541	17,082
Statutory Appropriations						
Special Revenue	132	5	23	1	1	2
Federal	42	377	150	0	0	0
Environmental	2,670	2,397	2,590	2,294	2,342	4,636
Gift	31	138	54	52	52	104
Total	**26,203**	**28,588**	**31,591**	**27,186**	**27,234**	**54,420**
Expenditures by Category						
Operating Expenses	5,238	5,168	5,751	4,999	5,175	10,174
Local Assistance	20,965	23,420	25,640	22,028	21,852	43,880
Other Financial Transactions	0	0	200	159	207	366
Total	**26,203**	**28,588**	**31,591**	**27,186**	**27,234**	**54,420**
Expenditures by Program						
Office Of Environmental Assist	26,203	28,588	31,591	27,186	27,234	54,420
Total	**26,203**	**28,588**	**31,591**	**27,186**	**27,234**	**54,420**

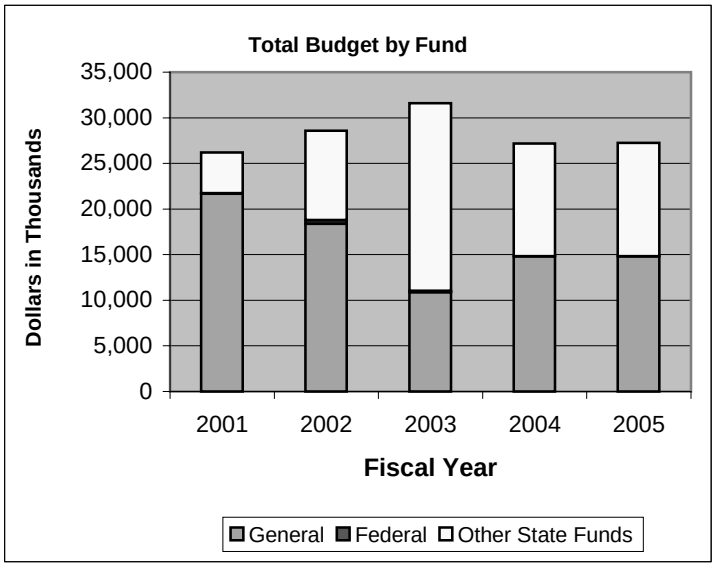
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	22	82	83	83	83	166
Environmental	1,252	1,256	1,200	1,150	1,100	2,250
Subtotal Non Dedicated	1,274	1,338	1,283	1,233	1,183	2,416
Dedicated						
Special Revenue	28	1	23	1	1	2
Federal	48	382	139	0	0	0
Environmental	78	43	40	80	128	208
Miscellaneous Agency	0	78	0	0	0	0
Gift	49	89	52	52	52	104
Subtotal Dedicated	203	593	254	133	181	314
Total Revenue	**1,477**	**1,931**	**1,537**	**1,366**	**1,364**	**2,730**
Full-Time Equivalents (FTE)	**62.5**	**60.4**	**62.2**	**61.6**	**59.2**	

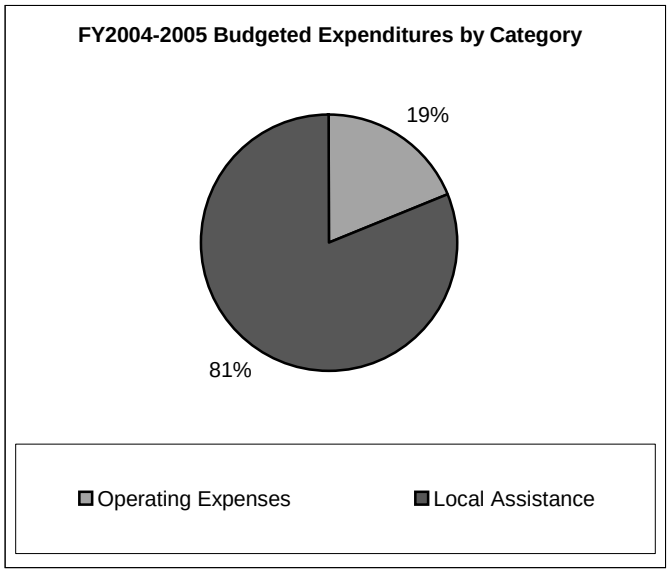
Program Description

The purpose of the Office of Environmental Assistance is to help Minnesotans make informed decisions and take actions that conserve resources and provent pollution and waste to benefit the environment, economy and society.

Budget Activities Included:

⇒ Research, Policy Analysis, Planning and Evaluation
⇒ Project Implementation
⇒ Education and Information
⇒ Support Services





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
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Local Assistance	20,965	23,420	25,640	22,028	21,852	43,880
Other Financial Transactions	0	0	200	159	207	366
Total	**26,203**	**28,588**	**31,591**	**27,186**	**27,234**	**54,420**
Expenditures by Activity						
Research, Policy, Evalution	708	803	549	485	523	1,008
Project Implementation	23,035	25,245	28,380	24,413	24,371	48,784
Education And Information	1,367	1,490	1,454	1,169	1,212	2,381
Support Services	1,093	1,050	1,208	1,119	1,128	2,247
Total	**26,203**	**28,588**	**31,591**	**27,186**	**27,234**	**54,420**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	22	82	83	83	83	166
Environmental	1,252	1,256	1,200	1,150	1,100	2,250
Subtotal Non Dedicated	1,274	1,338	1,283	1,233	1,183	2,416
Dedicated						
Special Revenue	28	1	23	1	1	2
Federal	48	382	139	0	0	0
Environmental	78	43	40	80	128	208
Miscellaneous Agency	0	78	0	0	0	0
Gift	49	89	52	52	52	104
Subtotal Dedicated	203	593	254	133	181	314
Total Revenue	**1,477**	**1,931**	**1,537**	**1,366**	**1,364**	**2,730**
Full-Time Equivalents (FTE)	**62.5**	**60.4**	**62.2**	**61.6**	**59.2**	

Activity Description

The Office of Environmental Assistance's (OEA's) research, policy analysis, planning, and evaluation activities provide strategic direction to state and local pollution prevention, waste management, energy and resource conservation, and environmental education programs. OEA research and policy development supports the evolution and development of OEA's programs. The result is the creation of new ideas to enhance current social and economic systems and improve the environment, economy, and society.

Activity at a Glance

- In January 2002, the OEA along with nine other states and U.S. EPA signed a landmark agreement with the carpet industry that establishes national recycling goals for discarded carpet.
- As a result of product stewardship efforts, Amazon Environmental, Inc., a paint reblender and manufacturer, established a facility in Roseville, Minnesota in 1999.

Population Served

The OEA's research, policy analysis, planning, and evaluation activities benefit all of Minnesota's citizens. The OEA works in direct partnership with businesses, other units of governments, schools, community organizations, and individuals to serve the entire population of the state.

Historical Perspective

The OEA has evolved significantly over the past 20 years to meet new challenges facing Minnesotans and the environment. The environmental issues we are now facing are diverse and complex. Pollutants in our air, water, and land come from many sources and many human activities, and existing regulatory programs alone are not adequate to protect our health and natural resources. OEA has responded, under its existing authority in pollution prevention, environmental education, and sustainability as well as its solid waste authority, by developing new programs and ideas to address today's environmental issues. Minnesota's economic challenges along with the environmental priorities of its citizens, make OEA's efforts at innovative environmental solutions even more important today.

Services Provided

Pollution prevention (P2). The OEA works with other states, U.S. Environmental Protection Agency (EPA), U.S. Department of Energy (DOE), and the National Pollution Prevention Roundtable to assure that OEA's pollution prevention activities will influence and leverage regional and national opportunities. For instance, OEA is helping to sponsor the first regional DOE Hydrogen Infrastructure Forum, which will be held in Chicago in the fall of 2002. To maximize our P2 program effectiveness, OEA surveys Minnesota manufacturers to determine evolving needs. Every even-numbered year, the OEA evaluates progress and opportunities in pollution prevention and submits a report to the legislature. The *2002 Pollution Prevention Evaluation Report* evaluates toxic release inventory, persistent bioaccumulative toxics, pesticide and greenhouse gas data to document progress in P2 and to direct future OEA P2 policy and programs.

Product stewardship. Seeking new ways to handle problem materials while also conserving energy and resources, OEA adopted the nation's first product stewardship policy in 1999. Product stewardship means all parties who have a role in designing, producing, selling or using a product shall assume responsibility for the environmental impacts of that product throughout its life. It shifts responsibility for the management and recycling of products from the public sector (government and taxpayers) to the private sector (manufacturers and purchasers). Under this voluntary, non-regulatory framework, the OEA works with manufacturers, retailers, recyclers, non-governmental organizations, and others to establish programs to collect and recycle products, thus diverting them from landfills and incinerators while conserving resources and reducing pollutants in the manufacturing process. OEA's major achievements to date are with used electronics and carpet.

The OEA will continue to lead national efforts and develop partnerships with other types of manufacturers to ensure that materials currently being managed as waste can be converted into resources that have economic value, including new national product stewardship initiatives for beverage containers, automobiles, and paint. The OEA is also working with the states of Massachusetts, California, Oregon, New York, and Florida to develop a national policy on product stewardship.

Waste as a resource. The OEA is committed to advancing a policy that treats waste as a resource. A multi-discipline technical work group mapped the complexities of the solid waste system and identified possible strategies that could be adopted to accomplish this goal. A Governor's Select Committee, comprised of the environmental leadership from the house and senate and other elected or appointed officials, is in the second phase of meetings to develop and recommend strategies to improve Minnesota's waste management system while reducing the environmental impacts of manufacturing products through life cycle management.

County waste management planning. Over the past 15 years, county waste management plans have changed solid waste management practices throughout the state. OEA's partnerships with local units of government, manufacturers and businesses, educators, and individual citizens have implemented an integrated system of solid waste management. OEA works directly with local government to prepare solid waste plans that guide the implementation of local and regional programs for solid waste reduction, recycling, processing, yard waste management, problem materials management, and construction and demolition materials management. Local governments, the waste industry, commercial and industrial enterprises, and the public all actively participate in formulating and implementing these plans. The plans serve as the foundation for the technical assistance offered by many OEA staff and emphasize building strong regional waste management systems.

Resource savings and greenhouse gas research. The OEA continues its research on ways to reduce waste, conserve energy, and avoid land use and air emissions. Preliminary results show that between the years 2000 and 2020, 16 to 26 million tons of greenhouse gases and 340,000 tons of sulfur dioxide emissions can be avoided and 1,000 acres of land (the equivalent of 10 major new landfills) can be saved as a result of managing our wastes according to state policy.

OEA program evaluation. In 1997, OEA established program priorities and began using a performance measurement system to track progress. Performance measurement allows the organization to gather input from stakeholders and employees, establish strategic program directions, and focus on priorities and results. This system allows for outcome-based budgeting and makes our strategic plan a living document.

Partnerships. The OEA partners with various levels of local, state, and federal government, nonprofit organizations, national and local businesses, environmental organizations, and citizens to accomplish its objectives. Three primary advisory bodies offer input and advice on OEA's policies and programs: the Prevention, Reduction and Recycling Advisory Council (PRRAC), Environmental Educational Advisory Board (EEAB), and the Solid Waste Management Advisory Council (SWMAC).

OEA partners with over 2,000 members of the Minnesota Sustainable Communities Network to promote and share resources on sustainable issues such as energy and resource conservation, as well as sponsoring an annual conference. OEA also works closely with the Department of Children, Families and Learning, the National State Education and Environment Roundtable, and 24 Minnesota schools who will combine best practices into a comprehensive educational framework that address content standards from multiple disciplines.

Key Measures

Midwestern Carpet Workgroup. In February 2000, OEA convened the Midwestern Carpet Workgroup, which includes the states of Minnesota, Iowa, and Wisconsin; carpet manufacturers; retailers; recyclers; local governments; and environmental representatives. In January 2002, the OEA along with nine other states and U.S. EPA signed a landmark agreement with the carpet industry to establish national recycling goals for discarded carpet. The states, with input from the carpet industry, also developed model procurement guidelines so that carpet purchasers can specify environmentally preferable carpeting. Minnesota is in the process of working with industry to implement the agreement, which will result not only in the reduction of carpet waste, but the development of new sustainable industry initiatives in Minnesota.

National Electronics Product Stewardship Initiative (NEPSI). OEA's partnerships and projects with electronics manufacturers over the last three years helped lay the groundwork for the National Electronics Product Stewardship Initiative. NEPSI is a series of meetings involving electronics manufacturers, Minnesota and 10 other states, the federal government, and national environmental organizations. The purpose of the dialogue is to reach agreement on a national system for collecting, reusing, and recycling electronics such as TVs and computers, and on how that system will be financed. Negotiations are continuing into the fall of 2002.

Activity Funding

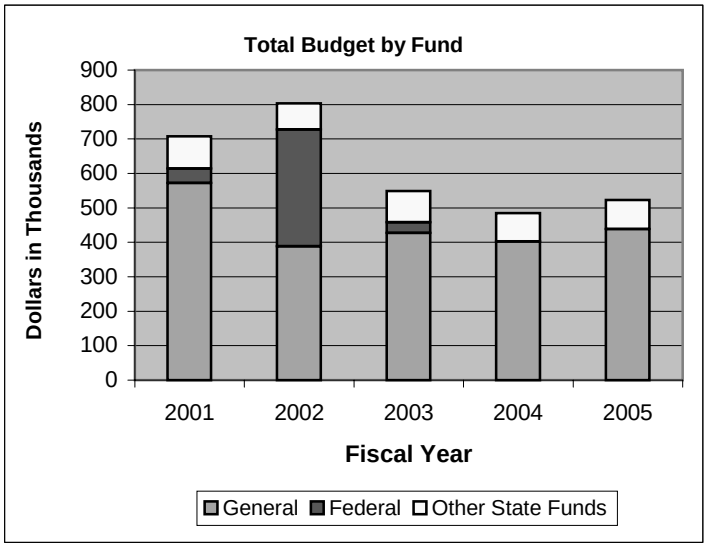
This activity is funded primarily from General Fund dollars.

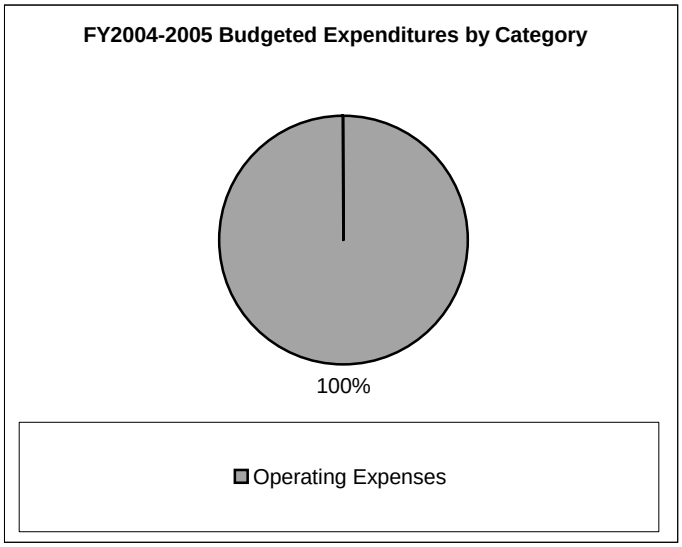
Contact

David Benke, Strategic Manager, (651) 215-0196. For further information about the OEA's activities and recent reports, visit OEA's web site at www.moea.state.mn.us.

ENVIRONMENTAL ASSISTANCE
Program: OFFICE OF ENVIRONMENTAL ASSIST
Activity: RESEARCH, POLICY, EVALUTION

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	572	388	427	402	438	840
Environmental	94	76	91	83	85	168
Statutory Appropriations						
Federal	42	339	31	0	0	0
Total	**708**	**803**	**549**	**485**	**523**	**1,008**
Expenditures by Category						
Operating Expenses	666	464	532	485	523	1,008
Local Assistance	42	339	17	0	0	0
Total	**708**	**803**	**549**	**485**	**523**	**1,008**
Revenue by Type and Fund						
Dedicated						
Federal	48	344	20	0	0	0
Subtotal Dedicated	48	344	20	0	0	0
Total Revenue	48	344	20	0	0	0
Full-Time Equivalents (FTE)	**7.7**	**5.6**	**4.4**	**4.6**	**4.6**	

Activity Description

The Office of Environmental Assistance (OEA) works with counties, cities, businesses, institutions, schools, and the public to implement activities and policies which:

- prevent air, land and water pollution, as well as waste.
- modify product design and manufacturing processes to have minimal impact on the environment.
- procure products, services, and materials that have the least environmental impact.
- recover materials and energy from waste through waste management systems that protect the environment and conserve resources.
- include community environmental considerations in economic and social decision making.

The OEA creates strong partnerships with public and private interests and provides technical expertise and financial incentives that otherwise would not be available to support sound environmental and economic policies.

Population Served

The OEA helps communities of all sizes, businesses and institutions, educators, and the general public implement policies and programs that protect the environment, conserve resources, and are cost-effective.

Services Provided

OEA's program implementation activities design and implement new system ideas, approaches, and technologies. On a strategic level, OEA's implementation program takes creative policy ideas from the conceptual to the tangible. OEA prioritizes assistance to manufacturing, commercial, and institutional sectors based on amounts and types of pollutants and/or waste they generate and the opportunities available to reduce those pollutants and/or wastes. OEA works to promote the use of least harmful products, prioritizing our efforts based on potential for risk and the availability of less-toxic alternatives. OEA partners with businesses, local governments, and communities to develop efficient materials and energy recovery systems for products that have reached the end of their useful lives.

Activity at a Glance

- Minnesota's recycling programs save 22 million BTUs, enough energy to power nearly all the homes in Ramsey County for one year.
- OEA's DfE Tool Kit was downloaded more than 9,000 times from the web site in 2001.
- OEA's MnTAP program saved Minnesota businesses over $5.2 million, while eliminating 11.2 million pounds of air emissions, water discharges, and solid waste, and saving 90 million gallons of fresh water.
- In 2001, the OEA conducted a junk mail waste reduction campaign. Over 10,000 people filled out junk mail cards at the State Fair, and over 10,725 people downloaded the postcard from the web site. As a result, OEA estimates that over 1,400 trees were saved by diverting unwanted mail.
- OEA distributed over 30,000 brochures for its "Reducing Toxicity in Your Home" campaign, which provides information on how to reduce long-term exposure to potentially harmful substances. Toxicity reduction information continues to be disseminated at state and county fairs and events, presentations to organizations, expositions, and conferences.

Technical assistance activities

Pollution prevention (P2). Pollution prevention reduces the use and release of pollutants (both air and water) as well as waste and toxic chemicals at their source. Technical assistance currently focuses on increasing the use of P2 technologies in manufacturing, promoting products which are low or nontoxic, and piloting the use of a residential fuel cell. Over the last two years, OEA's Minnesota Technical Assistance Program (MnTAP) has saved businesses more than $2 for every $1 spent on the program, as well as reducing air emissions and water discharges.

Design for the Environment (DfE). Approximately 70% of a product's life-cycle costs are determined during its design. OEA provides on-site assistance for DfE and will continue to partner with manufacturers to implement specific projects that change the business designs and develops products. OEA's DfE program recently partnered with a company to make design changes which will save $4 million per year in life-cycle costs.

Market development. The OEA works directly with businesses to develop manufacturing capacity for recyclable materials. OEA provides technical assistance in areas such as business development, recycled product development, and market research. This effort has contributed to the establishment of thousands of jobs in

recycling and collection industries, as well as industries that use recycled feedstock, bringing in an estimated $35 million in tax revenues within the state.

Green buildings. OEA's Green Building program provides schools and state and local government with information on how to incorporate reduced toxicity, recycled content, reusable materials, and energy conservation into building design and construction. Green building continues to gain support in Minnesota as a more economically efficient, healthy, and environmentally friendly approach to building design and construction.

Waste reduction. Over the last three years, the OEA has worked with local governments, businesses, and consumers to increase waste reduction through the statewide campaign – *Reduce Waste: If not you, who?*

Purchasing. Recognizing state government's tremendous purchasing power and the influence it can have on what products are produced, the OEA and the Department of Administration have teamed up to promote the purchase of goods and services that have a reduced effect on human health and the environment. OEA is now routinely involved in adding environmental products to state purchasing contracts and educating agencies about new products.

Minnesota is the only state in the country to specify that all waste electronic materials generated by public entities, and managed under the state contract, shall be processed, used, reused, reclaimed, or disposed of only in Canada, Mexico, or the United States, not overseas.

Assistance to counties. OEA's technical assistance priorities for counties include implementing methods to reduce waste generation; improving the cost-effectiveness of recycling, composting, and recovery systems; expanding the public's understanding of resource conservation and environmental protection; and building stronger regional waste management systems. County solid waste plans serve as the foundation for these technical assistance priorities.

Financial assistance strategies

Competitive grant awards. Since 1985, the OEA has awarded more than $10 million in grants to businesses, public entities, nonprofit organizations, schools, and others throughout Minnesota. From October 1999 to July 2000, OEA provided $1.35 million to 28 projects, leveraging nearly $1.5 million in matching funds. The program emphasizes environmental education, pollution prevention, waste reduction and reuse, source separation, recycling and market development of recyclables, and resource conservation.

Capital Assistance Grant Program (CAP). The OEA reviews and approves grants for integrated waste management facilities under the Solid Waste Processing Facilities Capital Assistance Grant Program. The state has funded 89 grants totaling $46.6 million and has leveraged $108 million in local contributions for the development of Minnesota's waste management infrastructure.

County assistance. The OEA provides financial assistance to counties through SCORE (Select Committee on Recycling and the Environment) grants and through the Metropolitan Landfill Abatement Account's Local Recycling Development Grant program to support and expand services to prevent waste generation, foster reuse of materials, and expand recycling. These programs contribute significantly to Minnesota's high recycling rate.

Key Measures

Procurement. OEA worked with the Department of Administration to include mercury component disclosure or phase-out requirements in the 2002 motor vehicle request for bids. In the summer of 2000, the OEA helped establish state contracts for recycled-content latex paint and for flooring. The flooring contracts set air quality standards for carpet, require vendors to recycle old carpet, and encourage vendors to bid carpet, tile, and rubber flooring made with recycled materials.

Recycling. The state's recycling rate of 47% is the second highest in the country, fostering a recycling industry that added over 22,100 jobs (this includes direct, indirect, and induced jobs) and over $2.74 billion in gross economic activity to Minnesota's economy in 2000. Over 20% of Minnesota waste is sent to resource recovery facilities, one of the highest rates in the nation; and a significant percentage of yard waste is composted.

Pollution Prevention. Since 1993, the amount of reported toxic chemicals released in Minnesota has decreased by 34% from 24 million to 16 million pounds.

Activity Funding

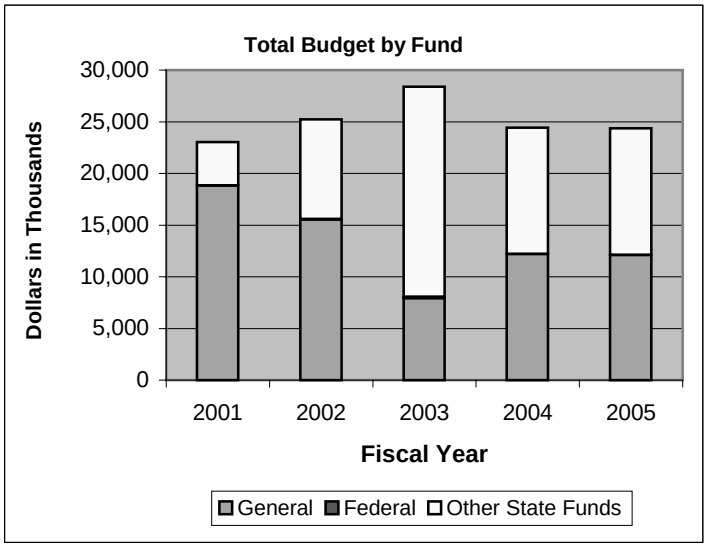
This program is funded primarly through the General Fund and environmental funds.

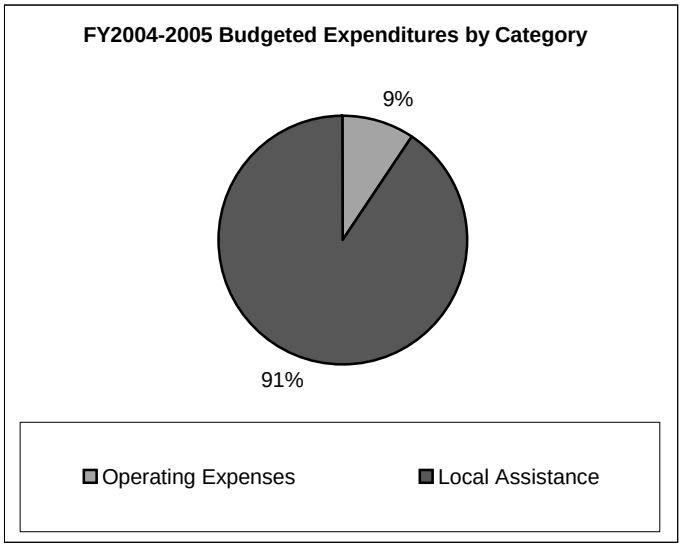
Contact

David Benke, Strategic Directions Manager, (651) 215-0196. For further information about the OEA's activities and recent reports, visit OEA's web site at www.moea.state.mn.us.

ENVIRONMENTAL ASSISTANCE
Program: OFFICE OF ENVIRONMENTAL ASSIST
Activity: PROJECT IMPLEMENTATION

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	95	0	0	0	0	0
General	18,834	15,549	7,918	12,194	12,100	24,294
Environmental	1,353	1,128	1,225	1,332	1,336	2,668
Solid Waste	0	6,000	16,500	8,541	8,541	17,082
Statutory Appropriations						
Special Revenue	52	0	6	0	0	0
Federal	0	38	119	0	0	0
Environmental	2,670	2,397	2,558	2,294	2,342	4,636
Gift	31	133	54	52	52	104
Total	**23,035**	**25,245**	**28,380**	**24,413**	**24,371**	**48,784**
Expenditures by Category						
Operating Expenses	2,112	2,169	2,589	2,226	2,312	4,538
Local Assistance	20,923	23,076	25,591	22,028	21,852	43,880
Other Financial Transactions	0	0	200	159	207	366
Total	**23,035**	**25,245**	**28,380**	**24,413**	**24,371**	**48,784**
Revenue by Type and Fund						
Non Dedicated						
General	22	82	83	83	83	166
Environmental	1,252	1,256	1,200	1,150	1,100	2,250
Subtotal Non Dedicated	1,274	1,338	1,283	1,233	1,183	2,416
Dedicated						
Special Revenue	27	0	6	0	0	0
Federal	0	30	109	0	0	0
Environmental	78	43	40	80	128	208
Miscellaneous Agency	0	78	0	0	0	0
Gift	49	89	52	52	52	104
Subtotal Dedicated	154	240	207	132	180	312
Total Revenue	**1,428**	**1,578**	**1,490**	**1,365**	**1,363**	**2,728**

Dollars in Thousands	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Full-Time Equivalents (FTE)	**24.1**	**24.7**	**27.2**	**27.3**	**27.0**	

Activity Description

Office of Environmental Assistance's (OEA's) education efforts are key to assuring that Minnesotans have accurate and up-to-date information to understand and minimize the environmental impacts of their actions. Through its educational activities, the OEA can advance pollution prevention activities, modify the current waste management system, and encourage Minnesotans to practice resource conservation behaviors, as well as help them see the environmental, economic, and social connections of their activities.

Population Served

The OEA's education activities primarily serve educators, educational institutions, agencies, and organizations working to deliver environmental and sustainability information. Sustainability means meeting our needs today while ensuring that future generations can continue to meet their own needs, thereby ensuring that Minnesota can maintain its long-term cultural, economic, and ecologic health and vitality. Other educational activities of the OEA are focused on local governments, businesses, nonprofit organizations, and citizens.

Activity at a Glance

- The OEA now has six regional offices to serve Greater Minnesota.
- In 2000, Clearinghouse staff provided information and resources to over 1,500 people in Minnesota.
- OEA's environmental education web site, SEEK, currently has 120 partners, including environmental and education organizations and agencies that post their resources on this interactive web site.
- Over 600 people representing state, local and federal government, nonprofits, business, consultants, and educators have participated in the OEA's capacity building workshops.
- The OEA's sustainable communities educational activities are well received, with an e-mail newsletter reaching over 2,000 and thousands of hits for the NextStep web site each month.

Services Provided

The OEA educates Minnesotans through skill-building workshops, partnerships, communication and outreach efforts, and financial and educational resources. OEA focuses on developing effective leaders and educators who can implement environmental education programs at both the state and local levels. These education activities promote and support OEA's policy, planning, and program implementation efforts by researching and developing educational programs and tools, including interactive web sites, listservs, fact sheets, reports, directories, and videotapes.

The OEA continues to implement the *GreenPrint for Minnesota, Second Edition: State Plan for Environmental Education,* which offers guidance to individuals, organizations, and agencies that deliver or support environmental education (EE) in Minnesota. The *GreenPrint* is designed to foster and expand partnerships to produce and provide EE programs and materials to Minnesota citizens. Implementation of the *GreenPrint* will provide Minnesotans with the knowledge and skills they need to become active and engaged citizens who can help keep our communities healthy and vital.

Skill building. The OEA conducts monthly environmental education workshops which provide fundamental educational skills for scientists, technical specialists, and researchers and up-to-date education tools for the trained educators seeking assistance in honing their skills. Regional staff in Greater Minnesota provide local access to OEA's resources and workshops. These venues provide an interactive means of reaching OEA audiences and developing community networks for program implementation. One-on-one assistance is a critical component in improving Minnesotans' skills, especially in working on innovative sustainability issues. The OEA's NextStep web site and sustainable communities e-mail newsletter also disseminate important information and help to build skills for those interested in sustainability.

Partnerships. The OEA facilitates various education-based programming and partnerships statewide. OEA partners with a variety of organizations to provide an annual sustainability conference that participants have evaluated as an ideal event for acquiring sustainability skills and information. The Minnesota Sustainable Communities Network (MnSCN) and the Environmental Education Advisory Board (EEAB) are two forums the OEA works with to reach the citizens of Minnesota.

Communication. Waste Reduction Campaign's web site *(http://www.reduce.org)* is an online source for Minnesotans who want to know more about preventing garbage and reducing what they throw away. MnTAP (*http://www.mntap.umn.edu)* provides technical assistance to businesses, including information about its intern programs, a materials exchange program, etc. SEEK (Sharing Environmental Education Knowledge), Minnesota's interactive directory of EE resources for educators can be found at http://www.seek.state.mn.us. Two OEA e-mail newsletters offer information and resources, the SEEK Bulletin for environmental education and the MnSCN newsletter for sustainability resources, together serving over 2,500 subscribers. The OEA also distributes information at key conferences and events, including the State Fair and the Living Green Expo, and regular sustainable communities conferences.

Educational resources. OEA's Clearinghouse offers a wealth of hands-on resources, including one-on-one guidance, videos, fact sheets, curricula, and CD ROMs. The Clearinghouse provides resources to businesses, citizen and youth groups, families, governments and nonprofit organizations, students, teachers and nonformal educators, and religious groups. OEA also reaches Minnesotans via the Internet through its up-to-date and informative web sites. OEA's web site (*http://www.moea.state.mn.us)* offers resources for learning more about pollution prevention, reuse, recycling, responsible waste management, and sustainable practices. OEA's NextStep web site *(http://www.nextstep.state.mn.us)* which offers resources for finding and sharing information on sustainability. Grants are another tool the OEA uses to support educational activities. Many projects, programs and resources would not have been developed without grant assistance. From waste minimization programs on college campuses to environmental literacy research, these grants have made a difference

Key Measures

Monthly EE Capacity Building Workshops. Over 600 people representing state, local and federal government, nonprofits, business, consultants, and educators have participated in these workshops, with many return participants. Recent workshops have included Facilitation Processes, the Environmental Literacy Scope and Sequence, Credibility, Educating the Whole Person, Team Building, and Leadership Skills.

Environmental Literacy Scope and Sequence is a tool for educators that provides a systems approach to environmental education in Minnesota for pre-K through adult learners. It describes key concepts about the interaction of natural and social systems and a sequence in which they are to be taught. It provides a systems approach to environmental education that can focus the efforts of teachers and deliverers of environmental education to unify their many independent efforts to achieve the goal of environmental literacy. The OEA worked with the Department of Children, Families and Learning and the GreenPrint Council in the development of the Scope and Sequence, along with the workshops for environmental educators to learn it how to use it.

Environment as an Integrating Context for Learning (EIC). In partnership with the Department of Children, Families and Learning and the National State Education and Environment Roundtable (SEER), the OEA has worked with approximately 24 Minnesota schools that will focus on combining best practices into a comprehensive education framework that simultaneously addresses content standards from multiple disciplines. In essence, we have doubled the number of EIC schools in 4 years. EIC uses the school's natural and socio-cultural settings to engage students in schoolwork that they perceive as relevant to their daily lives, thus increasing their motivation for learning and academic achievement.

Sustainable communities education. The OEA has hosted well-attended sustainability events for the past seven years, with more than 600 people registered at the 2001 annual sustainability conference. The Minnesota Sustainable Communities Network's bi-weekly e-mail newsletter is received by over 2,000 individuals, and the NextStep web site receives thousands of hits every month. The last bi-annual survey of newsletter readers showed that 98% of readers found it very or somewhat valuable, and that 88% of readers found the information of such value that they forwarded it to others.

Activity Funding

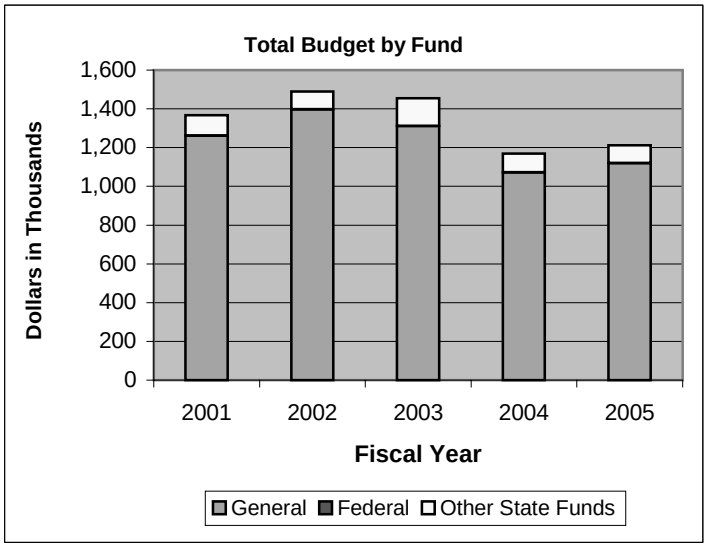
This activity is primarily funded from the General Fund.

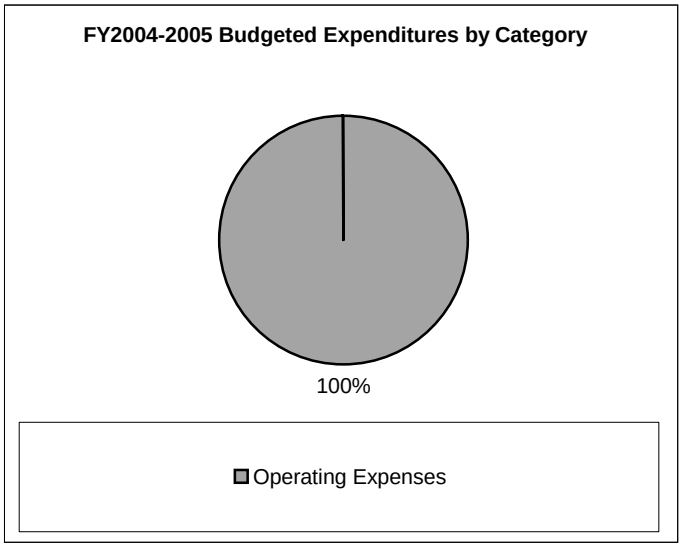
Contact

David Benke, Strategic Directions Manager, (651) 215-0196. For further information about the OEA's activities and recent reports, visit OEA's web site at www.moea.state.mn.us.

ENVIRONMENTAL ASSISTANCE
Program: OFFICE OF ENVIRONMENTAL ASSIST
Activity: EDUCATION AND INFORMATION

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,261	1,397	1,311	1,071	1,120	2,191
Environmental	106	87	101	98	92	190
Statutory Appropriations						
Special Revenue	0	1	10	0	0	0
Environmental	0	0	32	0	0	0
Gift	0	5	0	0	0	0
Total	**1,367**	**1,490**	**1,454**	**1,169**	**1,212**	**2,381**
Expenditures by Category						
Operating Expenses	1,367	1,485	1,422	1,169	1,212	2,381
Local Assistance	0	5	32	0	0	0
Total	**1,367**	**1,490**	**1,454**	**1,169**	**1,212**	**2,381**
Revenue by Type and Fund						
Dedicated						
Special Revenue	1	0	10	0	0	0
Federal	0	8	10	0	0	0
Subtotal Dedicated	1	8	20	0	0	0
Total Revenue	1	8	20	0	0	0
Full-Time Equivalents (FTE)	**17.0**	**16.5**	**15.8**	**15.9**	**14.8**	

Activity Description

Office of Environmental Assistance (OEA) support services encompass management and clerical support, fiscal services, personnel and payroll, purchasing, computer services, and budgeting functions.

Population Served

OEA management provides leadership, expertise, and coordination of programs to staff and customers. Support services provide financial, personnel, computer, and clerical assistance to OEA staff and others.

Activity at a Glance

- OEA's local-area computer network continues to function optimally and is available for use over 99% of annual hours. Downtime is limited to evenings or weekends.
- OEA's prompt-payment record is 99.78% for FY 2002.
- OEA has received exemplary audit reports from the Legislative Auditor's Office. The audits covered all policies, processes, and related control procedures.

Services Provided

Implementation of the OEA Strategic Plan allows management to focus on priorities, track and evaluate program implementation, and strategically allocate resources. OEA's support services:

- encourage and assist staff to follow OEA's core values;
- develop behavior models for staff to use when dealing with each other and with customers;
- assist staff, the public, and other customers in the most efficient and cost-effective manner possible;
- contract with Bemidji State University, the Minnesota Pollution Control Agency, and the Department of Natural Resources who provide regional office space and assistance, personnel services, and employee safety support;
- ensure that OEA's computer network is operational and available to staff;
- provide in-house computer software training to staff; and
- provide financial oversight to assure that taxpayer resources are protected and used in a responsible manner.

Key Measures

⇒ OEA has received exemplary audit reports from the Legislative Auditor's Office. The audits covered all policies, processes, and related control procedures.

⇒ OEA's local-area computer network continues to function optimally and is available for use 99% of annual hours. Downtime is on evenings or weekends.

⇒ OEA's prompt-payment record is 99.78% for FY 2002.

Activity Funding

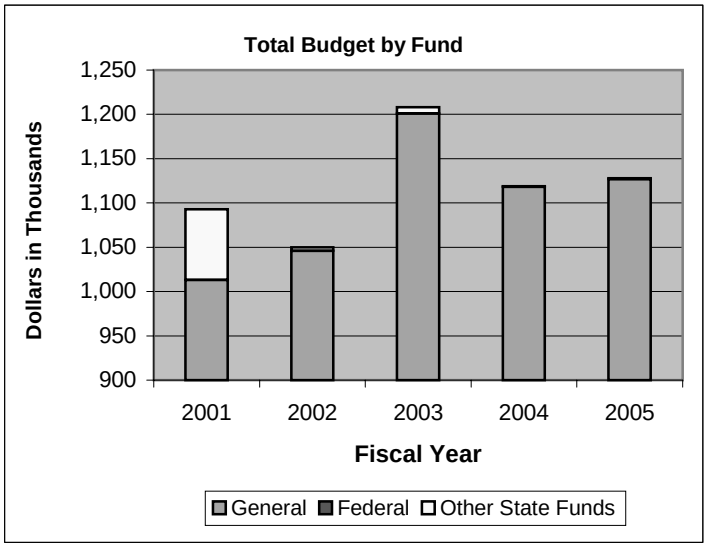
Financing for OEA's support services is provided by the General Fund. Expenditures under this activity account for 4% of total spending and include salaries for 11 positions, a portion of building rent, and other office-wide expenditures not allocated directly to program activities.

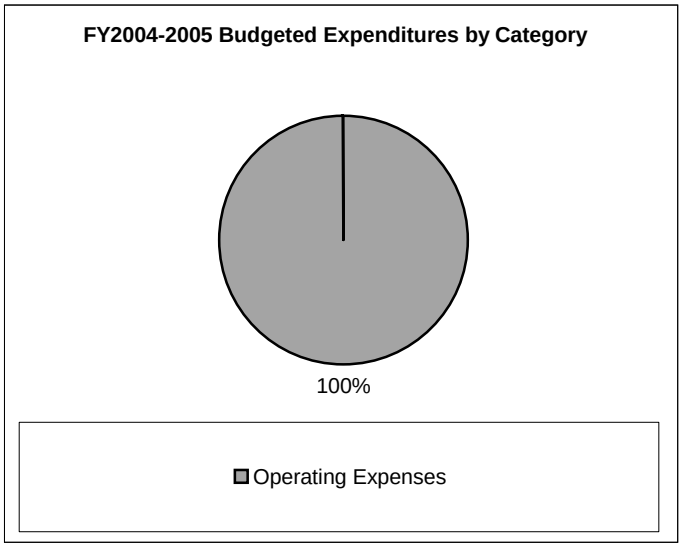
Contact

David Benke, Strategic Directions Manager, (651) 215-0196. For further information about the OEA's activities and recent reports, visit OEA's web site at www.moea.state.mn.us.

ENVIRONMENTAL ASSISTANCE
Program: OFFICE OF ENVIRONMENTAL ASSIST
Activity: SUPPORT SERVICES

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,013	1,046	1,201	1,118	1,127	2,245
Statutory Appropriations						
Special Revenue	80	4	7	1	1	2
Total	**1,093**	**1,050**	**1,208**	**1,119**	**1,128**	**2,247**
Expenditures by Category						
Operating Expenses	1,093	1,050	1,208	1,119	1,128	2,247
Total	**1,093**	**1,050**	**1,208**	**1,119**	**1,128**	**2,247**
Revenue by Type and Fund						
Dedicated						
Special Revenue	0	1	7	1	1	2
Subtotal Dedicated	0	1	7	1	1	2
Total Revenue	0	1	7	1	1	2
Full-Time Equivalents (FTE)	**13.7**	**13.6**	**14.8**	**13.8**	**12.8**	

State of Minnesota
Department of Finance

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Environment, Natural Resources, and Agriculture omnibus bill. These agencies collectively administer $129 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $28 million (18%) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to protect our water quality, reduce soil erosion, protect the health of our domestic livestock, educate citizens on environmental issues, and help farmers find ways to compete in the world market.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Examples of reductions in this area include a 20% average reduction in agency administrative costs, and $13 million in reductions to grant programs.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

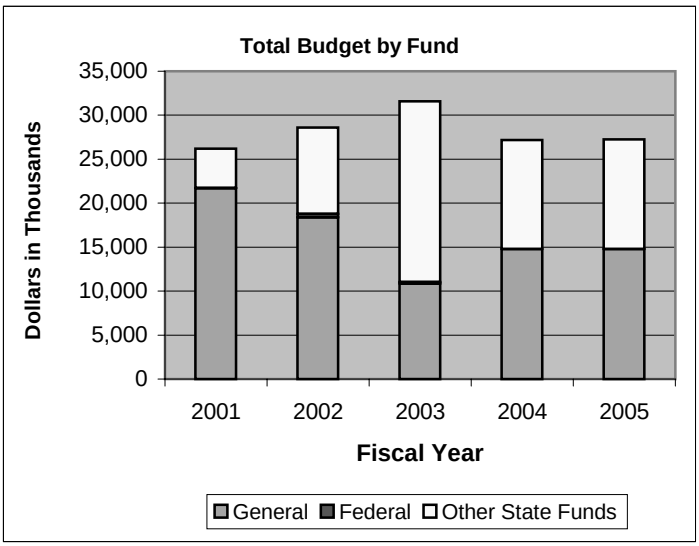
Sincerely,

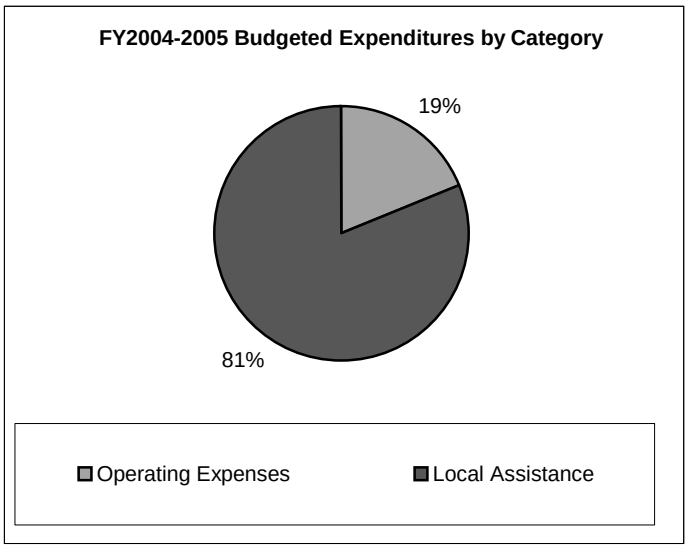
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	18,862	40,418	59,280
Legislatively Mandated Base	18,000	0	18,000
One-Time Appropriations	0	-18,000	-18,000
Transfers Between Agencies	0	2,082	2,082
Adjusted Base Funding	36,862	24,500	61,362
Change Items			
General Fund Grants & Loans Reductions	-324	56	-268
General Fund Operations Reductions	-1,924	294	-1,630
Score Reduction	-5,044	0	-5,044
Governor's Recommendations	29,570	24,850	54,420
Biennial Change, 2002-03 to 2004-05	333	-6,092	-5,759
Percent Change	1%	-20%	-10%

Brief Explanation Of Budget Decisions:

There was a one-time appropriation in FY 2003 from the Solid Waste Fund and a corresponding one-time reduction in OEA's General Fund appropriation. In addition, the Pollution Control Agency (PCA) transferred Household Hazard Waste program funds to OEA during FY 2002-03.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	95	0	0	0	0	0
General	21,680	18,380	10,857	14,785	14,785	29,570
Environmental	1,553	1,291	1,417	1,513	1,513	3,026
Solid Waste	0	6,000	16,500	8,541	8,541	17,082
Statutory Appropriations						
Special Revenue	132	5	23	1	1	2
Federal	42	377	150	0	0	0
Environmental	2,670	2,397	2,590	2,294	2,342	4,636
Gift	31	138	54	52	52	104
Total	**26,203**	**28,588**	**31,591**	**27,186**	**27,234**	**54,420**
Expenditures by Category						
Operating Expenses	5,238	5,168	5,751	4,999	5,175	10,174
Local Assistance	20,965	23,420	25,640	22,028	21,852	43,880
Other Financial Transactions	0	0	200	159	207	366
Total	**26,203**	**28,588**	**31,591**	**27,186**	**27,234**	**54,420**
Expenditures by Program						
Office Of Environmental Assist	26,203	28,588	31,591	27,186	27,234	54,420
Total	**26,203**	**28,588**	**31,591**	**27,186**	**27,234**	**54,420**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	22	82	83	83	83	166
Environmental	1,252	1,256	1,200	1,150	1,100	2,250
Subtotal Non Dedicated	1,274	1,338	1,283	1,233	1,183	2,416
Dedicated						
Special Revenue	28	1	23	1	1	2
Federal	48	382	139	0	0	0
Environmental	78	43	40	80	128	208
Miscellaneous Agency	0	78	0	0	0	0
Gift	49	89	52	52	52	104
Subtotal Dedicated	203	593	254	133	181	314
Total Revenue	**1,477**	**1,931**	**1,537**	**1,366**	**1,364**	**2,730**
Full-Time Equivalents (FTE)	**62.5**	**60.4**	**62.2**	**61.6**	**59.2**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($162)	($162)	($162)	($162)
Revenues	0	0	0	0
Environmental Fund P2				
Expenditures	28	28	28	28
Revenues	0	0	0	0
Net Fiscal Impact	($134)	($134)	($134)	($134)

Recommendation

The Governor recommends a reduction of $162,000 in FY 2004 and $162,000 in FY 2005 in the Office of Environmental Assistance's (OEA's) General Fund grant and loan program. In addition, the Governor recommends that the portion of funds allocated to OEA from the Pollution Prevention Account balance in the Environmental Fund be increased by $28,000 in FY 2004 and $28,000 in FY 2005.

Background

Grants and loans are two of the many tools OEA uses to further its mission to help Minnesotans make informed decisions and take actions that conserve resources and prevent pollution and waste to benefit the environment, economy, and society.

Since 1985, the OEA has awarded more than $10 million in grants to businesses, public entities, nonprofit organizations, schools, and others throughout Minnesota. From October 1999 to July 2000, OEA provided $1.35 million to 28 projects, leveraging nearly $1.5 million in matching funds. The program provides financial support to pollution prevention, waste reduction and reuse, source separation, recycling and market development of recyclables, resource conservation and environmental education projects throughout the state. $28,000 from the Pollution Prevention account in the environmental fund will be used to offset a portion of the General Fund reduction in grants.

The revolving account for loans was created to provide loans to businesses for new equipment to reduce pollution and waste, and to increase recycling. The initial proposal was to award $200,000 in loans each year for five years using new money. When repayed, the loans would go into a special revolving account to be used for future loans. Appropriations would stop once the total reached $1,000,000. In 2001, the OEA was given authority to award up to $400,000 in loans ($200,000 each year). No loans were awarded during FY 2002 due to budget concerns and low commercial interest rates.

Relationship to Base Budget

The recommended reduction represents 20% of the base budget.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($962)	($962)	($962)	($962)
Revenues	0	0	0	0
Environmental Fund				
Expenditures	147	147	147	147
Revenues	0	0	0	0
Net Fiscal Impact	($815)	($815)	($815)	($815)

Recommendation

The Governor recommends that the Office of Environmental Assistance (OEA) reduce its General Fund operational budget by $962,000 for FY 2004 and by $962,000 for FY 2005. In addition, the Governor recommends that the portion of funds allocated OEA from the Pollution Prevention Account balance in the Environmental Fund be increased by $147,000 in FY 2004 and $147,000 in FY 2005.

Background

This recommendation would result in the reduction of technical assistance and outreach available from the OEA in its service delivery. The specific programs impacted would be:

General Fund Item

Events and Services: ($350,000)
Events and services such as the Governor's Award program, advisory council meetings, grant management, state fair booth, and miscellaneous expenditures including printing, space rental and employee training.

Partnerships: ($195,000)
Mercury reduction partnership with PCA, national paint product stewardship project, ISO 14001 Certification project with MnTAP, environmentally preferable purchasing with Dept of Administration, regional local government assistance.

Environmental Education: ($270,000)
Environment as an Integrating Concept education program, waste reduction campaign, sustainable communities information exchange.

Pollution Prevention services: ($147,000)

Total ($962,000)

Environmental Fund
Pollution Prevention Account Item:

Pollution Prevention services: $147,000

Relationship to Base Budget

The recommended reduction represents 20% of the base budget.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($2,522)	($2,522)	($2,522)	($2,522)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($2,522)	($2,522)	($2,522)	($2,522)

Recommendation
The Governor recommends that the Office of Environmental Assistance (OEA) reduce SCORE funding by $2,522,000 in FY 2004 and $2,522,000 in FY 2005. The Governor also recommends that the use of the solid waste processing credit by counties be expanded to included SCORE related purposes.

Background
Since the late 1980s, the OEA has been appropriated funds for the purpose of distribution to counties to:

- reduce the amount of waste generated;
- recycle the maximum amount of solid waste technically feasible;
- create and support markets for recycled products;
- remove problem materials from the solid waste stream and develop proper disposal options for them;
- inform and educate all sectors of the public about proper solid waste management procedures;
- provide technical assistance to public and private entities to ensure proper solid waste management;
- provide educational, technical and financial assistance for litter prevention; and
- process mixed municipal solid waste generated in the county at a resource recovery facility located in Minnesota.

The funds for distribution represent 70% of OEA's revenues and expenses as well as a partnership of the state and the local units of government to reduce and recycle waste. Counties are required to match the funds by 25% and have exceeded that match each year. The reduction and recycling programs have been tremendously successful. Each year Minnesota's recycling rate is in the top five nationwide; nearly half of our solid waste each year is recycled resulting in nearly 9,000 jobs, $93 million in tax revenues and $3.48 billion to the state's economy.

The expanded use of the solid waste processing credit would allow most counties to offset SCORE reductions.

Relationship to Base Budget
The recommended reduction represents 20% of the base budget.

Key Measures
The OEA reports annually the results of reduction, reuse, and recycling efforts in the state. The OEA will continue this reporting. (M.S. 115A.557, subd. 4)

Statutory Change: M.S 115A.545, subd. 2

Agency Purpose

The Office of Ombudsperson for Families is authorized by Minnesota Statutes 257.0755. The Office was created in 1991. The legislation requires the office to operate independently but in collaboration 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 council. The members are required to meet four times a year to advise the Ombudspersons on overall policies.

Each Ombudsperson has the authority to investigate decisions, acts and other matters of an agency, program, or facility providing protection or placement services to children of color.

Core Functions

The office'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.

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

Budget

Appropriation
FY 2002 and FY 2003

General Fund	$236,000
Transfer from Special revenue Fund	92,000
TOTAL FY 2002	**$328,000**
General Fund	$245,000
Transfer from Special Revenue Fund	92,000
TOTAL FY 2003	**$337,000**

FTE's = 4

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.

The rate of out of home placement for American Indian children is nine times that of white children. The rate for African Americans is more than five times that of whites. Over the years, the disproportionate rate among children of color has consistently remained high.

	Total number of Children in Minnesota	Number in Out of Home Placement
Black/African American*	64, 308	3,573
American Indian/Alaska Native*	20,607	1,903
Asian/Pacific Islander*	53,831	440
Hispanic**	55,640	1,022
White	1,079,278	10,613

* 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.

The statistics come from "All Kids Count! Assessing the Well-Being of African-American, American Indian, Asian, and Latino Children," Children's Defense Fund-Minnesota, and Congregations Concerned for Children-Child Advocacy Network at the Joint Religious Legislative Coalition.

Contact

Ombudsperson for Families
1450 Energy Park Drive, Suite 106
St. 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
Alba Olmedo, Ombudsperson for Spanish-Speaking Families	(651) 643-2537

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Department of Finance

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Health and Human Services omnibus bill. These agencies collectively administer $163.2 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $1 million (0.6%) increase from the FY 2002-03 biennium. The funding for these agencies will be used to provide health and supportive housing services for Minnesota Veterans, license and regulate health professionals, promote high standards for treatment of mental illness, promote the protection of children, and coordinate training and administration for eight independent EMS organizations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, eliminate duplication, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Agencies have focused reduction plans around administrative areas of the budget. In most cases this protects the core function of the agency, albeit at a reduced level. In some cases, reduced staff will have direct effects on citizens as they try to access government services.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

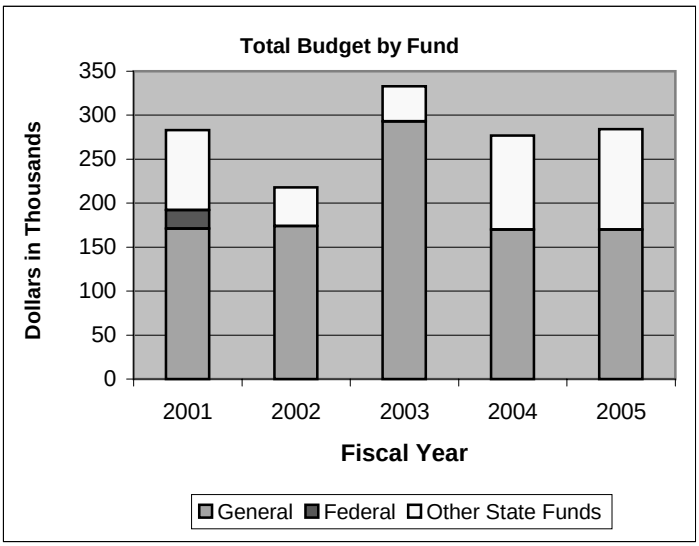
Sincerely,

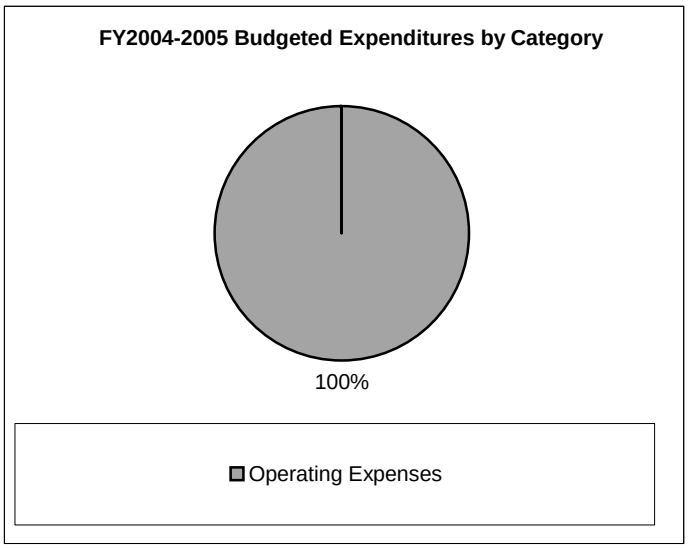
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	490	221	711
Adjusted Base Funding	490	221	711
Change Items			
Reduction Plan	-150	0	-150
Governor's Recommendations	340	221	561
Biennial Change, 2002-03 to 2004-05	-127	137	10
Percent Change	-27%	163%	2%

Brief Explanation Of Budget Decisions:

The Ombudsperson for Families is an organization that provides advocacy and protection for children and their families. This process can include working with the courts and policy makers. The ombudsperson will continue to maintain high priority services with reduced administrative resources during the coming biennium.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	171	174	293	170	170	340
Statutory Appropriations						
Special Revenue	91	44	40	107	114	221
Federal	21	0	0	0	0	0
Total	**283**	**218**	**333**	**277**	**284**	**561**
Expenditures by Category						
Operating Expenses	283	218	333	277	284	561
Total	**283**	**218**	**333**	**277**	**284**	**561**
Expenditures by Program						
Ombudspersons For Families	283	218	333	277	284	561
Total	**283**	**218**	**333**	**277**	**284**	**561**
Revenue by Type and Fund						
Dedicated						
Federal	19	0	0	0	0	0
Subtotal Dedicated	19	0	0	0	0	0
Total Revenue	**19**	**0**	**0**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**4.2**	**3.0**	**4.0**	**4.0**	**4.0**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
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
The Governor recommends a reduction of $75,000 in FY 2004 and FY 2005 from the budget of the Ombudsperson for Families.

Background
The recommended reduction will be taken from salaries. There will be no reduction in FTE because the office will use special revenue fund carry-forward to mitigate the General Fund reduction.

Relationship to Base Budget
The recommended reduction represents 30.6% of the agency budget.

Alternatives Considered
None.

Statutory Change: Not Applicable.

Agency Purpose

Minnesota statutes provide the Department of Finance responsibility for *"managing the financial affairs of the state*." Given this charge, the mission of the department is twofold: to ensure the integrity of state fiscal resources, and to support and challenge state decision-makers to constantly increase the value per dollar of services provided to Minnesotans.

These objectives span all department activities:

- ensure the integrity of the state's financial resources;
- provide statewide governmental financial management leadership;
- accurately present the state's financial condition;
- facilitate informed decision making; and
- improve accountability and promote the prudent use of state resources.

At A Glance

Annual Business Processes:

- Accounting and budget management for the state's $43 billion two-year budget including the $27 billion general fund
- 140 state agencies provided financial direction and control
- 47,500 employees paid bi-weekly
- 120 separate state funds are managed through 14,000 separate accounts
- 4.5 million expenditure transactions
- 833,000 cash deposits
- 1.4 million checks issued
- 670,000 purchase orders processed
- Two bond sales conducted annually, with nearly $3 billion in outstanding general obligation debt

Core Functions

The Department of Finance provides central statewide direction to financial management processes. This direction ensures adherence to standards, continuity, legal compliance, and financial integrity. Core functions support the policy making process and the financial management of state government. Core functions are:

- managing state financial processes and systems;
- providing historical and projected financial and program information; and
- providing financial analysis.

The results of these core functions are:

- financial and analytical information that is consistent, accurate, reliable, and useful;
- financial business processes that are cost effective and flexible;
- financial and program information that are accessible to managers and the public; and
- state employees that are trained and informed in state financial business practices.

Operations

State employees, vendors, individuals, financial institutions, school districts, and local governments receive payments through the accounting, payroll, procurement, and human resources business processes and systems managed for daily operations. The biennial budget, capital budget, fiscal notes, annual spending plans, and performance reporting are other key systems managed by the department.

The information management and analysis functions provide information to state agencies, the governor and executive branch management, the legislature and its staff, governmental and non-governmental organizations, the media, and the public.

Economic Analysis prepares the financial forecasts that identify projected state revenues and expenditures based on current law for the current biennium and future biennia.

Budget Services coordinates the production of the governor's operating and capital budgets and assists legislative committees in their deliberations. It also prepares reports, coordinates fiscal notes, and advises agencies.

Once the budget is passed, **Accounting Services** helps agencies manage their financial activities, administers the accounting and payroll systems, and reports on the state's financial condition.

Treasury performs a variety of daily treasury and cash management functions, establishes banking services for state agencies, accesses the capital markets to provide financing for capital projects and equipment, and administers the state's tax exempt bonding allocation law.

Information Services provides technical support for the state's administrative information systems, which include the accounting and procurement system, the payroll and human resources system, and the information access system.

Management Services provides human resources and administrative support for the department and includes the agency leadership and staff in the Commissioner's Office.

Budget

The department's FY 2002-03 biennial budget totals $48 million. Department staff includes 167 employees.

Of the total budget for the biennium, 65% comes from General Fund dollars. Another 31% is collected from state agencies through statutory billing authority that is based on the volume of transactions they generate in the accounting and payroll systems. The remaining 4% is the balance from a four-year FY 2000 appropriation to upgrade the statewide human resources and payroll systems. This includes funding for six project employees.

Contact

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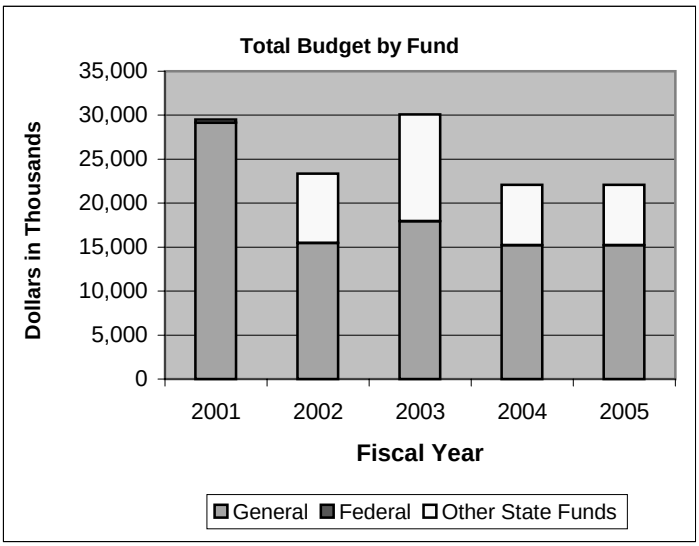
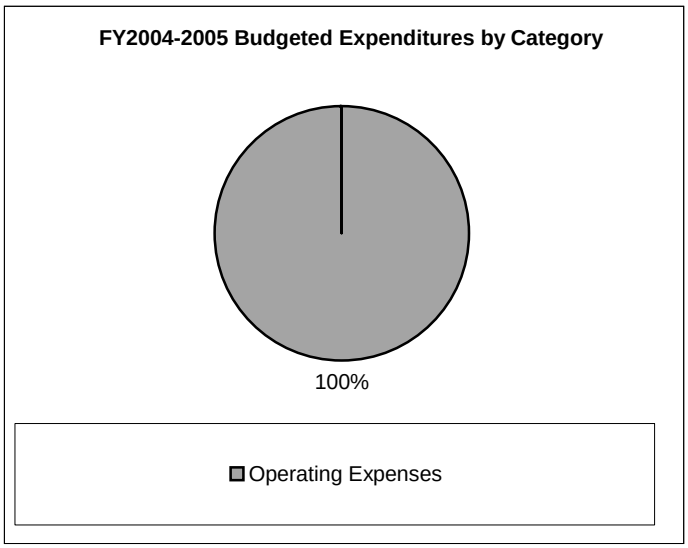
Saint Paul, Minnesota 55155

World Wide Web Home Page:
http://www.finance.state.mn.us/

For information on how this agency measures whether it is meeting its statewide goals, please refer to http://www.departmentresults.state.mn.us/





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	21,784	15,477	17,926	15,216	15,216	30,432
Statutory Appropriations						
General	7,350	0	0	0	0	0
Special Revenue	385	7,897	12,176	6,853	6,853	13,706
Total	**29,519**	**23,374**	**30,102**	**22,069**	**22,069**	**44,138**
Expenditures by Category						
Operating Expenses	29,500	23,371	30,102	22,269	22,269	44,538
Local Assistance	19	3	0	0	0	0
Transfers	0	0	0	-200	-200	-400
Total	**29,519**	**23,374**	**30,102**	**22,069**	**22,069**	**44,138**
Expenditures by Program						
State Financial Management	8,422	7,890	7,947	8,711	8,711	17,422
Information & Mgmt Services	21,097	15,484	22,155	13,358	13,358	26,716
Total	**29,519**	**23,374**	**30,102**	**22,069**	**22,069**	**44,138**
Revenue by Type and Fund						
Non Dedicated						
General	0	0	0	30	30	60
Subtotal Non Dedicated	0	0	0	30	30	60
Dedicated						
General	7,525	0	0	0	0	0
Special Revenue	385	9,269	10,804	6,853	6,853	13,706
Subtotal Dedicated	7,910	9,269	10,804	6,853	6,853	13,706
Total Revenue	**7,910**	**9,269**	**10,804**	**6,883**	**6,883**	**13,766**
Full-Time Equivalents (FTE)	**183.5**	**175.7**	**179.0**	**158.5**	**158.5**	

Program Description
The State Financial Management program provides the direct financial management services to support state operations. Operations include accounting, budget, treasury, economic analysis, financial reporting and analysis, and payroll.

Population Served
The Statewide Financial Management program provides services to state agencies, the governor and executive branch management, the legislature and its staff, governmental and non-governmental organizations, financial institutions, the media, and the public.

Program at a Glance

- Prepares governor's operating and capital budgets.
- Produces two forecasts annually.
- Issues state general obligation debt.
- Provides direction and control of statewide accounting and payroll functions.
- Produces Minnesota's financial statements.
- Performs Treasury operations

State employees, vendors, individuals, financial institutions, school districts, and local units of government receive payments through the statewide accounting, procurement, and payroll systems.

Services Provided
Accounting Services:
- sets statewide accounting and payroll policies and procedures;
- directs and maintains integrity of the accounting and payroll systems;
- provides training and assistance to agencies on the state's financial systems;
- works with agencies to develop systems of internal controls, as well as monitoring compliance and integrity of internal controls;
- produces the state's Comprehensive Annual Financial Report (CAFR); and
- coordinates of state agency Accounts Receivable.

Budget Services:
- manages the state budget process;
- prepares and submits the governor's operating and capital budgets;
- coordinates financial forecasts and develops financial reports and analysis;
- provides oversight and monitoring of budget implementation to agencies; and
- provides financial information and analysis of state spending to the governor and legislature.

Economic Analysis:
- prepares Minnesota's economic outlook and forecasts major revenues (income, sales, motor vehicle sales, corporate income).

Treasury:
- verifies agency deposits, warrants issued, electronic payments and collections, and state investments by the State Board of Investment;
- determines daily the state's cash position to maximize earnings on state cash;
- administers the state's tax exempt bonding allocation law;
- is responsible for establishment of all state depository bank accounts;
- manages actual sale of state general obligation bonds to finance capital projects; and
- manages the state's debt policies and provides debt capacity forecasting.

Historical Perspective
These functions have existed since the agency was created in 1973 to consolidate and modernize the financial management functions of state government. By statute, the commissioner is the state's controller and chief accounting and financial officer. The commissioner fulfills statutory responsibility for the state's accounting,

payroll, financial reporting, budgeting, forecasting, and debt management functions through the State Financial Management program.

The program remained relatively unchanged until the mid 1990s when the major statewide administrative systems were replaced. The data processing systems for accounting, procurement, payroll, and human resources were updated to provide better access to financial management information. At that time, staffing increased to manage the more complex systems.

Program funding is 100% a general fund direct appropriation. Compensations costs represent 89% of program expenditures, supporting 89 FTEs.

Increasing salary costs are attributed to general inflation and the competitive labor market for experienced and highly skilled employees. The core functions of the Department of Finance, such as setting statewide financial management standards, regulating state financial operations, and providing quality budget and financial policy analysis, cannot be performed adequately with entry-level staff.

Budget reductions in the current biennium resulted in 9.5 positions eliminated or held vacant, and reductions in excess of $720,000 in non-salary expenditures through business process changes. An additional four functional positions will end in FY 2003, which were funded from a one-time appropriation to upgrade the Human Resources and Payroll System.

Key Measures

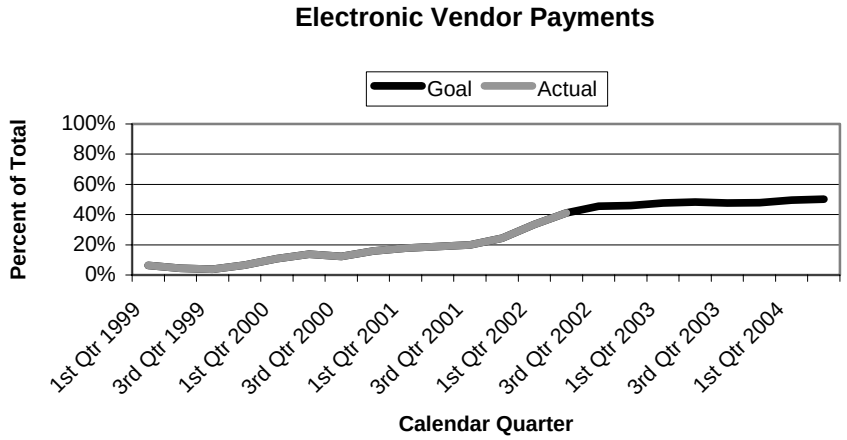
Respected organizations say that the state is fiscally well managed.

⇒ Continue to receive the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. The department has received this award annually for the last 17 years.
⇒ Unqualified audit opinion from the Legislative Auditor for the past 18 years.
⇒ State bonds rated AAA by Moody's, Standard & Poor's, and Fitch's bond rating services since 1997.
⇒ State financial management rated A- by *Governing Magazine* (February 2001).
⇒ State capital management rated B+ by *Governing Magazine* (February 2001).

Sell state bonds at or below market index rates:

	June 1998	Nov. 1998	Aug. 1999	June 2000	Nov. 2000	Oct. 2001	June 2002
Index Rate	4.50%	4.27%	4.93%	5.24%	5.02%	4.29%	4.02%
Actual Rate	4.50%	4.31%	4.95%	5.26%	5.01%	4.24%	3.95%
Variance	0.00%	(0.04)%	(0.02)%	(0.02)%	0.01%	0.05%	0.07%

Percent of vendor payments made electronically:



Contact

Department of Finance
400 Centennial Office Building
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Saint Paul, Minnesota 55155

World Wide Web Home Page: http://www.finance.state.mn.us/

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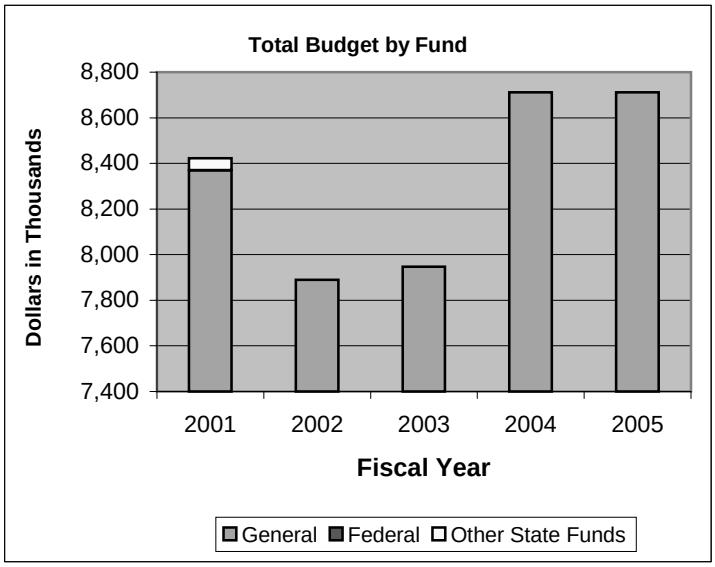
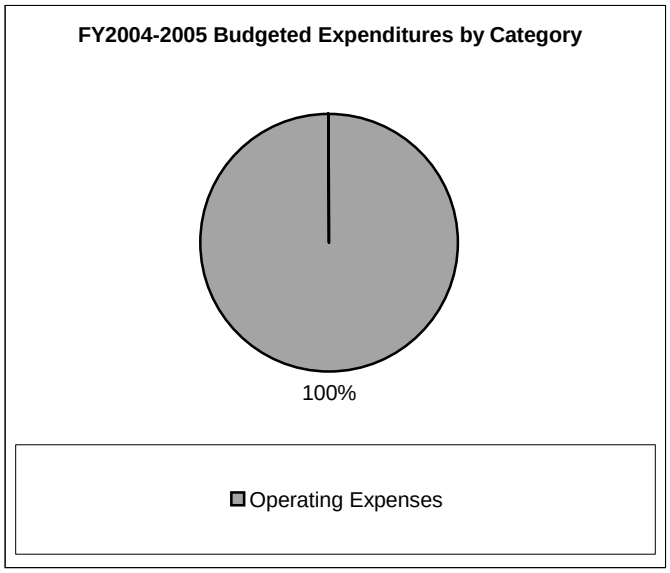




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	8,369	7,890	7,947	8,711	8,711	17,422
Statutory Appropriations						
Special Revenue	53	0	0	0	0	0
Total	**8,422**	**7,890**	**7,947**	**8,711**	**8,711**	**17,422**
Expenditures by Category						
Operating Expenses	8,422	7,890	7,947	8,911	8,911	17,822
Transfers	0	0	0	-200	-200	-400
Total	**8,422**	**7,890**	**7,947**	**8,711**	**8,711**	**17,422**
Expenditures by Activity						
State Financial Management	8,422	7,890	7,947	8,711	8,711	17,422
Total	**8,422**	**7,890**	**7,947**	**8,711**	**8,711**	**17,422**
Revenue by Type and Fund						
Non Dedicated						
General	0	0	0	30	30	60
Subtotal Non Dedicated	0	0	0	30	30	60
Dedicated						
Special Revenue	53	0	0	0	0	0
Subtotal Dedicated	53	0	0	0	0	0
Total Revenue	**53**	**0**	**0**	**30**	**30**	**60**
Full-Time Equivalents (FTE)	**98.2**	**94.6**	**91.4**	**99.0**	**99.0**	

Program Description

The Information and Management Services program consists of the commissioner's office and the administrative services division, which provides technical staff responsible for the design, maintenance, and operation of the statewide administrative systems, statewide budget systems, computer network, and web services. This program is also responsible for human resources, accounting, budget, and general support.

Program at a Glance

- Provides services and support to 6,625 Statewide Administrative Systems Users: MAPS 2,833; SEMA4 2,116; IA Data Warehouse 1,676.
- Manages the department's web site: An average of 500,000 pages are viewed per month.
- Provides a secure computer environment for Statewide Administrative Systems applications and the department's internal computer environment.
- Responsible for internal agency operations, including human resources, accounting, budget, and general support.

Population Served

The information management and analysis functions provide information to state agencies, the Governor and executive branch management, the legislature and its staff, governmental and non-governmental organizations, the media, and the public.

State employees, vendors, individuals, school districts, and local governments receive payments through the accounting, payroll, procurement, and human resources information systems.

Services Provided

⇒ Manages the computer software applications that provide the state's accounting and procurement functions (MAPS), human resources and payroll processes (SEMA 4), and statewide budget planning (BIS).

⇒ Manages the state's information access data warehouse (IA) that provides access to detailed statewide accounting, procurement, payroll, and human resources data used by agencies for operations, analysis, and reporting.

⇒ Manages the Department of Finance's computer network, infrastructure, security, desktop computers, and web services.

⇒ Manages the internal accounting, payroll, human resources, clerical support services, and office management for the department.

Historical Perspective

The program has been and will continue to be engaged in keeping statewide systems secure and technologically current while providing ongoing improvements and additional electronic government services.

In 1988, Statewide Systems Project (SSP) planning began, and the Statewide Administrative Systems (MAPS, SEMA4, and IA Data Warehouse) were fully implemented in 1995. The 1988 needs assessment identified that the accounting, procurement, and payroll systems were over 15 years old, lacked critical functionality, and deficiencies had led to development of duplicative stand-alone systems in agencies. In addition, there was no automated system for Human Resources, and no central repository of timely data existed for agency use. The systems implemented in 1995 supported statewide processing of payroll and HR transactions, payment of bills, and ad hoc reporting. The last MAPS upgrade was completed in November 1998 and moved us to a Year 2000-compliant version of the software.

Over the past seven years, the value of these systems has consistently increased. Today, they provide financial information management through technological enhancements such as the Enterprise Management Reporting System (EMRS), Electronic Funds Transfer (EFT), MAPS Vendor Payments Web Site, and On-line Paycheck/Advice system. Use of the data warehouse has significantly grown, and it provides agencies with both ad hoc and operational reporting capabilities. The warehouse will continue to play a key role in delivery of information to its wide customer base as the program strategically moves away from mainframe-based reporting.

A SEMA4 technical upgrade project was completed on time and within budget in March 2001. This upgrade moved us to a supported version of the software (version 7.5) and kept the system compatible with other software and systems running within the state's system enterprise. The project was funded in 1999 through a four-year legislative appropriation in the amount of $6,839,000.

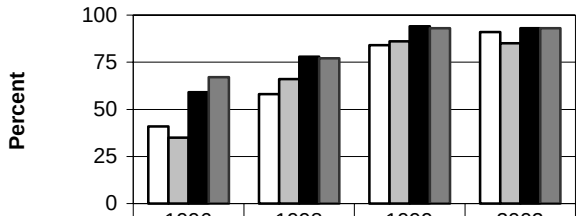
In 2001 the departments of Finance and Employee Relations began a second phase of the upgrade project called SEMA4 Upgrade Phase II. This project involves the upgrade of the statewide SEMA4 HR and Payroll application, reduction of the amount of customizations the state has made to the base product from the vendor, and the addition of the benefits administration application. This upgrade will move the state from PeopleSoft software version 7.5 to version 8.3. The planned implementation date is in the spring of 2003.

Budget reductions in the current biennium resulted in 2.2 positions eliminated or held vacant, and expenditure reductions in excess of $2.9 million in business processes, professional/technical contracts and technological changes made to statewide systems operations and services. Reductions in the SEMA 4 upgrade project will result in $1.4 million in one-time savings in addition to the $2.9 million saved in the operating budget. An additional two technical positions will end in 2003, which were funded with one-time appropriations to upgrade and support the HR and Payroll systems.

Key Measures

⇒ Percentage of users "Satisfied" or "Very Satisfied" with the statewide administrative systems.

Percentage of users "Satisfied" or "Very Satisfied" with the statewide administrative systems.

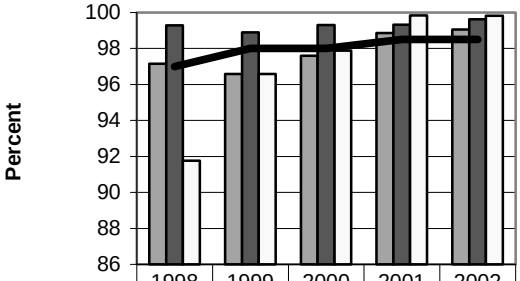


	1996	1998	1999	2002
Accounting	41	58	84	91
Procurement	35	66	86	85
Payroll	59	78	94	93
Human Resources	67	77	93	93

User Survey Note: To enable us to make comparisons to earlier surveys, we found it necessary to recalculate percentage by removing the uncertain/no change figures, as they were not an option in the 1999 survey. Please take this information into consideration when referring back to previous survey statistics.

⇒ Percentage of scheduled time that systems are available.

Percentage of scheduled time that systems are available.



	1998	1999	2000	2001	2002
MAPS	97.15	96.59	97.6	98.87	99.05
SEMA4	99.29	98.89	99.3	99.33	99.62
IA Warehouse	91.77	96.59	97.89	99.84	99.82
Target	97	98	98	98.5	98.5

For more information: http://www.finance.state.mn.us/agencyapps/systemssurvey/results/.

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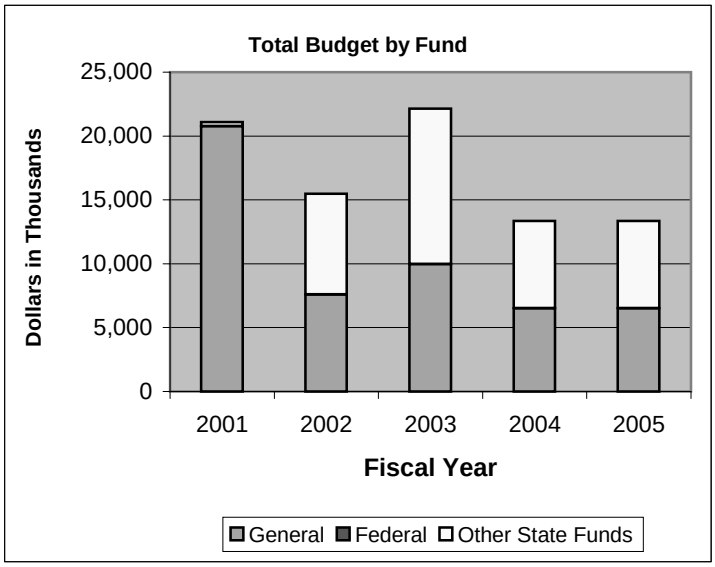

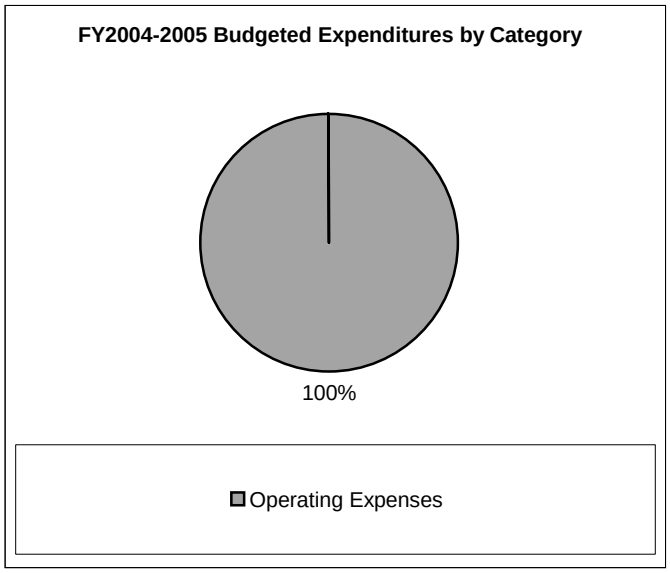

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	13,415	7,587	9,979	6,505	6,505	13,010
Statutory Appropriations						
General	7,350	0	0	0	0	0
Special Revenue	332	7,897	12,176	6,853	6,853	13,706
Total	**21,097**	**15,484**	**22,155**	**13,358**	**13,358**	**26,716**
Expenditures by Category						
Operating Expenses	21,078	15,481	22,155	13,358	13,358	26,716
Local Assistance	19	3	0	0	0	0
Total	**21,097**	**15,484**	**22,155**	**13,358**	**13,358**	**26,716**
Expenditures by Activity						
Information & Mgmt Services	21,097	15,484	22,155	13,358	13,358	26,716
Total	**21,097**	**15,484**	**22,155**	**13,358**	**13,358**	**26,716**
Revenue by Type and Fund						
Dedicated						
General	7,525	0	0	0	0	0
Special Revenue	332	9,269	10,804	6,853	6,853	13,706
Subtotal Dedicated	7,857	9,269	10,804	6,853	6,853	13,706
Total Revenue	7,857	9,269	10,804	6,853	6,853	13,706
Full-Time Equivalents (FTE)	**85.3**	**81.1**	**87.6**	**59.5**	**59.5**	

Program Description

By statute, the Department of Finance manages several special statewide accounts that are not a part of its day-to-day operation. Under Department of Administration Reorganization Order No. 185, effective January 6, 2003, the Department of Finance also manages non-operating accounts formerly the responsibility of the Office of the State Treasurer. These responsibilities include the statutory requirement to receive the state's share of various monies collected by the counties as fees, fines, assessments and surcharges. As a group, these accounts are referred to as Non-Operating accounts. These accounts deal with a broad range of subjects from higher education, to local pensions, to debt service, to tort claims, to general contingency accounts. This narrative will focus on three of the Non-Operating accounts traditionally addressed in the budget documents: Contingent Accounts, Tort Claims and Debt Service.

These accounts are not reflected in the agency wide financial summary presented earlier.

Services Provided, and Program Funding

Contingent Accounts: Contingent accounts are appropriations made from several state funds to provide supplemental funding for emergencies and other legally authorized purposes. The release and expenditure of this funding requires the approval of the governor after consultation with the Legislative Advisory Commission (LAC). The LAC provides legislative review of the use of these funds during interim periods when the legislature is not in session. With the approval of the governor, supplemental funding for specific purposes is transferred to individual agency budgets; thus, expenditure history appears in the affected agency's budget. As a result of Laws 2002, Chapter 220, the original general fund appropriation was reduced by $2.6 million for FY 2002 and by $3.0 million for FY 2003.

FUND	**FY 2001**		**FY 2002**		**FY 2003**
(Dollars in Thousands)	Appr	Spent	Appr	Spent	Orig Appr
General Fund (100)	100[1]	195	3,000	362	3,000
State Government Misc. (170)	400	0	400	0	400
State Airports (220)	50	0	50	0	50
Trunk Highway (270)	200	0	200	0	200
Highway User Tax Distribution (280)	125	0	125	0	125
Workers Compensation (320)	100	0	100	0	100
Total All Funds	**975**	**195**	**3,875**	**362**	**3,875**

Tort Claims: This account pays tort claim judgments against a state agency that cannot be paid from that agency's appropriated accounts. As specified in M.S. 3.736, subd., 7, "a state agency, including an entity defined as part of the state in Section 3.732, subd. 1,incurring a tort claim judgment or settlement obligation shall seek approval to make payment by submitting a written request to the commissioner of Finance. If the commissioner of Finance determines that the agency has sufficient money in its appropriation accounts, the claim will be paid from these accounts. Otherwise, the payment will be made from the appropriation made to the commissioner of Finance for tort claim payments." As a result of Laws 2002, Chapter 220, the original general fund appropriation was reduced by $114,000 for FY 2003.

FUND	FY 2001		FY 2002		FY 2003
(Dollars in Thousands)	Appr	Spent	Appr	Spent	Orig Appr
General Fund	275[1]	435	275	145	275
General Fund Highway	600	420	0	0	0
Trunk Highway (270)	0	0	600	90	600
Total All Funds	**875**	**855**	**875**	**235**	**875**

[1] Balance forward from FY00 covered additional expenditure.

Indirect Costs: Under M.S. 16A.127, state agencies operating activities with non-general funds (primarily federal) are obligated to prepare an agency wide cost allocation plan and submit it to their cognizant federal agency for approval. This plan must include agency indirect costs, which are administrative support costs that are not directly charged to a specific program. Agencies are required to reimburse the general fund for any portion of these costs that were originally funded by the general fun and that were used to support non-general fund activities. In addition, these non-general fund activities also rely on support from some of the centralized statewide systems financed by the general fund. The non-general fund activities must also reimburse the general fund for these statewide indirect costs. The commissioner of Finance prepares a plan each year that identifies the sources and amounts of each agency's statewide indirect costs. The commissioner submits this plan to the cognizant federal agencies for approval, and provides copies to the governor and legislature. The commissioner also records all of the agency and statewide indirect cost reimbursements to the general fund.

Debt Service: This account pays principal and interest on general obligation long-term debt. On December 1 of each year, the commissioner of Finance must transfer to the Debt Service Fund an amount sufficient (with balance on hand and interest income) to pay all principal and interest on bonds due in the following 19 months. The Minnesota Constitution requires the State Auditor to annually levy a statewide property tax sufficient to pay debt service through this 19-month period. Historically, the legislature has made specific debt service appropriations to the commissioner of Finance in order to eliminate the need for levying the statewide property tax. Debt service appropriations are broken down into two categories: existing debt and new issues.

(Dollars in Thousands)

	FY 2001	FY 2002	FY 2003
Outstanding Debt			
Total	**2,592,595**	**2,993,645**	**2,953,410**
Debt Service Appropriation			
Existing Debt	304,994	285,575	281,268
New Debt Issues	0	0	34,338
Total	**304,994**	**285,575**	**315,606**

Contact

For additional information on general contingency and tort claim accounts contact:

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February 18, 2003

To the 2003 Minnesota Legislature

The Department of Finance has completed our budget submission for the fiscal 2004-2005 biennium. The recommended General Fund appropriation is $30.432 million. Additionally, it is recommended that the statewide administrative systems billing authority be continued in the amount of $13.706 million. These figures include the effect of the transfer of the duties of the former office of state treasurer.

We will continue to provide service in high priority areas, which include accounting, budget, economic analysis, financial reporting, payroll, and treasury operations. The result of continued budget reductions will change the way we do business. Some examples include reduced document printing, reducing customization in on-going systems development, and reduced frequency of selected systems processing functions. We believe these changes can be implemented in a manner that maintains our successful work in high priority activities of the department.

Our fiscal year 2004/2005 spending plans anticipate a two-year salary freeze. Other reductions will be accomplished through business process changes including:

- heavier reliance on electronic delivery of documents and payments to reduce printing and postage costs;
- bank fee reductions as a result of a new banking contract with US Bank effective January 1, 2003; and
- other administrative changes such as reductions in rent, training, travel, communications, and centralized garnishment processing.

Additionally, we will reduce the amount Finance charges state agency users for the operation of statewide administrative systems. These systems are the computer software applications that provide the state's accounting, procurement, human resources, and payroll functions, as well as the state's information access data warehouse. The billing authority provides the resources for some of the operating costs of the statewide systems, primarily InterTech computer processing and storage costs. Most of this change will be accomplished through reductions in InterTech charges due to rate changes and processing efficiencies. By itself, reducing the Department of Finance's billing authority does not generate savings. The billing authority is a pass-through, with the Department of Finance receiving funds from user agencies and disbursing funds to resource providers. The benefits of the reductions are passed-through to agency users in reduced billing costs.

This budget represents a reduction in the General Fund appropriation of $5.370 million and a reduction in the statewide administrative systems billing authority of $1.334 million. These are reductions of 15% and 9% respectively. These reductions are in addition to the reductions resulting from the 2002 Chapter 220 and Chapter 374 reductions. Furthermore, six positions funded by a four-year appropriation in 1999 to upgrade the SEMA4 payroll and Human Resource system will end on June 30, 2003.

We look forward to working with the legislature to maintain our efforts on the essential activities required for sound financial management of the state.

Sincerely,

Dan McElroy

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	35,542	15,040	50,582
Legislatively Mandated Base	-180	0	-180
One-Time Appropriations	440	0	440
Adjusted Base Funding	35,802	15,040	50,842
Change Items			
Operating Budget Reduction	-5,370	0	-5,370
Reduce Statewide Systems Billing	0	-1,334	-1,334
Governor's Recommendations	30,432	13,706	44,138
Biennial Change, 2002-03 to 2004-05	-2,971	-6,367	-9,338
Percent Change	-9%	-32%	-17%

Brief Description of Budget Changes:

The General Fund reduction of 9%, which is a 15% reduction if the One-Time Appropriation is not included in the base, is a result of the recommended operating budget reduction. Other Fund expenditures and revenues also declined because of 1) completion of the SEMA4 upgrade, and 2) reduced statewide systems billing.

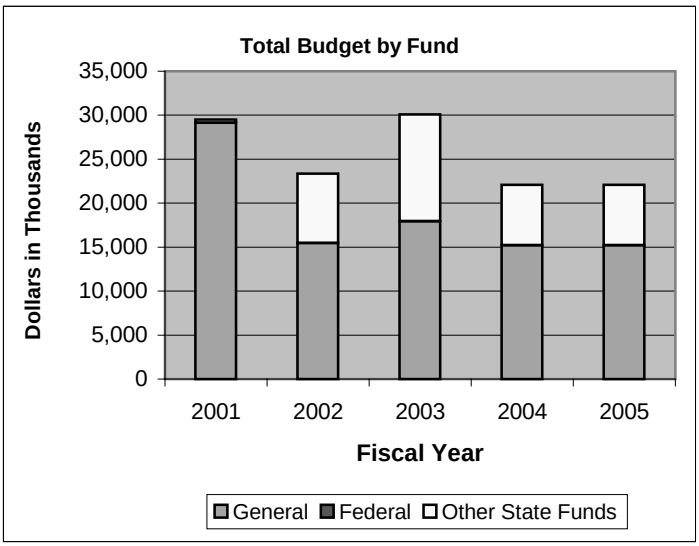
	FY 2004-05 Revenues ($000s)		
	General Fund	Other Funds	Total
FY 2004-05 Current Law Revenues		15,040	15,040
Change Items			
Agency Level Change Item		(1,334)	(1,334)
FY 2004-05 Total Revenues	30*	13,706	13,766
Biennial Change 2002-03 to 2004-05	n.a.	(1,334)	(1,334)
Percent Change	n.a.	(9%)	(9%)

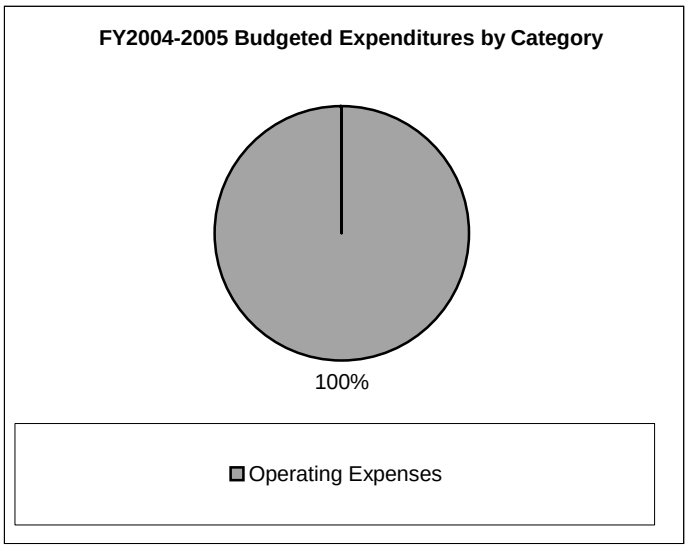
*Treasury Operations non-dedicated interest revenue from bank deposits.

Finance Non-Operating Accounts:

The Governor is also recommending several changes related to the Finance Non-Operating accounts.

	FY 2004-05 Expenditures ($000s)			
	General Fund	Other Funds	Total	Change from FY 2002-03
Governor's Recommendations:				
G.O. Debt Service	686,777	0	686,777	105,783
Contingent Accounts	5,000	1,750	6,750	5,000
Tort Claims	322	1,200	1,522	(259)





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	21,784	15,477	17,926	15,216	15,216	30,432
Statutory Appropriations						
General	7,350	0	0	0	0	0
Special Revenue	385	7,897	12,176	6,853	6,853	13,706
Total	**29,519**	**23,374**	**30,102**	**22,069**	**22,069**	**44,138**
Expenditures by Category						
Operating Expenses	29,500	23,371	30,102	22,269	22,269	44,538
Local Assistance	19	3	0	0	0	0
Transfers	0	0	0	-200	-200	-400
Total	**29,519**	**23,374**	**30,102**	**22,069**	**22,069**	**44,138**
Expenditures by Program						
State Financial Management	8,422	7,890	7,947	8,711	8,711	17,422
Information & Mgmt Services	21,097	15,484	22,155	13,358	13,358	26,716
Total	**29,519**	**23,374**	**30,102**	**22,069**	**22,069**	**44,138**
Revenue by Type and Fund						
Non Dedicated						
General	0	0	0	30	30	60
Subtotal Non Dedicated	0	0	0	30	30	60
Dedicated						
General	7,525	0	0	0	0	0
Special Revenue	385	9,269	10,804	6,853	6,853	13,706
Subtotal Dedicated	7,910	9,269	10,804	6,853	6,853	13,706
Total Revenue	**7,910**	**9,269**	**10,804**	**6,883**	**6,883**	**13,766**
Full-Time Equivalents (FTE)	**183.5**	**175.7**	**179.0**	**158.5**	**158.5**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($2,685)	($2,685)	($2,685)	($2,685)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($2,685)	($2,685)	($2,685)	($2,685)

Recommendation

The Governor recommends an appropriation of $15,216,000 in FY 2004 and $15,216,000 in FY 2005 for the Department of Finance (DOF). This is a $2,685,000 annual reduction in the General Fund appropriation.

Background

This change will impact agency staff, state agencies, legislators, the general public, and other customers of statewide accounting, payroll, and financial reporting functions and systems, including biennial budget systems. This reduction anticipates a wage freeze for the FY 2004-05 biennium.

Savings would be accomplished by eliminating approximately 17 FTEs. These position reductions will be in addition to 11.7 FTEs eliminated in the FY 2002-03 biennium as a result of the Chapter 220 and Chapter 374 reductions. An additional six positions funded by a four-year appropriation in 1999 to upgrade the SEMA4 payroll and HR system will end on June 30, 2003. Further reductions in off-hour systems support, staff development and recognition, professional/technical contracts, and banking fees, all of which have been reduced in previous budget reduction measures, would account for the remainder of the reduction.

If this recommendation is approved, the resulting changes will be:

⇒ The position reductions associated with this change item include positions across the agency, which are possible through a series of business process changes and a renewed emphasis on core functions. The (staffing) reductions will include several supervisory and management positions. Additional salary savings will be accomplished through a reduction in overtime, premium time, and call-back pay for off-hour support of the statewide administrative systems.

⇒ Business processes:
- ♦ conversion of remaining employees to direct deposit saving printing, postage, and warrant stock expenses;
- ♦ expansion of vendor payments by electronic funds transfer for additional printing, postage, and stock savings;
- ♦ delivery of employee W-2 electronically; and
- ♦ restructuring of payroll garnishment and child support orders to streamline process and maximize expense recovery.

⇒ Salary and administrative management:
- ♦ reduce overtime, premium time, call-back;
- ♦ rent consolidation;
- ♦ wage freeze; and
- ♦ general reductions training, travel, and printing/communications.

⇒ Reductions in bank fee payments as a result of a new banking contract with US Bank effective January 1, 2003.

⇒ Other administrative management reductions including training, travel, rent, printing, and communications.

In addition to the recommended reduction, the department is absorbing the ongoing operating expenses for the SEMA4 payroll system. In 1999, the agency received $6.8 million for the cost of the system upgrade and the salaries of six staff to support it. That appropriation ends at the end of FY 2003. In order to ensure continued reliance, the responsibilities for the operations of the system will need to be done, though on a limited basis, by

current agency staff. The initial plan was that the state would be in a position to stay current with technology and to fully benefit from our investment by implementing upgrades as they are released. The elimination of these six positions requires us to modify that plan.

Relationship to Base Budget

This change will provide DOF with $7,987,000 less than what was appropriated in the last biennium, a 15% reduction from the FY 2004-05 forecast levels.

Key Measures

Key performance measures impacted by this change item will include:

- repeat audit findings;
- percentage of vendor payments within 30 days;
- percentage of users “Satisfied” or “Very Satisfied” with the Statewide Administrative Systems; and
- percentage of scheduled time that systems (MAPS, SEMA4, IA) are available.

Statutory Change: 16A.17, 16A.131, 16D.03

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	($667)	($667)	($667)	($667)
Revenues	(667)	(667)	(667)	(667)
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends a $667,000 annual reduction in administrative costs associated with statewide financial systems. This spending reduction will result in an equal reduction in the fees paid by state agencies to provide these services. This recommendation is possible because of reductions in InterTech computer charges and reductions in professional/technical contracts used to modify, enhance, and maintain the statewide administrative systems.

Background

Statewide administrative systems are the computer software applications that provide the state's accounting, procurement, human resources, and payroll functions, as well as the state's information access data warehouse. By itself, reducing DOF's billing authority does not generate savings. However, expected Intertech rate reductions will allow DOF to pass-through savings to all state agencies.

Expense components of statewide administrative systems are: hardware and software, InterTech-provided computer services, systems-related contractors, licenses, maintenance, and support. InterTech expenses, like utilities, must be paid as invoiced but rate decreases of approximately 10% are anticipated in FY 2004. Few other savings options exist. License expenses must be paid to operate software legally. Contractor expenses have been reduced significantly. Maintenance and support reductions could significantly increase risk of delayed vendor payments, delayed payroll, and reduced availability of the statewide MAPS, SEMA4, and data warehouse systems.

Since 1991, the state has invested over $56 million to create and upgrade a statewide administrative systems infrastructure that provides the technical foundation for state business processes. After development, ongoing maintenance costs are required to prevent computer systems from falling into disrepair and becoming obsolete. Maintenance agreements provide technical solutions when systems malfunction, and upgrades keep the state's technology investments current with constantly changing technology. Cessation of maintenance agreements would terminate ongoing relationships with vendors and require the state to purchase new systems at future market prices that would be expected to exceed the amount of the previous investment.

Relationship to Base Budget

This change will provide DOF with statewide systems billing authority of $13,706,000 in FY 2004-05, which is $1,334,000 less than its billing authority during the last biennium.

Statutory Change: Not applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($1,495)	($6,700)	($7,112)	($8,505)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($1,495)	($6,700)	($7,112)	($8,505)

Recommendation

The Governor is not recommending an emergency capital budget for general obligation projects in the 2003 session. This will result in savings of $8,195,000 in FY 2004-05 by reducing the required General Fund debt service transfer from $694,972,000 to $686,777,000.

Background

The debt service account pays principal and interest on general obligation long-term debt. On December 1 of each year, the commissioner of Finance must transfer to the Debt Service Fund an amount sufficient (with balance on hand and interest income) to pay all principal and interest on bonds due in the following 19 months. The Minnesota Constitution requires the state auditor to annually levy a statewide property tax sufficient to pay debt service through this 19-month period. Historically, the legislature has made specific debt service appropriations to the commissioner of Finance in order to eliminate the need for levying the statewide property tax.

Due to the inordinate size of the state's budget problem, the Governor is not recommending an emergency capital budget in order to provide budget savings in the General Fund. Based on a rolling, 10-year average, the November Forecast projected the size of the state capital budget to be $530,000,000 in 2004 and $87,000,000 in 2005. The Governor's recommendation for debt service savings as contained herein does not change the forecast size of capital budgets in 2004 and beyond.

Relationship to Base Budget

Not applicable.

Statutory Change: Not applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$5,000	$5,000	$5,000	$5,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$5,000	$5,000	$5,000	$5,000

Recommendation
The Governor recommends a $5,000,000 annual appropriation in FY 2004 and FY 2005 to the General Fund contingency account.

Background
The General Fund contingency account has been entirely depleted. Required budget reductions will place continued pressure on agency budgets. As a result, the number of deficiencies is likely to increase as agencies' ability to absorb even relatively small unanticipated costs will be impaired.

An appropriation to this contingency account will help prevent deficiency appropriations, thereby saving time and allowing for more orderly operations of government.

These funds will be appropriated to agencies as needed and in accordance with the Legislative Advisory Commission (LAC) rules (M.S. 3.30).

Relationship to Base Budget
In 2001, $3 million a year in General Funds were appropriated to the General Contingent Fund. Laws 2002, Chapter 220 reduced those appropriations by $2.638 million in FY 2002 and the full $3 million in FY 2003, leaving no balance in this account.

Statutory Change: Not applicable.

Change Item: REDIRECT TAX-EXEMPT BOND PENALTIES TO GF

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	50	50	50	50
Other Fund				
Expenditures	0	0	0	0
Revenues	(50)	(50)	(50)	(50)
Net Fiscal Impact	0	0	0	0

Recommendation
The Governor recommends redirecting tax-exempt bond (TEB) penalty fees and related interest earnings from the Housing Trust Fund to the General Fund.

Background
Pursuant to M.S. 474A, the Department of Finance receives, reviews and allocates tax-exempt bonding authority to local bond issuers in accordance with Federal tax code. Departmental staff costs associated with this activity are paid exclusively from the General Fund.

This proposal will redirect existing penalty and interest receipts from the Housing Trust Fund to the General Fund. Thus, revenues will be received in the fund that incurs the expenditures. No increased fees, charges or penalties are proposed.

Relationship to Base Budget
The Governor's recommended change will have an immaterial impact on the overall budget for the Housing Trust Fund.

Statutory Change: M.S. 462A.21

Agency Purpose

The Gambling Control Board regulates lawful gambling in Minnesota, so that citizens are assured of the integrity of the industry and non-profit organizations may continue to raise funds for charitable contributions.

Core Functions

The Gambling Control Board has the power to issue, suspend, and revoke licenses. Additionally, the board conducts periodic audits and compliance reviews involving over 3,000 charitable gambling sites in Minnesota. The audits and reviews help ensure the integrity of operations and accountability of an estimated $1.4 billion in annual gross receipts. Training and education is provided to licensed organizations affecting over 24,000 registered employees.

Operations

The board is comprised of seven citizens and supported by 30 staff. It provides education, outreach, and guidance to the lawful gambling industry through:

- compliance reviews and site inspections;
- continuing education classes;
- gambling manager seminars;
- a comprehensive website and newsletter ; and
- mentoring program.

At A Glance

- The Gambling Control Board regulates five forms of lawful gambling: (Pull-tabs, raffles, bingo, paddlewheels, and tipboards.)
- Lawful gambling is a $1.4 billion per year industry in Minnesota.
- Net state taxes on lawful gambling are estimated to be $57 million in FY 2002.
- Charitable contributions will exceed $73 million in FY 2002.
- Permits issued for over 3,000 gambling sites.
- Licenses/permits issues to
  - 1,450 nonprofit organizations
  - 2,500 exempt organizations
  - 1,000 excluded organizations
  - 12 bingo halls
  - 18 distributors
  - 8 manufacturers
- The board annually conducts:
  - Compliance reviews of 480 organizations
  - Site inspections of 1,100 gambling sites
  - 150 criminal investigations

Compliance conducts compliance reviews of licensed organizations and educates the industry using training classes, a newsletter, the website, and mentoring.

Investigations uncover theft and fraud in the industry by inspecting gambling products, investigating irregularities noted in compliance reviews, and through allegations made by players.

Licensing reviews license and permit applications for compliance with statutes.

Administration oversees the agency, providing rules coordination, and human resources and administrative support.

Board Expenses are payments to Gambling Control Board members for per diem and travel.

Budget

The agency is funded by a direct general fund appropriation and has a biennial operating budget of $4.8 million. Though not part of the agency budget, approximately $1.7 million in general fund receipts are collected by the board biennially in the form of license/permit fees, and penalties and fines. The fees are paid by manufacturers and distributors of gambling equipment, bingo halls, and nonprofit organizations. In addition, the state collects approximately $57 million in net lawful gambling taxes annually.

Contact

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State of Minnesota
Department of Finance

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the Governor's FY 2004-05 budget proposals for the non-cabinet agencies in the state government omnibus bill. Under the Governor's recommended budget, these agencies would collectively spend $12.882 million in General Fund dollars for the FY 2004-05 biennium. The funding provided for these agencies will be used for the protection of public assets and resources, assurance of due process related to governmental rulemaking, the regulation of the gambling and racing industries, administration of campaign finance and disclosure laws, and support to small non-profit organizations that assist Minnesota veterans.

The FY 2004-05 funding recommended for these agencies represents a $6.695 million (34.2%) decrease from the FY 2002-03 biennium. The recommendations will also result in a net decrease in revenue to the General Fund of $954,000 for the biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing and reorganizing some functions. Therefore, for some of the agencies in this bill, the Governor recommends that funding and/or operations be consolidated with other related operations in the state in order to ensure cooperation and shared services to reduce costs.

In addition, the Governor recommends mitigating the impact of the state's deficit by spreading the cuts broadly among agencies, and by ensuring that the industries and parties that benefit from these services assist in paying for them. Therefore, for some of the agencies in this bill, the Governor recommends that dependence upon General Fund dollars be supplanted or offset with fees and user charges, and that where appropriate, some fees billed to governmental agencies be reduced.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium as well as the Governor's recommendations for state funding of pension systems.

My staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

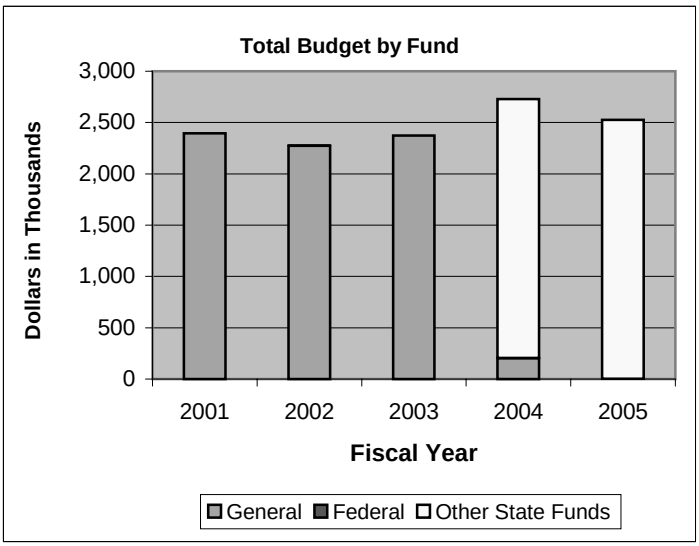
Dan McElroy
Commissioner

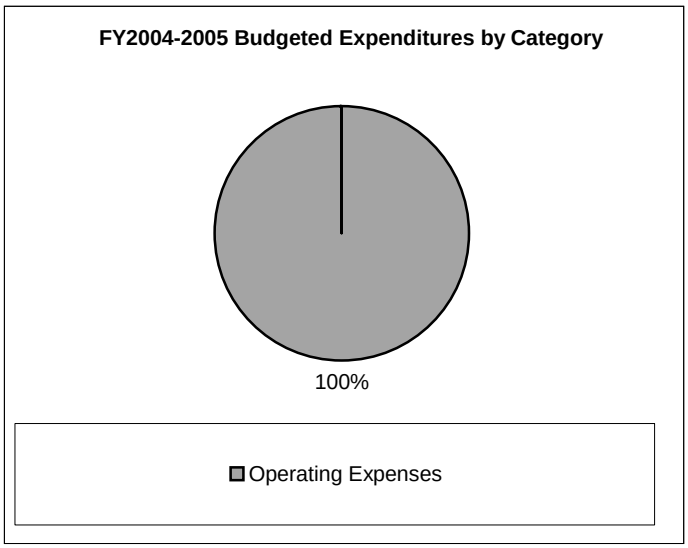
	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	4,792	0	4,792
Legislatively Mandated Base	60	0	60
Adjusted Base Funding	4,852	0	4,852
Change Items			
Recover Operating Costs Through Fees	-4,650	5,052	402
Governor's Recommendations	202	5,052	5,254
Biennial Change, 2002-03 to 2004-05	-4,442	5,046	604
Percent Change	-96%	84,100%	13%

Brief Description of Budget Changes:

The $60,000 base adjustment listed above was a Small Agency Infrastructure (SAI) grant provided for technology improvements.

	FY 2004-05 Revenues ($000s)		
	General Fund	Other Funds	Total
FY 2004-05 Current Law Revenues	1,787	0	1,787
Change Items			
Recover Operating Costs Through Fees	(1,677)	5,972	4,295
FY 2004-05 Total Revenues	110	5,972	6,082
Biennial Change 2002-03 to 2004-05	(1,667)	5,966	4,299
Percent Change	(94%)	n.m.	241%





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	2,394	2,272	2,372	202	0	202
Special Revenue	0	0	0	2,526	2,526	5,052
Statutory Appropriations						
Special Revenue	0	6	0	0	0	0
Total	**2,394**	**2,278**	**2,372**	**2,728**	**2,526**	**5,254**
Expenditures by Category						
Operating Expenses	2,394	2,278	2,372	2,728	2,526	5,254
Total	**2,394**	**2,278**	**2,372**	**2,728**	**2,526**	**5,254**
Expenditures by Program						
Lawful Gambling Control	2,394	2,278	2,372	2,728	2,526	5,254
Total	**2,394**	**2,278**	**2,372**	**2,728**	**2,526**	**5,254**
Revenue by Type and Fund						
Non Dedicated						
General	72	1,222	555	55	55	110
Cambridge Deposit Fund	513	0	0	0	0	0
Subtotal Non Dedicated	585	1,222	555	55	55	110
Dedicated						
Special Revenue	0	6	0	2,986	2,986	5,972
Subtotal Dedicated	0	6	0	2,986	2,986	5,972
Total Revenue	**585**	**1,228**	**555**	**3,041**	**3,041**	**6,082**
Full-Time Equivalents (FTE)	**31.7**	**32.0**	**30.4**	**30.4**	**30.4**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($2,224)	($2,426)	($2,426)	($2,426)
Revenues	(1,044)	(633)	(1,044)	(633)
Other Fund				
Expenditures	2,526	2,526	2,526	2,526
Revenues	2,986	2,986	2,986	2,986
Net Fiscal Impact	($1,640)	($2,253)	($1,842)	($2,253)

Recommendation

The Governor recommends creation of a special revenue account related to lawful gambling regulation. Under this proposal, Gambling Control Board will no longer receive a General Fund appropriation. Instead, it will restructure its fees to fully recover its operational costs. Fee revenue will flow to the special revenue account and the legislature will appropriate from this account to support the operations of the board. Money collected from fines and penalties will continue to be non-dedicated General Fund receipts. Regulatory fees collected from licensed non-profit organizations will be classified as lawful purpose expenditures.

Background

The lawful gambling industry in Minnesota is a $1.4 billion industry. The current fee schedule for lawful gambling does not recover the cost of regulation. Fees have not been adjusted since FY 1992. In addition, the current fee schedule charges a flat rate for site permits resulting in a disproportionate expense to some non-profit organizations.

Currently, Minnesota ranks first in dollars spent on lawful gambling, but ranks as one of the lowest for funding of regulatory oversight.

Lawful Gambling
2001 Comparison of Other States with Similar Lawful Gambling Activity

State	Gross Receipts	License, Fees & Taxes	Percent of Receipts	Regulatory Budget	Percent of Receipts	Percent of Fees
Alaska	310,882,580	2,380,311	0.77%	604,500	0.19%	25.40%
Indiana	576,138,059	4,073,450	0.71%	470,000	0.08%	11.54%
Kentucky	607,048,878	2,428,195	0.40%	3,200,000	0.53%	131.79%
Louisiana	196,495,200	942,400	0.48%	1,200,000	0.61%	127.33%
Minnesota	1,424,900,000	55,950,650	3.93%	2,244,000	0.16%	4.01%
Nebraska	259,322,841	2,683,629	1.03%	2,042,480	0.79%	76.11%
New Mexico	30,401,283	146,830	0.48%	65,000	0.21%	44.27%
New York	511,253,021	4,443,199	0.87%	2,119,000	0.41%	47.69%
North Dakota	246,516,772	12,466,303	5.06%	781,000	0.32%	6.26%
Washington	901,625,892	51,831,226	5.75%	14,795,691	1.64%	28.55%

Source: NAFTM Annual Report (2001)

This proposal will require the industry to fully fund the regulatory program that ensures the industry's integrity and allows nonprofit organizations to continue raising funds for charitable contributions. In 1990, the Attorney General recommended that 1% of gross receipts be dedicated to regulation. In 1992, the Governor's Advisory Committee on Gambling reported that "the limited resources available to the Gambling Control Board have affected the board's ability to apply its comprehensive regulatory system to all licensed organizations in a timely fashion." Their conclusion stated, "Primary emphasis must be placed on maintaining the integrity of gambling in Minnesota. Without sufficient resources to oversee the gambling industry, the integrity of, and public confidence in, gambling is severely undermined

This change item will do several things: 1) increase the license fee for manufacturers, distributors, and bingo halls; 2) replace the flat fee paid by non-profit organizations for site permits with a fee based on percentage of gross receipts (The proposed rate for the fee is 0.18%); 3) assess a license fee on distributor salespersons; and 4) charge manufacturers for game testing.

The table below provides detail on these changes.

Lawful Gambling License Category (# in parentheses)	Current Fee (annualized)	Proposed Fee (annualized)	Projected Revenue (annualized)
Manufacturer (8)	$5,000	$9,000	$ 72,000
Distributor (18)	3,500	6,000	108,000
Bingo Hall (12)	2,500	4,000	48,000
Organization (1,503)	0	0	0
Gambling Manager (1,503)	100	100	150,000
Class A – site (395)	200	Eliminate	0
Class B – site (2,630)	125	Eliminate	0
Class C – site (17)	100	Eliminate	0
Class D – site (13)	75	Eliminate	0
Site Permit (3,055)	n/a	.0018 of gross receipts	2,340,000
Exempt Permit (2,700)	25	50	135,000
Excluded Permit	0	0	0
Distributor Salesperson (150)	n/a	100	15,000
Game Testing (300)	n/a	100	30,000
Game Approvals (3,500)	n/a	25	87,500
TOTAL			**$2,985,500**

It is also recommended that a $202,000 General Fund appropriation be made to this new account in FY 2004 to ease the transition to fee-based funding. This is a one-time start up appropriation.

Relationship to Base Budget

The board will be authorized to collect fees sufficient to recover its operational costs. Expenditures will be limited to those authorized within the biennial appropriation.

The appropriation recommended here represents a $402,000 increase over FY 2002-03 spending. Of this increase, $200,000 represents the amount estimated to be needed for indirect costs and legal fees.

Alternatives Considered

Charge an "in-lieu of sales tax" rate similar to the one used by the State Lottery.

Statutory Change: M.S. 349

Agency Purpose

As chief executive, the governor oversees all operations of state government and takes the lead in shaping public policy and representing the interests of Minnesotans to the legislature.

At A Glance

The governor and lieutenant governor, along with their staff:

- Report to and represent the 4.9 million citizens of Minnesota
- Manage 26 cabinet-level executive departments and 59 non-cabinet level, executive branch agencies that are comprised of 48,243 state employees (see http://www.departmentresults.state.mn.us/)
- Develop a $41.6 billion state budget every two years
- Consult with 201 state legislators during annual legislative sessions
- Appoint 1,000 citizens to 110 boards and commissions
- Appoint judges to the state's 10 judicial districts, the Court of Appeals, and the Supreme Court
- Respond to more than 100,000 citizen calls and contacts, conduct hundreds of media interviews, attend scores of meetings, and travel thousands of miles to promote the state of Minnesota.

Core Functions

The Governor's Office is organized to effectively administer the duties of the chief executive. Major duties of the governor are to:

- oversee and provide leadership for the day-to-day operations of state government, with emphasis on quality service delivery and state agency responsiveness to Minnesota citizens;
- appoint state department heads, people to state boards and commissions, and judges for all court systems when vacancies occur;
- chair the State Executive Council, the State Board of Investment, the Land Exchange Board, and the Legislative Advisory Commission;
- dispatch the National Guard for emergency duty;
- issue extradition papers, proclamations, and writs of special elections;
- prepare and establish advisory committees to aid in developing legislative proposals and plans for executive action;
- inform the legislature of the general condition of the state, review, veto, or sign into law legislation and rules, and call special sessions of the legislature when needed;
- develop the biennial budget and present it to the legislature;
- promote business development and help create new jobs with assistance and advice from legislators and business leaders;
- represent the citizens of the state at various functions at local, state, national, and international levels; and
- perform all other duties as specified by the laws of the state.

The lieutenant governor's chief duty is to assist the governor in carrying out the functions of the executive branch. The lieutenant government serves as an extension of the governor, represents the governor, and is prepared to act in the governor's place in the event of the governor's absence or disability. The lieutenant governor is a key member of the governor's cabinet and is involved in major policy and budget decisions.

Part of the lieutenant governor's official duties include:

- chairing the Capitol Area Architectural Planning Board (CAAPB); and
- serving as a member of the State Executive Council.

Operations

The Governor's Office is organized by three program areas overseen by the chief of staff: Government Relations, Communications (which includes citizen outreach), and Operations (which includes the Governor's Residence). .

Budget

The office is funded through a direct appropriation from the General Fund.

Contact

Office of the Governor
Chief of Staff or Director of Operations
130 State Capitol
75 Rev. Dr. Martin Luther King Jr. Boulevard
Saint Paul, Minnesota 55155
Phone: (651) 296-3391
Fax: (651) 296-2089

World Wide Web Home Page:
www.governor.state.mn.us.

STATE OF MINNESOTA
Office of Governor Tim Pawlenty
130 State Capitol • 75 Rev. Dr. Martin Luther King Jr. Boulevard • Saint Paul, MN 55155

February 18, 2003

The 2003 Minnesota Legislature:

Enclosed is the FY 2004-05 budget for the Office of Governor Tim Pawlenty, totaling $7,172,000 in General Funds. This budget represents a $2,143,000 (23%) reduction from the FY 2002-03 budget.

Funding for the FY 2004-05 biennium will be used to focus on providing support for Governor Pawlenty and providing information to the public and the Legislature. Along with his official duties, this includes his efforts to maintain a balanced budget, pursue a public policy agenda directed at Kids, Jobs, Public Safety, Roads and Health, and persistent communication with the people of Minnesota.

To achieve the proposed budget reduction, the Governor's Office strategy will be to:

1. Resign its membership in the National Governor's Association (NGA);
2. Reduce its staff presence in Washington D.C.; and
3. Reduce administrative and personnel costs.

These reductions will require the office to focus primarily on the state needs of Minnesotans and require state agencies to pursue their federal priority needs by working more directly with the members of the Minnesota Congressional Delegation.

If you have any questions, please feel free to call me at (651) 296-0059.

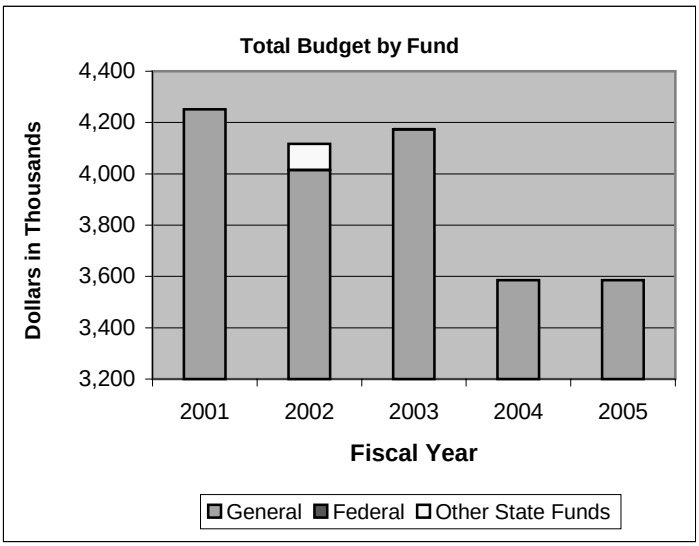
Sincerely,

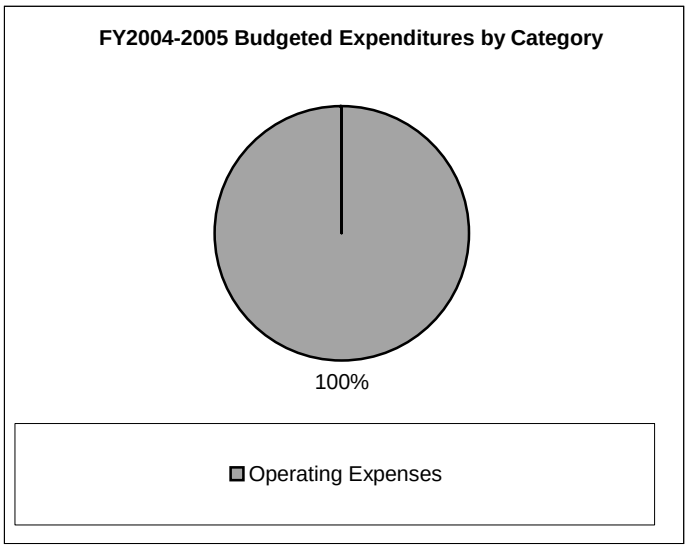
Charlie Weaver
Chief of Staff

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	8,424	0	8,424
New Programs To Agency Base	12	0	12
Adjusted Base Funding	8,436	0	8,436
Change Items			
Budget Reduction	-1,264	0	-1,264
Governor's Recommendations	7,172	0	7,172
Biennial Change, 2002-03 to 2004-05	-1,016	-103	-1,119
Percent Change	-12%	-100%	-13%

Brief Explanation Of Budget Decisions:

The Governor's base budget includes an increase of $12,000 for the FY 2004-05 biennium to annualize the increase of the lieutenant governor's salary effective January 6, 2003, as mandated by Laws 2001, 1st Special Session, Chapter 10, Article1, Section 2.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,252	4,015	4,173	3,586	3,586	7,172
Statutory Appropriations						
Special Revenue	0	47	0	0	0	0
Gift	0	55	1	0	0	0
Total	**4,252**	**4,117**	**4,174**	**3,586**	**3,586**	**7,172**
Expenditures by Category						
Operating Expenses	4,252	4,117	4,174	3,586	3,586	7,172
Total	**4,252**	**4,117**	**4,174**	**3,586**	**3,586**	**7,172**
Expenditures by Program						
Governors Office	4,252	4,117	4,174	3,586	3,586	7,172
Total	**4,252**	**4,117**	**4,174**	**3,586**	**3,586**	**7,172**
Revenue by Type and Fund						
Dedicated						
Special Revenue	0	7	0	0	0	0
Gift	0	2	0	0	0	0
Subtotal Dedicated	0	9	0	0	0	0
Total Revenue	0	9	0	0	0	0
Full-Time Equivalents (FTE)	**51.7**	**48.3**	**45.8**	**45.8**	**45.8**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($632)	($632)	($632)	($632)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($632)	($632)	($632)	($632)

Recommendation
The Governor recommends a General Fund appropriation of $3.586 million each year of the FY 2004-05 biennium, a reduction of $632,000 annually.

Background
Funding for the FY 2004-05 biennium will be used to focus on providing support for Governor Pawlenty and providing information to the public and the legislature. Along with his official duties, this includes his efforts to maintain a balance budget, pursue a public policy agenda directed at kids, jobs, public safety, roads and health and persistent communication with the people of Minnesota.

To achieve the proposed budget reduction, the Governor's Office strategy will be to:
1. Resign its membership in the National Governor's Association (NGA);
2. Reduce its staff presence in Washington D.C.; and
3. Reduce administrative and personnel costs.

The recommended budget will require the Governor's Office to focus primarily on the state needs of Minnesotans and require state agencies to pursue their federal priority needs by working more directly with the members of the Minnesota Congressional Delegation.

Relationship to Base Budget
The Governor's recommendation is a 15% reduction from the agency's forecast budget and is consistent with the recommendations for other constitutional officers and the legislature.

Statutory Change: Not Applicable.

Agency Purpose

The statutory mission of the Minnesota Department of Health (MDH) is to protect, maintain, and improve the health of all Minnesotans.

MDH is the state's lead public health agency and works with local public health agencies, federal health agencies, and other organizations to operate programs that protect and improve the health of entire communities, and programs that promote clean water, safe food, quality health care, and healthy personal choices.

Together, these programs are contributing to longer, healthier lives. As a result, Minnesota is consistently ranked one of the healthiest states in the country.

Core Functions

While MDH is perhaps best known for responding to disease outbreaks, the department's core functions are very diverse and far-reaching, and focus on preventing health problems in the first place.

At A Glance

The Minnesota Department of Health (MDH) is one of the top state health departments in the country.

MDH has earned an international reputation for being on the cutting edge of disease detection and control and developing new public health methods.

MDH workforce of 1,300 includes many MD's, PhD's, nurses, health educators, biologists, chemists, epidemiologists, and engineers.

MDH program resources are deployed in the Twin Cities and seven regional offices statewide, to better serve the state population.

⇒ Preventing Diseases: MDH detects and investigates disease outbreaks, controls the spread of disease, encourages immunizations, and seeks to prevent chronic and infectious diseases, including HIV/AIDS, TB, and cancer. The department's public health laboratories analyze of some of the most complex and dangerous biological, chemical, and radiological substances known, employing techniques not available privately or from other government agencies.

⇒ Reducing Health Hazards: MDH identifies and evaluates potential health hazards in the environment, from simple sanitation to risks associated with toxic waste sites and nuclear power plants. The department protects the safety of public water supplies and the quality of the food eaten in restaurants. It also works to safeguard the air inside public places.

⇒ Protecting Health Care Consumers: MDH safeguards the quality of health care in the state by regulating many people and institutions that provide care, including HMOs and nursing homes. Minnesota has pioneered improvements in the health care system, including the development of policies that assure access to affordable, high-quality care which are models for the nation. The department monitors trends in costs, quality, and access in order to inform future policy decisions.

⇒ Promoting Good Health: MDH provides information and services that help people make healthy choices. The department protects the health of mothers and children through the supplemental nutrition program Women, Infants and Children (WIC) and services for children with special health needs. Minnesota was one of the first states to regulate smoking in public places, and has developed tobacco prevention strategies used nationwide. MDH programs also address mental health, occupational safety, and violence.

⇒ Achieving Success Through Partnership: Minnesota has a nationally renowned public health system built on well-articulated state and local government roles. MDH provides both technical and financial assistance to local public health agencies so they can provide programs and services meeting the unique needs of their communities.

Operations

Many core public health functions are carried out directly by MDH staff. Examples include:

- the scientists and epidemiologists who work in the laboratories and the cities and neighborhoods of the state to identify the nature, sources and means of treatment of disease outbreaks and food borne illness;
- the nursing home inspectors who make sure that elderly citizens are provided with safe and appropriate health care and treated with respect and dignity;
- the environmental engineers who work with cities and towns to assure that municipal water systems provide water that is safe for families to drink;

- the laboratory scientists who conduct sophisticated tests to detect treatable metabolic errors in all newborn babies; and
- the scientists and policy experts who collect, and evaluate information about environmental trends, the health status of the public, quality of health services, and other emerging issues, and carry out public health improvement programs.

MDH provides technical and financial assistance to local public health agencies, public and private care providers, non-governmental organizations, and teaching institutions. Technical assistance provides the department's partners access to current scientific knowledge and is commonly in the form of direct consultation, formal reports, and training.

While pursuing its core activities, MDH will focus special attention on the following strategic directions: eliminating disparities in health status among American Indians and populations of color; improving readiness/response capability for emerging health threats; supporting communities to raise healthy youth; and planning for the health care needs of the future.

Budget

MDH receives 79% of its funding from non-general fund resources—the federal government, the tobacco endowments, fees, the health care access fund, and other revenues. The General Fund accounts for the remaining 21% of the budget. Approximately 57% of the budget is "passed through" to local governments, non-profit organizations, community hospitals and teaching institutions in the form of grants; 23% represents the cost of the professional and technical staff that carry out the department's core functions; and 20% is for other operating costs, primarily for technology and space.

Contact

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85 East 7th Place
St. Paul, Minnesota 55101

David A. Johnson, Assistant Commissioner
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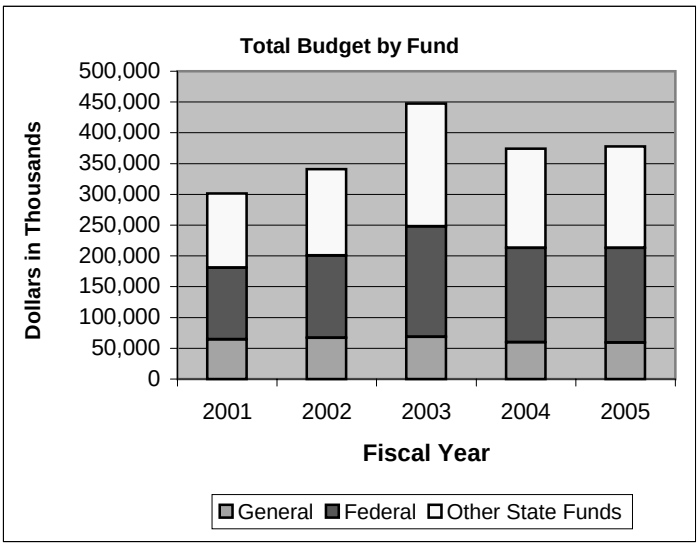
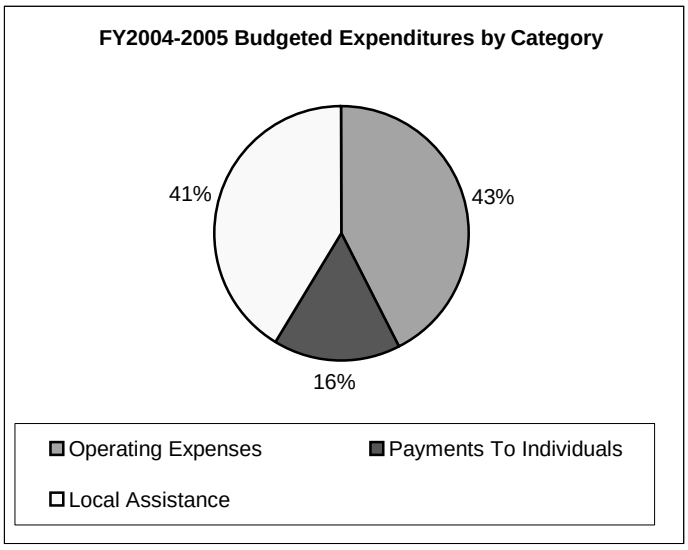
E-mail: david.johnson@health.state.mn.us.

Strategic Directions	http://www.health.state.mn.us/divs/opa/strategy.htm
Agency Overview	http://www.health.state.mn.us/divs/opa/overview01.pdf
Agency Performance Measures	http://www.departmentresults.state.mn.us/health/index.html





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	64,284	66,915	68,461	59,722	59,402	119,124
Minnesota Resources	117	15	0	0	0	0
State Government Special Revenue	23,118	21,770	31,714	32,880	32,617	65,497
Health Care Access	10,945	10,196	10,133	6,273	6,273	12,546
Federal Tanf	2,866	5,971	26,029	6,000	6,000	12,000
Solid Waste	213	158	242	0	0	0
Open Appropriations						
Medical Education & Research	31,565	48,920	90,346	71,484	75,862	147,346
Tobacco Use Prevention	14,587	19,363	22,248	0	0	0
Statutory Appropriations						
Drinking Water Revolving Fund	0	490	1,038	522	522	1,044
Special Revenue	39,860	39,141	43,361	49,649	49,547	99,196
Federal	113,537	127,991	153,547	147,615	147,619	295,234
Miscellaneous Agency	109	0	0	0	0	0
Gift	152	92	167	26	26	52
Total	**301,353**	**341,022**	**447,286**	**374,171**	**377,868**	**752,039**

Expenditures by Category						
Operating Expenses	135,304	134,754	183,990	159,540	159,355	318,895
Capital Outlay & Real Property	281	68	4	4	4	8
Payments To Individuals	57,026	61,139	59,200	60,791	60,391	121,182
Local Assistance	108,380	144,631	203,667	153,611	157,893	311,504
Other Financial Transactions	362	430	425	425	425	850
Transfers	0	0	0	-200	-200	-400
Total	**301,353**	**341,022**	**447,286**	**374,171**	**377,868**	**752,039**

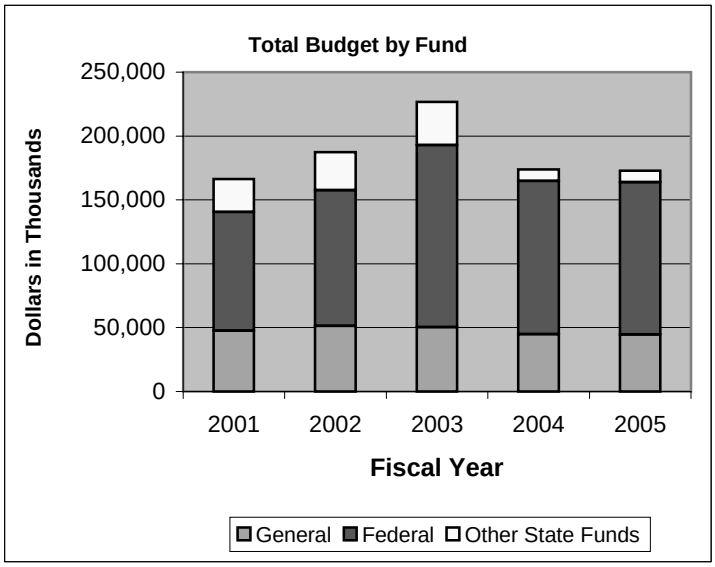
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Program	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Health Improvement	166,297	187,355	226,774	173,778	172,898	346,676
Health Quality And Access	59,337	75,848	122,262	107,485	111,809	219,294
Health Protection	54,842	57,651	75,000	70,288	70,547	140,835
Management & Support Services	20,877	20,168	23,250	22,620	22,614	45,234
Total	**301,353**	**341,022**	**447,286**	**374,171**	**377,868**	**752,039**
Revenue by Type and Fund						
Non Dedicated						
General	33	5	3	767	817	1,584
State Government Special Revenue	20,757	24,450	25,751	29,782	30,290	60,072
Health Care Access	0	20	0	0	0	0
Subtotal Non Dedicated	20,790	24,475	25,754	30,549	31,107	61,656
Dedicated						
Drinking Water Revolving Fund	0	490	1,038	522	522	1,044
General	18	0	0	0	0	0
Special Revenue	33,129	32,779	32,038	36,828	33,325	70,153
Federal	120,639	130,841	155,111	153,619	153,623	307,242
Medical Education & Research	41,382	54,871	73,511	80,388	84,392	164,780
Miscellaneous Agency	126	109	175	175	175	350
Gift	86	32	26	26	26	52
Subtotal Dedicated	195,380	219,122	261,899	271,558	272,063	543,621
Total Revenue	**216,170**	**243,597**	**287,653**	**302,107**	**303,170**	**605,277**
Full-Time Equivalents (FTE)	**1,246.2**	**1,236.8**	**1,371.8**	**1,360.3**	**1,358.8**	

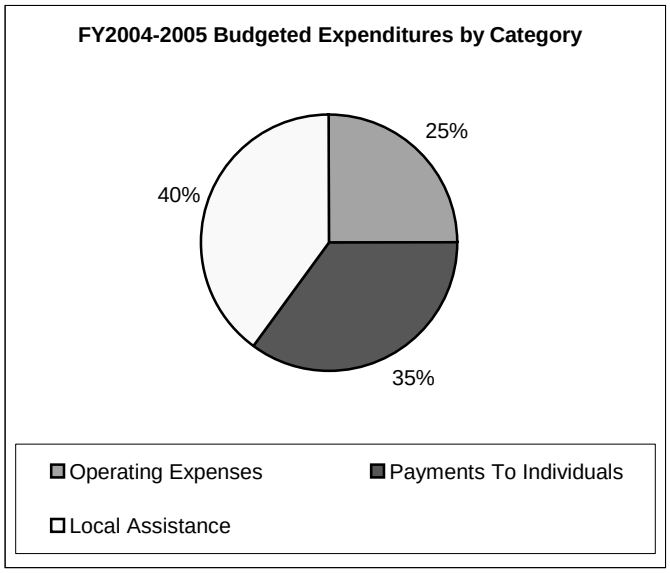
Program Description

The purpose of the Health Improvement Program is to improve health through bringing together diverse expertise and systems to effectively direct resources to measurably improve the health of individuals, families and communities, with particular attention to those experiencing health disparities.

Budget Activities Included:

⇒ Community Health
⇒ Family Health
⇒ Health Promotion and Chronic Disease
⇒ Office of Minority and Multicultural Health
⇒ State Center for Health Statistics





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	47,509	51,452	50,413	44,750	44,490	89,240
State Government Special Revenue	2,278	1,492	2,273	1,987	1,987	3,974
Health Care Access	7,227	7,269	6,390	3,510	3,510	7,020
Federal Tanf	2,866	5,971	26,029	6,000	6,000	12,000
Open Appropriations						
Tobacco Use Prevention	14,587	19,363	22,248	0	0	0
Statutory Appropriations						
Special Revenue	1,651	1,584	2,866	3,549	3,457	7,006
Federal	90,070	100,210	116,509	113,981	113,453	227,434
Gift	109	14	46	1	1	2
Total	**166,297**	**187,355**	**226,774**	**173,778**	**172,898**	**346,676**
Expenditures by Category						
Operating Expenses	38,885	39,552	62,555	43,662	43,278	86,940
Payments To Individuals	57,026	61,139	59,200	60,791	60,391	121,182
Local Assistance	70,386	86,664	105,019	69,325	69,229	138,554
Total	**166,297**	**187,355**	**226,774**	**173,778**	**172,898**	**346,676**
Expenditures by Activity						
Community Health	29,583	34,870	39,995	18,159	17,995	36,154
Family Health	102,046	109,569	128,699	96,731	96,331	193,062
Health Promotion & Chronic Dis	29,724	34,580	43,979	20,352	20,075	40,427
Local Public Health Grant	0	0	0	28,258	28,258	56,516
Minority & Multicultural Hlth	451	4,501	8,795	6,073	6,073	12,146
Mn Center For Health Statistic	4,493	3,835	5,306	4,205	4,166	8,371
Total	**166,297**	**187,355**	**226,774**	**173,778**	**172,898**	**346,676**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	30	0	0	767	817	1,584
State Government Special Revenue	704	557	753	711	711	1,422
Health Care Access	0	20	0	0	0	0
Subtotal Non Dedicated	734	577	753	1,478	1,528	3,006
Dedicated						
General	18	0	0	0	0	0
Special Revenue	1,209	1,572	1,873	1,457	1,369	2,826
Federal	91,308	98,523	112,131	113,981	113,453	227,434
Gift	54	1	1	1	1	2
Subtotal Dedicated	92,589	100,096	114,005	115,439	114,823	230,262
Total Revenue	**93,323**	**100,673**	**114,758**	**116,917**	**116,351**	**233,268**
Full-Time Equivalents (FTE)	**353.1**	**344.0**	**360.2**	**354.3**	**352.8**	

Activity Description

The Community Health activity provides responsive leadership to strengthen and mobilize systems to assure the health of all Minnesotans. This activity provides assistance to local public health agencies, increases access to health care for rural and other underserved Minnesotans, and develops and supports cooperative health partnerships among state and local governments, health care providers, other health-related organizations, communities and individuals. The Community Health activity also supports Minnesota's complex public health and health care delivery systems with a combination of technical assistance activities, grants programs, and cooperative policy development.

Activity at a Glance

- Administer 22 grant programs with grants to over 630 individual grantees.
- Assisted in 5,000+ local health disease investigations and 21 statewide outbreaks in 2000.
- Provided 258 rural communities with health-related financial or technical aid since 2000.
- Provide technical and financial assistance to the 50 health boards which serve all areas of the state based on locally established health priorities.

Population Served

The entire population of the state is served by this activity through its work with Minnesota's 50 local community health boards and its partnerships with statewide public, private and nonprofit health organizations. The activity also has a special focus on the state's 2.2 million rural residents and on its medically underserved urban population.

Services Provided

⇒ Help local health departments meet their public health responsibilities and priorities through administering a $19 million public health subsidy, providing technical assistance to local health boards and staff, and providing public health training to local public health staff.

⇒ Monitor, analyze and support Minnesota's rural health system in order to maintain access to quality health care by targeting state and federal assistance to those communities whose health providers and systems are most in need.

⇒ Establish comprehensive and coordinated public health policies and programs in Minnesota's complex public health system by providing support to working committees representing the majority of the groups with key responsibilities in maintaining and improving public health.

Historical Perspective

Minnesota's decentralized public health system depends on local health departments for many day to day operating activities (e.g. maternal and child health, Women, Infants and Children (WIC), on the health care delivery system and local public health departments for disease surveillance and treatment, and on the state health department for a combination of expertise (e.g. specialized laboratory services), technical assistance (e.g. groundwater mapping and monitoring) and direct services (e.g. disease outbreak epidemiology). Maintaining these interlocking systems in a "state of readiness" so they respond rapidly and efficiently requires ongoing coordinated work among all areas. The public health system "state of readiness" has been tested repeatedly in recent years and has been able to respond without delay and without major infusions of highly targeted dollars because Minnesota has maintained an investment in the system. State and local public health have played major roles in identifying and controlling HIV/AIDS, in responding to flooding in several areas of the state, and in responding to numerous disease outbreaks, including the recent anthrax scare. As importantly, this decentralized system has helped prevent diseases and disability through programs such as those that increase immunization rates, reduce smoking, prevent and control diabetes, assure safety in restaurants and health care facilities, encourage wellness, support long-term care and home care and provide health education.

Minnesota began experiencing loss of its small rural hospitals and providers in the mid-1980s. Minnesota's early work in building a statewide rural health plan laid a strong foundation for MDH's current programs to reduce small rural hospital closures, strengthen the health care workforce, encourage regional cooperation among services and stabilize the rural health care system, which continues to face persistent challenges.

Key Measures

Protect public health by increasing the percentage of city and county public health agencies (n=91) that have completed a health annex to their local emergency response plans.

History	Current	Target
1999	2001	2003
50% (est.)	99%	100%

Source: MDH Community Health Division, Office of Public Health Practice

Maintain access to care statewide by monitoring, analyzing and supporting Minnesota's rural health system. A 1999 evaluation of the rural loan repayment program found that 100% of physicians in the program continued practicing in their communities after their loan practice obligation had been fulfilled.

Source: MDH Office of Rural Health and Primary Care

Ensure an effective state and local public health system by providing support to working committees representing groups with key responsibilities in making the public health system successful. A recent (2001) independent evaluation by the Board of Government Innovation and Cooperation stated that the State Community Health Services Advisory Committee (SCHSAC) was a "model to increase state-local government communication, cooperation, and understanding." This report also stated in its findings that not only was the SCHSAC a useful problem-solving/policy making group, but that the model resulted in fewer public health mandates on local government.

Source: Board of Government Innovation and Cooperation

Contact

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Community Health Division
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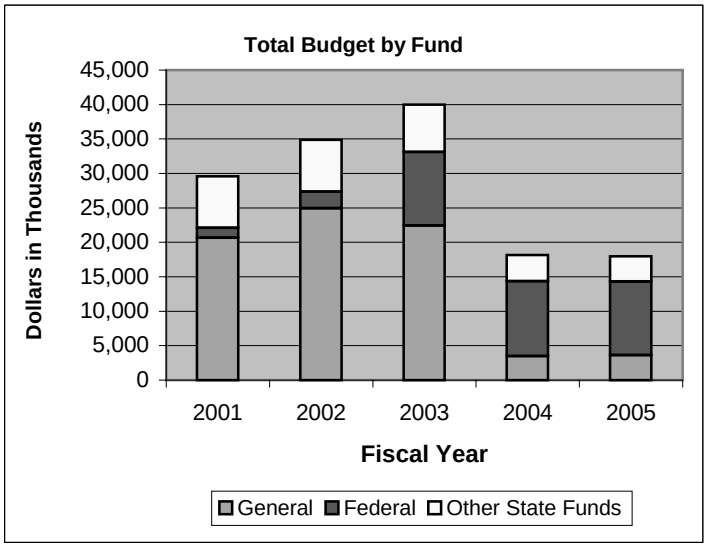
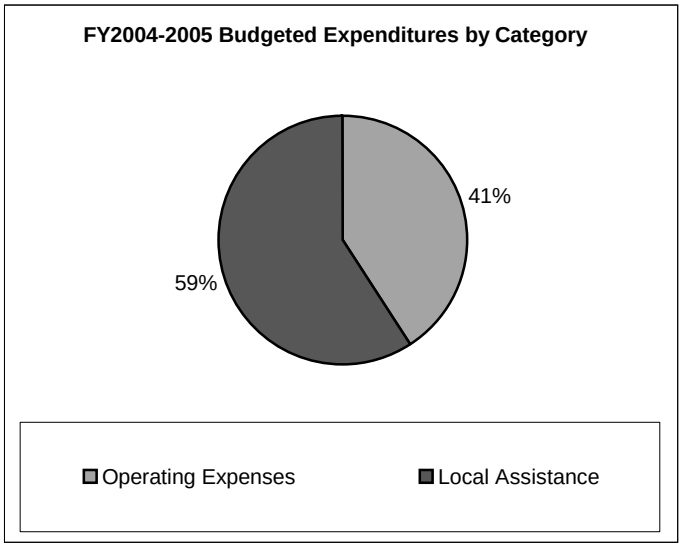
E-mail: Mary.Sheehan@health.state.mn.us





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	20,679	24,927	22,435	3,474	3,614	7,088
Health Care Access	7,227	7,269	6,390	3,510	3,510	7,020
Statutory Appropriations						
Special Revenue	235	231	490	282	196	478
Federal	1,441	2,443	10,677	10,893	10,675	21,568
Gift	1	0	3	0	0	0
Total	**29,583**	**34,870**	**39,995**	**18,159**	**17,995**	**36,154**
Expenditures by Category						
Operating Expenses	4,365	4,077	8,337	7,426	7,358	14,784
Payments To Individuals	664	0	0	0	0	0
Local Assistance	24,554	30,793	31,658	10,733	10,637	21,370
Total	**29,583**	**34,870**	**39,995**	**18,159**	**17,995**	**36,154**
Revenue by Type and Fund						
Non Dedicated						
General	0	0	0	767	817	1,584
Health Care Access	0	20	0	0	0	0
Subtotal Non Dedicated	0	20	0	767	817	1,584
Dedicated						
Special Revenue	253	174	313	231	145	376
Federal	2,845	1,804	11,115	11,238	11,020	22,258
Subtotal Dedicated	3,098	1,978	11,428	11,469	11,165	22,634
Total Revenue	**3,098**	**1,998**	**11,428**	**12,236**	**11,982**	**24,218**
Full-Time Equivalents (FTE)	**47.1**	**45.8**	**60.2**	**58.1**	**58.1**	

Activity Description

The Family Health activity protects and promotes the health and well-being of all Minnesota women, infants, children, youth, and families. Maternal and child health is an important reflection of the social and economic well-being of Minnesota families and a strong predictor of the health of our future generations.

Population Served

The population served includes women, infants, children and adolescents and their families, with a special focus on those most vulnerable and likely to be at risk for or experiencing poor health status: the homeless or hard-to-reach; those living in poverty; those from racial, ethnic and cultural groups with unique health care issues; and children who have special health care needs.

Activity at a Glance

- Each month approximately 102,000 low-income pregnant women and children receive WIC supplemental food and nutrition services.
- In 2001, prenatal classes were provided to 23,000 women.
- In 2001, over 40,000 individuals obtained contraceptive services.
- Currently 80% of hospitals are screening newborns for hearing loss.
- Currently 13,600 women, children and elderly are provided with commodity food products.
- In 2001, over 26,000 children with special health care needs received services.

Services Provided

⇒ Provision of healthy foods, nutrition assessment and education and health care referrals to improve the health and nutrition status of pregnant and postpartum women, infants, young children and the elderly.

⇒ Assessment of needs, collaborative planning, technical consultation, professional education and training, public information and provision of grant funds to community health boards, Tribal Governments and other community-based and statewide organizations to improve pregnancy outcomes and the health status of children, youth, women and their families, with particular attention placed on those who experience disparities.

⇒ Specialty medical assessment and care in underserved areas of the state for children with chronic illness and disabilities.

⇒ Facilitation of interagency collaborative planning and provision of services to children and youth with disabilities at both the state and local levels.

⇒ Consultation, information, training, and on-site technical assistance to enhance collaborative efforts among schools, communities and families to improve the health and educational status of Minnesota's children and youth through a coordinated approach to school health.

⇒ Technical assistance, education, training and resources to support, in partnership with local public health, implementation of community strategies targeted at reducing risky health behaviors among adolescents and promoting healthy adolescent development.

⇒ Technical assistance, training and capacity building of communities in mental health promotion and suicide prevention.

Historical Perspective

Healthier mothers and babies, and family planning are both included on the list of Ten Great Public Health Achievements, 1900-1999 from the Centers for Disease Control and Prevention. Nevertheless, infant mortality and teen pregnancy rates are still higher here than in many industrialized countries. The core programs of Maternal and Child Health and Children with Special Health Needs have been supported through the federal government for almost 70 years, and the Women, Infants and Children (WIC) program was established over 25 years ago to improve health of women and children.

Although much has changed over these years, there remain significant needs that negatively influence the health of Minnesota families. Many of the health problems that women, infants, and children experience are preventable and require our ongoing attention. Preventive health care for children and adolescents is inadequate and/or unavailable for many. Injuries have become the leading cause of death for children aged 1 to 19 years. Adolescents have identified mental health services as their greatest need, yet accessible mental health services

for children and adolescents are hard to find. Poor or unsafe childcare jeopardizes children's health, safety, and development. Understanding and support for unique health needs and issues of women remains insufficient.

Key Measures

Improve the health of newborns by reducing the percent of singleton infants born with low birth weight.

	History	Current	Target
Fiscal Year	1998	2001	2005
	4.4 %	4.5 %	4.0 %

Source: Minnesota Department of Health

Note: Low birth-weight infants are at higher risk of death or long-term illness and disability than are infants of normal weight. In addition, low birth-weight accounts for most of the disparity in infant mortality rates between African American and Whites.

Improve the health of infants by increasing the percent of mothers who breastfeed their infants at hospital discharge.

	History	Current	Target
Fiscal Year	1997	2000	2005
	72 %	76 %	79 %

Source: Minnesota Department of Health

Note: Extensive research has established that breastfeeding is the ideal method for feeding infants, imparting both short- and long-term benefits for both the infant and mother.

Improve the early identification of children with special health care needs by increasing the percent of newborns screened for hearing impairment before hospital discharge.

	History	Current	Target
Fiscal Year	1997	2001	2005
	8 %	75 %	95 %

Source: Minnesota Department of Health

Note: Hearing loss is the most common detectable disability in newborns. Research indicates that hearing-impaired infants who receive intervention by six months of age can develop normal cognitive, social and language skills.

Improve the health of youth by increasing the percent of adolescents who abstain from sexual intercourse or always use condoms if sexually active.

	History	Current	Target
	1998	2001	2004
12th graders who are abstinent	50 %	51 %	53 %
12th graders who use condoms if sexually active	40 %	43 %	45 %

Source: Minnesota Student Survey

Note: The overall teen pregnancy rates in Minnesota have declined 17% in the past decade, and the STI rate has remained relatively stable. However, these numbers mask significant disparities in teen pregnancy and STI rates between Whites and African American, American Indian, Asian, and Hispanic populations.

Contact

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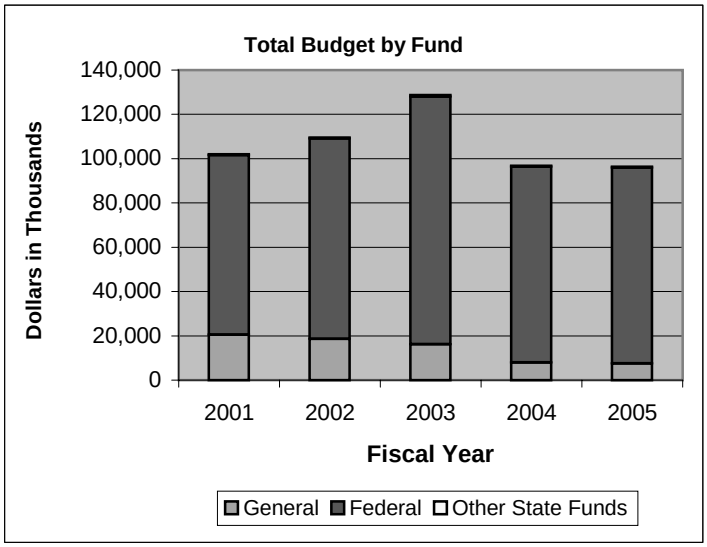

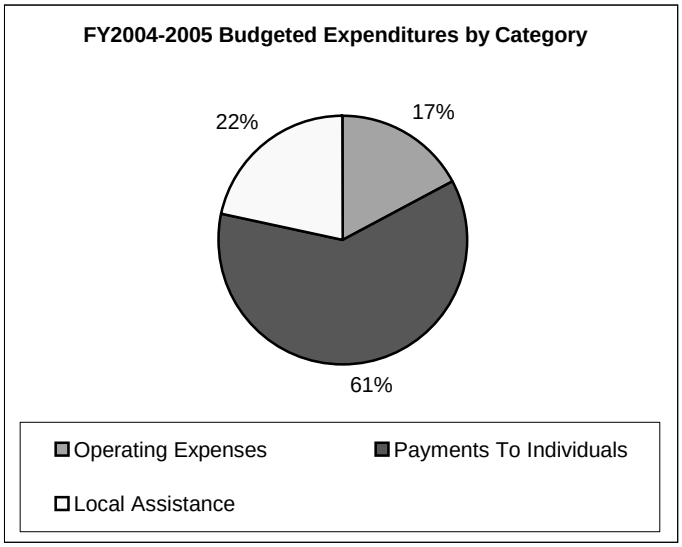

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	20,457	18,588	16,241	7,925	7,525	15,450
State Government Special Revenue	123	130	128	128	128	256
Federal Tanf	2,866	5,513	22,487	0	0	0
Statutory Appropriations						
Special Revenue	352	348	470	281	281	562
Federal	78,248	84,990	89,347	88,396	88,396	176,792
Gift	0	0	26	1	1	2
Total	**102,046**	**109,569**	**128,699**	**96,731**	**96,331**	**193,062**
Expenditures by Category						
Operating Expenses	18,374	19,109	30,236	16,538	16,538	33,076
Payments To Individuals	54,926	59,600	57,460	59,279	58,879	118,158
Local Assistance	28,746	30,860	41,003	20,914	20,914	41,828
Total	**102,046**	**109,569**	**128,699**	**96,731**	**96,331**	**193,062**
Revenue by Type and Fund						
Non Dedicated						
General	30	0	0	0	0	0
Subtotal Non Dedicated	30	0	0	0	0	0
Dedicated						
General	18	0	0	0	0	0
Special Revenue	310	341	339	289	289	578
Federal	78,621	84,356	85,041	88,396	88,396	176,792
Gift	1	1	1	1	1	2
Subtotal Dedicated	78,950	84,698	85,381	88,686	88,686	177,372
Total Revenue	**78,980**	**84,698**	**85,381**	**88,686**	**88,686**	**177,372**
Full-Time Equivalents (FTE)	**110.5**	**106.0**	**105.2**	**110.0**	**110.0**	

Activity Description

The Health Promotion and Chronic Disease activity improves the health of all Minnesotans by providing leadership in the prevention and control of chronic diseases and injuries, conducting surveillance, and developing, implementing, and supporting public health interventions. The activity was created in 2002, in recognition that chronic disease and injury are the leading causes of death and disability in Minnesota.

Population Served

This activity serves the entire population of Minnesota, as over half of all deaths of Minnesotans under the age of 35, and more than three-fourths of all deaths of Minnesotans age 35 and older, are due to chronic diseases and injuries. Half of all Minnesotans alive today will develop a life-threatening malignancy in their lifetimes. Particular attention is focused on youth, when prevention efforts are most beneficial, on American Indians and populations of color, who are more likely to die from chronic diseases or injuries than are white Minnesotans, and on women, who are disproportionately disabled by chronic disease.

Activity at a Glance

- In state FY 2002, 13,200 low-income women were screened for breast and cervical cancer at more than 300 clinics across the state.
- In calendar year 1999, according to the Minnesota Cancer Surveillance System, 22,200 invasive cancers were newly diagnosed in Minnesotans.
- In calendar year 2001, 4,355 persons with traumatic brain and/or spinal cord injury were offered resource and referral information.
- In state FY 2002, 750 elementary schools were assisted with conducting health promotion and educational programs.
- In state FY 2002, 100 grants were provided to organizations serving local communities and populations at risk for tobacco prevention and control activities.

Services Provided

Reduce death and illness in Minnesota from cancers for which early detection saves lives.

⇒ Provide free breast and cervical cancer screening to women who are uninsured or underinsured.
⇒ Provide free or low cost colposcopy to women with cervical abnormalities needing follow-up.
⇒ Develop policy guidelines for finding and assisting women with breast and cervical cancer.
⇒ Coordinate health care provider and public information about identifying and treating persons at risk and affected by breast and cervical cancer.

Monitor the occurrence of cancer, injuries, and other chronic diseases.

⇒ Operate a statewide system of surveillance for all newly-diagnosed cancer cases in the state.
⇒ Respond to reports of chronic disease concerns.
⇒ Identify workplace hazards and injuries.
⇒ Examine farm-related injuries and investigate work-related deaths.

Improve health and prevent injury, substance abuse, and chronic disease.

⇒ Facilitate effective collaborations and partnerships.
⇒ Convene forums to identify common interests and foster action.
⇒ Translate health research and information into practice.
⇒ Develop and disseminate innovative and effective health promotion strategies.
⇒ Support health care providers and systems, public health agencies, and other community-based organizations in their prevention and evaluation efforts.

Eliminate exposure to secondhand smoke, prevent the initiation of tobacco use by youth, and eliminate disparities among populations at higher risk of tobacco use.

⇒ Fund and support community and school-based interventions.
⇒ Fund counter-marketing campaigns and youth development and empowerment programs.
⇒ Develop and advocate for policy changes.
⇒ Evaluate the effectiveness of program activities and monitor tobacco use in Minnesota.

Historical Perspective

Chronic disease and injury result from the cumulative effect of several interacting risk factors. Many of the risk factors are related to lifestyle, modifiable, and affect more than one condition, including smoking, physical inactivity, obesity and poor nutrition, high blood pressure, and high blood cholesterol. As the number of Minnesotans over the age of 60 increases in the next 20 years, human suffering and health care costs resulting from chronic disease and injury will escalate rapidly. To reduce this impending burden, Minnesota's public health and health care systems must:

- encourage healthy behaviors and reduce the prevalence of unhealthy behaviors that put people at increased risk for chronic diseases and injuries;
- expand screening for early detection of chronic diseases and risk of injuries for which effective follow-up treatment exists;
- create opportunities and institute policies that promote good health;
- translate and disseminate best practices and develop scientific standards for effective community and medical interventions; and
- create and maintain adequate surveillance systems to measure the burden of chronic disease and injury, identify populations at risk, target program efforts, and evaluate program and policy effectiveness.

Key Measures

Reduce deaths from cancer by reducing the incidence rates for late-stage colorectal, cervical, and female breast cancer. (Rate is number of cases per 100,000 of late-stage cancer, by year of diagnosis, age-adjusted.)

	History	Current	Target
	1995-96	1997-99	2000-01
Colorectal	32.7	32.4	32.0
Cervical	2.8	2.5	2.5
Breast	42.7	43.7	42.5

Source: Minnesota Cancer Surveillance System

Note: Because of the delay between cancer occurrence and reporting, incidence data for a given year is not available until two years later.

Improve childhood health by increasing the percent of Minnesota children 10 and older who report eating five servings of fruits and vegetables on the previous day.

	History	Current	Target
	1998	2001	2004
6th graders	22%	22%	26%
9th graders	15%	14%	16%
12th graders	13%	11%	11%

Source: Minnesota Student Survey

Improve youth health by reducing the percent of Minnesota high school youth who report that they have used tobacco in the last 30 days.

	History	Current	Target
	2000	2002	2005
High school youth reporting tobacco use	38.7 %	34.8 %	27.1 %

Source: Minnesota Youth Tobacco Survey

Note: M.S. 144.396 states that "it is a goal of the state to reduce tobacco use among youth by 30% by the year 2005."

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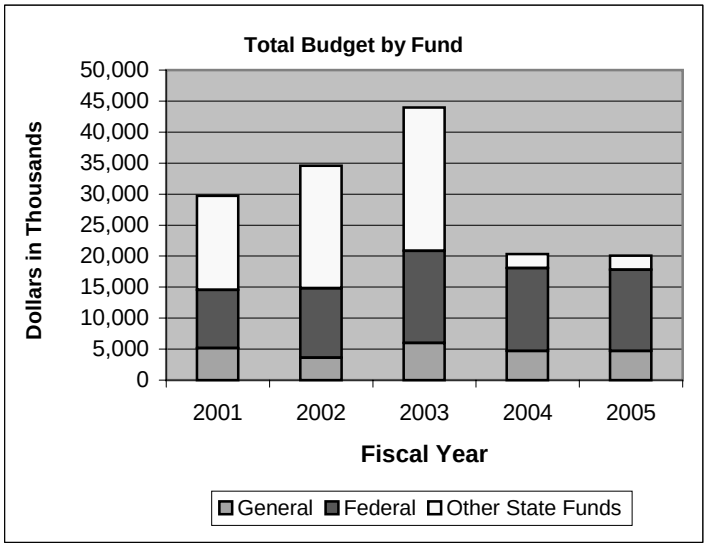
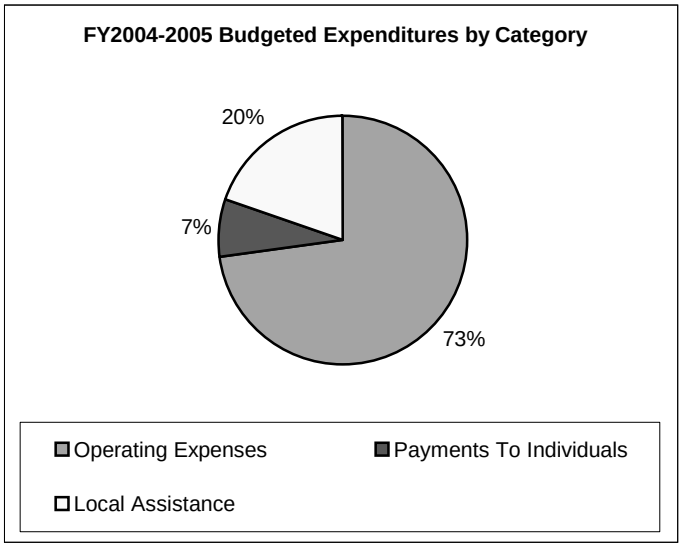
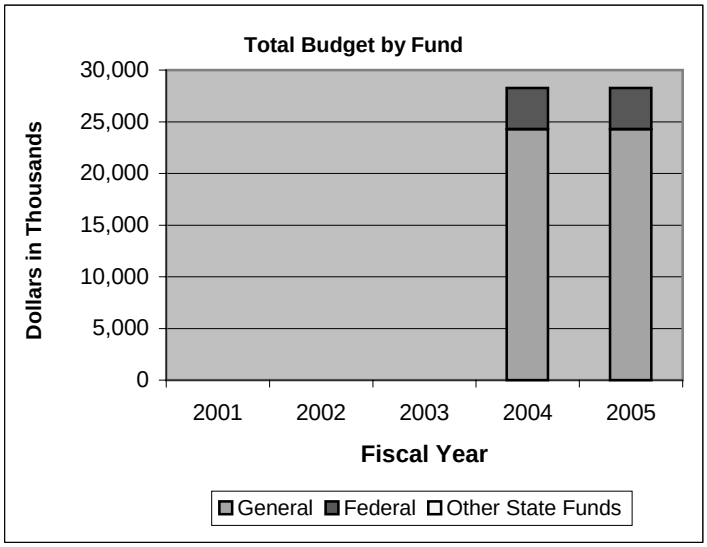


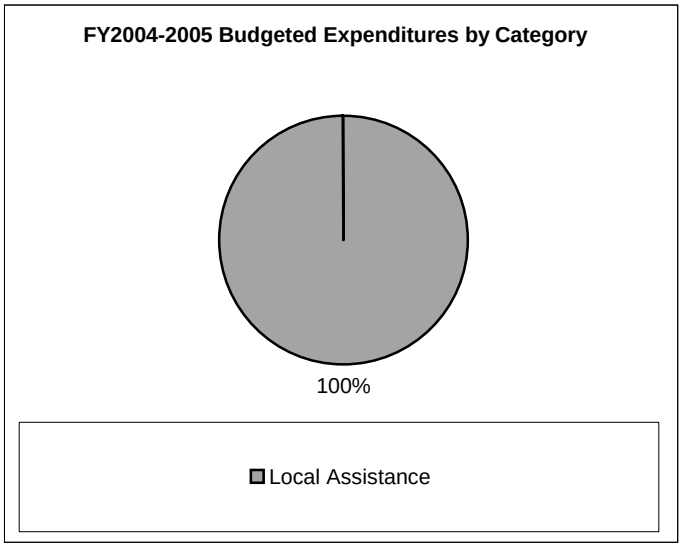


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	5,181	3,612	5,993	4,693	4,693	9,386
Open Appropriations						
Tobacco Use Prevention	14,440	19,277	22,104	0	0	0
Statutory Appropriations						
Special Revenue	620	484	992	2,295	2,293	4,588
Federal	9,375	11,193	14,873	13,364	13,089	26,453
Gift	108	14	17	0	0	0
Total	**29,724**	**34,580**	**43,979**	**20,352**	**20,075**	**40,427**
Expenditures by Category						
Operating Expenses	11,667	12,347	17,751	14,848	14,571	29,419
Payments To Individuals	1,436	1,539	1,740	1,512	1,512	3,024
Local Assistance	16,621	20,694	24,488	3,992	3,992	7,984
Total	**29,724**	**34,580**	**43,979**	**20,352**	**20,075**	**40,427**
Revenue by Type and Fund						
Dedicated						
Special Revenue	218	273	483	202	200	402
Federal	9,239	11,221	14,828	13,364	13,089	26,453
Gift	53	0	0	0	0	0
Subtotal Dedicated	9,510	11,494	15,311	13,566	13,289	26,855
Total Revenue	**9,510**	**11,494**	**15,311**	**13,566**	**13,289**	**26,855**
Full-Time Equivalents (FTE)	**138.5**	**137.5**	**135.5**	**130.5**	**130.5**	

HEALTH DEPT
Program: HEALTH IMPROVEMENT
Activity: LOCAL PUBLIC HEALTH GRANT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	0	0	24,258	24,258	48,516
Federal Tanf	0	0	0	4,000	4,000	8,000
Total	**0**	**0**	**0**	**28,258**	**28,258**	**56,516**
Expenditures by Category						
Local Assistance	0	0	0	28,258	28,258	56,516
Total	**0**	**0**	**0**	**28,258**	**28,258**	**56,516**

Activity Description

The Minority Health and Multicultural activity exists to improve health status and to close the gap in health disparities of American Indians and populations of color in Minnesota. It also identifies and recommends policy changes needed to improve the health status of other minorities.

Population Served

This activity serves the 519,197 Minnesotans who are American Indians, African American, Asian and other non-white races and 143,382 Minnesotans who are Hispanic.

Table 1: Minnesotans Served by Race

	Number	Percent
Black/African American	171,731	3.5%
American Indian	54,967	1.1%
Asian/Native Hawaiian	143,947	2.9%
Other	65,810	1.3%
Two or more	82,742	1.7%
Total	519,197	10.5%

Table 2: Minnesotans Served by Ethnicity

	Number	Percent
Hispanic (any race)*	143,382	2.9%

Source: US Census

* A person of Hispanic origin can be of any race, therefore, the totals for race and ethnicity cannot be added together to get a total number served.

Activity at a Glance

- Measurable outcomes to track Minnesota's progress in reducing health disparities have been adopted.
- In 2002, 19 grants were awarded to address immunizations for adults and children and infant mortality in American Indians and populations of color.
- In 2002, 30 grants were awarded to address breast and cervical cancer, HIV/AIDS and sexually transmitted infections, cardiovascular disease, diabetes, and unintentional injuries and violence in American Indians and populations of color.
- In 2002, 20 grants were awarded to reduce infant mortality through reducing the high rate of teen pregnancies in American Indians and populations of color.
- Mobilizes and works with populations of color and American Indians to take responsibility for their own health.

Services Provided

Provide leadership to improve the health status of American Indians and populations of color in Minnesota.

⇒ Develop and implement a comprehensive and coordinated plan to reduce health disparities.
⇒ Promote collaboration and increase communication between state, local and tribal governments, non-governmental organization and communities of color.
⇒ Develop strategies, programs and policies to improve health status of people of color.
⇒ Build capacity to meet the needs of people of color in the areas of health promotion, disease prevention and health care system.
⇒ Coordinate Minnesota Department of Health (MDH) related to minority health issues.
⇒ Promote workforce diversity and cultural competency in workplaces and health care settings.

Support local efforts to improve the health status of American Indians and populations of color in Minnesota.

⇒ Award and manage grants and provide technical assistance to community organizations and tribal governments to address health disparities.
⇒ Assist communities to assess the public health needs of American Indians and population of color.
⇒ Convene health committees with each community of color and local community meetings regarding minority health issues.
⇒ Work with existing MDH grant programs to increase their impact on closing health disparities gaps.

Ensure valid, available, and reliable data about the health status of American Indians and populations of color in Minnesota.

⇒ Assess risk behaviors associated with health disparities.

⇒ Establish measurable outcomes to track Minnesota's progress in reducing health disparities.

⇒ Support ongoing research and studies regarding health status and concerns of American Indians and populations of color.

⇒ Provide information on the health status of American Indians and population of color to interested parties.

⇒ Improve the recording and reporting of race/ethnicity health-related data.

⇒ Evaluate the efforts of MDH, community organizations and tribal governments to improve the health of American Indians and population of color.

Historical Perspective

The MDH established the Office of Minority in 1993 to assist in improving the quality of health and eliminating the burden of preventable disease and illness of populations of color. In 2001 it became Office of Minority & Multicultural Health to reflect the ethnic specific focus on health with a multicultural approach to eliminating health disparities in populations of color and American Indians. The office works collaboratively with other divisions in MDH, other state departments, community-based agencies, health plans and others to address the needs of populations of color and American Indians.

Disparities in health status between the European majority and other populations in Minnesota have existed for some time, and have, in some cases, been getting worse, not better. These disparities are a result of a complex interplay of many factors, including racism, access to health care, genetics, social conditions, and health behaviors. Minnesota's population is becoming increasingly diverse – in the 1990 census, 6.3% of Minnesotans identified themselves as non-white or Hispanic/Latino; in the 2000 census, 11.8% did so.

⇒ In the 2000 census, almost 172,000 Minnesotans described themselves as black or African American *alone*, while another 31,000 said they were African American *in combination* with some other race. Either number marks a sharp increase from 1990 when almost 95,000 Minnesotans identified themselves as black or African American (Source: Minnesota Planning). Compared to Minnesota's white population, African American: individuals are less likely to have health insurance; infants are much more likely to be born early or too small or to die during infancy; children are less likely to be immunized; girls are much more likely to become pregnant; youths are more likely to die as a result of firearms; individuals are more likely to develop AIDS/HIV; and individuals are more likely to die from diabetes and cardiovascular disease.

⇒ In 1990, there were 49,909 American Indians, Eskimos and Aleuts, most of them American Indians, living in Minnesota. In 2000, about 55,000 Minnesotans identified themselves as American Indian or Alaska Native *only*, but an additional 27,000 described themselves as American Indian or Alaska Native *in combination* with another race (Source: Minnesota Planning). Compared to Minnesota's white population, American Indian: individuals are less likely to have health insurance; infants are much more likely to die during infancy; children are less likely to be immunized; youth are much more likely to commit suicide; girls are more likely to become pregnant; individuals are more likely to develop AIDS/HIV; and individuals are more likely to die from diabetes and cardiovascular disease.

⇒ Almost 142,000 Asian *alone* residents lived in Minnesota in 2000. About 20,000 people were Asian *in combination* with another race. Clearly the number of Asians grew substantially since 1990, when there were about 77,000 (Source: Minnesota Planning). Compared to Minnesota's white population, Asian American: individuals are more likely to have health insurance, but less likely to use it; children are less likely to be immunized; and individuals are more likely to suffer from stroke.

⇒ Minnesota's Hispanic/Latino population grew 166% during the 1990s, from 53,884 to 143,382 (Source: Minnesota Planning). Compared to Minnesota's white population, Hispanic/Latino: individuals are less likely to have health insurance; children are less likely to be immunized; youth are more likely to be victims of violence; girls are more likely to become pregnant; are more likely to develop AIDS/HIV; and individuals are more likely to die from diabetes and cardiovascular disease.

Key Measures

Improve health by decreasing the disparity in infant mortality rates for American Indians and populations of color, as compared to rates for whites.

Number of deaths of live-born infants before age 1, per 1,000 births

	History	Target
	1995-2000	2010
American Indian	14.4	9.8
Asian/Pacific Islander	6.6	5.9
Black/African American	15.1	10.1
Hispanic or Latino	8.6	6.9
White Population	5.2	

Source: MDH Center for Health Statistics

Improve childhood health by decreasing the disparity in childhood immunization rates for American Indians and populations of color, as compared to rates for whites.

	History	Current	Target
Percent of children up-to-date on immunizations by age 2	1996-97	2001-02*	2010
American Indian	55 %	-	64 %
Asian/Pacific Islander	42 %	-	57 %
Black/African American	50 %	-	61 %
Hispanic or Latino	44 %	-	58 %
White	72 %	-	72 %

Source: MDH Retrospective Kindergarten Immunization Survey
(*data not yet available, analysis expected October 2002)

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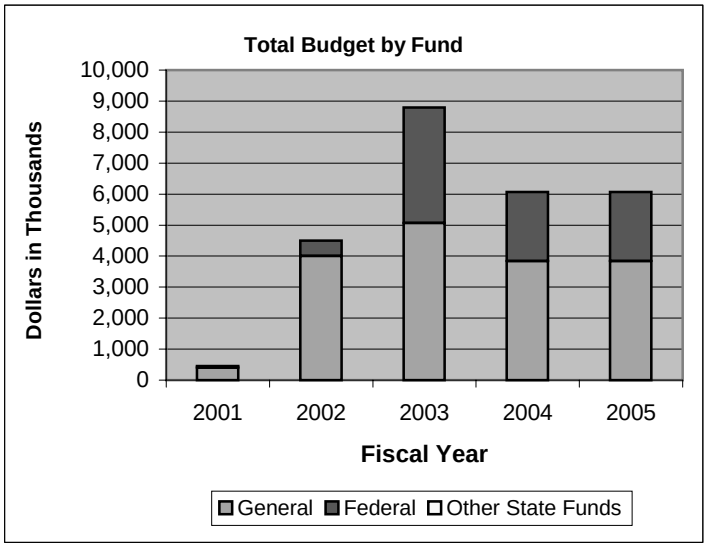

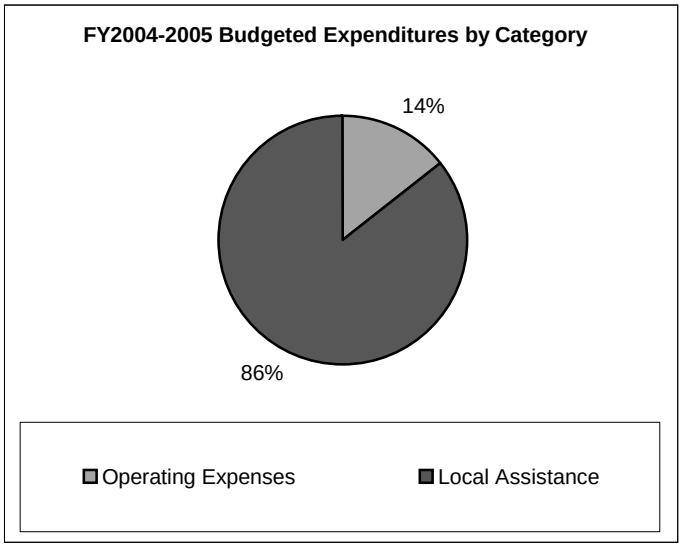

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	399	4,004	5,067	3,834	3,834	7,668
Federal Tanf	0	458	3,542	2,000	2,000	4,000
Statutory Appropriations						
Special Revenue	2	0	0	0	0	0
Federal	50	39	186	239	239	478
Total	**451**	**4,501**	**8,795**	**6,073**	**6,073**	**12,146**
Expenditures by Category						
Operating Expenses	218	443	1,153	873	873	1,746
Local Assistance	233	4,058	7,642	5,200	5,200	10,400
Total	**451**	**4,501**	**8,795**	**6,073**	**6,073**	**12,146**
Revenue by Type and Fund						
Dedicated						
Special Revenue	0	-2	0	0	0	0
Federal	48	39	186	239	239	478
Subtotal Dedicated	48	37	186	239	239	478
Total Revenue	**48**	**37**	**186**	**239**	**239**	**478**
Full-Time Equivalents (FTE)	**2.7**	**4.7**	**8.7**	**8.7**	**8.7**	

Activity Description

The Center for Health Statistics (MCHS) activity measures assesses and reports on the health of the population of Minnesota. This is accomplished through the civil registration system for collecting, maintaining and disseminating vital statistics records and related data, the design and implementation of population-based surveys, the collection and analysis of other health related data, and the direction and leadership to partners to insure uniformity. The overall purpose of these activities is to provide the data and statistical information needed to develop policies and the programs to improve the health of all citizens of Minnesota.

Activity at a Glance

- Over 8,000,000 birth certificates and death certificates are maintained in a statewide computer system.
- Over 60,000 customer service transactions are completed per year for copies of birth or death certificates.
- Approximately 65,000 births and 40,000 deaths occur each year, which need to have certificates processed.

Population Served

This activity serves the entire population of Minnesota as citizens need copies of birth certificates or death certificates or participate in population-based health surveys. There are approximately 60,000 customer transactions completed through the statewide vital statistics system of birth and death certificates. Approximately, 4,000 Minnesotans participate in health surveys conducted by the Center for Health Statistics.

Services Provided

⇒ The State Registrar of Vital Statistics maintains a permanent file of birth and death certificates, which provides public health researchers with a statewide database, and provides citizens with records for legal purposes.

⇒ The Behavioral Risk Factor Surveillance Survey is a rigorous survey of adult Minnesotans, which monitors trends in health behaviors and health status.

⇒ The Center for Health Statistics publishes reports regarding health status and trends and provides technical assistance to others working on public health problems; examples include local health departments, managed care organizations and state and national researchers.

Historical Perspective

The birth certificates and death certificate have been maintained since 1908 as paper records in the Office of the State Registrar of Vital Statistics at the Minnesota Department of Health (MDH). MDH has recently completed the Vital Statistics Redesign Project, which has been a five-year project to implement a centralized vital records system using electronic technology to collect and report birth and death information in Minnesota. The new system connects local registrars to a centralized database from which they issue statewide birth and death records. This database is maintained by MDH and serves as the official record of birth or death within our state. The system provides for hospitals, funeral homes, medical examiners and physicians to input birth and death information directly into the database from their location via computer. Funding for the maintenance of the system is through the collection of a $2.00 surcharge on each record issued.

Accurate population-based data are important to providing a scientific basis for allocating resources and measuring the state's progress in achieving public health goals. The Minnesota Center for Health Statistics has managed several key elements to this strategy, including reinvigorating health quality improvement efforts in Minnesota.

Key Measures

Promote health by providing accurate health data through the improvement of systems for collecting, maintaining, and disseminating vital statistics records and related data through a new statewide computer system.

Percent of Hospitals And Funeral Homes Filing Electronically

	History	Current	Target
	1999	2001	2003
Hospitals reporting births in new computer system	30%	98%	100%
Funeral homes reporting deaths in new computer system	0%	40%	80%

Source: Minnesota Center for Health Statistics

Improve public health policy and practice by providing health status reports and vital statistics data.

Note: MNCHS issued or contributed to 20 major health reports in the last two years, including:

- Minnesota Health Statistics Annual Profile
- Minnesota County Health Profiles
- Population Health Assessment Quarterly
- Populations of Color Health Status Report
- Teens and Tobacco in Minnesota: Results from the Minnesota Youth Tobacco Survey.

Contact

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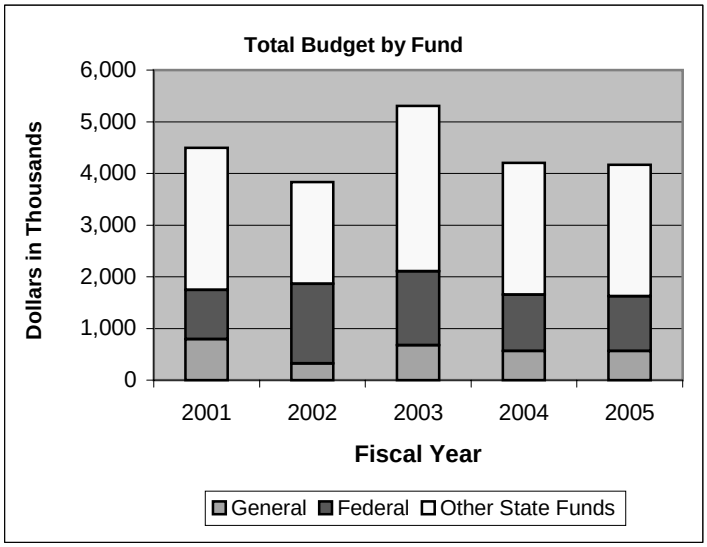
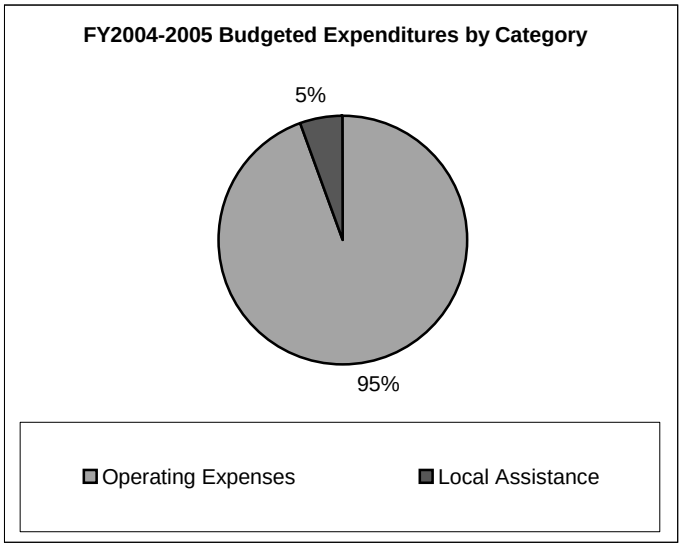




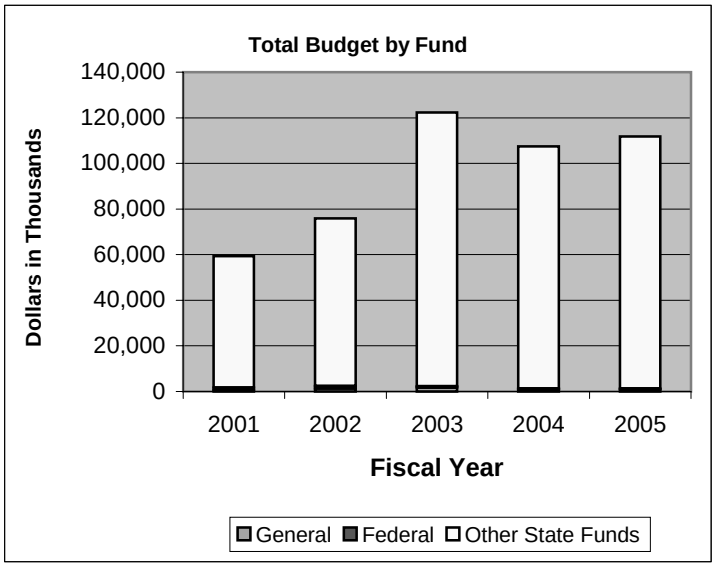
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	793	321	677	566	566	1,132
State Government Special Revenue	2,155	1,362	2,145	1,859	1,859	3,718
Open Appropriations						
Tobacco Use Prevention	147	86	144	0	0	0
Statutory Appropriations						
Special Revenue	442	521	914	691	687	1,378
Federal	956	1,545	1,426	1,089	1,054	2,143
Total	**4,493**	**3,835**	**5,306**	**4,205**	**4,166**	**8,371**
Expenditures by Category						
Operating Expenses	4,261	3,576	5,078	3,977	3,938	7,915
Local Assistance	232	259	228	228	228	456
Total	**4,493**	**3,835**	**5,306**	**4,205**	**4,166**	**8,371**
Revenue by Type and Fund						
Non Dedicated						
State Government Special Revenue	704	557	753	711	711	1,422
Subtotal Non Dedicated	704	557	753	711	711	1,422
Dedicated						
Special Revenue	428	786	738	735	735	1,470
Federal	555	1,103	961	744	709	1,453
Subtotal Dedicated	983	1,889	1,699	1,479	1,444	2,923
Total Revenue	**1,687**	**2,446**	**2,452**	**2,190**	**2,155**	**4,345**
Full-Time Equivalents (FTE)	**54.3**	**50.0**	**50.6**	**47.0**	**45.5**	

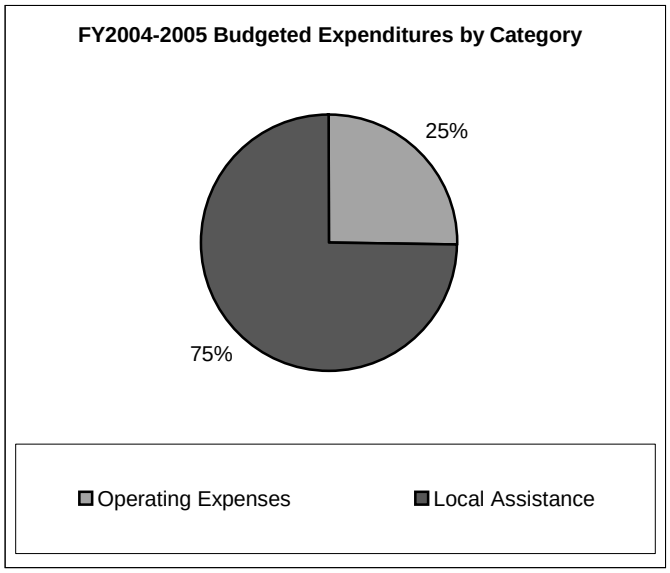
Program Description

The purpose of Health Quality and Access Program is to ensure that health care services provided by health care plans, facilities or members of health occupations are appropriate, safe and fair and to improve the quality and accessibility of health care to all Minnesotans.

Budget Activities Included:

⇒ Health Policy and Systems Compliance
⇒ Facility and Provider Compliance





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	543	1,212	1,615	868	814	1,682
State Government Special Revenue	5,120	5,087	9,345	8,888	8,888	17,776
Health Care Access	3,718	2,927	3,743	2,763	2,763	5,526
Open Appropriations						
Medical Education & Research	31,565	48,920	90,346	71,484	75,862	147,346
Statutory Appropriations						
Special Revenue	17,198	16,562	16,533	23,098	23,098	46,196
Federal	1,189	1,140	664	384	384	768
Gift	4	0	16	0	0	0
Total	**59,337**	**75,848**	**122,262**	**107,485**	**111,809**	**219,294**
Expenditures by Category						
Operating Expenses	26,857	25,846	31,122	27,751	27,697	55,448
Local Assistance	32,480	50,002	91,140	79,734	84,112	163,846
Total	**59,337**	**75,848**	**122,262**	**107,485**	**111,809**	**219,294**
Expenditures by Activity						
Hlth Policy & Syst Compliance	39,319	55,639	98,764	86,254	90,632	176,886
Facility & Provider Compliance	20,018	20,209	23,498	21,231	21,177	42,408
Total	**59,337**	**75,848**	**122,262**	**107,485**	**111,809**	**219,294**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	3	3	3	0	0	0
State Government Special Revenue	5,588	7,846	8,422	8,319	8,476	16,795
Subtotal Non Dedicated	5,591	7,849	8,425	8,319	8,476	16,795
Dedicated						
Special Revenue	10,427	10,452	8,004	12,319	8,919	21,238
Federal	6,928	5,846	6,659	6,384	6,384	12,768
Medical Education & Research	41,382	54,871	73,511	80,388	84,392	164,780
Gift	1	6	0	0	0	0
Subtotal Dedicated	58,738	71,175	88,174	99,091	99,695	198,786
Total Revenue	**64,329**	**79,024**	**96,599**	**107,410**	**108,171**	**215,581**
Full-Time Equivalents (FTE)	**277.7**	**260.2**	**276.1**	**257.9**	**257.9**	

Activity Description

The Health Policy and Systems Compliance (HP&SC) activity helps to promote access to quality health care at a reasonable cost for Minnesotans through data collection and analysis, policy development, education and oversight activities. As the health care system has become more complex and costly, HP&SC provides policymakers with information to assist in their decision making, provides consumers with information and methods to resolve conflicts regarding their health care, and enforces standards established by statute and rule that are aimed at assuring consumers that they are receiving safe and effective health care.

Population Served

This activity serves many different groups of people. Much of the research and analysis activities are designed to assist the legislature and policymakers while consumers and practitioners are served by the regulation of allied health occupations, managed care organizations and funeral service providers.

Activity at a Glance

Health Policy and Systems Compliance:

- Assists policymakers to better understand factors influencing health care costs, access and quality through research and analysis of Minnesotan's health care.
- Ensures appropriate access and quality of care for the 1.3 million Minnesotans enrolled in the 10 HMOs with revenues totaling $3.7 billion;
- Supports training 2,873 students at 1,074 clinical sites by administering $20 million in medical education grants; and
- Assures that over 8,000 allied health practitioners are qualified to practice and are providing appropriate services to Minnesotans.

Services Provided

To assist state lawmakers and other policymakers, HP&SC collects data that is used in research and analysis that can be applied to policy decision-making. HP&SC monitors Minnesota's health care market and the economic effects on the cost of health care, access to health care services and insurance coverage. Activities include:

- Examine health care market conditions and competition, health care access, levels of insurance and uninsurance and insurance premiums.
- Estimate aggregate health care spending.
- Monitor health care market trends and major health care capital expenditures.
- Analyze public insurance and its impact on insurance coverage and access in Minnesota.
- Research and develop mechanisms to adjust risk for publicly funded prepaid medical insurance programs.

HP&SC protects the health of Minnesotans who receive health care services from allied health care practitioners, mental health counselors, complementary and alternative health practitioners, managed care plans and funeral service providers. Activities include:

- Regulate individuals who want to practice as audiologists, hearing instruments dispensers, speech language pathologists, alcohol and drug counselors and occupational therapists.
- Investigate complaints and take enforcement actions against non-credentialed mental health counselors and complementary and alternative health practitioners.
- Protect for appropriate access to quality health care services for the 1.4 million Minnesotans who are enrolled in managed care health plans.
- Regulate Funeral Service providers to ensure the proper care and disposition of the dead.

Key Measures

⇒ Access: Because research consistently shows that not having health insurance is one of the key reasons people either postpone obtaining medical attention or simply do not seek health care when they need it, the Governor's Office has chosen the rate of uninsurance to be part of its Big Plan results indicators. HP&SC measures the level of uninsurance to assist policymakers as they are faced with decisions about modifications in coverage and regulation. HP&SC conducts surveys of the uninsured population, monitors the provider and payer markets, and researches access to services. While the results of the research and surveys are published and available to the public, the most valuable use is in the many HP&SC staff

presentations to policymakers both in Minnesota and nationally, and in being an unbiased, ready resource for inquiries from policymakers, including legislators. The report, Minnesota's Uninsured-Findings from the 2001 Health Access Survey, was produced to assist policymakers in identifying and eliminating barrier to health care coverage.

⇒ Cost: By conducting research and applied policy analysis, HP&SC monitors changes in both health care premiums and services. The findings are used to assist policymakers better understand factors influencing health care cost and to provide technical assistance in the development of state health care policy. The success of this activity is measured by the health care community's many requests, including from the legislature, for publications and presentations explaining the research and analysis. During FY 2002, HP&SC estimates that staff made 50 presentations, based on reports and publication, to over 2,500 people. In addition, staff receive 4-5 inquiries per week (200-250 per year) requesting further information or permission to use information in its publications.

⇒ Quality: Health care quality problems reduce the effectiveness and drive up the costs of the health care system. While the vast majority of allied health care practitioners and managed care organizations provide quality care and service, HP&SC works to protect Minnesota consumers from those that violate state and federal laws. Violations include sexual contact and other boundary violations or breaches of confidentiality by unlicensed mental health counselors; inappropriate funeral service advertising, billing, cremation, embalming and financial trust account activities; inappropriate title use; inappropriate HMO denial of medical services and claims; inappropriate denial of eligibility or termination of coverage; issues of network adequacy, access to care and continuity of care; allegations of poor quality care and provider incompetence; inappropriate coordination of benefits, copays and coinsurance; use of unapproved premium rates; and inappropriate determinations of experimental, investigative or unproven services.

Contact

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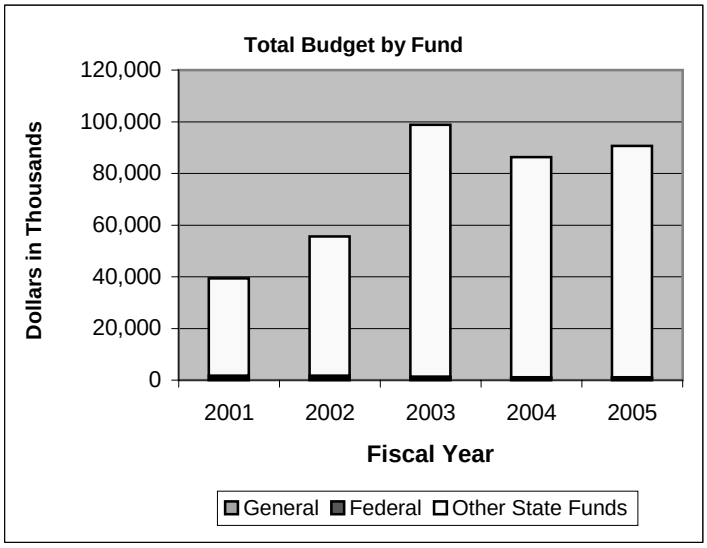

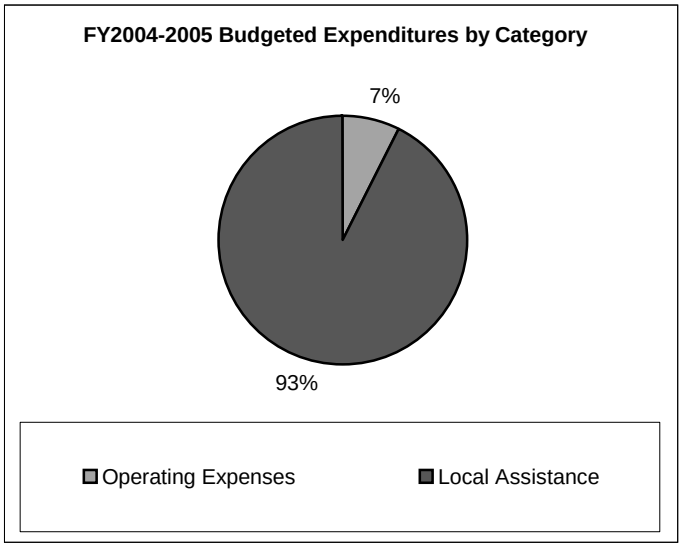

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	543	616	814	756	756	1,512
State Government Special Revenue	2,273	2,091	3,291	2,712	2,712	5,424
Health Care Access	3,718	2,927	3,743	2,763	2,763	5,526
Open Appropriations						
Medical Education & Research	31,565	48,920	90,346	71,484	75,862	147,346
Statutory Appropriations						
Special Revenue	159	89	72	8,316	8,316	16,632
Federal	1,057	996	482	223	223	446
Gift	4	0	16	0	0	0
Total	**39,319**	**55,639**	**98,764**	**86,254**	**90,632**	**176,886**
Expenditures by Category						
Operating Expenses	6,839	6,137	8,124	6,520	6,520	13,040
Local Assistance	32,480	49,502	90,640	79,734	84,112	163,846
Total	**39,319**	**55,639**	**98,764**	**86,254**	**90,632**	**176,886**
Revenue by Type and Fund						
Non Dedicated						
General	3	3	3	0	0	0
State Government Special Revenue	2,427	2,675	2,622	2,519	2,676	5,195
Subtotal Non Dedicated	2,430	2,678	2,625	2,519	2,676	5,195
Dedicated						
Special Revenue	210	61	137	3,537	137	3,674
Federal	1,066	992	477	223	223	446
Medical Education & Research	41,382	54,871	73,511	80,388	84,392	164,780
Gift	1	6	0	0	0	0
Subtotal Dedicated	42,659	55,930	74,125	84,148	84,752	168,900
Total Revenue	**45,089**	**58,608**	**76,750**	**86,667**	**87,428**	**174,095**
Full-Time Equivalents (FTE)	**74.9**	**69.8**	**75.1**	**69.8**	**69.8**	

Activity Description

The Facility & Provider Compliance Division (F&PC) protects the health and safety of approximately 661,000 Minnesotan's (40,000 Nursing Home residents, 16,000 Home Care clients, 29,000 Housing With Services recipients, 570,000 hospital patients, 6,000 supervised living residents) receiving long-term care and short stay health care services. Additional citizens are cared for by other health care providers including boarding care homes, supervised living facilities, ambulatory surgical centers and hospice providers. Quality of the services provided is assured through on-site surveys of facilities, complaint investigations, employee background checks, case mix assessments, physical plant plan reviews and consultation and education.

Activity at a Glance

- There are 5,251 health care providers whose delivery of services is monitored by F&PC for safety and quality.
- F&PC investigates complaints of abuse, neglect and maltreatment in health care systems.
- In state FY 2002, construction plan reviews amounted to $200 million in capital investments for hospitals and nursing homes.
- Criminal background checks were processed on 109,630 applicants for employment in health care facilities.
- There are currently 48,455 nursing assistants on the Nursing Assistant Registry.

Population Served

Those served by F&PC are patients, consumers, providers and regulators of health care services. This includes federal, state and county agencies, advocates for patients, and persons requesting reconsideration of decisions that have disqualified them from working in a health care setting as a result of findings from criminal/maltreatment backgrounds checks.

This activity has seen the number of nursing homes decline in Minnesota from 450 in 1997 to 417 in 2002. In addition, many nursing and boarding care homes are reducing bed capacity. These reductions are in large part the result of a growing shift from providing longer-term care in an institutional setting to creating alternative services aimed at keeping persons at home or in a home-like setting. Evidence of this shift is seen in the dramatic increase in the number of home care, assisted living and housing with services providers whose number have grown from 589 in 1997 to 1,698 providers today. The Home Care Association is expecting the number of home care providers alone to increase by 40% or to approximately 2,377 over the next five years.

Services Provided

⇒ F&PC provides assurance to recipients of health care services that the facilities and health care services in Minnesota are providing quality care.

⇒ This activity conducts unannounced onsite inspections and surveys.

⇒ F&PC investigates complaints of abuse, neglect or maltreatment, and conducts criminal background checks.

⇒ This activity provides educational efforts that include clinical training on a statewide basis, personal consultation, information bulletins, and on-line web-based assistance.

⇒ F&PC also partners with providers and health care services to develop and/or revise rules so that they reflect the latest health care innovations and standards.

⇒ F&PC is the lead agency for the receipt and investigation of maltreatment reports in accordance with the Vulnerable Adult Act.

⇒ F&PC conducts annual reviews of all Medicaid recipients and private pay residents in certified nursing facilities.

⇒ F&PC approves all architectural and engineering plans for all new construction or remodeling of health care facilities to assure that the facilities' physical plants meet basic safety and health standards.

Historical Perspective

The number and percentage of Minnesotans aged 65 and older is increasing, as is the level of medical care they will require. Alternatives to traditional nursing home services are expanding statewide that will allow Minnesotans to receive cares and services in their own homes or in a home-like settings thereby enhancing the quality of life of

our seniors. However, as society looks for cost effective ways to deliver health care services, it is important that the quality of those services is maintained.

Over the last three years, the Minnesota Department of Health and the Minnesota Department of Human Services worked together to design a new case mix system for Minnesota nursing homes. "Case Mix" refers to the system used in Minnesota for nursing homes to receive payment for the services provided and is based on a needs assessment of each resident. Currently, nursing homes perform one state required assessment for payment purposes and a different one required by federal law. Starting 10-1-02, information from the federal needs assessment system will be used to determine the Minnesota case mix classification and corresponding payment rate and the current state system will be deleted, thereby significantly reducing paper work for nursing facility staff.

The number of construction projects reviewed has steadily increased over the past several years. Many of the projects are more complex and the dollar value has increased commensurately. Several new hospitals have been constructed in the last three years, including the hospitals in Red Wing, Woodbury and Ada.

Key Measures

Improve the quality of life in nursing homes by reducing the percent of Minnesota nursing homes identified as having urinary incontinence deficiencies.

	History		Current	Target
	SFY 2000	2001	2002	2005
Percent Deficiency Reduction	22.43%	19.16%	16.01%	12.0%
	(n=94)	(n=78)	(n=65)	

Source: MDH annual surveys of nursing homes

Improve the quality of care in nursing homes by reducing the percent of nursing homes identified as having assessment of care deficiencies.

	History	Current	Target
	SFY 2001	2002	2005
Percent Deficiency Reduction	36%	35.71%	30.0%
	(n=148)	(n=145)	

Source: MDH annual surveys of nursing homes.

Note: These two areas continue to fall within the top 10 deficiencies identified in annual surveys of nursing homes. To lower the number of deficiencies in these two areas, the department will focus on consultation and education on how to deliver quality cares, and provider support.

Improve the quality of in home care received by increasing the percent of home care providers in compliance with state regulations.

	History	Current	Target
	SFY 2001	SFY 2002	SFY 2005
Percent in compliance	8.3 % (10 of 120)	17.2 % (20 of 116)	25 %

Source: MDH annual surveys of home care providers

Note: The number of home care providers fluctuates as this market continues to expand. The areas measured include any citation issued under quality of care, delivery of services, or a potential for serious harm. The F&PC activity assists home care providers to improve quality through one-on-one consultations and education, and periodic onsite surveys for new providers.

Contact

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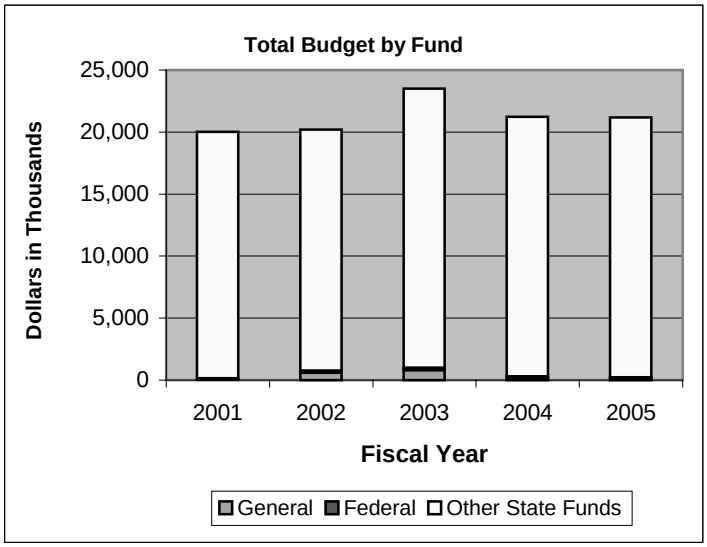
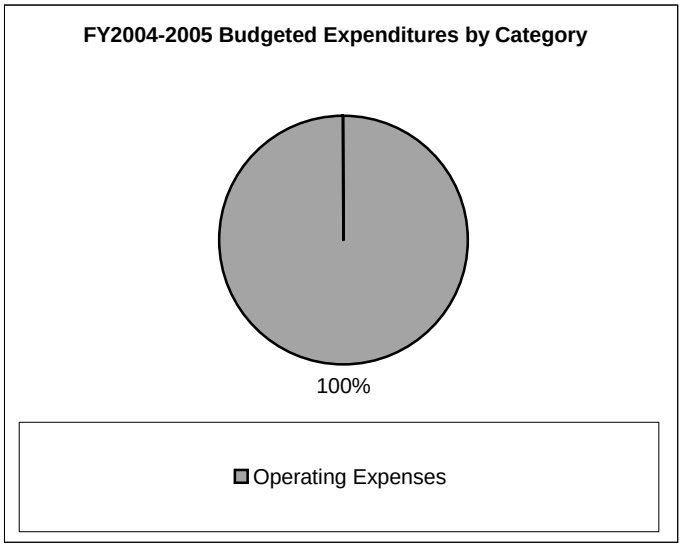




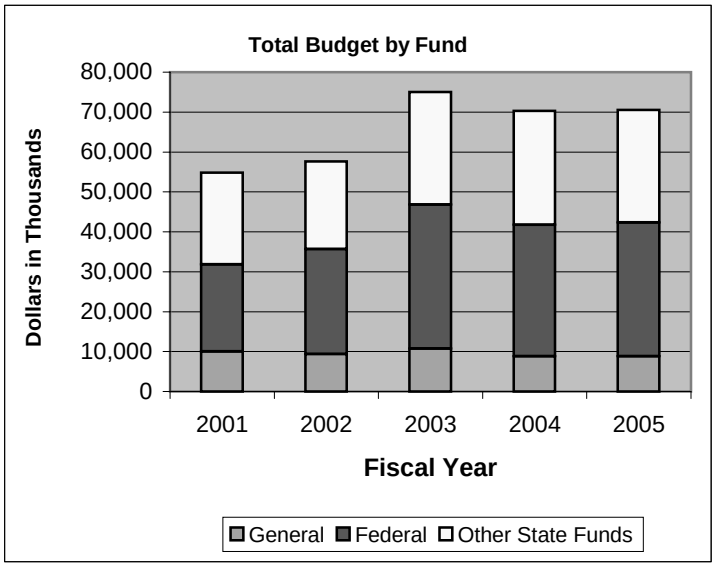
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	596	801	112	58	170
State Government Special Revenue	2,847	2,996	6,054	6,176	6,176	12,352
Statutory Appropriations						
Special Revenue	17,039	16,473	16,461	14,782	14,782	29,564
Federal	132	144	182	161	161	322
Total	**20,018**	**20,209**	**23,498**	**21,231**	**21,177**	**42,408**
Expenditures by Category						
Operating Expenses	20,018	19,709	22,998	21,231	21,177	42,408
Local Assistance	0	500	500	0	0	0
Total	**20,018**	**20,209**	**23,498**	**21,231**	**21,177**	**42,408**
Revenue by Type and Fund						
Non Dedicated						
State Government Special Revenue	3,161	5,171	5,800	5,800	5,800	11,600
Subtotal Non Dedicated	3,161	5,171	5,800	5,800	5,800	11,600
Dedicated						
Special Revenue	10,217	10,391	7,867	8,782	8,782	17,564
Federal	5,862	4,854	6,182	6,161	6,161	12,322
Subtotal Dedicated	16,079	15,245	14,049	14,943	14,943	29,886
Total Revenue	**19,240**	**20,416**	**19,849**	**20,743**	**20,743**	**41,486**
Full-Time Equivalents (FTE)	**202.8**	**190.4**	**201.0**	**188.1**	**188.1**	

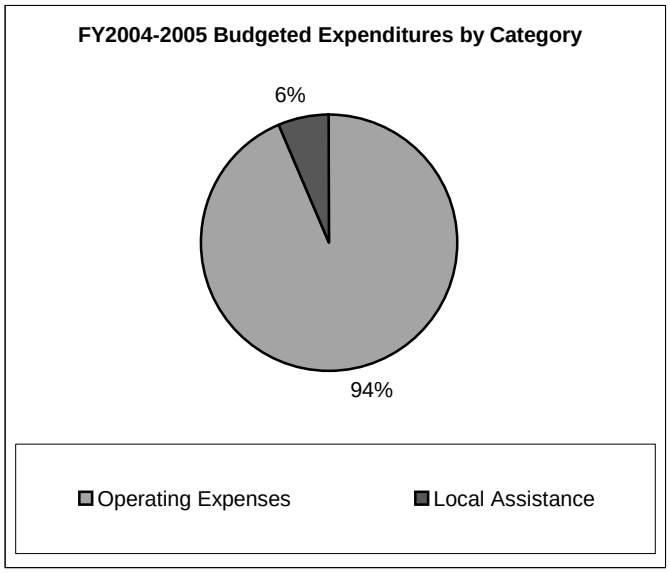
Program Description

The purpose of the Health Protection Program is to protect the public from dangerous diseases, exposures and events through monitoring and assessment of health threats; developing and evaluating intervention strategies to combat disease and exposures; monitoring and inspections of potential health problems; and providing scientific laboratory and epidemiological capacity.

Budget Activities Included:

⇒ Environmental Health
⇒ Infectious Disease Epidemiology Prevention and Control
⇒ Public Health Laboratory
⇒ Office of Emergency Preparedness





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	10,031	9,395	10,746	8,855	8,855	17,710
Minnesota Resources	117	15	0	0	0	0
State Government Special Revenue	15,720	15,191	20,096	22,005	21,742	43,747
Solid Waste	213	158	242	0	0	0
Statutory Appropriations						
Drinking Water Revolving Fund	0	490	1,038	522	522	1,044
Special Revenue	6,936	6,026	6,751	5,975	5,965	11,940
Federal	21,786	26,298	36,031	32,907	33,439	66,346
Gift	39	78	96	24	24	48
Total	**54,842**	**57,651**	**75,000**	**70,288**	**70,547**	**140,835**
Expenditures by Category						
Operating Expenses	49,186	49,618	67,488	65,932	66,191	132,123
Capital Outlay & Real Property	281	68	4	4	4	8
Local Assistance	5,375	7,965	7,508	4,552	4,552	9,104
Transfers	0	0	0	-200	-200	-400
Total	**54,842**	**57,651**	**75,000**	**70,288**	**70,547**	**140,835**
Expenditures by Activity						
Environmental Health	25,994	27,661	34,204	31,220	31,554	62,774
Infect Disease Epid Prev Cntrl	20,432	21,580	26,119	21,453	21,529	42,982
Public Health Laboratory	8,416	8,147	11,045	13,464	13,196	26,660
Office Of Emergency Preparedns	0	263	3,632	4,151	4,268	8,419
Total	**54,842**	**57,651**	**75,000**	**70,288**	**70,547**	**140,835**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	0	2	0	0	0	0
State Government Special Revenue	14,465	16,047	16,576	20,752	21,103	41,855
Subtotal Non Dedicated	14,465	16,049	16,576	20,752	21,103	41,855
Dedicated						
Drinking Water Revolving Fund	0	490	1,038	522	522	1,044
Special Revenue	6,444	6,086	6,158	6,010	6,010	12,020
Federal	21,911	26,129	35,978	32,911	33,443	66,354
Gift	28	23	24	24	24	48
Subtotal Dedicated	28,383	32,728	43,198	39,467	39,999	79,466
Total Revenue	**42,848**	**48,777**	**59,774**	**60,219**	**61,102**	**121,321**
Full-Time Equivalents (FTE)	**471.9**	**499.9**	**574.4**	**589.4**	**589.4**	

Activity Description

The Environmental Health (EH) activity protects Minnesota residents and visitors from exposures to environmental hazards in water, air, food, and land. This activity assures that Minnesotans have safe drinking water and food, and are protected from hazardous materials in their homes and in the environment. EH also identifies emerging environmental health issues, implements public health prevention activities for those issues that sound science indicates are a public health threat.

Population Served

EH serves the entire population of Minnesota by ensuring that all Minnesotans have clean drinking water, safe food, sanitary lodgings, and protection from hazardous materials in their environment.

Services Provided

Improve drinking water quality.

⇒ Monitor public drinking water systems.
⇒ Monitor and inspect water well construction and sealing.
⇒ Inspect swimming pool construction, and plumbing installations.
⇒ License professions whose work impacts drinking water.
⇒ Provide technical assistance and training to communities and citizens.

Activity at a Glance

- Minnesota is recognized nationally for our focus and attention on children's environmental health issues.
- The number of children with elevated blood lead levels declined between 1996 and 2002.
- The asbestos program's compliance rate for contractors is currently 96%.
- The x-ray inspection program inspects 25% of the x-ray equipment in Minnesota annually finding 20% of the equipment inspected needing repair.
- There are 8,300 public water supply systems that provide drinking water to Minnesota citizens and visitors. In 2001, we found only 31 systems with chemical levels that caused concern.
- In 2001, 99% of our community water supplies provided consumer confidence reports to citizens - one of the highest rates in the nation.
- In 2001, 75% of restaurants were inspected. Only 20% of violations observed were repeat violations.

Improve food safety.

⇒ Inspect and monitor restaurants to ensure safe food handling.
⇒ Certify professionals in food safety to manage restaurants.
⇒ Monitor and provide technical assistance to local delegated food inspection programs.
⇒ Educate citizens regarding safe handling of food.
⇒ Develop guidelines for the safe consumption of fish from our lakes and streams.

Improve the health of children.

⇒ Provide training and technical assistance to school districts on developing and implementing indoor air quality management plans.
⇒ Establish health standards and specifying abatement methods for lead in paint, bare soil, dust, and water;
⇒ License professions who work with lead.
⇒ Educate citizens, communities and medical professionals on the dangers of lead.
⇒ Monitor the exposure of children and adults to lead across the state.
⇒ Issue guidelines on the screening, case management, and clinical treatment of children exposed to lead.
⇒ Increase focus and attention on children to ensure that they are protected from exposures to harmful chemicals and other environmental health hazards.
⇒ Partner with the legislature's children's environmental health working group, children's health care advocates, and Minnesota industry as we explore children's environmental health issues.

Historical Perspective

Protecting public health has been the mission of the Minnesota Department of Health since the first public health laws were passed in 1872. These early laws focused on providing safe drinking water, sewage disposal, waste water treatment, and milk sanitation. Our efforts to safeguard the quality of food and water were instrumental in controlling diseases like cholera and typhoid fever, which are spread by poor sanitation. These diseases are still a major problem in many parts of the world. Today, we continue our prevention efforts to ensure the health and safety of Minnesotans at home, at work and in public places.

EH has responded to many natural disasters, such as floods and tornados. Our primary role is to provide services essential for protecting and ensuring the well being of the people in those areas affected by the disaster, with an emphasis on prevention and control of communicable diseases. During the past decade, when Minnesota flood victims returned to their homes, they turned to EH for guidance. For example, we provided more than 5,000 free water test kits to make sure that drinking water from private wells was safe. We also provided information on cleaning homes, water plants, schools, restaurants, and other facilities to return them to a safe and sanitary condition. We are using this experience to strengthen and enhance the ability of the public health system as we prepare to respond to potential biological, chemical and radiological acts of terrorism.

Key Measures

Prevent ground water contamination by increasing the number of abandoned wells that are sealed.

	History		Current	Target
	1987	1995	2001	2005
Number of wells sealed (cumulative)	3,275	77,375	155,607	204,000

Source: Well sealing records of licensed well contractors (reporting requirement)

Note: Minnesota has about 3/4 million abandoned wells. Sealing of abandoned wells often occurs as a result of a property transfer or when a new well is drilled (about 12,000 to 13,000 new wells per year). A question regarding abandoned wells is asked on disclosure forms used by realtors; educational materials are available on the EHD web site.

Improve food safety by increasing the percent of food establishments that have trained and certified food managers (CFM) and by reducing the percent of critical violations occurring in establishments with a trained and certified food manager.

	History	Current	Target
	2000	2001	2005
Food establishments with a CFM	0	74%	90%

Percent of food establishments with critical violations in the eight highest risk areas, 4/1/01 – 3/31/02.

Non-CFM establishments with critical violations	70.9% (n=203)
CFM establishments with critical violations	52.4% (n=432)
Percent improvement	18.5%

Source: Environmental Health Division inspection report data

Improve school indoor air quality by increasing the percent of school districts that have developed and implemented district-specific Indoor Air Quality Management Plans.

	History	Current	Target
	2001	2002	2005
Schools with plans	<5%	55%	80%

Source: MDH and DCFL survey of school districts

Note: About 20% of Minnesotans spend a significant amount of time in schools, where they may be exposed to indoor air contaminants that cause health problems or exacerbate existing conditions. M.S. 123B.57 requires all school districts to develop and implement indoor air quality plans. The EH division developed a model plan and provides training and technical assistance for school districts.

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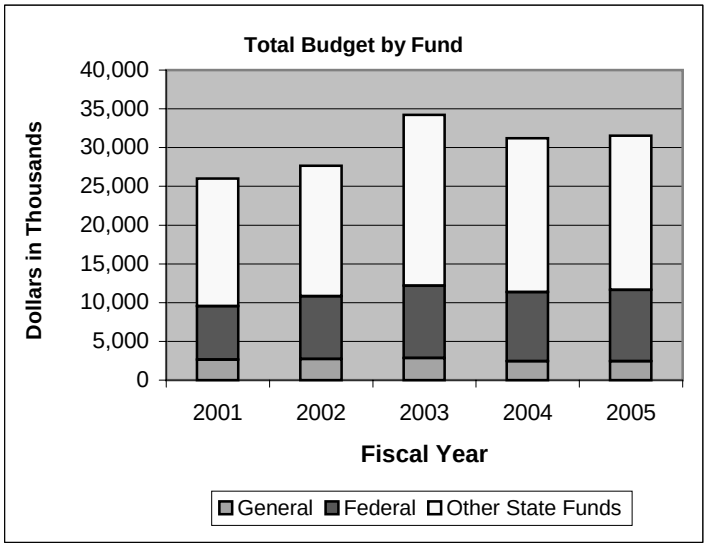
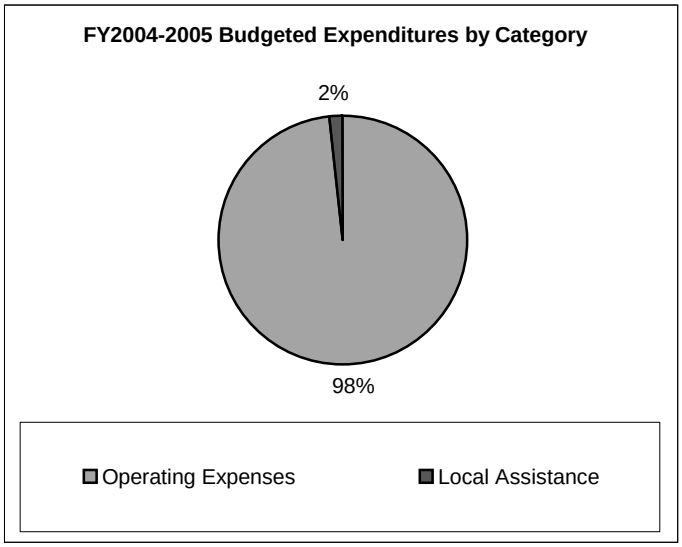




Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	2,622	2,708	2,865	2,431	2,431	4,862
Minnesota Resources	117	15	0	0	0	0
State Government Special Revenue	13,705	13,438	18,115	17,107	17,162	34,269
Solid Waste	213	158	242	0	0	0
Statutory Appropriations						
Drinking Water Revolving Fund	0	490	1,038	522	522	1,044
Special Revenue	2,410	2,726	2,627	2,220	2,220	4,440
Federal	6,925	8,126	9,316	8,940	9,219	18,159
Gift	2	0	1	0	0	0
Total	**25,994**	**27,661**	**34,204**	**31,220**	**31,554**	**62,774**

Expenditures by Category						
Operating Expenses	25,417	26,780	33,264	30,925	31,259	62,184
Local Assistance	577	881	940	495	495	990
Transfers	0	0	0	-200	-200	-400
Total	**25,994**	**27,661**	**34,204**	**31,220**	**31,554**	**62,774**

Revenue by Type and Fund						
Non Dedicated						
General	0	1	0	0	0	0
State Government Special Revenue	12,591	14,195	14,691	15,997	16,348	32,345
Subtotal Non Dedicated	12,591	14,196	14,691	15,997	16,348	32,345
Dedicated						
Drinking Water Revolving Fund	0	490	1,038	522	522	1,044
Special Revenue	2,472	2,772	2,438	2,214	2,214	4,428
Federal	6,906	8,110	9,305	8,939	9,218	18,157
Gift	2	0	0	0	0	0
Subtotal Dedicated	9,380	11,372	12,781	11,675	11,954	23,629
Total Revenue	**21,971**	**25,568**	**27,472**	**27,672**	**28,302**	**55,974**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Full-Time Equivalents (FTE)	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
	252.9	**266.7**	**279.7**	**284.5**	**284.5**	

Activity Description

The Infectious Disease Epidemiology, Prevention and Control (IDEPC) activity provides statewide leadership to protect Minnesotans against the threats posed by infectious diseases. IDEPC conducts disease surveillance to detect outbreaks; investigates and controls epidemics; develops, implements and monitors the effectiveness of disease prevention and control programs for tuberculosis (TB), vaccine preventable diseases, sexually transmitted diseases (STD) and HIV infection; and educates both health care professionals and the public on the prevention and control of infectious diseases. IDEPC plays a central role in preparing for and responding to the threat of bioterrorism

Activity at a Glance

- Managed health response to anthrax events.
- Investigated intestinal disease outbreaks affecting 1,885 persons in 2001.
- Facilitated medical care for and provided counseling to 1,804 Minnesotans with HIV or sexually transmitted diseases in 2001.
- Coordinated programs to immunize 65,000 babies born annually against meningitis, measles and other serious infectious diseases.
- Managed treatment for 239 TB cases in 2001. Evaluated 1,450 contacts to cases.
- Investigated introduction of West Nile Virus, to Minnesota in 2002, responding to 4,000 calls from concerned citizens over two weeks.

Population Served

All residents of Minnesota. Specific target populations include infants and children; adolescents; adults at high risk for contracting HIV and other sexually transmitted diseases; the elderly; contacts of tuberculosis and meningitis cases; refugees, immigrants and other foreign born individuals; health care providers at risk for blood borne infections; restaurant workers, patients in hospitals and long-term care facilities. IDEPC supports school nurses and local public health agencies in their efforts to prevent and control disease.

Services Provided

Monitor disease trends.

⇒ Collect disease reports supplied by hospitals, laboratories, and physicians.
⇒ Prepare summary reports for health care providers, policymakers, and the public.
⇒ Conduct specialized studies on diseases of high concern to the public and the medical community.

Identify and control disease outbreaks.

⇒ Analyze data to detect outbreaks, identify the source and implement control measures.
⇒ Alert health professionals and the public about outbreaks, informing them on control measures.
⇒ Assist medical care professionals in patient management, including the interpretation of test results.
⇒ Consult with physicians on management of persons bitten by potentially rabid animals.
⇒ Maintain food borne illness hotline to receive citizen complaints and detect outbreaks.

Manage disease prevention and control programs.

⇒ Manage treatment of and provide medications for TB cases to prevent spread of disease.
⇒ Distribute publicly purchased vaccines for children whose families are unable to afford vaccines.
⇒ Provide leadership for development of a statewide immunization information collection system.
⇒ Investigate cases of HIV, STD, TB and other communicable diseases.
⇒ Conduct follow-up to facilitate treatment and counseling to prevent disease transmission.
⇒ Coordinate testing of persons in contact with persons who have TB or sexually transmitted diseases.

Develop policy guidelines for infectious disease prevention and control.

⇒ Modify and distribute national disease prevention and control guidelines.
⇒ Consult with health-care providers on treatment and prevention recommendations
⇒ Communicate with schools and health care providers on the school immunization law.

Provide education for health care professionals and the general public on identification, prevention, transmission and treatment for persons at risk for or affected by disease.

⇒ Furnish information to medical providers on current management of infectious diseases. This information is provided on the web, through publications and by direct telephone consultation services.
⇒ Develop and implement health education programs for high-risk populations.
⇒ Provide information to the public on disease testing, treatment and prevention methods.

Provide grants to local public health agencies and nonprofit organizations.

⇒ Administer grant contracts, including 38 HIV/STD health education and risk reduction projects, 35 HIV and seven STD testing sites, and 19 grants to eliminate racial and ethnic health disparities.
⇒ Provide technical assistance to organizations receiving grants.
⇒ Evaluate performance of grantees based on performance standards.

Involve high-risk communities, the medical community and concerned citizens in assessing, planning, implementing, and evaluating solutions to infectious disease problems that affect them. Examples include:

⇒ The Immunization Practices Task Force advises the commissioner of Health on immunization policy.
⇒ An HIV/STD task force advises the commissioner on a comprehensive HIV prevention plan.
⇒ The Immigrant Health Task Force, jointly sponsored with the Department of Human Services, promotes quality, comprehensive, and culturally competent health care for recent immigrants in Minnesota.

Support work of local public health agencies to provide services to their populations.

⇒ Provide technical support to localities for dealing with local outbreaks or disease control issues.
⇒ Provide guidelines and technical assistance in developing local programs.
⇒ Provide guidelines and standards to develop preparedness and emergency response plans (including bioterrorism) for local health departments, hospitals, and other agencies.
⇒ Provide funds for local programmatic activities, through reimbursement and grants.

Historical Perspective

Emergency preparedness activities for this division include smallpox case investigation, contact tracing and mass vaccination programs. The following are some major trends in the division's activities:

⇒ In the 1980s, decreased federal funding for childhood immunization programs led to low immunization rates. A nationwide measles outbreak occurred in 1989-1991. Minnesota reported 559 measles cases with three deaths. With increased focus on immunizing every baby, only 54 measles cases have occurred in the last 10 years, most of whom were children born outside the U.S. or unvaccinated due to conscientiously held beliefs. Immunization prevents blindness, deafness, mental retardation and congenital heart disease, substantially reducing the need for state support for life-long care of the disabled. The Centers for Disease Control (CDC) estimates that $14 is saved for every $1 spent on measles, mumps, and rubella (MMR) immunization alone.
⇒ HIV prevention activities have contributed to the decline in HIV infections over the past 10 years, from 469 new cases in 1991 to 283 in 2000. Preventing HIV infection and AIDS cases provides enormous cost savings to both governmental and private health care funding sources. The annual cost of providing medical care in Minneapolis for an HIV infected person averages $24,000. Society saves $12 for every $1 spent on detecting and treating sexually transmitted diseases.
⇒ The number of confirmed food borne disease outbreaks has increased substantially over the past 11 years, from 12 in 1990 to 39 in 2001. This increase is due to changes in food production, food processing, and eating habits as well as finding more outbreaks through improved disease surveillance and new laboratory testing methods. The Minnesota Department of Health (MDH) estimates that 450,000 cases of food borne illness occur each year in Minnesota. Eight Minnesotans died from food borne illness in 2001.
⇒ IDEPC has detected and controlled many outbreaks in the past, including the Schwan's salmonella outbreak and the Mankato meningitis outbreak. Recent disease outbreaks include the Cub Foods E.Coli outbreak, the cluster of deaths following knee surgery, the introduction of West Nile Virus and the anthrax attacks on the

East Coast. Each outbreak generated high levels of public concern. IDEPC will continue to detect and control infectious disease outbreaks as they occur in the future.

Key Measures

Ensure children get a healthy start in life by increasing on-time immunization rates among all children. Delays in immunizations increase the risk of infection and complications from communicable diseases.

	History		Current*	Target
	1992-93	1996-97	2002	2003
4 months	86.2 %	89.6 %	*	90 %
6 months	74.9	80.2	*	90
8 months	64.2	70.9	*	90
16 months	56.7	65.1	*	90
20 months	45.6	54.7	*	90
24 months	60.7	68.4	*	90

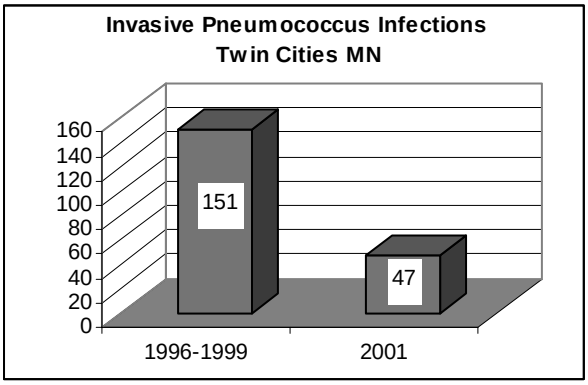
Source: MDH Retrospective Kindergarten Immunization Survey
(Note: The next round of survey data should be available in November 2002.)

Increase the percent of new tuberculosis patients that complete therapy within 12 months. Completion of tuberculosis therapy prevents spread and reduces the development of resistant strains of TB.

History	Current	Target
1996	2000	2004
63 % (n=78)	79 % (n=136)	90 %

Source: MDH Tuberculosis Annual Progress Report

Increase usage of a new vaccine against Pneumococcus, which causes meningitis and blood poisoning. This vaccine has reduced serious Pneumooccoccus infections in children < 2yrs by 69%.



Source: MDH Infectious Disease Surveillance System

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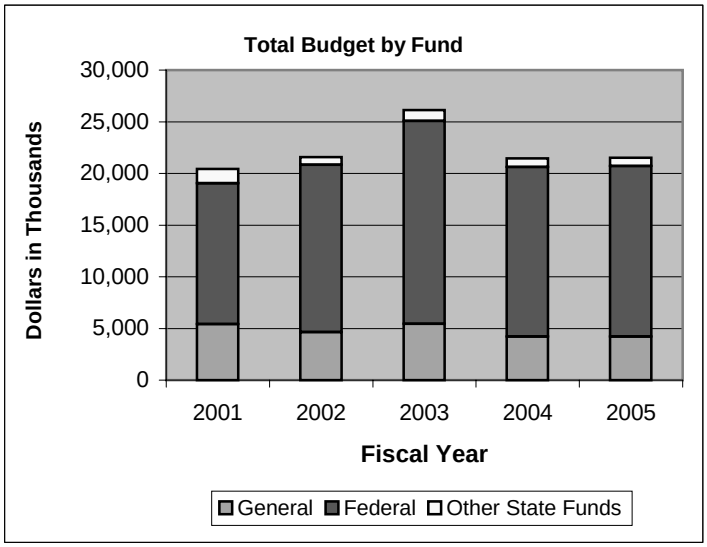

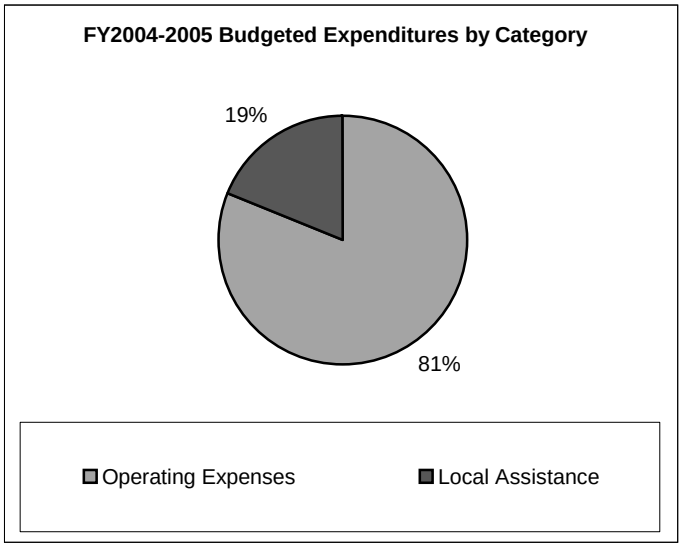

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	5,420	4,654	5,439	4,207	4,207	8,414
State Government Special Revenue	157	128	182	157	157	314
Statutory Appropriations						
Special Revenue	1,214	537	759	646	636	1,282
Federal	13,607	16,185	19,645	16,419	16,505	32,924
Gift	34	76	94	24	24	48
Total	**20,432**	**21,580**	**26,119**	**21,453**	**21,529**	**42,982**
Expenditures by Category						
Operating Expenses	15,634	14,496	19,551	17,396	17,472	34,868
Local Assistance	4,798	7,084	6,568	4,057	4,057	8,114
Total	**20,432**	**21,580**	**26,119**	**21,453**	**21,529**	**42,982**
Revenue by Type and Fund						
Non Dedicated						
General	0	1	0	0	0	0
Subtotal Non Dedicated	0	1	0	0	0	0
Dedicated						
Special Revenue	1,199	439	602	678	678	1,356
Federal	13,693	15,235	18,791	15,613	15,699	31,312
Gift	24	23	24	24	24	48
Subtotal Dedicated	14,916	15,697	19,417	16,315	16,401	32,716
Total Revenue	**14,916**	**15,698**	**19,417**	**16,315**	**16,401**	**32,716**
Full-Time Equivalents (FTE)	**125.6**	**136.0**	**160.1**	**160.3**	**160.3**	

Activity Description

The Minnesota Public Health Laboratory (PHL) provides scientific expertise and data used by public health partners for critical intervention and policy decisions regarding biological, chemical, and radiological threats. In addition, the PHL certifies all laboratories that conduct regulated environmental testing in Minnesota and screens all babies born in the state for rare, life-threatening metabolic disorders that are preventable if detected and treated soon after birth.

Activity at a Glance

- Analyzed 86,342 clinical specimens for infectious bacteria, viruses, fungi, and parasites in FY 2002.
- Performed 87,697 tests to detect chemical and bacterial contaminants in water, soil, and air in FY 2002.
- Screened 68,157 newborn babies for more than 20 treatable, life-threatening metabolic conditions in FY 2002.
- Certified 190 public and private environmental laboratories to assure quality in FY 2002.

Population Served

All residents of Minnesota are served by the PHL. Samples for environmental testing, specimens for newborn screening, infectious isolates for reference analyses, and specimens for diagnosing rare diseases are sent to the PHL from local public and private hospitals, laboratories, and other entities throughout the state.

Services Provided

⇒ Analysis of air, water, wastewater, sludge, sediment, soil, wildlife, vegetation, and hazardous waste for chemical and bacterial contaminants.

⇒ Testing of hospital and clinic patient specimens for infectious bacteria, parasites, fungi, and viruses.

⇒ Application of high-tech molecular methods such as DNA fingerprinting, amplification, and sequencing for rapid, early detection of infectious disease outbreaks and for identifying specific infectious agents.

⇒ Testing of each Minnesota newborn for a variety of treatable rare metabolic diseases.

⇒ Reference and confirmatory testing of clinical specimens and environmental samples using scientific expertise and state-of-the-art methods not available in other laboratories.

⇒ Certification of public and private environmental laboratories that conduct testing for the federal Safe Drinking Water, Clean Water, Resource Conservation and Recovery, and Underground Storage Tank Programs in Minnesota.

⇒ Collaboration with public and private laboratories, public safety officials, and federal officials to assure early detection and rapid response to possible agents of chemical and biological terrorism.

⇒ Emergency response by trained chemical experts serving on the state's Radiochemical Emergency Response Team, in the event of a release of radioactive chemicals at Minnesota's nuclear power plants.

Historical Perspective

The Minnesota PHL was first established more than 100 years ago. This was during a time in history when the germ theory of infectious disease was first established and little was known about the impact of environmental contamination on the public's health. In the early 1900s, with development of more sophisticated methods and instruments, the PHL became the premiere laboratory in Minnesota with the ability to identify environmental hazards and diagnose epidemic infectious diseases. Today, the PHL focuses on surveillance for early detection of public health threats, identification of rare chemical and biological hazards, emergency preparedness and response, and assurance of quality laboratory data through establishment of collaborative partnerships with clinical and environmental laboratories throughout the state.

Key Measures

Protect the public's health by increasing the percentage of Minnesota laboratories able to recognize possible agents of bioterrorism that must be submitted to the State Public Health Laboratory for confirmation.

Percent of Minnesota laboratories able to recognize possible *Bacillus anthracis*

Current (FY 2002)	Target (FY 2003)
68%	90%

Percent of Minnesota laboratories able to recognize possible *Brucella species*

Current (FY 2002)	Target (FY 2003)
33%	60%

Source: Minnesota Department of Health

Note: The State Public Health Laboratory provides hands-on laboratory training to assure that Minnesota laboratories have the ability to recognize possible agents of bioterrorism. Possible agents are sent to the State Public Health Laboratory for further analysis and specific identification. Through this public-private partnership, Minnesota is able to detect and respond rapidly to a suspected terrorism.

Improve health outcomes for Minnesota newborn babies by increasing the number of treatable inborn metabolic disorders identified and confirmed as positive.

Number of newborns identified with treatable disorders

Historical 1993-2000	Current 2001	Target 2002-2003	Target 2004
32-50 (range)	58 (actual)	71	192

Source: Minnesota Public Health Laboratory

Note: In 2001, the PHL introduced high-tech tandem mass spectrometry to screen newborns for additional treatable inborn metabolic disorders. Early identification and treatment of these disorders is crucial for successful outcomes.

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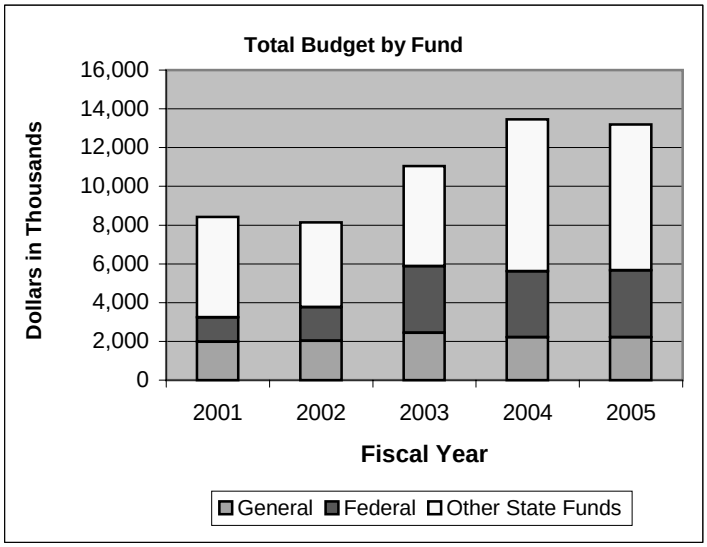

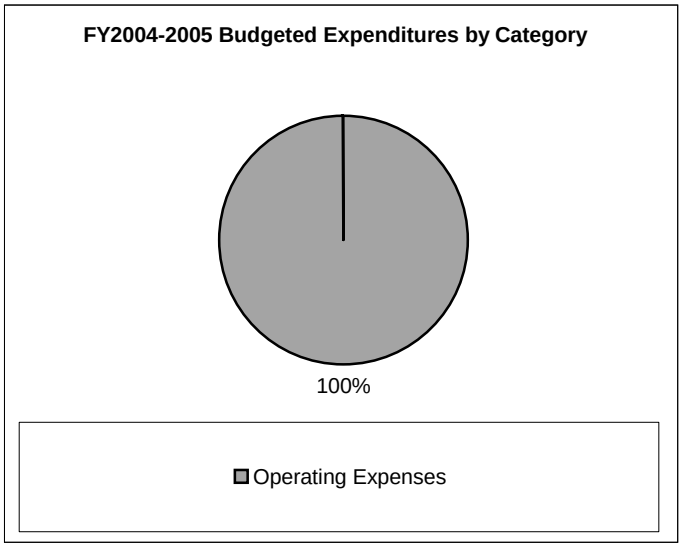

Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	1,989	2,033	2,442	2,217	2,217	4,434
State Government Special Revenue	1,858	1,625	1,799	4,741	4,423	9,164
Statutory Appropriations						
Special Revenue	3,312	2,763	3,365	3,109	3,109	6,218
Federal	1,254	1,724	3,438	3,397	3,447	6,844
Gift	3	2	1	0	0	0
Total	**8,416**	**8,147**	**11,045**	**13,464**	**13,196**	**26,660**
Expenditures by Category						
Operating Expenses	8,135	8,079	11,041	13,460	13,192	26,652
Capital Outlay & Real Property	281	68	4	4	4	8
Total	**8,416**	**8,147**	**11,045**	**13,464**	**13,196**	**26,660**
Revenue by Type and Fund						
Non Dedicated						
State Government Special Revenue	1,874	1,852	1,885	4,755	4,755	9,510
Subtotal Non Dedicated	1,874	1,852	1,885	4,755	4,755	9,510
Dedicated						
Special Revenue	2,773	2,875	3,118	3,118	3,118	6,236
Federal	1,312	2,521	4,249	4,207	4,257	8,464
Gift	2	0	0	0	0	0
Subtotal Dedicated	4,087	5,396	7,367	7,325	7,375	14,700
Total Revenue	**5,961**	**7,248**	**9,252**	**12,080**	**12,130**	**24,210**
Full-Time Equivalents (FTE)	**93.4**	**96.9**	**109.3**	**119.3**	**119.3**	

Activity Description

The Office of Emergency Preparedness (OEP) is the activity within the department established to give strategic leadership, direction assessment and coordination to activities to ensure statewide readiness, interagency collaboration local and regional preparedness for bioterrorism, other outbreak of infectious disease and other public health threat and emergencies.

Activity at a Glance

The Office of Emergency Preparedness was created as a requirement of federal grants received by the department.

The department received a grant for over $17 million for Public Health Preparedness and Response for Bioterrorism.

The department also received a $2.2 million grant for Hospital Preparedness Program.

Population Served

All residents of the state of Minnesota are served by this activity. The activity involves local health departments, Indian tribes, Emergency Management Agencies, National Guard, Emergency Medical Services, Office of Rural Health, police, fire departments, other rescue personnel, health care providers, associations of health professionals, Red Cross, volunteer agencies, and the hospital community in preparedness activities.

Services Provided

To carry out the assigned responsibilities, the OEP performs the following activities:

- ⇒ Set the strategic direction of health preparedness activities in Minnesota.
- ⇒ Facilitates cross-discipline planning and implementation
- ⇒ Assures compliance with requirements of grants from the Centers for Disease Control (CDC) and Health Resources Services Administration (HRSA).
- ⇒ Leads the planning for the health response to significant health threats, including the response plan to terrorist threats of smallpox, and the distribution plan for the National Pharmaceutical Stockpile
- ⇒ Conducts a variety of needs assessments of the public health system capacities related to bioterrorism, and other infectious disease outbreaks and emergencies.
- ⇒ Assesses statutes and regulations within the state and local public health jurisdictions regarding authority for implementing emergency public health measures.
- ⇒ Operates the Health Alert Network, the Minnesota Department of Health (MDH) tool for timely threat communications to local public health.
- ⇒ Oversees the development of education and training materials for building the capacity of local public health to respond to threats of terrorism and other infectious disease.
- ⇒ In conjunction with the MDH Community Health Division, OEP administers over $5 million in grants to Community Health Boards and Tribes, and over $2 million in grants to hospitals to build public health and health care preparedness.
- ⇒ OEP is accountable for bringing together staff located throughout MDH in implementing grant objectives, and responsible for working with local public health partners and others leaders in a variety of related fields to better prepare Minnesota for public health emergencies, and response to acts of bioterrorism.

Key Measures

Assessment and Training

Assess state and local capacity to respond to a bioterrorism event or other health threat. Based on assessment, implement training and technical assistance to bring capacity to standards set by CDC Bioterrorism and Preparedness Grant Guidance and address Minnesota-specific needs. Build capacity of local public health for just-in-time training by the installation, testing, and use of distance learning technology.

Planning and Coordination

Develop and test plans for all aspects of local, regional and statewide incident response in consultation with partners including hospitals, tribal governments, local public health, emergency management, fire, police and others who may be involved in response to a health threat. Develop emergency preparedness and response

systems to support epidemiology and surveillance systems, the public health laboratory, and risk communication efforts.

Communication
Operate the Health Alert Network and enhance the electronic systems that support it. Plan, implement, test, and support communication systems that include: MDH staff 24/7 alert, inter-departmental routine communication of grant related work, inter-agency communication including MDH, DEM, Minnesota Department of Agriculture (MDA), Minnesota Department of Natural Resources (DNR), and others as appropriate, 24/7 alert of local public health and hospital emergency departments, web-based secure site for vital information transactions during a health threat event and routine communication of grant related work.

Protect public health by increasing the percent of city and county public health agencies (n=91) with high-speed, continuous Internet access and an electronic connection to the Health Alert Network (HAN).

	History	Current	Target
	2001	2002	2003
Continuous, high-speed connection	79%	99%	100%

Source: MDH Health Alert Network survey of local public health agencies

Note: Local response to HAN messages is now less than two hours. (During September 11th, MDH issued a HAN message and all local departments had responded *prior* to the federal notification on the HAN by the Centers for Disease Control.)

Protect public health by increasing the percent of city and county public health agencies (n=91) that can be reached for emergency notification 24 hours a day, 7 days a week.

	History	Current	Target
		2002	2003
24/7 notification	N/A	*(assessment in October '02)*	100%

Source: Office of Emergency Preparedness summary of local system tests

Note: Auto-call system to be activated in October 2002; monthly system tests until 100% goal reached, quarterly thereafter.

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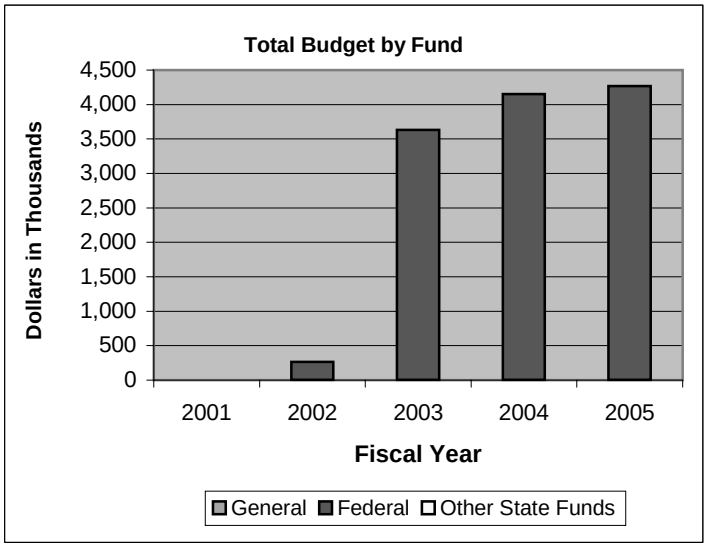
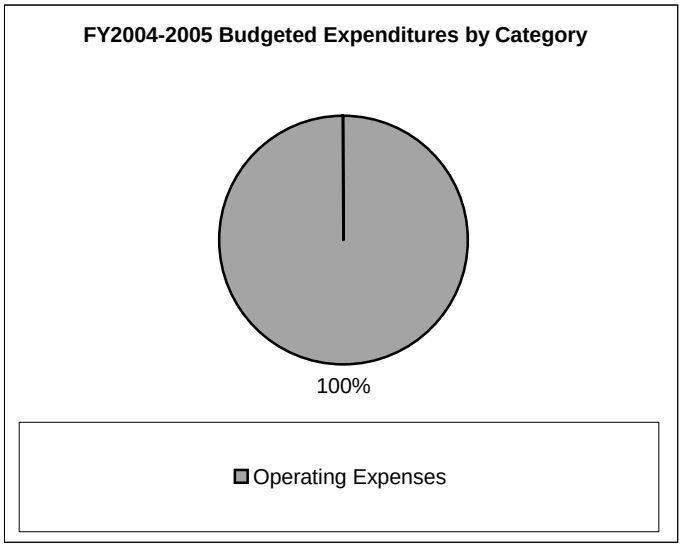




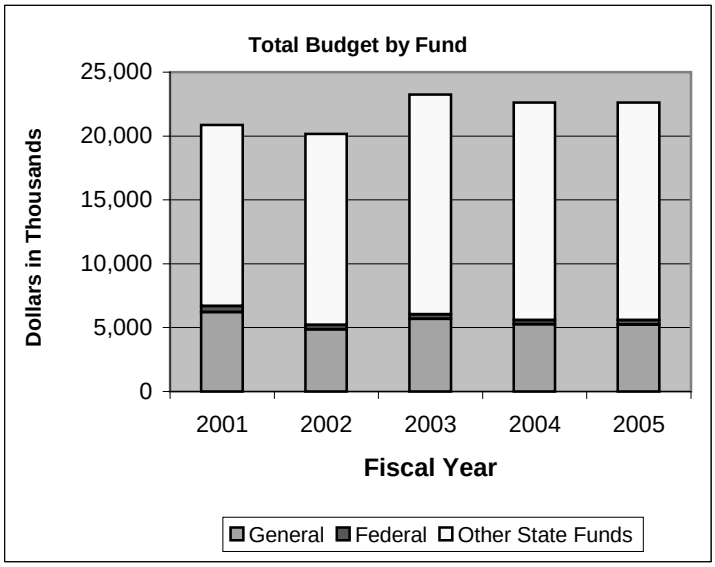
Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Statutory Appropriations						
Federal	0	263	3,632	4,151	4,268	8,419
Total	**0**	**263**	**3,632**	**4,151**	**4,268**	**8,419**
Expenditures by Category						
Operating Expenses	0	263	3,632	4,151	4,268	8,419
Total	**0**	**263**	**3,632**	**4,151**	**4,268**	**8,419**
Revenue by Type and Fund						
Dedicated						
Federal	0	263	3,633	4,152	4,269	8,421
Subtotal Dedicated	0	263	3,633	4,152	4,269	8,421
Total Revenue	**0**	**263**	**3,633**	**4,152**	**4,269**	**8,421**
Full-Time Equivalents (FTE)	**0.0**	**0.3**	**25.3**	**25.3**	**25.3**	

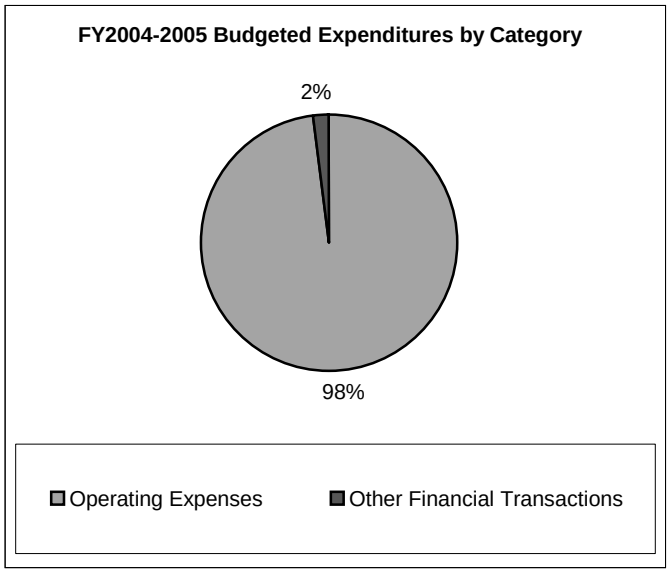
Program Description

The purpose of the Management and Support Services Program is to provide the executive leadership and business systems underlying and supporting all of the department's public health programs.

Budget Activities Included:

⇒ Finance and Administrative Management
⇒ Executive Office and Communications





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	6,201	4,856	5,687	5,249	5,243	10,492
Statutory Appropriations						
Special Revenue	14,075	14,969	17,211	17,027	17,027	34,054
Federal	492	343	343	343	343	686
Miscellaneous Agency	109	0	0	0	0	0
Gift	0	0	9	1	1	2
Total	**20,877**	**20,168**	**23,250**	**22,620**	**22,614**	**45,234**
Expenditures by Category						
Operating Expenses	20,376	19,738	22,825	22,195	22,189	44,384
Local Assistance	139	0	0	0	0	0
Other Financial Transactions	362	430	425	425	425	850
Total	**20,877**	**20,168**	**23,250**	**22,620**	**22,614**	**45,234**
Expenditures by Activity						
Finance & Administrative Mgmt	18,062	18,088	20,744	20,295	20,289	40,584
Executive Office & Comm	2,815	2,080	2,506	2,325	2,325	4,650
Total	**20,877**	**20,168**	**23,250**	**22,620**	**22,614**	**45,234**
Revenue by Type and Fund						
Dedicated						
Special Revenue	15,049	14,669	16,003	17,042	17,027	34,069
Federal	492	343	343	343	343	686
Gift	3	2	1	1	1	2
Subtotal Dedicated	15,544	15,014	16,347	17,386	17,371	34,757
Total Revenue	**15,544**	**15,014**	**16,347**	**17,386**	**17,371**	**34,757**
Full-Time Equivalents (FTE)	**142.8**	**132.7**	**161.1**	**158.7**	**158.7**	

Activity Description

The Finance and Administrative Management Activity provides internal business systems and central support services to all programs of the department in order to make maximum utilization of all agency resources. Critical responsibilities of this activity include the anticipation of and planning for the future. This activity continuously reviews the need for and quality of its services to assure they are provided in the most cost efficient manner.

Activity at a Glance

- Maintained 99.9% availability and functionality of core information technology infrastructure.
- Recruited 200 new employees annually.
- Paid 99.4% of all vendor invoices in 30 days or less.
- Implemented improved physical and systems/ data security at all office facilities.

Population Served

This activity serves all 1,350 employees of the department by providing facilities, human resources, financial, and information technology services; works with the vendors providing goods and services needed to carry out state public health programs; works with grantees receiving funds through the department; works with landlords providing space needed to carry out programs; and job applicants seeking employment with the department.

Services Provided

The departmental services provided by this activity are divided into four categories.

Facilities Management

⇒ Manages building operations of all Minnesota Department of Health (MDH) office facilities including physical security and parking.
⇒ Provides mail distribution, printing, duplication, warehouse, and other central services.
⇒ Provides administrative support in all MDH district offices across the state.
⇒ Manages a central conference center for use by MDH, local partners, and other state agencies.

Financial Management

⇒ Provides budget planning and development for all departmental resources.
⇒ Manages centralized budget management, accounting, reporting, and cash management.
⇒ Provides centralized procurement of goods and contract services.
⇒ Provides monitoring, financial reporting, and technical assistance required for federal grants.

Human Resources

⇒ Manages the recruitment, development and retention of qualified staff.
⇒ Manages all departmental labor relations, employee benefits, and health and safety activities.
⇒ Manages employee compensation and provides payroll services for all departmental staff.
⇒ Manages departmental equal opportunity and affirmative action activities.

Information Systems and Technology Management

⇒ Provides technical expertise, planning, and development of technology systems and data architectures.
⇒ Provides high level security for all departmental data, systems and communications.
⇒ Manages departmental communications networks and telecommunications systems.
⇒ Manages MDH central networks and infrastructure connecting all employees and 11 building locations.

Activity Funding

This activity provides the majority of it direct services to MDH programs and employees so that they may efficiently and effectively carry out their public health program responsibilities. The majority of the financial support for this activity is obtained through the assessment of an indirect cost rate to all programs. The current rate is 19.4% of all direct costs and has remained stable for the past several years. The demand for the services

of this activity is greatly affected by the expansion and contraction of non-general fund programmatic activities and the level of funding they receive.

Key Measures

M.S. 16A.124 requires that payments to vendors must be made within 30 days receipt of invoice. The Department of Finance has established a statewide goal of 97% of payments made within this time frame.

History	Current	Target
2001	2002	2004-05
99.05%	99.36%	99.0%

Source: Department of Finance Prompt Payment Report

The department will increase the percentage of people of color in the MDH workforce by 5% each year.

History	Current	Target
2001	2002	2005
10.1%	10.8%	12.5%

Contact

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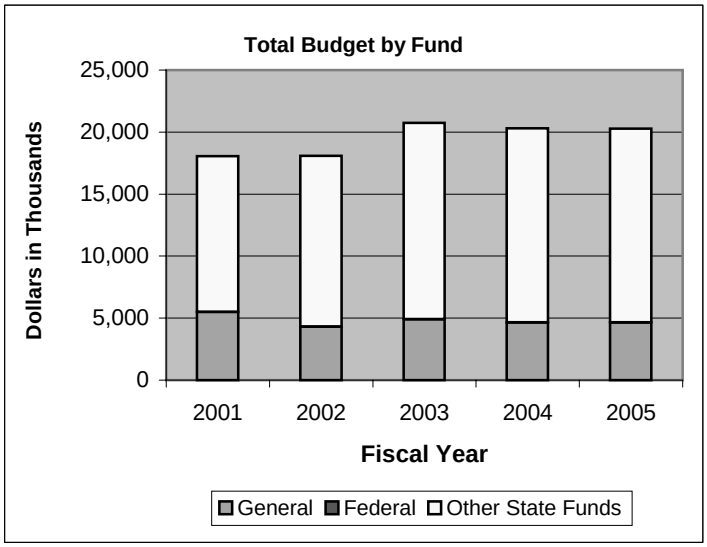

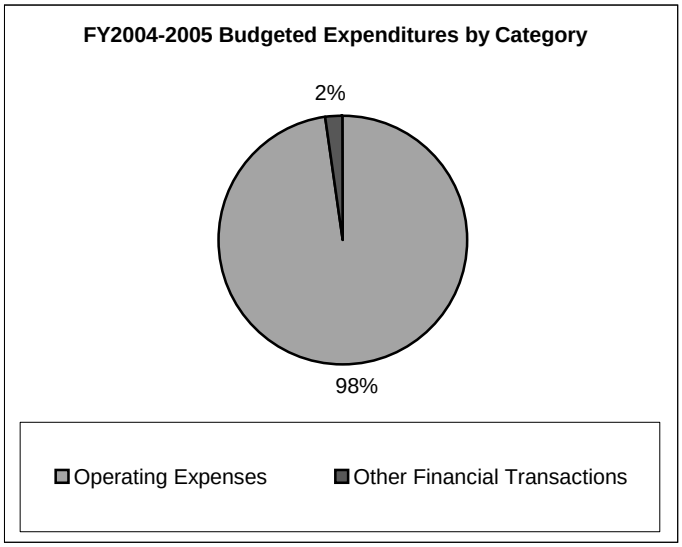

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	5,488	4,321	4,905	4,642	4,636	9,278
Statutory Appropriations						
Special Revenue	12,455	13,767	15,837	15,653	15,653	31,306
Federal	10	0	0	0	0	0
Miscellaneous Agency	109	0	0	0	0	0
Gift	0	0	2	0	0	0
Total	**18,062**	**18,088**	**20,744**	**20,295**	**20,289**	**40,584**
Expenditures by Category						
Operating Expenses	17,699	17,658	20,319	19,870	19,864	39,734
Local Assistance	1	0	0	0	0	0
Other Financial Transactions	362	430	425	425	425	850
Total	**18,062**	**18,088**	**20,744**	**20,295**	**20,289**	**40,584**
Revenue by Type and Fund						
Dedicated						
Special Revenue	15,049	14,664	15,983	17,027	17,027	34,054
Federal	10	0	0	0	0	0
Gift	1	1	0	0	0	0
Subtotal Dedicated	15,060	14,665	15,983	17,027	17,027	34,054
Total Revenue	**15,060**	**14,665**	**15,983**	**17,027**	**17,027**	**34,054**
Full-Time Equivalents (FTE)	**115.2**	**112.0**	**135.1**	**133.7**	**133.7**	

Activity Description

The Commissioner's Office provides the vision and strategic leadership for creating effective public health policy for the state of Minnesota. It also oversees the management of the entire agency, including budget activities, administrative functions and the department's eight divisions. It carries out is mission in partnership with a wide range of external organizations that help to promote and protect the health of all Minnesotans.

Activities at a Glance

- Strategic leadership and planning
- Performance measurement coordination
- Budget and administrative management
- Government relations and policy development
- Library services
- Communications and public awareness

Several key functions take place through the Commissioner's Office, including Planning Coordination and Performance Measurement, Government Relations, Library Services, and Communications.

Population Served

The department's 1,300 employees work to protect and promote the health of all Minnesotans. The department carries out its mission in close partnership with other state agencies, elected officials, health care and community organizations, and public health officials at the federal, state and local levels.

Services Provided

Executive Leadership, Planning Coordination and Performance Measurement

⇒ The Commissioner's Office develops and implements department policies and provides leadership to the state in developing public health priorities.

⇒ The Commissioner's Office directs the annual development of a set of public health strategic directions current, priority public health issues to provide guidance for agency activities and to more effectively engage the department's public health partners.

⇒ The Commissioner's Office also directs the development of meaningful performance measures for every major agency activity and works closely with the governor's office on department results and outcome measures for a citizen audience. .

Government Relations

⇒ Government Relations is responsible for leading and coordinating state legislative activities and monitoring federal legislative activities to advance the departments' priorities and mission.

⇒ Throughout the legislative session and during the interim, Government Relations is a contact for the public, other departments, legislators and legislative staff.

⇒ This activity works closely with the governor's office, department divisions, legislators, legislative staff, and other state agencies to communicate the department's strategies and priorities.

Communications

⇒ The Communications Office is responsible for leading and coordinating communications on statewide public health issues and programs.

⇒ The office works closely with the news media, including issuing an average of 75 news releases and responding to thousands of media inquiries each year.

Library Services

⇒ The Library Services is responsible for locating, organizing, sharing and distributing information; coordinating the purchase of books and journals; and assisting clients' research in library materials, databases and the Internet.

⇒ The R.N. Barr Library provides access to information for Minnesota Department of Health (MDH) staff, local public health agencies and school nurses. The public is welcome to use materials on-site. This library also distributes posters, pamphlets, brochures and other department publications.

⇒ The Audiovisual Library has a large collection of videos on health-related subjects is available to the public through this library.

Key Measures

Improve agency performance by increasing the number of department activities that develop and communicate meaningful measures focused on results.

	History	Current	Target
	2000	2002	2003
Major department activities with quantitative performance measures	38 %	70 %	90%

Source: MDH Executive Office

Note: The Commissioner's Office has made measurable results a key emphasis in the agency's *Strategic Directions*. Five of 13 major department activities had measures that were included in the Governor's "Department Results" web site in 2001. The Commissioner's Office is currently working with each major agency activity to develop quantifiable indicators of performance that reflect outcomes important to the citizens of Minnesota.

Improve department effectiveness by increasing the percent of reports and other information that have a communications plan to ensure the information reaches the intended audiences. (Future measure: 2003 goal of 80% of publications with a communications plan.)

Source: MDH Communications Office

Improve effectiveness of department communications by conducting periodic on-line surveys and improving user satisfaction with department web site. (Future measure: 2003 goal of 75% satisfied users.)

Source: MDH Communications Office

Contact

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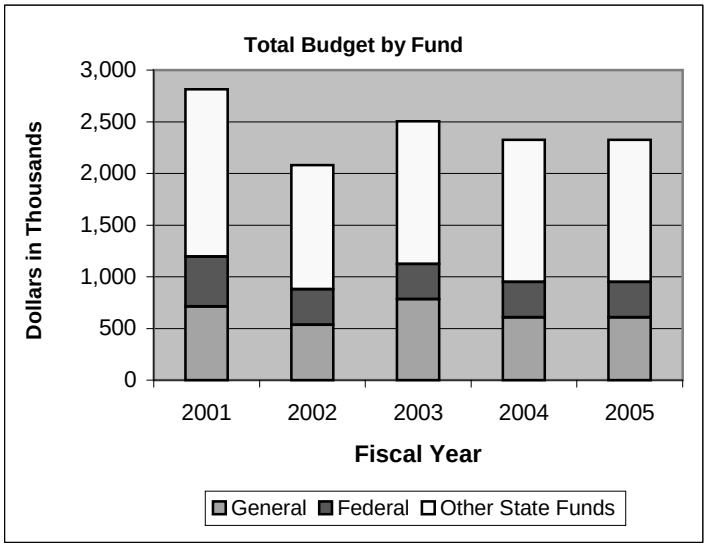
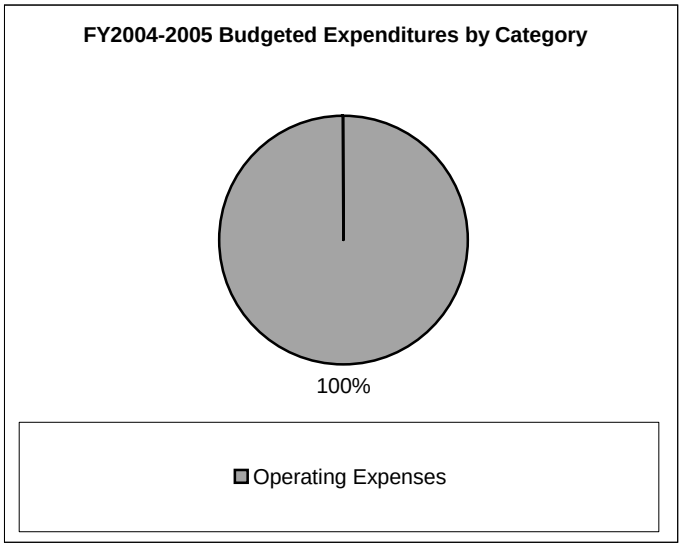




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	713	535	782	607	607	1,214
Statutory Appropriations						
Special Revenue	1,620	1,202	1,374	1,374	1,374	2,748
Federal	482	343	343	343	343	686
Gift	0	0	7	1	1	2
Total	**2,815**	**2,080**	**2,506**	**2,325**	**2,325**	**4,650**
Expenditures by Category						
Operating Expenses	2,677	2,080	2,506	2,325	2,325	4,650
Local Assistance	138	0	0	0	0	0
Total	**2,815**	**2,080**	**2,506**	**2,325**	**2,325**	**4,650**
Revenue by Type and Fund						
Dedicated						
Special Revenue	0	5	20	15	0	15
Federal	482	343	343	343	343	686
Gift	2	1	1	1	1	2
Subtotal Dedicated	484	349	364	359	344	703
Total Revenue	**484**	**349**	**364**	**359**	**344**	**703**
Full-Time Equivalents (FTE)	**27.6**	**20.7**	**26.0**	**25.0**	**25.0**	

MINNESOTA MDH DEPARTMENT OF HEALTH

Protecting, maintaining and improving the health of all Minnesotans

February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

To the 2003 Minnesota Legislature:

On behalf of the Governor and the Minnesota Department of Health, I am pleased to submit the 2004-2005 biennial budget. The budget includes a total of $752.039 million in expenditures, which represents all funds available to the department. The recommended budget will allow us to focus on public health's core functions in order to protect, maintain, and improve the health of all Minnesotans. The 2004-2005 budget represents a $36.269 million reduction in spending over the previous FY 2002-03 biennium (a 4.6% reduction overall). Spending reductions of $87.643 million ($16,252 million in the General Fund, $7.783 million in the HCAF, $20 million in TANF funds, $41.607 million in Tobacco Use Prevention Endowment funds, and $1.106 million in other funds) are offset by increases in the MERC fund, State Government and Miscellaneous Special Revenue Funds, and Federal funds.

The Minnesota constitution affirms that protecting, maintaining and improving the public's health is a duty that falls on government. In Minnesota, that duty is shared in significant ways with local government. Together, we will focus on the core activities that protect or maintain the public's health while redirecting our efforts and emphasis to achieving results that advance the health status of individuals and communities.

The 2004-2005 budget is based on priorities that improve efficiencies in our program activities and it focuses our energies on results. We have some innovative recommendations that help us better achieve the goal of healthy communities. With this budget, we will continue to

- Protect the public from infectious disease outbreaks and food borne illnesses by taking quick, effective, and appropriate action when such problems arise
- Ensure that Minnesotans continue to receive high quality care through their HMOs, hospitals and nursing homes
- Strengthen the public health system's preparedness to deal with natural disasters, emergencies, and potential acts of terrorism
- Work to reduce injury, chronic disease, and address maternal and child health needs
- Improve access to health care for rural Minnesotans
- Assure that all newborn babies are screened for rare, treatable diseases and receive the care they need
- Work closely with communities and tribal governments to help reduce health disparities
- Support and work closely with local public health agencies to maintain a strong public health system across the state
- Continue operation of the state Poison Control Center as a source of information for both parents and health practitioners
- Help policy makers find ways to contain health care costs
- Distribute two-thirds of our funds to grantees—local units of government and local communities

Our budget reduction proposals help resolve the state's deficit while retaining those programs and services most critical to protecting the public's health. General Fund spending will be $16.252 million less in FY 2004-05 biennium, a 12.0% reduction over the previous biennium and Health Care Access Fund spending will be $7.783 million less than the previous biennium.

To accomplish these reductions, we will use the following strategies.

First, we redesigned the way in which we distribute grant funds. We will consolidate 13 grants into a single Local Public Health Grant and reduce or eliminate other grants. While this approach means a reduction in overall grant expenditures, ($10.608 million General Fund, $6 million TANF, and $500,000 HCAF), we also propose to eliminate many restrictions and requirements in how the grants are awarded and monitored, reducing MDH-based activity by $1.5 million General Fund. This approach will

- Allow greater local flexibility
- Eliminate "bureaucracy" at the state and local level
- Focus on accountability over process

Second, we streamline agency operations and further reduce expenditures by $6.764 General Fund and $601,000 HCAF. After reviewing all of our services and programs, we have reduced or eliminated activities that are lower priorities, limited in scope, or overlapping with other services. Reductions include management and support positions, consumer education and technical assistance, and direct services to the public.

By focusing on core activities, and streamlining and redesigning our operating processes, we will continue to support the Poison Control Center, providing immediate information about poisons and toxic exposures to individuals and health care professionals.

Third, we also make adjustments to several of our fee-based programs, to ensure fees support our activities, and that we are meeting fee-payers needs. Most importantly, we will enhance the Newborn Screening program to take advantage of recent advances in technology and improve the health outcome of all babies born in Minnesota.

Finally, funding for tobacco prevention activities and medical education will be fundamentally altered. With the elimination of the two endowments, the corresponding revenue streams to support these activities will be eliminated. We will continue to support medical education (MERC) by replacing the endowment revenues with current law cigarette tax revenues. We will also continue a limited and targeted tobacco prevention program for the next two years, to help some communities maintain the gains they have achieved in the past few years.

We look forward to working with you to put these recommendations in place.

Sincerely,

Dianne Mandernach
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	145,016	710,344	855,360
February Forecast Adjustment	-12,580	162	-12,418
New Programs To Agency Base	420	0	420
One-Time Appropriations	2,840	-18,340	-15,500
Adjusted Base Funding	135,696	692,166	827,862
Change Items			
Agency Operations Reductions	-6,764	0	-6,764
Grant Redesign	-8,176	-6,000	-14,176
Grant Reductions	-3,932	0	-3,932
HCAF Grant And Operations Reductions	0	-2,202	-2,202
MDH-MERC Impact Of DHS GAMC/PMAP Changes	0	-6,734	-6,734
Med Educ & Tobacco Endowment Changes	0	-51,950	-51,950
Health Improvement			
Poison Information System	2,300	0	2,300
Health Protection			
Newborn Screening System	0	5,772	5,772
Plumbing Plan Review	0	1,718	1,718
Swimming Pool Regulation	0	145	145
Governor's Recommendations	119,124	632,915	752,039
Biennial Change, 2002-03 to 2004-05	-16,252	-20,017	-36,269
Percent Change	-12%	-3%	-5%

Brief Explanation Of Budget Decisions:

The Department's FY 2002-03 funding level is the starting point for building the FY 2004-05 budget. Base adjustments are generally technical items and are discussed below.

Two February Forecast Adjustments reflect changes in Intergovernmental Transfer (IGT) revenue. Original estimates made during the 2001 legislative session based revenue on a 150% Medicare Upper Payment Limit (UPL) for Minnesota's Medicaid program. The UPL has since been reduced to 100%. This results in a decrease in revenues to the following:

- Community Clinic Grants (-$7.286 million, GF)
- Rural Hospital Capital Improvement Grants (-$5.294 million, GF)

A separate forecast adjustment is made to spending in the Medical Education Endowment, which supports teaching institutions. This increase of $162,000 is based on new estimates of the fair market value of the endowment fund, as forecast by the Department of Finance.

New programs to the agency base total $420,000 and are entirely due to the Health Professional Loan Program. This adjustment reflects the bi-annual costs of implementing the loan repayment program. This program was added to the Department's budget with the Laws of 2001.

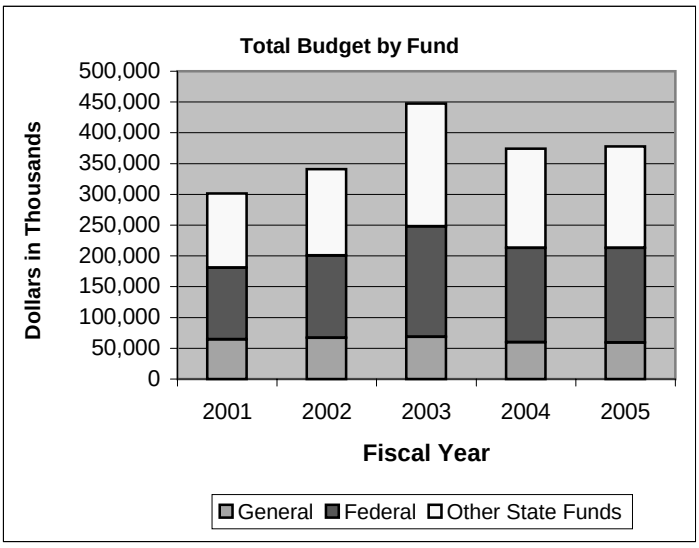
One-time appropriations result in a net increase in general fund spending of $2.840 million. The components and a brief explanation are as follow:

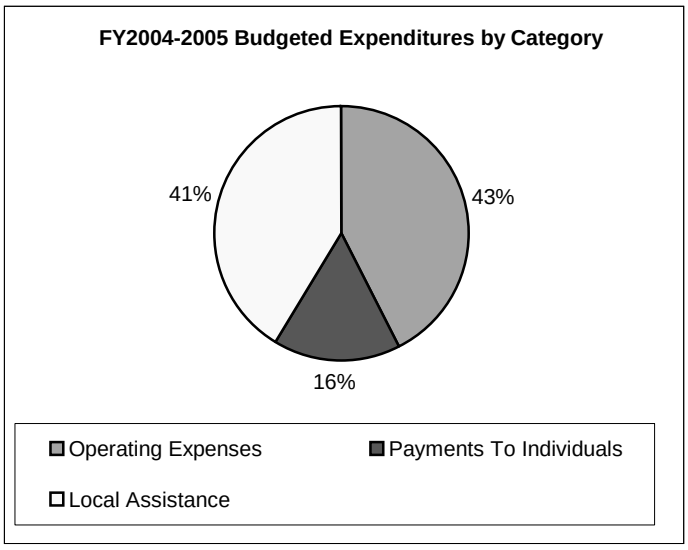
- Poison Information Center (-$2.720 million, GF) appropriations were for the FY 2002-03 biennium only.
- Family Planning Grants ($1.380 million, GF) were reduced by $690,000 in FY 2003 only. This adjustment restores funding to the FY 2004-05 base budget.
- Rural Hospital Capital Improvement Grants ($4.240 million GF; -$4.240 million, HCAF) were partially funded from the Health Care Access Fund in FY 2002-03. This adjustment reflects the legislature's intent to originate all funding from the General Fund.

- LTC Reimbursement System (-$60,000, GF) originated in the Laws of 2001 and provided $60,000/year for three years to implement a new reimbursement system.
- Health Care Purchasing Alliances (-$100,000, HCAF) are grants to local activities and were appropriated only for the FY 2004-05 biennium.
- TANF Home Visiting (-$14.000 million, TANF) originated in the Laws of 2000 at $7.000 million/year for three years. The FY 2004-05 budget still includes $4.000 million each year for home visiting added by the Laws of 2001.

The Governor's recommended FY 2004-05 budget is based on a review of all MDH activities and retains those most critical to protecting and improving the health of Minnesotans. Budget reductions occur in both MDH-based activities and grants, and cross all divisions in the Department. Detailed explanations of changes items are described later in this document. Detailed information on the change items "MDH Impact of DHS 5% Ratable Reduction", and "MERC Impact of DHS GAMC/PMAP changes" can be found in the Department of Human Services budget.

	FY 2004-05 Revenues ($000s)		
	General Fund	**Other Funds**	**Total**
FY 2004-05 Current Law Revenues			
Dedicated Revenues—MERC Fund	0	171,514	171,514
Dedicated Revenues—MSR Fund	0	66,753	66,753
Non-dedicated Revenues	0	52,187	52,187
Change Items—Dedicated Revenue			
Health Quality and Access			
MDH--MERC Impact of DHS GAMC/PMAP changes	0	(6,734)	(6,734)
Medical Education and Tobacco Endowment changes	0	16,500	16,500
Change Items—Non-dedicated Revenue			
Health Improvement			
MDH Impact of DHS 5% Ratable Reduction	1,584	0	1,584
Health Protection			
Alcohol and Drug Counselor Regulation	0	461	461
Newborn Screening System	0	5,740	5,740
Swimming Pool Regulation	0	174	174
Occupational Therapist Fee Holiday	0	(440)	(440)
Hearing Instrument Dispenser Regulation	0	(20)	(20)
Plumbing Plan Review	0	1,970	1,970
FY 2004-05 Total Revenues			
Dedicated Revenues—MERC Fund	0	164,780	164,780
Dedicated Revenues—MSR Fund		83,253	83,253
Non-dedicated Revenues	1,584	60,072	61,656
Biennial Change 2002-03 to 2004-05	0	0	0
Dedicated Revenues—MERC Fund	0	36,398	36,398
Dedicated Revenues—MSR Fund		18,436	18,436
Non-dedicated Revenues	1,576	9,851	11,427
Percent Change			
Dedicated Revenues—MERC Fund	0	28.4%	28.4%
Dedicated Revenues—MSR Fund		28.4%	28.4%
Non-dedicated Revenues	>100%	19.6%	22.7%





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	64,284	66,915	68,461	59,722	59,402	119,124
Minnesota Resources	117	15	0	0	0	0
State Government Special Revenue	23,118	21,770	31,714	32,880	32,617	65,497
Health Care Access	10,945	10,196	10,133	6,273	6,273	12,546
Federal Tanf	2,866	5,971	26,029	6,000	6,000	12,000
Solid Waste	213	158	242	0	0	0
Open Appropriations						
Medical Education & Research	31,565	48,920	90,346	71,484	75,862	147,346
Tobacco Use Prevention	14,587	19,363	22,248	0	0	0
Statutory Appropriations						
Drinking Water Revolving Fund	0	490	1,038	522	522	1,044
Special Revenue	39,860	39,141	43,361	49,649	49,547	99,196
Federal	113,537	127,991	153,547	147,615	147,619	295,234
Miscellaneous Agency	109	0	0	0	0	0
Gift	152	92	167	26	26	52
Total	**301,353**	**341,022**	**447,286**	**374,171**	**377,868**	**752,039**

Expenditures by Category						
Operating Expenses	135,304	134,754	183,990	159,540	159,355	318,895
Capital Outlay & Real Property	281	68	4	4	4	8
Payments To Individuals	57,026	61,139	59,200	60,791	60,391	121,182
Local Assistance	108,380	144,631	203,667	153,611	157,893	311,504
Other Financial Transactions	362	430	425	425	425	850
Transfers	0	0	0	-200	-200	-400
Total	**301,353**	**341,022**	**447,286**	**374,171**	**377,868**	**752,039**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Program	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Health Improvement	166,297	187,355	226,774	173,778	172,898	346,676
Health Quality And Access	59,337	75,848	122,262	107,485	111,809	219,294
Health Protection	54,842	57,651	75,000	70,288	70,547	140,835
Management & Support Services	20,877	20,168	23,250	22,620	22,614	45,234
Total	**301,353**	**341,022**	**447,286**	**374,171**	**377,868**	**752,039**

Revenue by Type and Fund						
Non Dedicated						
General	33	5	3	767	817	1,584
State Government Special Revenue	20,757	24,450	25,751	29,782	30,290	60,072
Health Care Access	0	20	0	0	0	0
Subtotal Non Dedicated	20,790	24,475	25,754	30,549	31,107	61,656
Dedicated						
Drinking Water Revolving Fund	0	490	1,038	522	522	1,044
General	18	0	0	0	0	0
Special Revenue	33,129	32,779	32,038	36,828	33,325	70,153
Federal	120,639	130,841	155,111	153,619	153,623	307,242
Medical Education & Research	41,382	54,871	73,511	80,388	84,392	164,780
Miscellaneous Agency	126	109	175	175	175	350
Gift	86	32	26	26	26	52
Subtotal Dedicated	195,380	219,122	261,899	271,558	272,063	543,621
Total Revenue	**216,170**	**243,597**	**287,653**	**302,107**	**303,170**	**605,277**

Full-Time Equivalents (FTE)	**1,246.2**	**1,236.8**	**1,371.8**	**1,360.3**	**1,358.8**

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($3,182)	($3,582)	($3,582)	($3,582)
Revenues	0	0	0	0
Other Fund –				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($3,182)	($3,582)	($3,582)	($3,582)

Recommendation

The Governor recommends reducing agency-wide operational expenses by $3.182 million in FY 2004 and $3.582 in FY 2005. This includes a reduction of 20.3 FTEs.

Background

Each Bureau within the department has identified areas to reduce or eliminate administrative operations. Some of these reductions were first identified and implemented in response to the Laws of 2002, Chapter 374, in which the legislature required executive branch state agency operating budgets to be reduced by an aggregate amount of $58 million. MDH was allocated $1.738 million, and made these reductions in the General Fund in FYs 2002 and 2003. Additional operational reductions have been identified for the FY 2004-05 biennium.

Agency-wide management and support ($1.139 million each FY)—Management positions within Environmental Health; Infectious Disease Epidemiology, Prevention and Control; Health Promotion and Chronic Disease; Facility and Provider Compliance; the Executive Office; Human Resources; and District Office Oversight will be eliminated. The funds available to the Commissioner's Office for contracts will be reduced.

Vital Records System ($88,000 each FY)—Two positions that support "walk-up" customers seeking birth and death records will be eliminated and those citizens will be directed to the communities or the MDH web site for issuance of these documents.

Vaccine Outbreak Fund ($197,000 each FY)—Funds used as a "ready" resource to respond to a vaccine-preventable disease outbreak (e.g. measles, hepatitis A, meningitis) and, in the absence of outbreaks, for use in adult populations (e.g. hepatitis B vaccine for high risk adults seen in HIV/STD clinics) will be eliminated.

Food Safety Program ($313,000 each FY)—One position that supports curriculum development and technical assistance for schools will be eliminated. The development and distribution of consumer education materials will be eliminated. A half position that provides technical support for state and local food safety programs will be eliminated.

Fetal Alcohol Syndrome Program ($725,000 each FY)—One position and the research component to determine better diagnostic criteria for children will be eliminated. The public awareness campaign and professional educational activities will be significantly reduced. The grant component of this program is included in the grant redesign recommendation.

MCSHN Treatment and Operations ($720,000 in FY 2004, $1.12 million in FY 2005)— The Minnesota Children with Special Health Needs (MCSHN) Treatment program has a long history of serving children with special health needs and was one of the first safety net programs, preceding Medicaid by over twenty years. With subsequent Medicaid income eligibility expansions and the advent of other safety net programs, the focus of the treatment program moved from children with physical disabilities to supporting children with chronic illness or children who have significant one-time needs (such as hearing aids).

Increasing medical costs and a growing number of families requesting services have put continuous pressure on finite MCSHN treatment dollars, enabling this program to serve only 3% of the eligible population. In addition, providing direct reimbursement for medical care is more traditionally a service provided by the Department of Human Services.

Elimination of program funding is phased over two biennia since providers can bill up to one year after the date of services.

Relationship to Base Budget

This recommendation represents a 14% reduction in the department's operating budget. Operating reductions identified in the grant redesign recommendation bring the total to 17% of the FY 2004-05 operating base budget.

Key Measures

The activities being reduced in this proposal are administrative in nature—how staff support the activities of one another and the operations of the department. As FTEs are eliminated, but oversight functions remain, the overall output of the remaining staff will be reduced.

Several activities being reduced in this proposal will impact the way in which services are delivered to the public—specifically the "walk-up window" for vital records. The public will be inconvenienced until they become familiar with the new web-based system. (In addition, copies of all vital records may be obtained in each county.)

Several more activities being reduced in this proposal will impact the level of services delivered: less consumer education, less assistance to local units of government or other state agencies, less reimbursement for medical services.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($4,088)	($4,088)	($4,088)	($4,088)
Revenues	0	0	0	0
Other Fund TANF				
Expenditures	(3,000)	(3,000)	(3,000)	(3,000)
Revenues	0	0	0	0
Net Fiscal Impact	($7,088)	($7,088)	($7,088)	($7,088)

Recommendation

The Governor recommends the grant administration and allocation process at the Department of Health be redesigned to build on partnerships with local public health, better target local priorities, and focus on results and accountability. 13 categorical grants will be consolidated into a single grant. Total grant funds will be reduced by $3.338 million in general funds and $3 million in TANF funds in each fiscal year. In addition, MDH-based activities will be reduced by $750,000 each fiscal year and 11.5 FTEs will be eliminated.

Background

The department administers a variety of grants whose primary purposes are related to meeting government responsibilities for public health protection and improving the health status of low-income and/or high-risk mothers and children. Consolidating 13 separate but related grants into one formula-based grant program will achieve streamlined administrative activities, reduce redundant and burdensome categorical grant requirements, and minimize the overall impact of funding reductions. The resulting flexibility will allow local public health agencies and tribal governments to direct limited but reduced resources to community-identified priorities and services. Existing statutory requirements of the Community Health Services (CHS) Subsidy and the Maternal and Child Health (MCH) Block Grant will provide the framework for this proposal. Accountability measures will shift from the current administrative requirements to a focus on results.

This proposal, the Local Public Health Grant, is based on the framework established in M.S. 145A [Local Public Health Act] and 145.88 [Maternal and Child Health].

The Community Health Service Subsidy was created in 1976 and distributes funding to Community Health Boards for activities designed to protect and promote the health of the general population. Program categories include disease prevention and control, emergency medical care, environmental health, family health, health promotion and home health care. Currently there are 51 Community Health Boards receiving $19,112,000 annually. Additional state, federal and local funds support local activities designed to protect the public from infectious disease outbreaks, public health threats from natural occurrences such as flooding or tornados and terrorist incidents. These local activities are aligned with complementary activities at the state level.

The Maternal and Child Health Special Projects grant program was created in 1985 to distribute Minnesota's share of the federal MCH Title V Block Grant. Currently a total of $7.5 million (approximately $6.5 million in federal MCH Block Grant funds and $1 million in state general revenue) is distributed through a formula to Community Health Boards (CHBs). These funds are targeted to improving the health and well being of Minnesota mothers and children. Funds are directed at the highest at-risk populations (particularly low-income and minority populations) in four specified areas: improving pregnancy outcomes, reducing unintended pregnancies, early identification and intervention for children with handicapping conditions/chronic illness, and reducing childhood injury.

The individual grant programs identified for consolidation in this grant are congruent with the priorities and purposes of community health boards as defined in the CHS Act and the MCH Block Grant. Funds will be distributed to Community Health Boards utilizing a single formula. $2,000,000 of the consolidated grant funds will be allocated directly to Tribal Governments for targeted health purposes.

Relationship to Base Budget

Current funding for the grant programs included in the consolidation proposal are identified below. In addition, $750,000 annually will be reduced from MDH-based activities and 11.5 FTEs will be eliminated.

Grant Program	General Fund 2004-2005	TANF 2004-2005	Federal 2004-2005	Total FY 2004-2005
CHS Subsidy	$38,224,000			$38,224,000
Bioterrorism			$10,165,000	$10,165,000
MCH Block Grant	$2,000,000		$13,000,000	$15,000,000
WIC	$7,380,000			$7,380,000
Infant Mortality	$200,000			$200,000
Lead Safe Housing	$50,000			$50,000
Family Home Visiting	$2,088,000	$8,000,000		$10,088,000
Suicide Prevention	$2,050,000			$2,050,000
FAS Prevention	$1,700,000			$1,700,000
Youth Risk Behavior		$4,000,000		$4,000,000
MN ENABL		$2,000,000		$2,000,000
EHD – Tribal Grants	$1,000,000			$1,000,000
EHD-RHITB	$500,000			$500,000
Subtotal	$55,192,000	$14,000,000	$23,165,000	$92,357,000
Reduction	$6,676,000	$6,000,000		$12,676,000
Local Public Health Grant	**$48,516,000**	**$8,000,000**	**$23,165,000**	**$79,681,000**

Key Measures

The department will continue to track federally or state required outcomes to monitor the overall impact on the health and well-being of Minnesotans and develop results oriented accountability measures.

Alternatives Considered

The department reviewed all expenditures when preparing reduction proposals for the FY 2004-05 budget. Alternatives included choosing specific grant funds to reduce. This approach combines grants with related purposes and constituencies into one rather than 13 grants. In the Local Public Health grant, the reductions will be spread proportionately across the Community Health Boards by formula, with funding decisions to be made at the local level based on community priorities. This recommendation reflects our effort to streamline administrative activities, reduce redundant and burdensome categorical grant requirements and increase the focus on program results.

Statutory Change: M.S 145.88; 145A.; 144.9507 Subd. 3; 145.928 Subd 9 and 10; 145A.17; 145.56; 145.9265; 145.9266;

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($1,966)	($1,966)	($1,966)	($1,966)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($1,966)	($1,966)	($1,966)	($1,966)

Recommendation

The Governor recommends a reduction in General Fund appropriations of $1.966 million each fiscal year as a result of reducing Rural Hospital Capital Improvement Grants and Eliminating Health Disparity Planning Grants, and from eliminating two grants that support the long term care industry: Transition Planning Grants and Quality Demonstration Grants.

Background

The **Long Term Care Home Transition Planning Grant Program** provides support to nursing homes to analyze their specific circumstances and plan their response to a changing environment. Applications and grant awards have decreased from the first year of funding to the second. In addition, the average grant award has been $15,000 vs. $30,000 originally anticipated. This proposal will eliminate the Transition Planning Grant program.

The **Long Term Care Quality Demonstration Grant Program** was designed to support nursing home innovations in quality. In FY 2002, the department awarded 10 grants out of 45 applications. The proposals received by MDH have been similar to those received by a grant program at the Department of Human Services that funds *improvements* in nursing homes. Most proposals received by MDH have not been truly innovative or focused on *quality* improvement, but have been seeking funds to replicate known strategies or buy equipment. This proposal will eliminate the Quality Demonstration Grant program.

The **Eliminating Health Disparities Initiative (EHDI**) was created in 2001 to address the serious disparities in health status between Minnesota's American Indians and populations of color and the majority white population. The Initiative contains both planning grants and implementation grants. The purpose of the planning grants is to assist communities in the planning stages with assessment, coordination, and development of community strategies. This proposal will eliminate this component of the EHDI.

Rural Hospital Capital Improvement Grants support rural hospitals with 50 or fewer beds. Grant funds are used to update, remodel, or replace aging hospital facilities and equipment necessary to maintain the operations of small rural hospitals. This proposal will reduce the funding level for these grants.

Relationship to Base Budget

Base funding for the LTC Transition Planning Grant and the Quality Demonstration Grant is $500,000 for each program. This recommendation continues the Governor's FY 2003 supplemental budget recommendation to eliminate these two grant programs.

Base funding for the EHDI community grants is $3.6 million. The planning grant component of $400,000 will be eliminated.

Base funding for Rural Hospital Capital Improvement Grants is $2.12 million General Funds and $233,000 in Intergovernmental Transfer (IGT) revenue. These two funding streams will be combined into the General Fund and reduced by $566,000.

Key Measures

- The extent to which nursing home grantees implement the plans developed with grant funds and modify their services to meet changing community needs will no longer be measured.
- Reductions in health disparities will continue to be measured.

- Urgent, unmet capital improvement needs among small rural hospitals will continue to be addressed, but at reduced levels.

Alternatives Considered

The department reviewed all expenditures when preparing expenditure reduction proposals for the FY 2004-05 budget. This recommendation reflects our effort to protect funding for public health priorities and activities that are core to the department's mission.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund—Health Care Access				
Expenditures	($1,101)	($1,101)	($1,101)	($1,101)
Revenues	0	0	0	0
Net Fiscal Impact	($1,101)	($1,101)	($1,101)	($1,101)

Recommendation
The Governor recommends reducing Health Care Access Fund appropriations by $1.101 million each fiscal year as a result of grant and operations reductions in the Department of Health. 5.8 FTEs will be eliminated.

Background
The Health Care Access Fund supports the Office of Rural Health and Primary Care, Health Economics, and Data Analysis, to ensure access to health care for all Minnesotans. We will continue to focus on our core functions in these areas—ensuring access to health care for rural Minnesotans, workforce development programs, and ensuring quality data and quality reporting on costs, quality, access and utilization of health care in Minnesota. The following areas will be reduced.

The Office of Rural Health and Primary Care ($87,000)—One position that supports both the Rural Health Advisory Committee and rural health special studies will be eliminated; and contract funds that support physician recruitment will be reduced.

Health Policy and Systems Compliance Division ($293,000)—Division-wide oversight and support will be reduced.

Health Care Risk Adjustment ($108,000)—MDH has worked with DHS in recent years to develop risk adjustment models for setting capitated payment amounts for health insurance. Funding for this activity will be eliminated.

The Minnesota Health Data Institute ($113,000)—The Institute has dissolved and the funding which supported the organization will be eliminated.

The Rural Continuing Education Grant Program ($250,000)—This program was created by the Legislature in 1993 at a time when Minnesota (particularly rural Minnesota) was experiencing a shortage of nurse practitioners. The statewide supply of nurse practitioners has increased substantially in recent years. In some years, in fact, the supply of nurse practitioners seeking jobs in rural Minnesota has exceeded the number of openings available. Continuing to increase the number of nurse practitioners in rural Minnesota is a worthy goal. However, this reduction recognizes that more severe and immediate workforce shortages exist in other health-related fields.

Isolated and Rural Hospital Transition Grants ($150,000)—These two grant programs are similar enough to be combined into one Rural Hospital Grants program, at a reduced level, with considerations for both financial need and project merit. The Isolated Hospital Grant currently provides assistance to remote, financially troubled hospitals. The Rural Hospital Transition Grants support small rural hospitals to plan and adapt to change.

Health Professional Loan Repayments ($100,000)—The Rural Physician Loan Repayment, Midlevel Practitioner Loan Repayment, and Nurses Loan Repayment programs will be combined to streamline them and make them more market responsive.

Relationship to Base Budget
Overall, this recommendation reflects a 15% reduction in Health Care Access funds.

- Base funding for the Rural Continuing Education Grant is $250,000. This grant will be eliminated.

- Base funding for the Isolated Hospital Grant is $200,000 and the Rural Hospital Grant is $250,000. These two grants will be reduced by $150,000.
- Base funding for workforce development loan and grant programs is $1.454 million. $100,000 will be reduced from the following three programs: Rural Physician Loan Repayment ($675,000), Midlevel Practitioner Loan Repayment ($105,000), and Nurses Loan Repayment ($60,000).

Key Measures

- Viability of rural hospitals
- Health care workforce shortages in rural Minnesota
- Useful and timely data and information on the health care system

Alternatives Considered

The department reviewed all expenditures when preparing expenditure reduction proposals for the FY 2004-05 budget. This recommendation reflects our effort to protect funding for public health priorities and activities that are core to the department's mission.

Statutory Change: M.S. 62J.451-2; M.S. 144.1494; M.S. 144.1496-7; M.S. 144.1484

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund (100)				
Expenditures	0	0	0	0
Transfer-In	$4,000			
Special Revenue Fund (200)				
Expenditures - MERC	$8,250	$8,250	$8,250	$8,250
Expenditures - Tobacco	$1,700	$1,700	0	0
Revenues – MERC	$8,250	$8,250	$8,250	$8,250
Revenues – Tobacco	$3,400	0	0	0
Medical Education/Tobacco Endowment (561/562)				
Expenditures – Tobacco	($24,305)	($24,250)	($23,303)	($24,255)
Expenditures – Tobacco	($7,400)			
Expenditures – MERC	($8,927)	($8,623)	($8,425)	($8,634)
Revenues	0	0	0	0
Net Fiscal Impact	($15,032)	($14,673)	($15,228)	($16,389)

Recommendation

The Governor recommends dedicating 2.5-cents of the cigarette tax to replace endowment funding for medical education and research costs (MERC). These funds will be deposited in a special revenue account and the existing balance and activity will be transitioned to the special revenue account. These funds will be available for expenditure by the Department of Health.

Further, the Governor recommends eliminating the appropriation from the Tobacco Use Prevention Endowment, transferring $4 million to the general fund, and transferring the remaining balance to the special revenue fund. This amount is estimated to be $3.4 million and will be expended on intervention projects. Additional information on the elimination of the tobacco use prevention endowment and the medical education endowment can be found in the state and local finance budget book.

Background

The MERC fund was established to address the increasing financial difficulties of facilities providing graduate medical education in Minnesota. Eligible grantees are 'sponsoring institutions' that are financially or organizationally responsible for one or more accredited training programs operating in Minnesota. Funds are currently distributed to 18 sponsoring institutions, with 80% of the funds being distributed to the Academic Health Center and the Mayo Foundation. Medical Education Endowment appropriations (and corresponding federal match) represented 28% of MERC fund resources in FY2002-03. While appropriations were set at the maximum amount allowed in law (5% of the fair market value of the fund), market volatility makes the value of future appropriations very uncertain.

Tobacco Use Prevention and Local Public Health endowment expenditures target youth tobacco use and youth risk behaviors through statewide activities (including Target Market) and local intervention activities. In anticipation of reduced endowment appropriations resulting from significant stock market volatility, MDH began setting aside funds in fiscal years 2002 and 2003, and set program funding levels that could be maintained between declining endowment appropriations and funds held in reserve. Strategies put in place in the past three years have yielded significant reductions in the use of tobacco products by youth. To continue the successful efforts of a few selected communities, the Governor recommends funding a targeted, two-year Minnesota Youth Tobacco Prevention Program, which would focus on youth ages 12 to 14 and would fund state/local partnership intervention projects in selected areas.

Relationship to Base Budget

Medical Education Endowment appropriations for FY 2004-05 are forecasted to be $17.6 million. These appropriations will be replaced with a 2.5-cent dedication of the cigarette tax, yielding $16.5 million for the biennium. While cigarette tax revenue for MERC will be 6.3% less than forecasted endowment appropriations, overall funding for MERC in FY 2004-05 will increase.

Under current statute, base funding for tobacco prevention and youth risk behavior activities is from the Tobacco Use Prevention and Local Public Health endowment. Forecasted appropriations from this fund are $24.305 million in FY04 and $22.550 million in FY05. This funding will be eliminated beginning in fiscal year 2004. Of the remaining balance in the fund, $4 million will be transferred to the General Fund, and $3.4 million will be transferred to the Special Revenue Fund for a targeted, two-year tobacco prevention program.

Statutory Change: M.S. 62J.694, M.S. 144.395, M.S. 144.396.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$1,150	$1,150	$1,150	$1,150
Revenues	0	0	0	0
Net Fiscal Impact	$1,150	$1,150	$1,150	$1,150

Recommendation
The Governor recommends a General Fund appropriation of $1.15 million each fiscal year to maintain the current funding level for the statewide Minnesota Poison Control System.

Background
The Minnesota Poison Control System operates statewide 24 hours a day, 365 days a year and provides immediate information and treatment advice about poisonings and toxic exposures to the general public. It also provides information to Minnesota health professionals who care for poisoned patients and provides a variety of public education activities around the state that inform the public about when and how to call the poison center, how to prevent poisonings, and how to provide first aid in a poisoning situation. The system responds to requests from the general public and health care professionals at no cost to the caller. The Minnesota Poison Control System receives approximately 44,000 poisoning exposure calls and 18,000 information calls each year, the majority of which involve children and youth. Minnesota uses the national poison control hotline number (1-800-222-1222), which routes phone calls to the center that takes calls for the caller's geographic area.

A national study in 1997 documented that every dollar spent on poison centers saves an estimated $6.50 in medical spending, mainly by eliminating the need for emergency department care for cases that can be managed safely at home. In Minnesota, the poison control system saves almost $9 million each year for health plans, purchasers, and risk-bearing providers.

Relationship to Base Budget
The Minnesota Poison Control System is funded in FY 2003 by the General Fund ($1.36 million), the host organization ($428,000), a federal grant ($230,000), and the state 9-1-1 fund ($50,000 that ends in FY 2003). The 2001 Legislature did not extend General Fund support for the system beyond the FY 2002-03 biennium. Total annual funding for the system currently is $2,068,000, which is below the national average (based on population and expected number of calls) of $2,574,000.

This recommendation maintains funding for the poison control system at FY 2003 levels, and replaces a portion of general funds with federal bioterrorism grant funds.

Key Measures
Health outcomes related to this proposal include:
- All Minnesotans will continue to have access to specialized and efficient poison control services.
- The unnecessary use of emergency treatment services for poison exposures will continue to be minimized.
- Savings to the health care system of almost $9 million per year.

Alternatives Considered
If state funding were no longer provided to the Minnesota Poison Control System, the host organization would not be able to continue operating a statewide system. Callers to the national poison control hotline number would reach a recording stating that there is no poison control center in their area and advising them to hang up and call 911. If Minnesota had no statewide poison control center, treatment costs for poison exposures would increase and there would be no centralized access to specialized expertise regarding poison control. Delayed and less expert treatment of poison exposures would likely result in preventable death and disability.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund – State Government Special Revenue				
Expenditures	0	0	0	0
Revenues	$226	$235	$235	$235
Net Fiscal Impact	$226	$235	$235	$235

Recommendation
The Governor recommends additional revenues in the State Government Special Revenue Fund of $226,000 in FY 2004, and $235,000 in FY 2005 from increasing the license fee for the Alcohol and Drug Counselor regulation program to cover an accumulated and structural deficit in the program's operation.

Background
In 1994 the department was charged with the responsibility of developing a licensure process for alcohol and drug counselors. The start-up phase lasted until 1998 when the program first began licensing counselors. During the start-up phase, expenditures were being incurred. The fee was originally established to recover these start-up costs. However, the number of licensees is far fewer than anticipated, and fees are not sufficient to neither recover the deficit nor recover annual program costs. Now that the program has been in existence for several years, the department has a better understanding of both the number of practitioners and the associated revenue and the expenses that must be incurred to operate the program. This proposal would increase the fee to recover annual operating costs and establish a temporary surcharge to recover the accumulated deficit.

Relationship to Base Budget
The fee increase for the Alcohol and Drug Counselor program will be an on-going fee increase and will support the existing activities of the program. Current fee revenues are estimated to be $270,000 in FY 2004. The licensure fee increase will add $54,000 in revenues, and the surcharge will add $172,000 in revenues. The surcharge will expire after six years.

Key Measures
The Alcohol and Drug Counselor program is able to process licenses for practitioners and respond to citizen complaints in a timely manner.

Alternatives Considered
Expenses have been reduced as much as possible. The surcharge could be spread over 10 years instead of six, reducing the annual amount assessed and collected.

Statutory Change: yes

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund—State Government Special Revenue				
Expenditures	0	0	0	0
Revenues	($78)	$58	$58	$58
Net Fiscal Impact	($78)	$58	$58	$58

Recommendation
The Governor recommends a revenue reduction of $78,000 in FY 2004 from the suspension of certification application and renewal fees for one year for the Hearing Instrument Certification system. In addition, the Governor recommends a revenue increase of $58,000 in FY 2005 from a fee adjustment to fully recover the costs of regulating and so that all practitioners pay the same amount for each type of fee.

Background
Hearing Instrument Dispenser regulation began in 1988. Certification fees were adjusted and a surcharge fee was enacted in 1998 to recover accumulated deficits attributable to a contested case hearing, examination development costs and a high rate of consumer complaints about dispensing activities. Based on the higher number of complaints, investigations and enforcement actions against non-audiology dispensers, fee differential s were created for audiology and non-audiology dispensers. The surcharge expires automatically in FY 2003, and there will be a projected account surplus of $179,000.

In addition, current fees (without the surcharge) are not fully recovering the cost of regulating hearing instrument dispensers. Since complaints are now about the same for audiology and non-audiology dispensers, the fees will be set at a level that equalizes the fee structure between the two dispenser groups, and fully recovers costs. Therefore, a fee reduction for non-audiology dispensers and a fee increase for audiology dispensers is necessary. Both will have a fee holiday for FY 2004 to spend down the accumulated surplus.

Overall, both audiology dispensers and non-audiology dispensers will benefit from the fee holiday. The fee adjustment will involve a fee reduction for non-audiology dispensers and a small fee increase for audiology dispensers.

Relationship to Base Budget
The fee suspension for certification applications and renewals will be for one year. In the second year of the biennium, fee adjustments will be ongoing and expected to produce revenues to approximate the ongoing estimated costs of regulating hearing instrument dispensers.

Key Measures
The Hearing Instrument Dispenser Certification system is able to issue credentials, investigate consumer complaints and take enforcement actions in a timely manner.

Alternatives Considered
Taking no action would increase the account surplus and perpetuate a fee inequity between audiologist and non-audiologist dispensers that is no longer justified.

Statutory Change: M.S.153A.17.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund-State Government				
Special Revenue Fund				
Expenditures	0	0	0	0
Revenues	($220)	($220)	0	0
Net Fiscal Impact	($220)	($220)	0	0

Recommendation
The Governor recommends reducing revenues in the State Government Special Revenue (SGSR) fund by $220,000 in each fiscal year as a result of suspending the licensure fee for the Occupational Therapy program for one biennium.

Background
The fees collected for the regulation of Occupational Therapists have been more than expenditures and a surplus has accumulated in the fund. Annual fee collection and annual expenditures are now in line with one another, but the surplus is large enough to support a fee holiday for the next biennium.

Relationship to Base Budget
The fee suspension for the Occupational Therapist regulation will be for one biennium, FYs 2004-05 only.

Fee revenues collected by the program are deposited to the fund; they are not dedicated to the department. The department receives a direct appropriation from the SGSR fund to support its activities. This fee holiday will not impact MHD appropriations.

Key Measures
The Occupational Therapy program is able to process licenses for practitioners and respond to citizen complaints in a timely manner.

Statutory Change: none, rider language only.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund—Future Resources				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor has recommended the elimination of the dedicated funding for the Future Resources Fund. The Governor is not making specific recommendations on LCMR projects at this point, but intends to provide a statement of the administration's priorities for Environmental Trust Fund projects at a later time. This change item is shown in the MDH budget for informational purposes.

Background

The Legislative Commission on Minnesota Resources is recommending two proposals at the Department of Health.

Healthy Schools: Indoor Air Quality and Asthma Management: $198,000 from the Future Resources Fund to assist school districts with developing and implementing effective indoor air quality and asthma management plans.

Economic-based Analysis of Children's Environmental Health Risks: $100,000 from the future Resources Fund to assess economic strategies for children's environmental health risks.

Relationship to Base Budget

There is no base funding for these projects.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures				
Revenues	0	0	0	0
Other Fund (SGSR)				
Expenditures	$3,045	$2,727	$2,727	$2,727
Revenues	2,870	2,870	2,870	2,870
Net Fiscal Impact	($175)	$143	$143	$143

Recommendation

The Governor recommends an increased appropriation of $3.045 million in FY 2004, and $2.727 million in FY 2005 from the State Government Special Revenue Fund to continue and enhance the Newborn Screening Program. This appropriation will be offset by a $40.00 increase to the newborn screening fee to cover both one time and ongoing program costs.

Background

Each year 70,000 infants born in Minnesota are screened shortly after birth to detect rare heritable and congenital (present at birth) medical conditions. The newborn screening system is designed to detect and treat these medical conditions as early as possible. By detecting these conditions soon after birth, treatment can begin that will prevent chronic illness, physical disability, mental retardation, developmental problems, or infant death.

Screening in Minnesota began in 1965 with a test for phenylketonuria or (PKU). PKU is an enzyme deficiency that results in mental retardation unless the baby is started on a specialized diet soon after birth. Recognition that the cost of testing was far less than the cost of caring for a mentally retarded or disabled person supported the adoption of four additional disorders for screening, including: congenital adrenal hyperplasia, congenital hypothyroidism, galactosemia, and hemoglobinopathies, such as sickle cell anemia and thalassemia.

These conditions are so rare that most physicians lack familiarity and expertise needed to diagnose and treat these disorders. In addition, treatment may require multiple services that are often provided by a patchwork of agencies, both public and private, and some resources may not be available locally for the management of such rare disorders. An important role of public health is to assist families in accessing appropriate treatment and other services that might benefit them before the onset of symptoms. This proposal will enhance the ability of providers and families to manage their child's health care needs.

The science of newborn screening is evolving at a rapid pace. In 1999 the Minnesota Legislature appropriated funding to purchase advanced equipment called tandem mass spectrometry (TMS). TMS makes it possible to expand the number of medical conditions screened and to screen for multiple conditions using a single test. A pilot test of this technology is currently underway.

During the first year of the pilot study, twenty-seven infants were diagnosed with one of the thirty disorders included in the expanded screen. Without newborn screening, these infants could have been subject to countless tests once symptoms developed; needed lengthy stays in neonatal intensive care units; and suffered serious delays in diagnosis and treatment. The clinical outcome for the disorders identified would have been mental retardation, disability, and death.

The Mayo Clinic's Biochemical Genetics Laboratory (BGL) Scientists have closely collaborated with MDH and have provided technical assistance instrumental to the success of the pilot. Building on this close collaboration, this proposal includes a public-private partnership with Mayo and MDH to enhance Minnesota's Newborn Screening Program. Mayo would screen for thirty medical disorders using TMS. Using alternative technology, MDH would adopt new screening tests for two added medical conditions and would continue to screen for four of the five currently screened disorders. MDH would maintain overall responsibility for the screening program: set and collect fees; receive and distribute specimens for analysis; notify physicians of presumptive positive results; and provide follow-up to assure infants are connected with specialty care.

This public-private partnership will build on the scientific expertise of both partners; enhance screening using advanced technology; reduce rate of false positive results and consequently minimize the medical, emotional, and financial costs to the families and the health care system; facilitate a rapid expansion of conditions screened when the benefits of newborn screening have been well documented; and improve the quality of provider and public education. This unique public-private partnership will place Minnesota at the forefront of national discussions of NBS standards.

Relationship to Base Budget

The Governor recommends a fee increase of $40.00 per newborn and an increased appropriation. This fee was last raised in 1998 from $13.00 to $21.00. The Newborn Screening Program Advisory Committee supports the proposed $40.00 fee increase.

Screening Component ($1.077 million): includes specimen processing, laboratory analysis, and notification of physicians and families of presumptively positive screening results.
Follow-up and Assuring Access to Care Component ($571,000): includes locating families, improving provider and family education; and helping physicians and families locate specialty services before the onset of symptoms.

⇒ *Mayo Component ($1.397 million):* annual contract with the Mayo Clinic to screen for the 30 disorders utilizing TMS.

Key Measures

This change item will provide the revenue needed for MDH to improve health outcomes for Minnesota newborns by increasing the number of treatable medical conditions identified and confirmed as positive.

Number of newborns identified with treatable disorders per year

Historical 1993-2000	Actual 2001	**Target 2002**	**Expanded Screening Target 2003**	**Without Expanded Screening Target 2003**	**Expanded Screening Target 2004**	**Without Expanded Screening Target 2004**
32-50 (range)	58	**~65 to ~75**	**~65 to ~75**	**~32 to ~50**	**~175 to ~210**	**~32 to ~50**

Source: Public Health Laboratory, Minnesota Department of Health

Alternatives Considered

Without the expanded newborn screening, these infants would be subjected to: countless tests once symptoms developed; lengthy stays in neonatal intensive care units; a serious delay in diagnosis and treatment; and permanent harm. The opportunity would be lost to save 175 babies born in Minnesota annually from suffering permanent disability or death.

Statutory Change: M.S. 144.125, M.S. 144.126, M.S. 144.128

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund – SGSR				
Expenditures	$834	$884	$884	$884
Revenues	985	985	985	985
Net Fiscal Impact	$151	$101	$101	$101

Recommendation
The Governor recommends that the State Government Special Revenue Fund appropriations be increased by $834,000 in FY 2004 and $884,000 in FY 2005 to provide adequate resources for the department's plumbing plan review activity. In addition, the Governor recommends that the appropriation increases be offset by a $985,000 increase in fee revenues.

Background
Currently, all plumbing plans submitted to MDH are reviewed for compliance with Minnesota Rules Chapter 4715 (Minnesota Plumbing Code). Plan review helps identify potential problems in a plumbing system before it is installed. MDH conducts inspections of plumbing installations in public and commercial projects. In addition, MDH is responsible for inspecting *plumbing systems for all state facility projects and MDH-licensed facilities*. Only about 20% of the plumbing systems for public facilities submitted to MDH for review are inspected.

At present, there is no fee for plan review activities. Current activities have been subsidized by other funding sources, which will not be adequate in the next biennium to provide inspection services for all state facility projects and MDH-licensed facilities. This proposal will establish a new fee category for plan review, allowing plumbing program activities to continue at their present level. In addition, the current plan review program staff will be increased by one to provide faster plan review by MDH.

To learn more about this program, see the web site at http://www.health.state.mn.us/divs/eh/plumbing/.

Relationship to Base Budget
The current annual budget for these activities is approximately $1.5 million. The entire program, which is being expanded by one plan review staff, will cost $1.623 million for each year of the FY 2004-05 biennium. A plan review fee would provide an increase of $884,000 in funding for plan review and some inspection activities. Costs for plan review and inspection would be borne directly by plumbers, designers or owners of facilities proposing construction.

Key Measures
- Number of plumbing plan reviews conducted.
- Number of inspections conducted state wide.

Alternatives Considered
- Increasing the number of cities that have plan review agreements with MDH, to reduce the number of plans received by MDH.
- Providing inspection services through contract inspectors similar to those who do electrical inspections.

Statutory Change
This would affect M.S. 326, which would be amended to reflect the necessary changes.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund - SGSR				
Expenditures	$70	$75	$75	$75
Revenues	87	87	87	87
Net Fiscal Impact	$17	$12	$12	$12

Recommendation
The Governor recommends that the State Government Special Revenue Fund appropriations be increased by $70,000 in FY 2004 and $75,000 in FY 2005 to provide adequate resources for the department's pool plan review and inspection activity. In addition, the Governor recommends that the appropriation increases be offset by an $87,000 increase in fee revenues.

Background
The purpose of this program is to protect public health by ensuring proper design, construction, maintenance, and operation of public swimming pools and spas, such as those at schools, hotels, and municipal facilities. Conditions that pose a health risk that can be averted by plan review include drowning, falls, infection, and transmission of disease. MDH provides public pool and spa plan review and construction inspections throughout Minnesota. Staff of this program have a variety of responsibilities, including the review of plans and specifications for construction of public swimming pools and spas, and the inspection of each prior to use.

The MDH pool program is an effective means to ensure health protection through comprehensive, consistent oversight for construction of public pools and spas. Staff also provides technical assistance to the public and state and local officials on issues related to pool safety and sanitation. Ensuring adequate funding allows program services to continue to be provided.

Plan review and inspection fees are currently required for public pool construction. However, the present fee level does not support the staffing required to carry out the required activities. This proposal will increase the current fee and establish a new fee for reviewing variance proposals, which require as much time to process as a plan review. Costs for plan review, inspection, and variance requests would be borne directly by owners, designers or by the facilities proposing construction.

To see more about this program, see the web site at http://www.health.state.mn.us/divs/eh/pools/index.html.

Relationship to Base Budget
The current annual budget for these activities is approximately $50,000. The proposed budget of $120,000 would provide adequate funding for the single staff person and associated clerical support. An increase in fees for plan review and the establishment of a variance request review fee would fund the proposed activities. Fees for plan review; variances and construction inspection are currently in rule and will be set in statute.

Key Measures
Number of inspections completed and relative changes in plan review service.

Alternatives Considered
An alternative to this recommendation would be to reduce the level of program services.

Statutory Change
This would affect M.S. 144.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Transfer-In	$3,000	0	0	0
Other Fund – State Government Special Revenue				
Expenditures	0	0	0	0
Transfer Out	($3,000)	0	0	0
Net Fiscal Impact	0	0	0	0

Recommendation
The Governor recommends a one-time transfer of $3 million of revenues collected in the State Government Special Revenue (SGSR) fund to the General Fund. This amount represents revenues collected over time by fee programs operating in the SGSR fund to offset earlier deficits incurred in the General Fund.

Background
Individual fee-based programs at MDH are managed to that each program stays in fiscal balance over time. However, in order to avoid changing all fees every ear, fees are set to over-recover costs for a period of time, break even, and then under-recover for a period of time.

Prior to fiscal year 1994, MDH fee-based programs operated out of the General Fund. Fee revenues collected at that time were deposited into the General Fund and corresponding appropriations to support these programs were made from the General Fund. In fiscal year 1994, the legislature moved these fee-based activities to the SGSR fund, and required these programs to support and sustain their operations.

In 1994 when the legislature moved the fee programs to the SGSR fund, several fee programs had been under-recovering their costs, resulting in a deficit. At this time fees in these programs were adjusted to fully recover current operating costs and the previous deficit. These funds have been deposited in the SGSR fund.

Relationship to Base Budget
MDH fee revenue is deposited as non-dedicated revenue to the SGSR fund. This means that the revenues are not dedicated to the department, but are resources of the fund. MDH receives direct appropriations out of the fund. This transfer to the General Fund will not negatively impact MDH program operations or those of any other agency operating out of this fund.

Key Measures
This transfer will not impact outcome measures of individual fee-based programs.
The transfer will reduce the operating capital of the SGSR fund.

Alternatives Considered
The Fund has a positive cash balance. This revenue could remain in the SGSR fund. However, without these resources in the fund, MDH will be responsible for maintaining these account so that the entire fund remains in balance.

Statutory Change: none, rider language only

Grant Name	Purpose	Recipients	Budgeted State Funds FY 2003	Budgeted Federal Funds FY 2003
Program: Health Improvement **Budget Activity: Community Health**				
Community Health Services Subsidy *M.S. 145A.13*	Develop and maintain an integrated system of community health services	Community Health Boards (county, multi-county and city) 51 grantees	$19,112,000 (GF)	
Indian Health Grants *M.S. 145A.14, Subd. 2*	Provides assistance to support health services for Native Americans who reside off reservations	Community Health Boards (4 grantees)	$178,000 (GF)	
Migrant Grants *M.S. 145A.14, Subd. 1*	Subsidizes health services, including mobile, to migrant workers and their families	Cities, counties, groups of cities or counties, or non-profit corporations (1 grantee)	$104,000 (GF)	
Local Bioterrorism Grants	Bioterrorism preparedness at the local level	Community Health Boards		$4,516,000
Summer Health Care Internships *M.S. 144.1464*	Summer internship program for high school and college students	Statewide non-profit organization representing health facilities (1 grantee/multiple subgrantees)	$200,000 (HCAF)	
Rural Community Health Center Grants *M.S. 144.1486*	Increase access to primary and preventive care	Rural non-profit or local government organizations in designated shortage areas	$190,000 (HCAF)	
Rural Continuing Education Grants *M.S. 144.1497*	Interdisciplinary training for advanced practice nursing students	Colleges or schools of nursing training students for rural practice	$250,000 (HCAF)	
Rural Physician Loan Repayment *M.S. 144.1494*	Health education loan repayment to physicians in rural and urban underserved areas	Physicians (16 grantees per year)	$678,000 (HCAF)	
National Health Service Corp *M.S. 144.1487*	Health education loan repayment to physicians in rural and urban underserved areas	Physicians (6 grantees per year)	$96,000 (HCAF)	$187,000
Mid-level Practitioners Loan Repayment *M.S. 144.1495*	Health education loan repayment to nurse practitioners and physician assistants in rural and urban underserved areas	Mid-level providers (8 grantees per year)	$115,000 (GF)	
Nurses Loan Repayment *M.S. 144.1496*	Health education loan repayment to nurses in rural and urban underserved areas	Nurses practicing in nursing homes (10 grantees per year)	$60,000 (HCAF)	
Health and Long Term Care Career Promotion Grant Program *M.S. 144.1486*	Develop or implement health and long term care career curriculum for K-12	Consortia of K-12 districts, post-secondary schools and health/long term care employers	$148,000 (HCAF)	
Dentist Loan Forgiveness Program *M.S. 144.1502*	Attract dental students and practicing dentists to serve significant numbers of state public programs and other low income patients	Dentists	$280,000 (GF)	

Grant Name	Purpose	Recipients	Budgeted State Funds FY 2003	Budgeted Federal Funds FY 2003
Sole Community Hospital *M.S. 144.1484, Subd. 1*	Preserve small hospitals that are geographically isolated (at least 25 miles from another)	Rural hospitals with 50 or fewer beds, 25 or more miles from another hospital, with financial losses (5 grantees)	$200,000 (HCAF)	
Rural Hospital Planning & Transition Grant (State) *M.S. 144.147*	Assist with strategic planning; transition projects	Rural hospitals with 50 or fewer beds (12 grantees)	$250,000 (HCAF)	
Rural Hospital Capital Improvement Grant Program	Update, remodel, or replace aging hospital facilities and equipment necessary to maintain the operations of small rural hospitals	Rural hospitals with 50 or fewer beds	$2,439,000 (GF and HCAF)	
Medicare Rural Hospital Flexibility Program/Critical Access Hospital Program	Support Critical Access Hospitals and rural health systems; improve quality	Small rural hospitals, ambulance services, other rural providers		$771,000
Hospital Bioterrorism Grants	Bioterrorism preparedness planning	Hospitals		$2,629,000
Nursing Home Transition Planning Grants *M.S. 144A.36*	Assist nursing home to respond to the major changes occurring in long term care	Nursing homes, boarding care homes	$500,000 (GF)	
Community Clinic Grant Program *M.S. 145.9268*	Assist clinics to serve low-income populations, reduce uncompensated care burdens or improve care delivery infrastructure	Nonprofit community clinics	$434,000 (GF)	
Program: Health Improvement **Budget Activity: Family Health**				
Supplemental Nutrition Program for Women, Infants, and Children (WIC) *Child Nutrition Act*	Provide nutrition education and vouchers for supplemental foods	Government and non-profit organizations; competitive (68 grantees	$3,556,000 (GF)	$64,751,000
Commodity Supplemental Food Program (CSFP) *Agriculture Appropriations Act*	Provide nutrition information and supplemental foods	Government and non-profit organizations; competitive (2 grantees)		$632,000
Maternal and Child Health Special Projects *Title V, SSA and M.S. 145.88 – 145.889*	Support public health infrastructure and services to low-income, high-risk mothers and children	All community health boards; funding formula (51 grantees)	$1,000,000 (GF)	$7,380,000
Infant Mortality Reduction *M.S. 145.90*	Reduce preventable infant deaths	Government, non-profit and for-profit organizations; noncompetitive (13 grantees)	$100,000 (GF)	
Fetal Alcohol Syndrome (FAS) Community Grants *M.S. 145.9266, Subd. 4*	Collaborate on FAS prevention and intervention strategies and activities	Government and non-profit organizations; competitive (10 grantees)	$850,000 (GF)	
Suicide Prevention grants	Increase awareness of and reduce occurrence of suicide	Government and non-profit organizations; competitive (13 grantees)	$1,025,000 (GF)	
Minnesota Healthy Beginnings *M.S. 145A.16*	Provide health and social support home visits to all families during pregnancy and the first year of life	Government and non-profit organizations; competitive (4 grantees)	$666,000 (GF)	

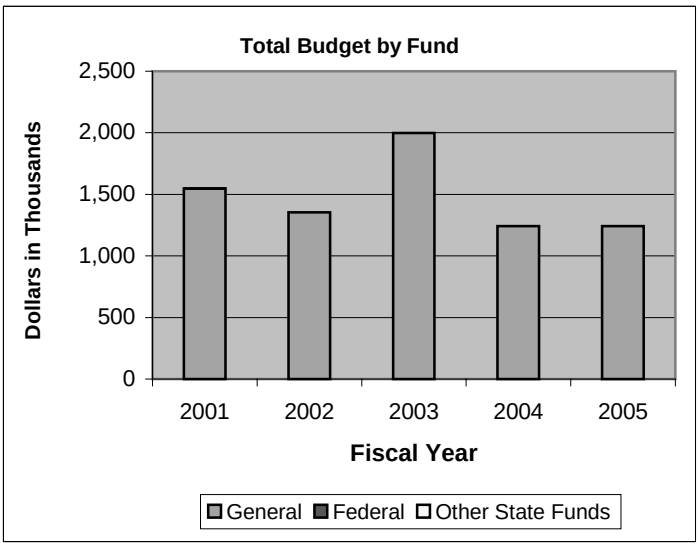
Grant Name	Purpose	Recipients	Budgeted State Funds FY 2003	Budgeted Federal Funds FY 2003
TANF Home Visiting *Laws of MN 2000, Chapter 488, Art. 8, Sec. 2, Subd. 6*	Serve families with incomes at or below 200% of federal poverty guidelines	All community health boards and tribal governments; funding formula (59 grantees)	$378,000 (GF)	$16,850,000 (TANF)
Youth Risk Behavior *M.S. 144.396, Subd. 7*	Reduce youth risk behaviors through health promotion and protection activities	All community health boards; funding formula (51 grantees)	$4,399,000 (tobacco prevention endowment funding)	$3,712,000 (TANF)
Minnesota Education Now and Babies Later (MN-ENABL)/Title V, SSA *M.S. 145.9255*	Promote sexual abstinence in young teens	Government and non-profit organizations; competitive (23 grantees)	$293,000 (GF)	$675,000 (TANF) $554,000 (Federal)
Family Planning Special Projects *M.S. 145.925*	Provide pre-pregnancy family planning services for persons in need	Government and non-profit organizations; competitive (61 grantees)	$4,240,000 (GF)	
Title X *Social Security Act*	Family planning services	Nonprofit organization; noncompetitive (1 grantee)		$141,000
Program: Health Improvement **Budget Activity: Health Promotion and Chronic Disease**				
Tobacco Use Prevention *M.S. 144.395-396*	Reduce youth tobacco use	Government, non-profit, and for-profit entities; competitive	$23,886,000 (endowment funding)	
5 A Day Power Plus *M.S. 144.697, Subd. 1*	Increase fruit and vegetable consumption among elementary school students	Government organizations; noncompetitive (2 grantees)		$95,000
Diabetes Control *M.S. 144.697, Subd. 1*	Develop and implement comprehensive diabetes control programs	Government and non-profit organizations; competitive (5 grantees)		$67,000
Poison Control *M.S. 145.93*	Identify appropriate home management or referral of cases of human poisoning; provide statewide information and education services	Government, non-profit and for-profit organizations; competitive (2 grantees)	$1,410,000 (GF)	
Sexual Assault Prevention *M.S. 144.697, Subd. 1*	Prevent sexual assault, provide services to victims of sexual assault, provide public education regarding sexual assault	Interagency agreement; 1 grantee with competitive subgrants to government organizations, schools, non-profit organizations		$249,000
Breast and Cervical Cancer Prevention Program	Recruitment/outreach activities to increase breast and cervical cancer screeing	Community Health Boards, YWCAs (Duluth/MPLS) 65 grantees	$527,000 (GF)	$2,545,000
Program: Health Improvement **Budget Activity: Minority and Multicultural Health**				
Eliminating Health Disparities Grants	Focuses on improving the health of Minnesota's four major racial/ethnic groups (American Indians, Asian Americans, African Americans, Latinos/Hispanics). Grants	Eligible applicants are local/county public health agencies, community based organizations, and tribal governments.	$4,100,000 (GF)	$3,542,000 (TANF)

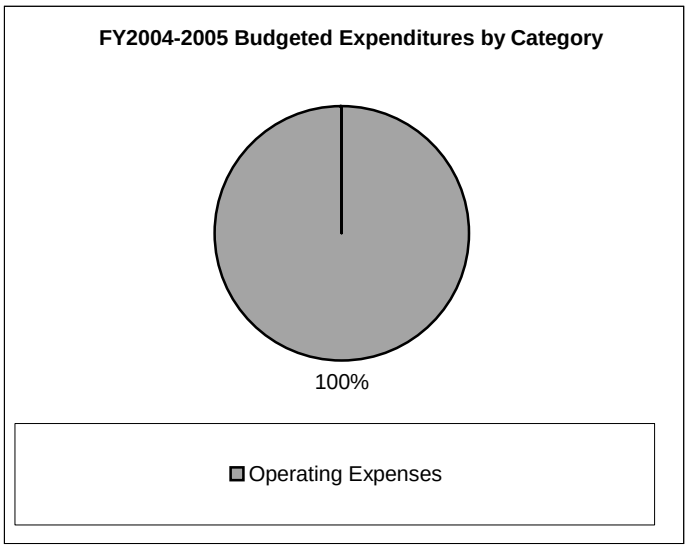
Grant Name	Purpose	Recipients	Budgeted State Funds FY 2003	Budgeted Federal Funds FY 2003
	focus on 7 health priorities.			
Program: Health Quality and Access **Budget Activity: Health Policy and Systems Compliance**				
Medical Education and Research Cost (MERC)	The MERC fund was established to address the increasing financial difficulties of facilities providing graduate medical education in Minnesota.	'Sponsoring Institutions'—institutions that are financially or organizationally responsible for one or more accredited training program operating in Minnesota	$54,000,000 (MERC funds)	
Dental Innovations Grants	To promote innovative clinical training for dental professionals and programs that increase access to dental care for underserved populations	Eligible applicants are sponsoring institutions, training sites, or consortia that provide clinical education to dental professionals	$1,300,000 (MERC funds)	
Program: Health Quality and Access **Budget Activity: Facility and Provider Compliance**				
Long-Term Care Quality Demonstration Grants	Demonstration projects must show innovations and measurable improvement in resident care, quality of life, use of technology, or customer satisfaction	Eligible applicants are providers who provide direct service or housing to the elderly in the state of Minnesota	$500,000 (GF)	
Program: Health Protection **Budget Activity: Environmental Health**				
Drinking Water Technical Assistance/MN Rural Water Association	Provides technical assistance to owners and operators of public water systems	Owners and operators of public water systems		$650,000
State Lead Safe Housing Grant *M.S. 144.9507, Subd. 3*	For costs related to relocation of families needing lead safe housing	Local Public Health Agencies (2 grantees)	$25,000 (GF)	
Federal Centers for Disease Control Lead Poisoning Prevention Grant/Contract	Increase prevention, detection and case management of children exposed to lead	Local Public Health Agencies performing lead prevention and/or surveillance (1 grantee)		$25,000
Federal Environmental Protection Agency Indoor Radon Grant	For public education and targeted outreach on radon testing, mitigation, and radon resistant new construction	Priority is given to Local Public Health Agencies that have received EPA radon training (14 grantees)		$237,000

Grant Name	Purpose	Recipients	Budgeted State Funds FY 2003	Budgeted Federal Funds FY 2003
Program: Health Protection **Budget Activity: Infectious Disease Epidemiology, Prevention, and Control**				
Refugee Health	Coordination of Refugee Health Assessments	Counties resettling the largest number of refugees (5 grantees)		$49,000
Eliminating Health Disparities—Refugee Health	Health screening and follow-up services for foreign-born persons	46 Community Health Boards	$250,000 (GF)	
Immunization Registries	To establish/maintain immunization registries	Community-based registries (4 grantees)		1,098,000
Perinatal Hepatitis B	Screening services for perinatal hepatitis B	St. Paul/Ramsey, Hennepin counties (2 grantees)		$105,000
Tuberculosis Program	Tuberculosis outreach services	Local public health agencies (3 grantees)		$470,000
Tuberculosis Program	Tuberculosis medications	Patients who receive case at Hennepin County's public tuberculosis clinic (2 grantees)	$160,000 (GF)	
STD Screening/Testing *M.S. 144.065*	Test high risk individuals for STDs	Community-based organizations, clinics (2 grantees)		$219,000
HIV//STD Prevention Programs *M.S. 145.924*	Health education/risk reduction and HIV testing for high-risk individuals	Community-based organizations, clinics (24 grantees)	$1,304,000 (GF)	$1,692,000

Agency Purpose

This independent agency was created in 1987 to provide the function of Ombudsman for Mental Health and Mental Retardation (OMHMR). This function now includes the OMHMR and the Office of Crime Victims Oversight, which was originally established in 1985 as the Crime Victims Ombudsman. Reorganization Order No. 184 moved the Office of Crime Victims Oversight into OMHMR. The description of these independent functions can be found under the program profiles for this agency.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,547	1,353	1,998	1,243	1,242	2,485
Statutory Appropriations						
Special Revenue	1	0	0	0	0	0
Total	**1,548**	**1,353**	**1,998**	**1,243**	**1,242**	**2,485**
Expenditures by Category						
Operating Expenses	1,548	1,353	1,998	1,243	1,242	2,485
Total	**1,548**	**1,353**	**1,998**	**1,243**	**1,242**	**2,485**
Expenditures by Program						
Ombudsman For Mh & Mr	1,548	1,353	1,544	1,243	1,242	2,485
Crime Victims Oversight	0	0	454	0	0	0
Total	**1,548**	**1,353**	**1,998**	**1,243**	**1,242**	**2,485**
Revenue by Type and Fund						
Dedicated						
General	70	0	0	0	0	0
Subtotal Dedicated	70	0	0	0	0	0
Total Revenue	**70**	**0**	**0**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**19.1**	**17.6**	**22.6**	**15.1**	**15.1**	

Program Purpose

This independent agency was created to promote the highest attainable standards for treatment, competence, efficiency and justice for persons receiving care and treatment for mental illness, mental retardation and related conditions, chemical dependency, and emotional disturbance from a Minnesota licensed agency, facility or program (M.S. 245.95, subd. 2).

Our 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.

Program at a Glance

During the 2000-01 biennium we accomplished the following:

- Provided service in approximately 1,435 case reviews, 1,877 serious injury reviews, 886 death reviews and responded to 3,098 requests for training, presentation, information or assistance.
- Sent out three medical alert mailings to over 6,600 providers annually.
- Provided training on civil commitment and other topics to professionals statewide.

Core Functions

⇒ Review identified serious injuries and deaths of consumers residing in or receiving services from licensed facilities, agencies or programs.
⇒ Intervene through advocacy and mediation to resolve disputes.
⇒ Assist consumers to obtain the best quality care to meet their needs.
⇒ Recommend to elected officials, government agencies, and service providers how to improve services to consumers.
⇒ Identify systemic issues that affect the adequacy and quality of services delivered to all consumers.
⇒ Conduct training seminars and provide information to the citizens on the Civil Commitment Act and related law.
⇒ Team/Coordinate with other Minnesota state agencies.

Operations

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:

- information and referral;
- civil commitment information and training;
- neutral fact finding and mediation;
- assertive representation when required; and
- investigation and reporting on broader issues impacting service delivery and quality.

The eight regional offices are located in

- Anoka
- Brainerd
- Cambridge
- Duluth
- Fergus Falls
- St. Peter (two offices)
- Willmar

In addition, 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 are or were 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.

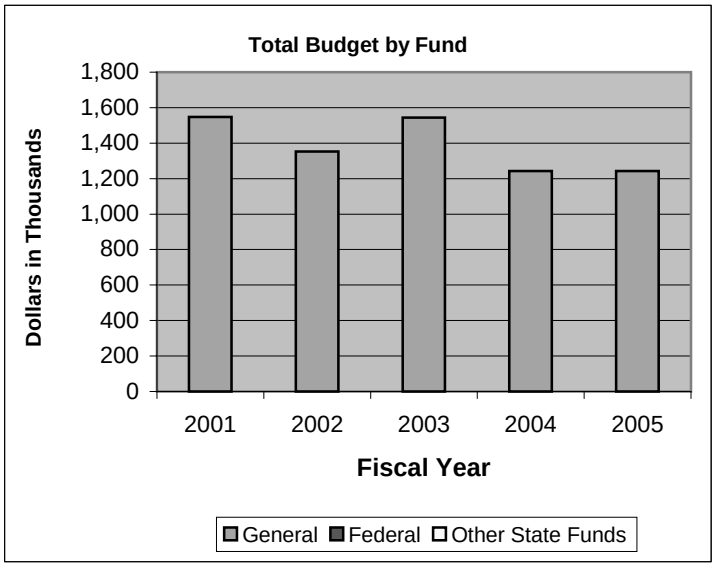
Budget

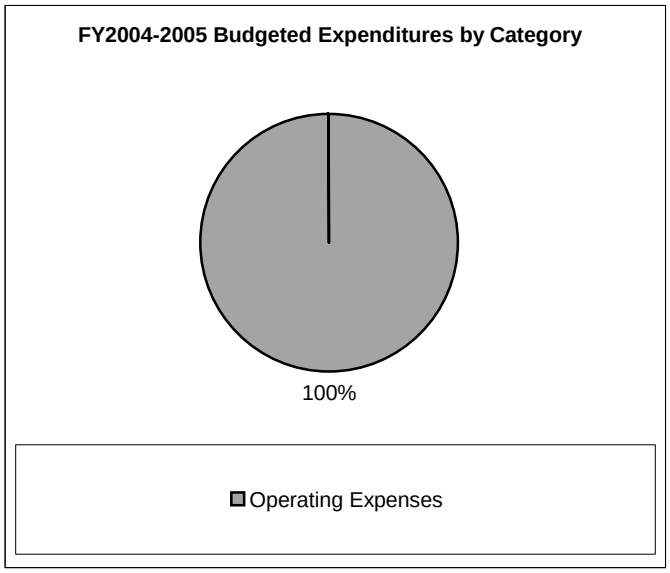
- 100% of agency budget is from the General Fund
- 84% of the agency's budget is for staffing 17 FTEs and three part-time FTEs
- 16% of the agency's budget is for operating expenses

Contact

Office of the Ombudsman for Mental Health & Mental Retardation
Agency web site: http://www.ombudmhmr.state.mn.us

For additional information please contact Paul Doyle, Director of Policy and Administration, (651) 297-7288 or toll free 1-800-657-3506.
E-mail: paul.f.doyle@state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,547	1,353	1,544	1,243	1,242	2,485
Statutory Appropriations						
Special Revenue	1	0	0	0	0	0
Total	**1,548**	**1,353**	**1,544**	**1,243**	**1,242**	**2,485**
Expenditures by Category						
Operating Expenses	1,548	1,353	1,544	1,243	1,242	2,485
Total	**1,548**	**1,353**	**1,544**	**1,243**	**1,242**	**2,485**
Expenditures by Activity						
Ombudsman For Mh & Mr	1,548	1,353	1,544	1,243	1,242	2,485
Total	**1,548**	**1,353**	**1,544**	**1,243**	**1,242**	**2,485**
Revenue by Type and Fund						
Dedicated						
General	70	0	0	0	0	0
Subtotal Dedicated	70	0	0	0	0	0
Total Revenue	**70**	**0**	**0**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**19.1**	**17.6**	**17.6**	**15.1**	**15.1**	

Program Description

The Office operates as a neutral third party in investigating the complaints of victims of crime. Those complaints may include the violation(s) of statutory rights, the delivery of victim services, the administration of the crime victims' reparations act, and other complaints of mistreatment. The Office also acts as a liaison between crime victims and witnesses and criminal justice agencies and provides information and resources. *(M.S. 611A.72-74)* The Office currently has 5 FTEs.

The Office attempts to ensure the just, fair and equitable treatment of crime victims and witnesses. It does this primarily by providing a method for crime victims/witnesses to question the action or inaction of criminal justice agencies and victim/witness assistance providers within the State of Minnesota and by providing resources to assist crime victims in navigating a difficult and complex criminal justice system. The office strives to ….

- prevent mistreatment of crime victims/witnesses by criminal justice agencies;
- ensure compliance with crime victim rights legislation;
- correct practices that are unjust, discriminatory, oppressive or unfair;
- change attitudes of criminal justice employees towards crime victims/witnesses;
- raise public awareness regarding the rights of crime victims;
- solve problems raised by crime victims/witnesses regarding criminal justice agencies and victim assistance programs;
- aid the criminal justice process by developing a sense of trust and willingness to participate between criminal justice professionals and current and potential witnesses; and,
- assist crime victims in bringing closure to significant, traumatic events that have occurred in their lives as a result of a criminal act and the subsequent unfair, unjust or inequitable treatment by the criminal justice system or a victim assistance program.

Program at a Glance

Each year, approximately 400,000 citizens become victims of crime, in this state. Minnesota legislators have ensured that victims of crime have legal rights and remedies available to them *(See M.S. § 611A)* and created this Office to provide oversight and ensure compliance with those laws.

Scope of Oversight:

The Ombudsman may investigate, with or without a complaint, any action or inaction of criminal justice agencies or victim assistance programs. These agencies include…

- Law Enforcement
- Prosecuting Attorneys
- Probation and Corrections Staff
- Victim and Witness Assistance Programs
- State Reparations Board
- Other city, county and state officials involved in a criminal case.

Core Functions

The Office provides the following services to citizens:

⇒ Conducts large and small-scale investigations of citizen complaints.
⇒ Acts as a liaison between crime victims/witnesses and criminal justice agencies.
⇒ Provides information and referral.
⇒ Trains professionals and educates the public.
⇒ Provides planning and leadership regarding public policy issues affecting crime victims/witnesses.
⇒ Maintains a comprehensive resource database.
⇒ Drafts and publishes reports.
⇒ Serves on commissions, focus groups, boards and committees.

Operations

The Office serves crime victims, witnesses and their families, criminal justice agencies, victim assistance programs, and others by objectively evaluating practices, procedures and systems and, when necessary, recommending change(s) that will enhance how agencies respond to citizens.

Any citizen can contact the office by phone, fax, e-mail or Internet to issue a complaint, forward a commendation, or access information and/or referral data. The service is provided free of charge.

Key Measures

The Office's services are primarily measured through a survey, which allows customers to evaluate the effectiveness of the service provided. The number of agencies that make concrete changes to improve service to crime victims based on the Office's recommendations also measures success.

Budget

During the 2002 legislative session, the Office of Crime Victims Ombudsman's budget was eliminated and its responsibilities moved to the Department of Public Safety (DPS) under the Crime Victim Oversight Act (CVOA). Minn. Stat. § 611A.72-74 was changed to reflect the transfer of the powers of the Ombudsman to the Commissioner of Public Safety.

To restore the office's independence, the Commissioner of Administration with the approval of the Governor issued Reorganization Order No. 184, transferring the CVOA functions out of the DPS and into the Office of the Ombudsman for Mental Health and Retardation. This move was in concert with the Administration's goal of co-locating all Minnesota ombudsman offices into one common location where administrative resources could be shared, thus freeing time for ombudsman staff to serve its constituents. One time funding for FY 03 was provided through an interagency agreement with the State Attorney General's Office.

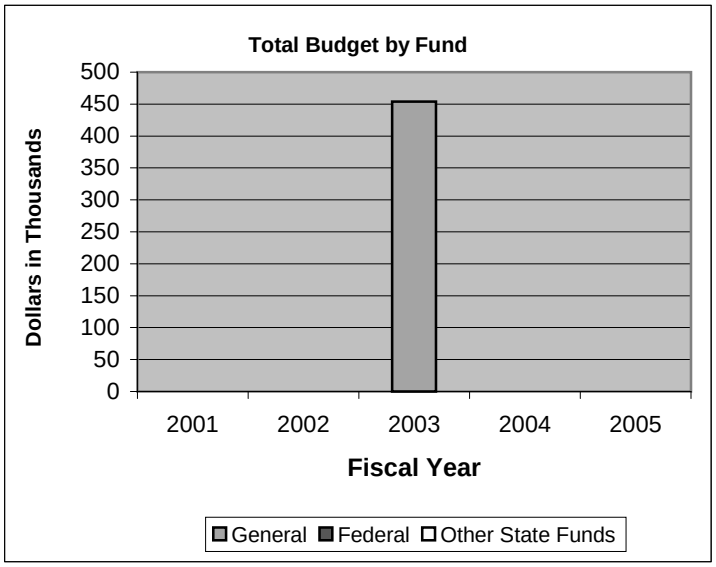
This program includes funding for this function in FY 03. Funding for prior fiscal years is shown under the separate budget entity of Office of Crime Victims Ombudsman.

Contact

Office of Crime Victims Oversight
1021 Bandana Boulevard, Suite 225
St. Paul, MN 55108

World Wide Web Home Page: http://www.ocvo.state.mn.us

Laura Goodman-Brown, Ombudsman
Phone: (651) 642-0550
Fax: (651) 642-0520
Greater Minnesota 1-800-247-0390



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	0	454	0	0	0
Total	**0**	**0**	**454**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	0	0	454	0	0	0
Total	**0**	**0**	**454**	**0**	**0**	**0**
Expenditures by Activity						
Crime Victims Oversight	0	0	454	0	0	0
Total	**0**	**0**	**454**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**0.0**	**0.0**	**5.0**	**0.0**	**0.0**	

State of Minnesota
Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
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Fax: (651) 296-8685
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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Health and Human Services omnibus bill. These agencies collectively administer $163.2 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $1 million (0.6%) increase from the FY 2002-03 biennium. The funding for these agencies will be used to provide health and supportive housing services for Minnesota Veterans, license and regulate health professionals, promote high standards for treatment of mental illness, promote the protection of children, and coordinate training and administration for eight independent EMS organizations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, eliminate duplication, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Agencies have focused reduction plans around administrative areas of the budget. In most cases this protects the core function of the agency, albeit at a reduced level. In some cases, reduced staff will have direct effects on citizens as they try to access government services.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

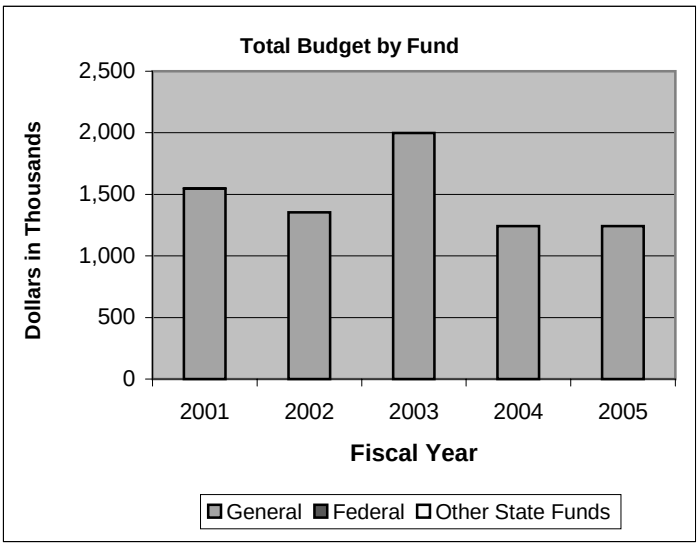
Sincerely,

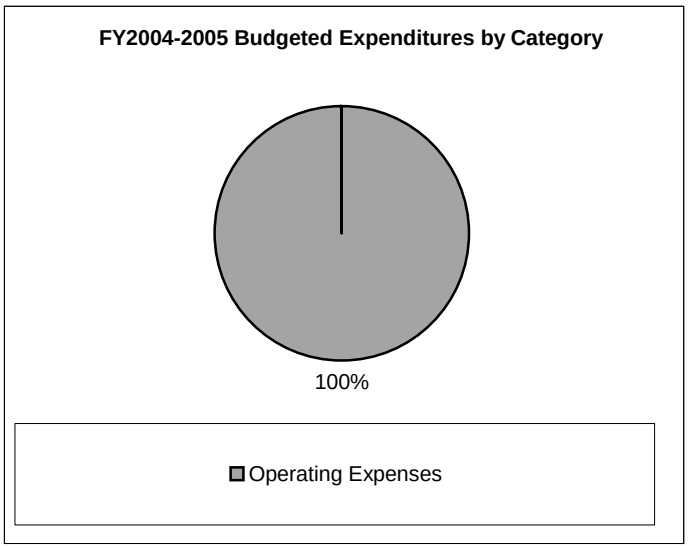
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	2,924	0	2,924
Adjusted Base Funding	2,924	0	2,924
Change Items			
Reduction Plan	-439	0	-439
Governor's Recommendations	2,485	0	2,485
Biennial Change, 2002-03 to 2004-05	-866	0	-866
Percent Change	-26%	n.m.	-26%

Brief Explanation Of Budget Decisions:

The Ombudsman for Mental Health and Mental Retardation (OMHMR) reviews serious injuries and deaths at licensed facilities, advocates for clients, and makes recommendations on issues surrounding mental health. OMHMR will continue to maintain high priority services with reduced administrative resources and personnel during the coming biennium. As a tool, OMHMR should collaborate with other state agencies on ways to achieve these reductions through consolidation or sharing of support services.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,547	1,353	1,998	1,243	1,242	2,485
Statutory Appropriations						
Special Revenue	1	0	0	0	0	0
Total	**1,548**	**1,353**	**1,998**	**1,243**	**1,242**	**2,485**
Expenditures by Category						
Operating Expenses	1,548	1,353	1,998	1,243	1,242	2,485
Total	**1,548**	**1,353**	**1,998**	**1,243**	**1,242**	**2,485**
Expenditures by Program						
Ombudsman For Mh & Mr	1,548	1,353	1,544	1,243	1,242	2,485
Crime Victims Oversight	0	0	454	0	0	0
Total	**1,548**	**1,353**	**1,998**	**1,243**	**1,242**	**2,485**
Revenue by Type and Fund						
Dedicated						
General	70	0	0	0	0	0
Subtotal Dedicated	70	0	0	0	0	0
Total Revenue	**70**	**0**	**0**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**19.1**	**17.6**	**22.6**	**15.1**	**15.1**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($219)	($220)	($219)	($220)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($219)	($220)	($219)	($220)

Recommendation
The Governor recommends a reduction of $219,000 in FY 2004 and $220,000 in FY 2005 from the budget of the Ombudsman for Mental Health and Mental Retardation.

Background
The recommended reduction will be taken from the following areas of the agency operating budget.

- Salaries
- P/T services
- Travel
- Supplies and Equipment

The staff reduction will result in decreased services to the clients. Complaints would be prioritized and investigated in the order of severity. Some minor complaints may not be investigated at all.

Relationship to Base Budget
The recommended reduction represents 15% of the agency budget. Since there is no base funding for the Office of Crime Victims, the entire reduction will be taken from activities traditionally associated with the Ombudsman for Mental Health and Mental Retardation.

Alternatives Considered
None.

Statutory Change: Not Applicable.

Agency Purpose

The Minnesota Higher Education Facilities Authority (hereafter called the Authority) was created by the State Legislature in 1971 for the purpose of assisting nonprofit institutions of higher education within the State in financing or refinancing capital construction projects by issuing tax-exempt revenue bonds. Beginning in FY 1988, the legislature also asked that the Authority finance limited types of projects at certain public higher education institutions. The Authority receives no general fund tax dollars or any other legislative funding. The operating funds come from fees charged to the institutions that benefit from tax-exempt bonds.

Core Functions

The Authority operates under a board of ten members, eight of whom are appointed by the Governor with the advice and consent of the Senate. A representative of the Minnesota Higher Education Services Office and the President of the Minnesota Private College Council, are the two ex-officio members of the Authority.

At A Glance

The Higher Education Facilities Authority assists nonprofit institutions of higher education in financing capital projects through the issuance of tax-exempt debt.

- The Authority is authorized to have a maximum total of $650 million outstanding bond principal.
- In FY 2001, the Authority completed three financings for a total of $34.7 million.
- The total bond principal outstanding at June 30, 2001 was $464,942,557.
- 21 nonprofit, post-secondary institutions in Minnesota have utilized the program of the Authority and realized interest savings on financing their capital improvements.

The Authority issues tax-exempt revenue obligations and enters into agreements with higher education institutions to be responsible for the use of the loan proceeds and to repay the bondholders. The Authority has access to capital improvement funds only through borrowing directly. When a higher education institution needs funds for capital improvements, the Authority is able to provide more favorable interest rates because of its status as a government entity. Since the Authority is an agency of the State, the interest paid by the institution to the bondholders is exempt from both state and federal income taxes. The Authority has no liability to repay the bondholders.

Core functions support the goal of issuing tax-exempt revenue obligations in an efficient and cost-effective manner for higher education institutions. The core functions are:

- develop Authority expertise and educate institutions on financing options;
- provide analysis and consulting in developing institutional capital financing options; and
- manage Authority operations without increasing fees.

The functions support ongoing operating goals:

- provide a consistent and efficient process for obtaining tax-exempt financing;
- educate institutions through the application guide, newsletters and annual educational forum on market, legal and accounting considerations;
- provide specific analysis and consulting for institutional capital financing plans; and
- assist institutions with investor relations, post-closing compliance and rating agency reviews.

Operations

The Authority serves eligible higher education institutions throughout Minnesota by providing access to tax-exempt interest rates. Access to capital improvement funds is essential to long-term viability of institutions dedicated to educating Minnesota's workforce. Students benefit because lower borrowing costs reduce the pressure to increase tuition costs.

The Authority operates with the advice and leadership of a board of ten people and a staff of three people. The board meets monthly and acts incrementally on the application for financing and the financing structure of all bond issues. For each bond issue, a law firm to serve as bond counsel is appointed by the Attorney General. A

financial advisor firm is retained by the Authority to advise on the financial feasibility and structure of each bond issue.

In general, except for payroll administration, the Authority's staff is responsible for all operations relating to the core functions. Staff receives minimal services from other state agencies (other than payroll and legal services). As a result, the Authority's operations have a neutral impact on the state's biennial budget and capital budget.

Budget

Operating expenses of the Authority are paid by a fee charged to each participating institution. The Authority receives no general fund tax dollars or other legislative funding. The Department of Finance administers the three-person payroll using dedicated receipts deposited monthly by the Authority.

Contact

For further information contact:
Marianne T. Remedios
Executive Director
Higher Education Facilities Authority
380 Jackson Street, Suite 450
St. Paul, Minnesota 55101

Phone: (651) 296-4690
Fax: (651) 297-5751
e-mail: mremedios@isd.net

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the Mayo Foundation and the Higher Education Facilities Authority in the Higher Education omnibus bill. These agencies collectively administer $3.258 million (all funds) for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a general fund reduction of $492,000 (13 percent) from the FY 2002-03 biennium. The Mayo Foundation receives state funds for grants to Minnesota students enrolled in the Mayo Medical School, the Mayo Rochester Family Medicine Residency Program, and the St. Cloud Hospital/Mayo Family Residency Program. The residency programs prepare doctors to practice primary care medicine in rural areas of the state. The Higher Education Facilities Authority (HEFA) assists Minnesota's nonprofit institutions of higher education finance capital construction projects by issuing tax-exempt revenue bonds. HEFA does not receive a state appropriation—its activities are financed through fees paid by participating institutions. HEFA's budget is $476,000 for FY 2004-05.

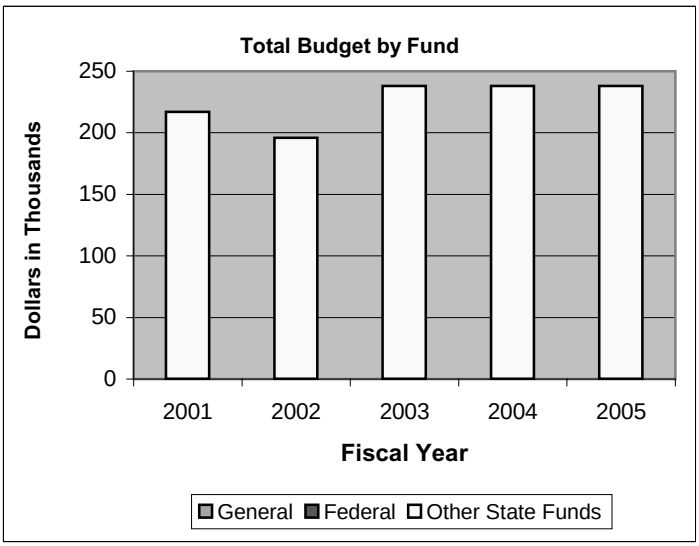
The recommended reductions to the funding for the Mayo Foundation are distributed proportionally across the three programs receiving state funds. The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

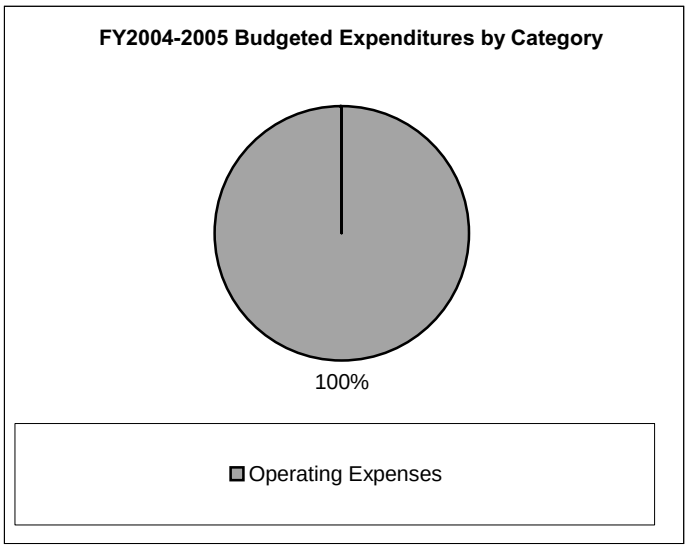
My staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	0	476	476
Adjusted Base Funding	0	476	476
Governor's Recommendations	0	476	476
Biennial Change, 2002-03 to 2004-05	0	42	42
Percent Change	n.m	10%	10%





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Miscellaneous Agency	217	196	238	238	238	476
Total	**217**	**196**	**238**	**238**	**238**	**476**
Expenditures by Category						
Operating Expenses	217	196	238	238	238	476
Total	**217**	**196**	**238**	**238**	**238**	**476**
Expenditures by Program						
Hgher Educ Fac Authr	217	196	238	238	238	476
Total	**217**	**196**	**238**	**238**	**238**	**476**
Revenue by Type and Fund						
Dedicated						
Miscellaneous Agency	217	204	230	238	238	476
Subtotal Dedicated	217	204	230	238	238	476
Total Revenue	**217**	**204**	**230**	**238**	**238**	**476**
Full-Time Equivalents (FTE)	**2.7**	**2.3**	**2.3**	**2.3**	**2.3**	

Agency Purpose

The purpose of the Minnesota Higher Education Services Office (MHESO) is stated in the agency mission:

- achieve student 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 collaborate with organizations that share responsibility for education in Minnesota.

At A Glance

Two-year State Budget:
$315.2 million General Fund
$242.5 million Student Loan Fund
$ 15.9 million Federal & Agency Funds

Over 90% of the general fund's appropriation is for student and school grants.

Annual Business Processes:

$123 million in grants to 60,000 students
$100 million in student loans to 28,000 students
$ 12 million in work study to 10,000 students

32,000 students participate in the Interstate Reciprocity Program.

140 private institutions registered or licensed. 300,000 requests per year for MINITEX library information resources.

Core Functions

MHESO's specific core statutory responsibilities are as follows:

- administration of state financial aid programs for students;
- negotiation and administration of statewide interstate tuition reciprocity programs;
- publication and distribution to students and parents of information about academic and financial preparation, including financial aid;
- approval, registration, and licensure of private colleges and career schools;
- oversight of statewide library service programs that improve access to information and support cost-effective library operations;
- administration of the Minnesota Education Telecommunications Council;
- collection, maintenance and analysis of student enrollment and financial aid data;
- administration of statewide federal programs; and
- prescribing policies, procedures, and rules necessary to administer the programs under MHESO's supervision.

Operations

Through delivery of its core programs, MHESO affects several primary constituencies including college students, students and families who are preparing for post-secondary education, colleges and universities that participate in providing distance learning opportunities and library services for students, researchers, and policymakers who use statewide post-secondary education data.

MHESO's programs and services are provided through different means including:

The Minnesota State Grant Program (which provides more than $100 million in need-based aid to Minnesota students annually), and 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. Other core programs are the Student Educational Loan Fund (SELF), the Minnesota College Savings Plan, and the Interstate Tuition Reciprocity Program. These programs enable thousands of Minnesota students to have financial access to, and choice of, post-secondary educational opportunities.

MHESO's publications, videos, web page content, and direct contact with students and families enable the agency to provide outreach to 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 Intervention for College Attendance Program Grants help to sustain a continuum of contact and service to low income students from 4th grade through high school as they prepare for college admission and attendance.

MHESO's web site includes information for students and parents; enrollment data which can be customized by the user; information concerning private post-secondary institutions licensed or registered by MHESO; on-line tuition reciprocity applications; and a financial aid estimator.

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 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.

Through state laws which undergird the registration and licensure of private colleges, universities, and career schools, MHESO provides students with consumer protection by assuring that private post-secondary institutions meet state standards in order to operate legally in Minnesota.

Budget

The agency's 2002/2003 budget totaled approximately $570 million. Agency staff include 104 full-time equivalent employees, of which 32 are state funded.

Contact

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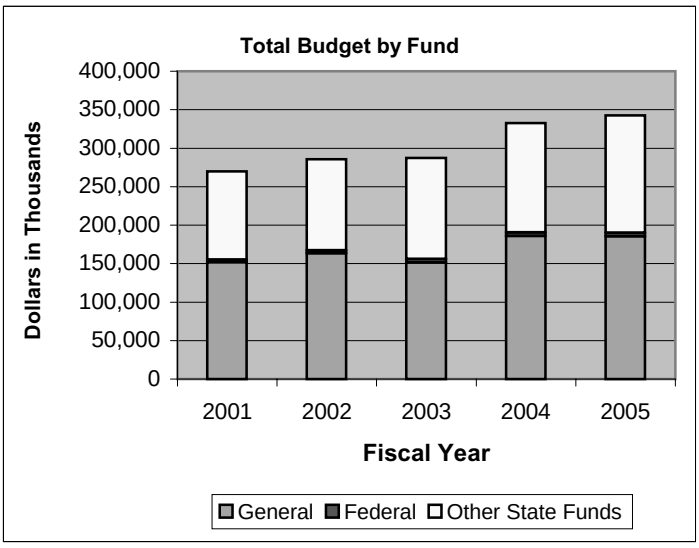
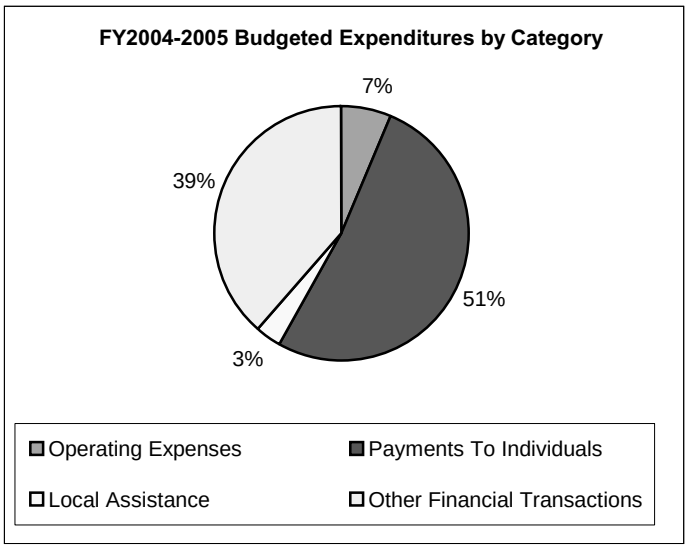
For further information, see the MHESO's web site at www.mheso.state.mn.us or contact Phil Lewenstein at: lewenstein@heso.state.mn.us.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Carry Forward						
General	0	0	0	1,060	424	1,484
Direct Appropriations						
General	151,842	163,251	151,467	185,002	185,002	370,004
Statutory Appropriations						
Special Revenue	166	228	228	330	335	665
Federal	3,453	3,909	4,397	4,397	4,397	8,794
Miscellaneous Agency	3,445	3,516	3,673	3,673	3,673	7,346
Higher Education Svcs Office	111,028	114,800	127,596	138,213	148,733	286,946
Total	**269,934**	**285,704**	**287,361**	**332,675**	**342,564**	**675,239**
Expenditures by Category						
Operating Expenses	19,052	19,373	25,231	21,998	21,913	43,911
Payments To Individuals	138,185	146,131	135,216	174,121	174,095	348,216
Local Assistance	11,460	15,950	11,624	11,166	11,166	22,332
Other Financial Transactions	101,237	104,250	115,290	125,390	135,390	260,780
Total	**269,934**	**285,704**	**287,361**	**332,675**	**342,564**	**675,239**
Expenditures by Program						
Student Financial Aid Services	141,532	150,625	138,744	177,329	177,303	354,632
State Student Loans	110,046	113,827	126,342	136,942	147,442	284,384
Research & Program Services	1,573	1,572	1,980	1,822	1,824	3,646
Libraries And Technology	14,567	17,612	17,717	14,193	13,583	27,776
Agency/Loan Administration	2,216	2,068	2,578	2,389	2,412	4,801
Total	**269,934**	**285,704**	**287,361**	**332,675**	**342,564**	**675,239**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	170	660	50	51	50	101
Subtotal Non Dedicated	170	660	50	51	50	101
Dedicated						
General	67	189	0	0	0	0
Special Revenue	217	294	224	316	316	632
Federal	3,456	3,905	4,397	4,397	4,397	8,794
Miscellaneous Agency	3,445	3,516	3,673	3,673	3,673	7,346
Higher Education Svcs Office	110,376	126,875	118,221	139,513	150,033	289,546
Subtotal Dedicated	117,561	134,779	126,515	147,899	158,419	306,318
Total Revenue	**117,731**	**135,439**	**126,565**	**147,950**	**158,469**	**306,419**
Full-Time Equivalents (FTE)	**85.4**	**86.3**	**103.7**	**99.5**	**99.5**	

Program Description

Minnesota's financial aid policy, the Design for Shared Responsibility, enables people to enhance their self-sufficiency by facilitating financial access for residents, regardless of their economic status, to attend the institution that can best meet their educational needs. The Design for Shared Responsibility assigns responsibility for paying for post-secondary education to students, families, and taxpayers. Students, as primary beneficiaries, are assigned a significant payment responsibility. The remainder of the price is assigned to families and taxpayers. Assignments to families are based on their ability to pay.

Minnesota State Grants, working in combination with Federal Pell Grants, provide coverage of the Assigned Taxpayer Responsibilities, as necessary. Minnesota Work Study jobs assist students in earning money to help meet their assigned payment responsibilities. Minnesota Student Educational Loan Fund (SELF) loans, along with other federal and private loans, enable students and their families to defer part of their payment responsibilities until after the student completes his or her academic career.

For the 2002-2003 biennium, the objectives for student financial aid are to:

⇒ Enable residents of Minnesota to enroll in a post-secondary institution.
⇒ Support the ability of students to choose the post-secondary institution that best meets their educational needs, regardless of their financial circumstances.
⇒ Help pay for child care if students need such assistance to attend post-secondary institutions.
⇒ Expand work opportunities so that students can earn income to help pay for post-secondary education.
⇒ Encourage post-secondary participation by providing information about college and how to pay for college, especially to low-income families, and families of color.

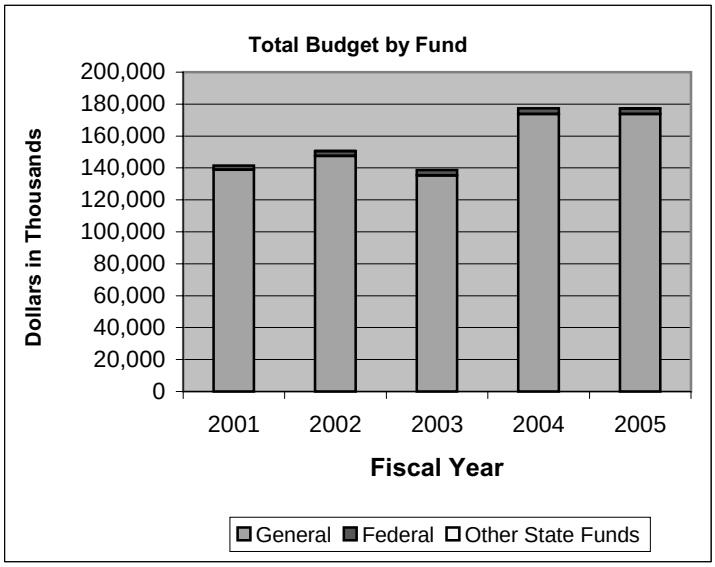
To compete in today's global economy, most Minnesotans will enroll in some form of post-secondary education. As education has become more and more essential, Minnesota has enacted significant programs of financial aid and other assistance so that barriers to post-secondary education can be overcome. The activities under this program are part of the state's strategy to keep education affordable and accessible for all Minnesota families.

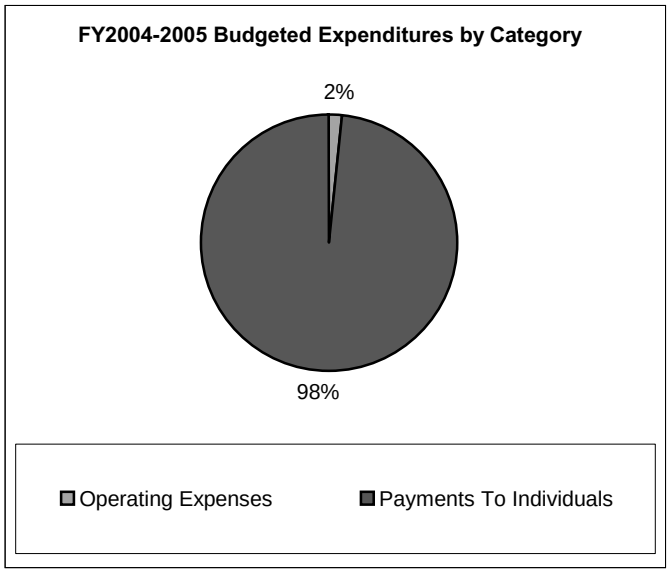
The important issues facing student financial aid services are to reach decisions that will:

- reflect accurate and increasing prices for post-secondary education so that students do not fall behind in their ability to pay educational expenses;
- maintain eligibility requirements for student aid that are consistent with enrollment patterns of today's students;
- expect a rigorous but reasonable investment by students in their own educations and provide flexible opportunities to meet this expectation through work and borrowing;
- meet obligations under interstate tuition reciprocity agreements that reduce the price of educational options available to Minnesota residents; and
- respond to changes in Minnesota's increasingly diverse population by providing information and other support mechanisms for low-income students and families to increase their awareness of post-secondary educational opportunities, and the steps they must take to prepare academically and financially to access such opportunities.

Budget Activities Included:

⇒ Minnesota State Grants (includes Post-Secondary Child Care Program, Safety Officers Survivors, and Summer Scholarships)
⇒ Interstate Tuition Reciprocity
⇒ State Work Study'
⇒ College Savings Plan
⇒ Student & Parent Information
⇒ Student Financial Aid Services





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Carry Forward						
General	0	0	0	200	174	374
Direct Appropriations						
General	138,778	147,411	135,258	173,643	173,643	347,286
Statutory Appropriations						
Special Revenue	27	77	51	51	51	102
Federal	2,727	3,137	3,435	3,435	3,435	6,870
Total	**141,532**	**150,625**	**138,744**	**177,329**	**177,303**	**354,632**
Expenditures by Category						
Operating Expenses	2,797	3,327	3,238	2,818	2,818	5,636
Payments To Individuals	138,185	146,131	135,216	174,121	174,095	348,216
Local Assistance	493	1,074	200	300	300	600
Other Financial Transactions	57	93	90	90	90	180
Total	**141,532**	**150,625**	**138,744**	**177,329**	**177,303**	**354,632**
Expenditures by Activity						
State Grants	120,602	130,996	133,477	157,088	157,062	314,150
Mn College Savings Program	41	163	620	1,120	1,120	2,240
Interstate Tuition Reciprocity	4,313	3,084	1,250	3,600	3,600	7,200
State Work Study	12,887	12,262	0	12,444	12,444	24,888
Student & Parent Information	2,999	3,393	2,606	2,561	2,561	5,122
Student Financial Aid Services	690	727	791	516	516	1,032
Total	**141,532**	**150,625**	**138,744**	**177,329**	**177,303**	**354,632**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	170	660	50	51	50	101
Subtotal Non Dedicated	170	660	50	51	50	101
Dedicated						
General	0	189	0	0	0	0
Special Revenue	34	78	51	51	51	102
Federal	2,728	3,136	3,435	3,435	3,435	6,870
Subtotal Dedicated	2,762	3,403	3,486	3,486	3,486	6,972
Total Revenue	**2,932**	**4,063**	**3,536**	**3,537**	**3,536**	**7,073**
Full-Time Equivalents (FTE)	**39.5**	**46.4**	**60.7**	**58.0**	**58.0**	

Activity Description

The State Grant Activity provides financial aid to Minnesota residents attending Minnesota post-secondary institutions. Programs under this activity are funded from General Fund appropriations.

Minnesota State Grant Program M.S. 136A.121

The State Grant Program is the foundation of post-secondary financial aid assistance grants for undergraduate students.

In the 2002-03 academic year, students pay average tuition and fees of $2,912 in the technical colleges, $3,040 in community colleges, $4,088 in state universities, $6,430 at the University of Minnesota, and $19,014 at private liberal arts colleges. State Grants help maintain an appropriate and reasonable distribution of the price of post-secondary education among students, families and taxpayers so that Minnesotans of all economic backgrounds can choose and attend Minnesota post-secondary institutions. The State Grant Program is designed to respond to actual charges for tuition and estimated living costs.

Activity at a Glance

From 2001-02:

- Minnesota State Grants
  Number of Awards: 71,281
  Total Award Amount: $125,646,035
- Minnesota Post-Secondary Child Care Grants
  Number of Awards: 2,492
  Total Award Amount: $4,750,526
- Safety Officers Survivor Grants
  Number of Awards: 12
  Total Award Amount: $38,191
- Minnesota Summer Scholarships for Academic Enrichment

Number of Awards: 304

Total Award Amount: $191,001

The program accommodates a wide array of undergraduate students and student choices. There are no age or educational program restrictions. Students may be enrolled for as few as three semester credits. Undergraduates may attend any Minnesota public post-secondary institution and most Minnesota private post-secondary institutions.

Minnesota State Grants are based on a policy called the Design for Shared Responsibility, which assigns specific responsibilities for paying the price of attendance to students, families, and taxpayers. Minnesota State Grants are determined by establishing a price of attendance and then subtracting the amount of that price assigned to students, families, and the amount paid by taxpayers through Federal Pell Grants.

The Design starts with a recognized price of attendance defined as tuition and fees plus a standard living and miscellaneous expense allowance. The allowance is established by legislation and reflects the prices of room and board, books, supplies, and miscellaneous expenses. For students attending public and private institutions, actual tuition and fees are used up to a tuition maximum that limits the recognized price. The price of attendance for each term is based on each student's actual tuition and fees (up to a tuition and fee maximum) and the living allowance. The tuition and fee maximum and living allowance are based on 15 credits and are proportionately reduced if the student enrolls for fewer credits.

Under the Design for Shared Responsibility, students are assigned a major part of the price of attendance, which can be covered by savings, earnings, loans, or assistance from institutional or private sources. The amount assigned to students should be rigorous, but reasonable for students to assume with work or borrowing if necessary. The current Assigned Student Responsibility is 46% of the price of attendance.

The remaining part of the price is assigned to families and taxpayers. The dollar amount assigned to families is based on the family's income and net worth. Some students who meet specific criteria are eligible to apply as independent students. These students are assigned a family responsibility based on their ability to pay similar to the way the state assigns payment responsibility to the parents of dependent students.

The policy assigns taxpayers the responsibility for covering the amount not assigned to students and families. Taxpayers' assignments are covered by a combination of Federal Pell Grants which students receive from the federal government and Minnesota State Grants from the state government. The basic strategy of the Design for Shared Responsibility is that Minnesota should set state policy for the appropriate responsibilities of students

themselves, their families, and taxpayers for the accurate price of attending post-secondary education. Minnesota leverages the taxpayer-provided aid invested in the students through the Federal Pell Grant Program and appropriates sufficient state funds to help ensure that the remaining taxpayer responsibility is picked up by the State Grant for students who qualify.

Minnesota Post-Secondary Child Care Grant Program M.S. 136A.125
Minnesota students with young children face additional expenses associated with child care while attending school. To help offset the price paid for child care services, Post-Secondary Child Care Grants are made available to students who: have children 12 years of age and younger (14 years of age and younger if the child has a disability); do not receive assistance under the Minnesota Family Investment Program (MFIP); and who need child care assistance in order to attend an eligible Minnesota post-secondary school. A maximum grant award ($2,600 per year, per child for a full-time student) is established in statute. Grant awards are based on family income and family size. Students may receive grant assistance for up to 40 hours/week per eligible child. The selection of recipients is made on campus from an allocation made to the institution from the state appropriation.

Summer Scholarships for Academic Enrichment M.S. 124D.95
The Summer Scholarships for Academic Enrichment Program encourages talented Minnesota students in grades 7-12 to pursue academic development and exposure to post-secondary education opportunities during the summer. Low-income Minnesota students in grades 7-12, who attend eligible summer academic programs sponsored by Minnesota post-secondary institutions, are eligible for tuition grants. Students must have a B average overall or in the relevant subject area for the academic term prior to application. Grants for actual tuition costs, up to $1,000, are made to students based on family income and household size. The program is publicized by Minnesota secondary schools, summer enrichment programs offered by Minnesota post-secondary institutions, the Minnesota Minority Education Partnership Inc., and the Academic Excellence Foundation.

Learn and Earn
The Office hold funds that were earned by one cohort of high school students under the Learn and Earn Program administered by the Department of Children, Families, & Learning. Students have until ten years after their graduation to use the funds for post-secondary expenses.

Advanced Placement/International Baccalaureate Grant M.S. 136A.124
The Advanced Placement/International Baccalaureate Grant Program is a new program, which provides an award for Minnesota high school graduates with a qualifying score on five or more AP or IB full-year tests and attend a Minnesota four-year post-secondary institution or a public two-year institution.

Public Safety Officers' Survivor Grant M.S. 299A.45
The Public Safety Officers' Survivor Grant program honors public safety officers killed in the line of duty and assures that their survivors will be able to afford higher education tuition. Dependent children and surviving spouses may receive assistance under this program. The commissioner of Public Safety certifies that the applicant is a survivor of a public safety officer killed in the line of duty. Eligible applicants receive grant assistance to enroll in an undergraduate or certified program at a Minnesota post-secondary institution. The grant is equal to the tuition and fees charged by that institution up to the amount of the highest tuition and fees charged by a Minnesota public institution.

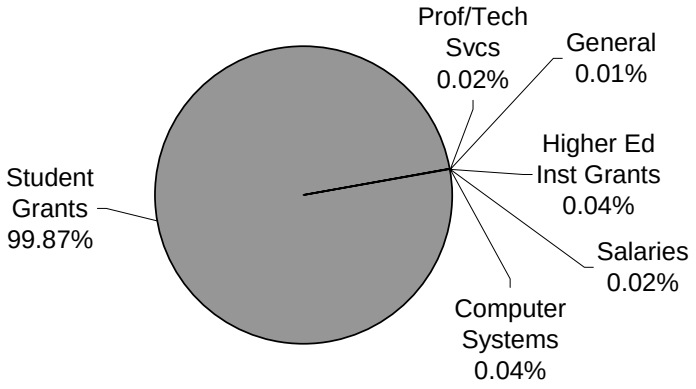
YouthWorks Post Service Benefits M.S. 124D.44
One cohort of Minnesota high school students in FY 1996 which performed services to their community through the Federal AmeriCorps Program had their educational benefits funded by the state of Minnesota under the YouthWorks Program. The Minnesota Higher Education Services Office for up to seven years holds the funds. This will end FY 2003. The funds may be used to pay for college tuition, repay an educational loan, or pay for expenses incurred funding an approved apprenticeship. The 2001 legislature authorized "any appropriations remaining after final benefits are paid to YouthWorks grantees may be used for college early intervention programs."

Population Served
Described above.

Key Measures
The Minnesota State Grant Program manages the impact of paying for post-secondary education on Minnesota students and families. It is a major way in which the state has supported student financial access to post-secondary education and the financial ability of students to choose among post-secondary options according to their educational needs. The current appropriation recognizes the actual prices paid by students attending public institutions, a legislatively determined tuition maximum, a livable allowance for living and miscellaneous expenses, and a manageable Assigned Student Responsibility.

Activity Funding

Source of Funding - General Fund
Expenditures by Category
FY2002-03 (Total $264 Million)



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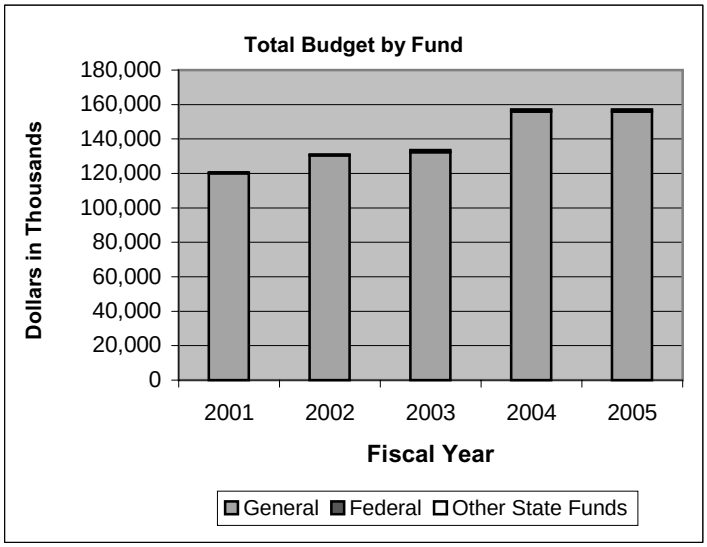
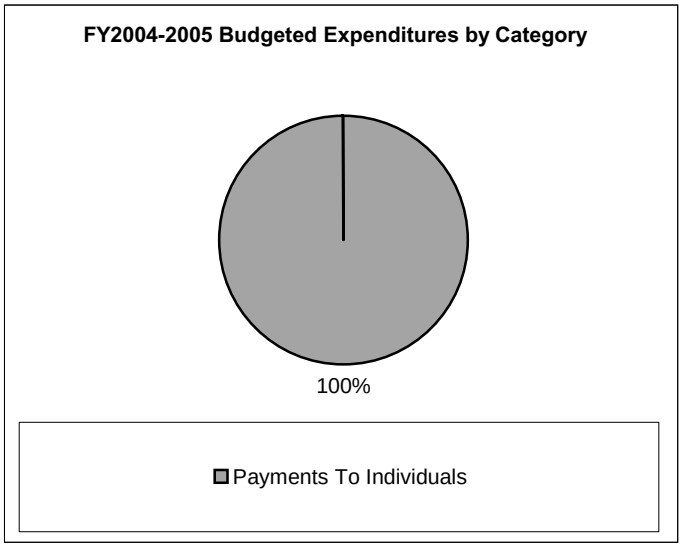
HIGHER EDUCATION SVCS OFFICE
Program: STUDENT FINANCIAL AID SERVICES
Activity: STATE GRANTS

Fiscal Report





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Carry Forward						
General	0	0	0	200	174	374
Direct Appropriations						
General	120,007	130,416	132,182	155,593	155,593	311,186
Statutory Appropriations						
Federal	595	580	1,295	1,295	1,295	2,590
Total	**120,602**	**130,996**	**133,477**	**157,088**	**157,062**	**314,150**
Expenditures by Category						
Operating Expenses	-383	206	33	33	33	66
Payments To Individuals	120,985	130,680	133,444	157,055	157,029	314,084
Local Assistance	0	110	0	0	0	0
Total	**120,602**	**130,996**	**133,477**	**157,088**	**157,062**	**314,150**
Revenue by Type and Fund						
Non Dedicated						
General	170	468	50	51	50	101
Subtotal Non Dedicated	170	468	50	51	50	101
Dedicated						
General	0	189	0	0	0	0
Federal	595	580	1,295	1,295	1,295	2,590
Subtotal Dedicated	595	769	1,295	1,295	1,295	2,590
Total Revenue	**765**	**1,237**	**1,345**	**1,346**	**1,345**	**2,691**
Full-Time Equivalents (FTE)	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	

Activity Description

The Minnesota College Savings Plan encourages individuals and families to save for post-secondary education.

Activity at a Glance

- There were 13,723 Minnesota College Savings Plan accounts with nearly $53 million invested on July 31, 2002.
- Through FY 2002, 773 account beneficiaries have received matching grants based on 2001 contributions.

A parent, grandparent, or other individual can establish an account for an account beneficiary who will attend college in the future. An account may be opened with a $25 check or money order, electronic funds transfer, or automatic contribution plan. Account owners can also contribute $15 per investment option per pay period using payroll deductions through participating employers. Three investment options are available to account owners: 1) an all equity option, 2) a managed, age-based, option with the investment becoming more conservative as the account beneficiary nears college attendance, and 3) a guaranteed option set at 4.70% through March 31, 2003. Account owners may transfer all or any portions of their funds invested in a particular investment option to another investment option once per calendar year or upon a change of the account beneficiary. There is a $235,000 investment maximum. 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.

Investment management, record keeping and other administrative expenses are paid by Minnesota College Savings Plan account owners through an annual fee equivalent to .65% of their account balances. There are no other fees or charges. The Minnesota Higher Education Services Office and the Minnesota State Board of Investment have contracted with TIAA-CREF, Tuition Financing, Inc. to manage the Minnesota College Savings Plan.

The state of Minnesota provides a matching grant to account beneficiaries from low- and middle-income Minnesota families. The matching grant is available to Minnesota resident account beneficiaries whose parent file a Minnesota individual income tax return with federal adjusted gross income $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. A minimum $200 contribution is required in order to be considered for a matching grant. Matching grants must remain invested for a minimum of three years, cannot be transferred, and cannot be withdrawn for reason other than a qualified higher education expenditure as defined by federal law the matching grant is not an entitlement. The state of Minnesota retains ownership of matching grants until all requirements for the grant are met. Availability is limited by the amount of funds appropriated.

Population Served

The Minnesota College Savings Plan is available to any person as permitted under Section 529 of the United States' Internal Revenue Code. Minnesota College Savings Plan data from the end of the first quarter 2001 showed 96% of accounts were owned by Minnesota residents, and Minnesota residents held 92% of Plan assets. Non-Minnesota account owners are likely to be grandparents or relatives of a Minnesota resident account beneficiary.

Services Provided

Account owners are provided with a low-cost, tax-advantaged post-secondary education savings instrument. Accounts may be opened online. Account owners have online access to account data, investment performance, and account service forms at www.mnsaves.org. Account information and services are also available from a toll free telephone number, 1-877-338-4646. Account owners receive quarterly statements. Minnesota College Saving Plan marketing emphasizes the importance of financially planning for post-secondary education.

Historical Perspective

The Minnesota College Savings Plan opened on September 20, 2001.

Key Measures

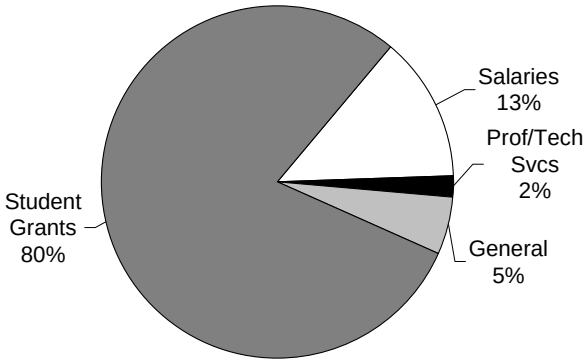
The Minnesota College Savings Plan supports the Minnesota Higher Education Services Office mission of helping students achieve financial access to and choice among post-secondary educational options.

Minnesota's 529 College Savings Plan was one of five state plans awarded "high achiever" status in recent *USA Today* analysis of 43 savings programs nationally. Minnesota's plan was praised for featuring low expenses and matching grants for low-income residents. The *USA Today* report, published July 8, 2002, indicated that all the top plans share one characteristic: below–average fees and expenses. The Minnesota Plan is among the least costly to account owners for a fully contracted college savings plan in the United States.

The Minnesota College Savings Plan received a "5 cap rating", with the state Plan receiving the top rating from a leading expert on College Savings Plans (www.savingforcollege.com).

Activity Funding

Expenditure by Category
FY2002-03 (Total: $782.5 Thousand)
Source of Funding: General Fund



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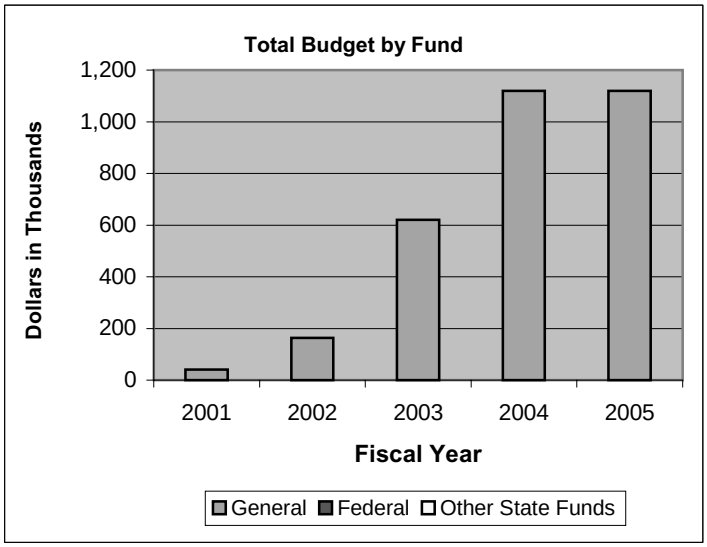
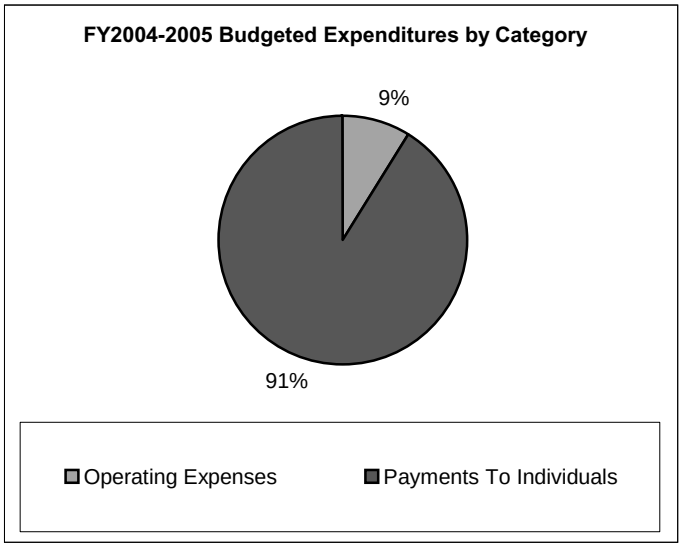
HIGHER EDUCATION SVCS OFFICE
Program: STUDENT FINANCIAL AID SERVICES
Activity: MN COLLEGE SAVINGS PROGRAM

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	41	163	620	1,120	1,120	2,240
Total	**41**	**163**	**620**	**1,120**	**1,120**	**2,240**
Expenditures by Category						
Operating Expenses	41	62	100	100	100	200
Payments To Individuals	0	101	520	1,020	1,020	2,040
Total	**41**	**163**	**620**	**1,120**	**1,120**	**2,240**
Full-Time Equivalents (FTE)	**0.8**	**0.5**	**1.0**	**1.0**	**1.0**	

Activity Description

Minnesota's tuition reciprocity agreements enhance student access by eliminating nonresident admission barriers and expand student choice by reducing non-resident tuition prices. Minnesota has ongoing tuition reciprocity agreements with Wisconsin, North Dakota, South Dakota, one institution in Iowa, and the Canadian province of Manitoba. The purpose of tuition reciprocity is the mutual improvement of educational advantages for the residents of Minnesota and other states or provinces with whom agreements are made (*M.S. 136A.08).*

Activity at a Glance

FTEs for 2000-01

- Interstate tuition reciprocity payments represent less than 5% of the total financial activity involved in the agreements.
- 16,396 Minnesota students participate in FY 2000.
- 5,125 North Dakota residents participate.
- 2,089 South Dakota residents participate.
- 92 Iowa residents participate.
- 60 Manitoba residents participate.
- 12,233 Wisconsin residents participate.

Residents of the participating jurisdictions are considered residents for purposes of admission to public post-secondary institutions under tuition reciprocity. A Minnesota resident may enroll in an undergraduate or graduate program at a public institution in Wisconsin, North Dakota, South Dakota, Manitoba, or Iowa Lakes Community College without paying higher non-resident tuition rates, through tuition reciprocity. Similarly, residents of Wisconsin, North Dakota, South Dakota, Manitoba, and the Iowa Lakes Community College attendance area may enroll at Minnesota public institutions without paying higher non-resident tuition rates.

The Minnesota Higher Education Services Office is responsible for negotiating and administering tuition reciprocity agreements. The University of Minnesota Board of Regents and the Minnesota State Colleges and Universities Board of Trustees must ratify the agreements. Modifications to Minnesota's tuition reciprocity agreements are negotiated as needed.

Population Served

Student participation in tuition reciprocity has grown since Minnesota first entered an agreement with Wisconsin for academic year 1968-69. Over 36,000 tuition reciprocity students were enrolled in public institutions in the participating states and province in fall 2000.

Key Measures

Through its mission, the Higher Education Services Office is committed to helping students achieve financial access to post-secondary education and enabling students to choose among post-secondary educational options. Tuition reciprocity agreements support the mission of the Services Office by reducing price and admissions barriers at public institutions outside the student's state or province of residence.

Activity Funding

The state appropriation for tuition reciprocity meets Minnesota's financial obligation to Wisconsin and North Dakota. Agreements with South Dakota, Manitoba, and one institution in Iowa do not require interstate payment calculations.

Students and taxpayers share responsibility for financing tuition reciprocity. Minnesota's agreements with Wisconsin and North Dakota require each state to pay the marginal instructional costs of their resident students attending in the other state. Marginal instructional costs are defined in the agreements as 64% of instructional costs. Marginal instructional costs in the Minnesota/Wisconsin and Minnesota/North Dakota agreements exceed $150 million annually. Student paid tuition is subtracted from marginal instructional costs to determine each state's net financial obligation. The state with the higher net financial obligation makes a payment of the difference to the other state.

Three variables drive Minnesota's tuition reciprocity financial obligation: 1) marginal instructional costs, 2) reciprocity tuition rates, and 3) student enrollment choices. Minnesota's tuition reciprocity payments have varied as much as $4 million between any two fiscal years as marginal costs, tuition rates, and student enrollment choices vary. Minnesota's interstate tuition reciprocity payments to Wisconsin and North Dakota totaled $3.1 million in FY 2002.

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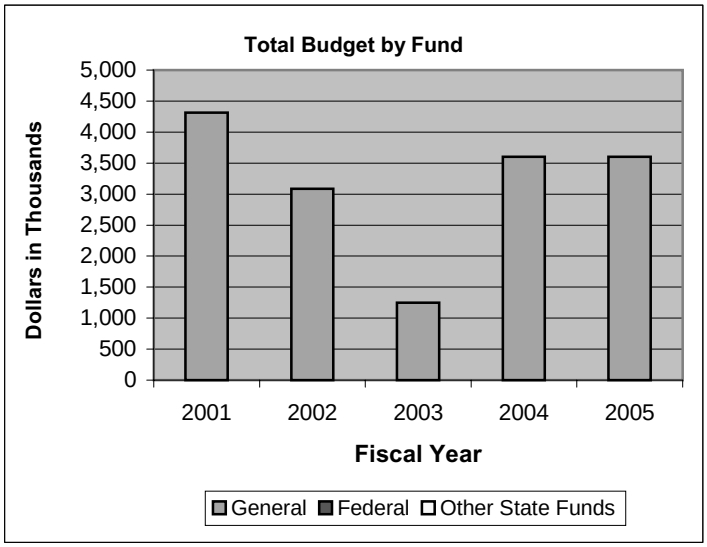
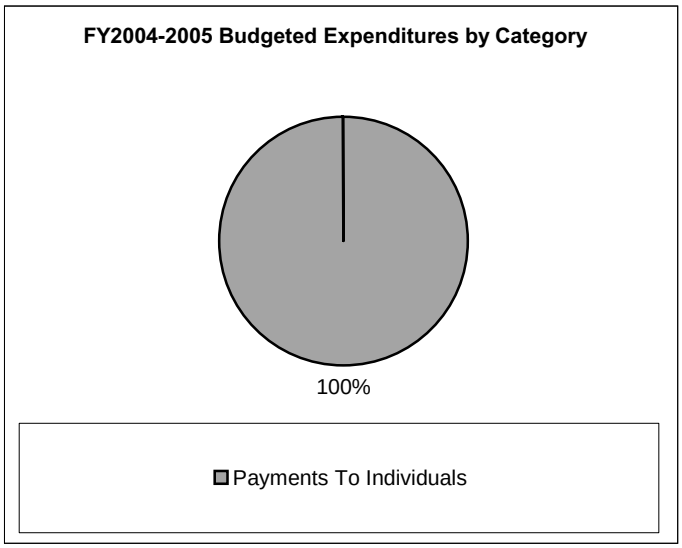
HIGHER EDUCATION SVCS OFFICE
Program: STUDENT FINANCIAL AID SERVICES
Activity: INTERSTATE TUITION RECIPROCITY

Fiscal Report





Dollars in Thousands						
	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,313	3,084	1,250	3,600	3,600	7,200
Total	**4,313**	**3,084**	**1,250**	**3,600**	**3,600**	**7,200**

Expenditures by Category						
Payments To Individuals	4,313	3,084	1,250	3,600	3,600	7,200
Total	**4,313**	**3,084**	**1,250**	**3,600**	**3,600**	**7,200**

Activity Description

The State Work Study Program is campus based. Allocations are made to participating institutions that use the funds to make work-study awards to their students. Institutions are responsible for identifying on and off-campus job opportunities that allow students to earn their work-study awards. Direct appropriations cover up to 75% of the wages paid to work study students. The employers pay the remaining 25%. Institutions and other employers set wage rates for work-study positions.

The State Work Study Program plays a significant role in assisting many Minnesota students. Institutions that attract older students, part-time students, and other students who are likely to already be employed enroll proportionately fewer students interested in work-study positions. Each year, funds are reallocated from some institutions unable to utilize their allocations to other institutions with unmet demands for work-study jobs.

Activity at a Glance

- The State Work Study Program is popular with both students and institutions because it usually provides jobs that are convenient to students and helps integrate students into the campus community. In FY 2002, 12,018 students received $12,949,544 in State Work Study funds as the 75% match to their state work-study wages.
- All State Work Study funds for FY 2003 were moved to the State Grant Program in order to make full State Grant awards.

As required by Minnesota Laws 2002, Chapter 374, The Minnesota Higher Education Services Office (MHESO) moved all the funds in the FY 2003 State Work Study Program into the State Grant Program in order to make full awards in the State Grant Program.

Population Served

The program serves Minnesota undergraduate and graduate students who demonstrate financial need and who are enrolled for at least six credits per term in an attending eligible Minnesota institutions.

Historical Perspective

The State Work Study Program was created in 1975 to assist students in paying for their education by providing opportunities to work on and off-campus. Most state work study jobs are on-campus, but the program has always allowed and encouraged institutions to arrange jobs with nonprofit community organizations, senior citizens, and persons with disabilities. In 1997, the statute was amended to permit the use of State Work Study funds for internship positions with for-profit businesses if the internship is directly related to the student's field of study.

Under Minnesota's financial aid policy, all students are expected to contribute 46% of their price of attendance. Work study earnings can help students fulfill their responsibility in paying their share of the price of attendance. For FY 2002 institutions were allowed to award State Work Study up to the Student Share used in the Design for Shared Responsibility calculation for the Minnesota State Grant. Only ten institutions used this new feature so 327 students received awards under this new method. Therefore, most State Work Study awards are restricted to students who show "financial need," and students' past earnings can restrict their eligibility.

Key Measures

⇒ Enable residents of Minnesota to enroll in a post-secondary institution.

⇒ Support the ability of students to choose the post-secondary institution that best meets their educational needs, regardless of their financial circumstances.

Activity Funding

The State Work Study activity has a FY2002-03 General Fund budget of $12.3 million.

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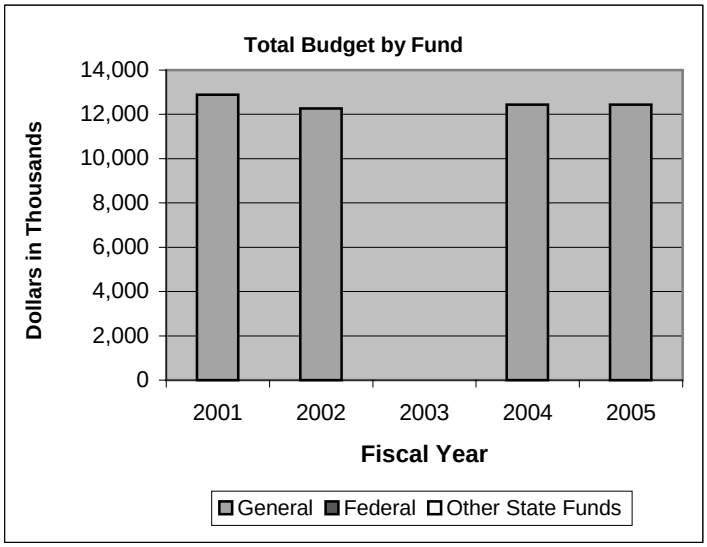
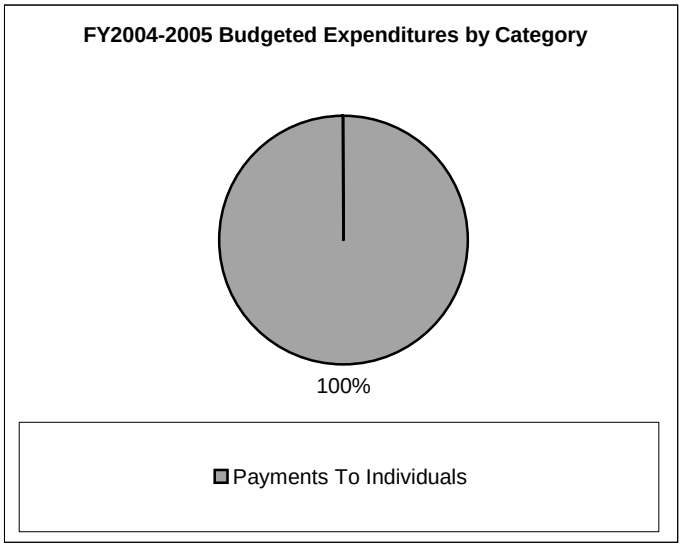




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	12,887	12,262	0	12,444	12,444	24,888
Total	**12,887**	**12,262**	**0**	**12,444**	**12,444**	**24,888**
Expenditures by Category						
Payments To Individuals	12,887	12,262	0	12,444	12,444	24,888
Total	**12,887**	**12,262**	**0**	**12,444**	**12,444**	**24,888**
Revenue by Type and Fund						
Non Dedicated						
General	0	108	0	0	0	0
Subtotal Non Dedicated	0	108	0	0	0	0
Total Revenue	**0**	**108**	**0**	**0**	**0**	**0**

Activity Description

The Higher Education Services Office provides information to help students and parents learn about and prepare for educational opportunities beyond high school. Research studies indicate that many families lack information about financial and academic preparations; they misperceive the price of attending colleges, and know little about financial aid. Without reliable, timely information, families may make ill-informed decisions or rule out higher education all together.

Of particular concern is the need to provide information to students from low-income families, of color, and/or little or no higher education experience. These students complete high school and participate in higher education at much lower rates than their counterparts from more affluent, highly educated backgrounds. They face substantial financial, academic, social, and cultural obstacles to higher education.

Activity at a Glance

- 1,100 low income students and parents received direct Get Ready! service in 2001-02
- over 5,000 students received College Planning Presentations
- about 20,000 students saw early awareness theatre presentations
- 135,000 copies of *Focus on Financial Aid* distributed
- 80,000 copies of *Future Choices* distributed
- 100,000 *Get Ready* magazines distributed
- 325,000 web page hits

The Services Office is required by statute (M.S. 136A.87) to make available to all residents from eighth grade through adulthood information about planning and preparing for post-secondary opportunities.

Population Served

The Services Office provides information on post-secondary education planning to students and parents throughout Minnesota, school counselors, educators, and interested citizens. Information is provided to adults beginning or returning to higher education. Some information is targeted broadly to families while other efforts focus on more targeted audiences – students at key education transition points, such as middle school to high school; or families of specific backgrounds, low-income, of color, or no previous college experience. Recognizing the growing diversity of languages, the Office provides many materials in Spanish, Hmong, and Somali.

Services Provided

Several strategies are used to communicate information to students and parents. For example, the Get Ready magazine informs parents with children of all ages about academic and financial preparation; Future Choices materials encourage planning by eighth grad-students; and Focus on Financial Aid informs families about financial aid. The agency web page, www.mheso.state.mn.us, provides comprehensive information to help students and parents prepare for higher education.

The Get Ready! early awareness program provides low-income students, at an early age (4th-8th grades), and their parents with college planning information, first hand experiences, and academic skills that will help encourage and prepare them to complete high school and pursue higher education. Get Ready! staff work with students and parents one-on-one on a small group basis, and provide College Planning presentations to various school grades. The agency supplements the Get Ready! early awareness program through its AmeriCorps program. Get Ready! works in some form with more than 60 schools, more than a dozen colleges, several nonprofit entities, community organizations, and private sector partners.

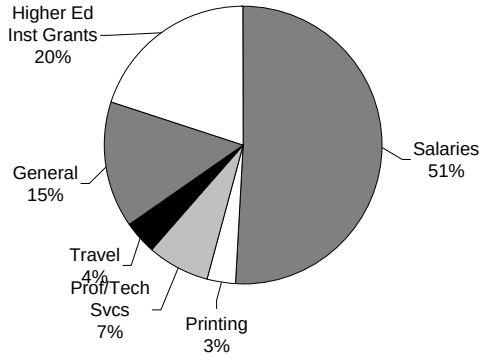
To help sustain a continuum of service to low-income students from early grades through high school, the Services Office manages the Intervention for College Attendance Program in which ten grants to post-secondary institutions and community agencies help enhance and/or expand programs that provide services such as tutoring, mentoring, information about college options, parental involvement, and summer academic experiences to low-income students.

Historical Perspective

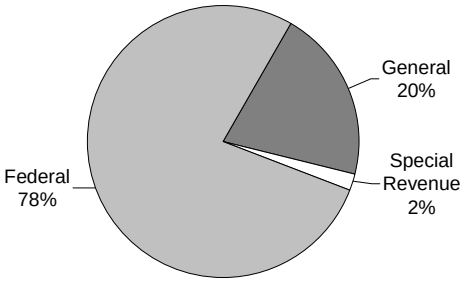
The Services Office began providing information about financial access to families in the 1970s, paralleling the growth of state and federal financial aid programs. Specific legislative initiatives in the 1980s directed the agency to provide information to all eighth grade students and to parents. The Get Ready! program was started in 1995-96, with a small federal grant, in response to a study by the Wilder Research Foundation. The findings of the study emphasized the importance of disseminating accurate information to students and equipping them with the tools to interpret it. The study concluded that students and parents be provided information at an early age – elementary school years. The Minnesota Legislature provided funds to expand Get Ready! in 1997 and to start the Intervention for College Attendance Program in 1999. In 1999, the Services Office received federal funds to support Get Ready! under the new Gaining Early Awareness for Undergraduates Program (GEAR UP).

Current research has found that due to high dropout rates at the high school level, low college participation rates and low college graduation rates, Minnesota education institutions and communities are preparing only a fraction of all potential students of color for Minnesota's workforce (*The State of Students of Color 2001*, Minnesota Minority Education Partnership Inc.). While Minnesota seeks to provide access to post-secondary education for all its citizens, significant gaps in college participation exist between students and families with limited financial mean and those with higher incomes (*Post-Secondary Education Choices of the Minnesota High School Class of 1999, MHESO and CFL, November 2001*). Further, Minnesota's population is becoming increasingly diverse with significant growth projected in minority and immigrant populations.

Expenditures by Category
FY2002-03 (Total: $5.8 Million)



Source of Funding
FY2002-03 (Total: $5.8 Million)



Key Measures

The Services Office surveys customers to assess their satisfaction with the agency's products and services and the usefulness of various types of information.

Future Choices:

⇒ A survey of school counselors in 2001-2002 found that 72% were "very satisfied" with the Future Choices materials for eighth graders and 25 percent "somewhat satisfied."

⇒ 63% found the information on careers "very useful," and 58% indicated the information on recommended high school classes "very useful."

Web Page Information:

⇒ Customers are coming increasingly to the agency web page for information. The number of web page "hits" provides a general indicator of use. MHESO web page hits increased from a little over 100,000 in the year 2000 to a projected rate of over 300,000 hits in 2002.

Get Ready! Program

⇒ An annual survey of educators has produced similar results in recent years. In the 2002 survey, 62% of educators "strongly agreed" that participation in Get Ready! helps students plan academically and financially for college. 55% "strongly agreed" that participation in Get Ready! helps motivate students to graduate from high school and attend college.

⇒ In an end-of-year evaluation, 92% of participants "agreed" that the program helped them know the ways to pay for college; 91% "agreed" that the program taught them the importance of going to college; and 96% said they would like to be in Get Ready! next year. Pre and post surveys of students indicate that after participating in the program for at least a year, students know much more than initially about ways to pay for college, what classes to take in high school, and the prices of attending specific types of colleges.

Activity Funding

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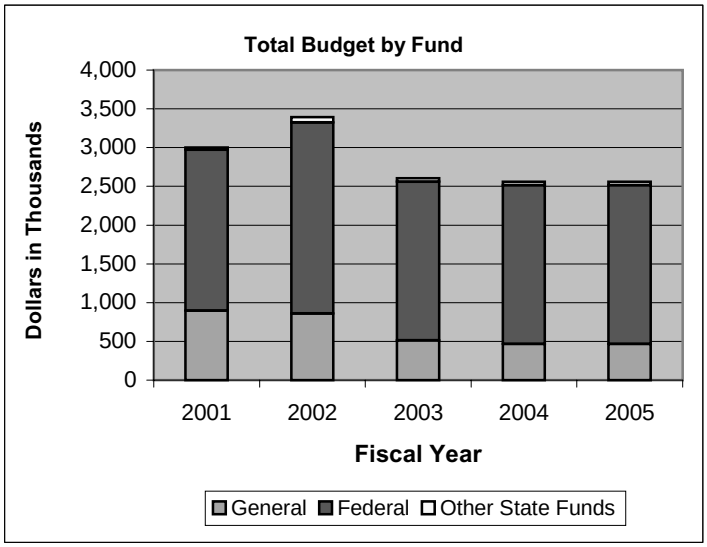
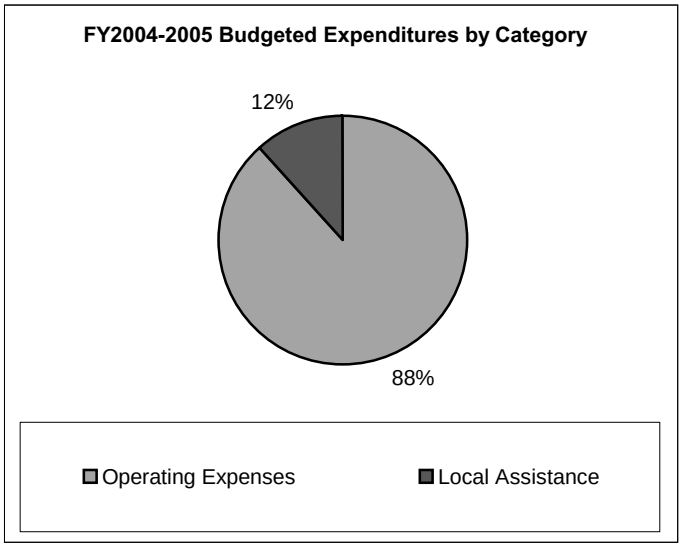
HIGHER EDUCATION SVCS OFFICE
Program: STUDENT FINANCIAL AID SERVICES
Activity: STUDENT & PARENT INFORMATION

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	897	857	510	465	465	930
Statutory Appropriations						
Special Revenue	27	72	46	46	46	92
Federal	2,075	2,464	2,050	2,050	2,050	4,100
Total	**2,999**	**3,393**	**2,606**	**2,561**	**2,561**	**5,122**
Expenditures by Category						
Operating Expenses	2,506	2,425	2,404	2,259	2,259	4,518
Payments To Individuals	0	4	2	2	2	4
Local Assistance	493	964	200	300	300	600
Total	**2,999**	**3,393**	**2,606**	**2,561**	**2,561**	**5,122**
Revenue by Type and Fund						
Non Dedicated						
General	0	84	0	0	0	0
Subtotal Non Dedicated	0	84	0	0	0	0
Dedicated						
Special Revenue	27	72	46	46	46	92
Federal	2,030	2,463	2,050	2,050	2,050	4,100
Subtotal Dedicated	2,057	2,535	2,096	2,096	2,096	4,192
Total Revenue	**2,057**	**2,619**	**2,096**	**2,096**	**2,096**	**4,192**
Full-Time Equivalents (FTE)	**31.5**	**38.7**	**52.5**	**49.8**	**49.8**	

Activity Description

The division of Student Financial Aid Services administers student financial aid programs for which the Services Office is the fiscal agent. This activity includes ten state student financial assistance programs, five tuition reciprocity programs, a Midwestern Student Exchange Program, and two federal student assistance programs.

The division's responsibilities include the dissemination of financial aid program information, application processing, applicant notification, preparation of payment requests to recipients, program reports and evaluation of program effectiveness. The staff also provide administrative assistance to post-secondary institutional student financial aid offices, which includes trouble-shooting and answering program questions.

The programs help to ensure post-secondary access and choice for Minnesota residents by providing financial assistance to students from low and moderate income families.

Direct state appropriations support this activity. Federal funding does not support program administrative activities.

Programs:

- **Paul Douglas Scholarship**
  This was a federal program, named for Illinois Senator Paul Douglas, offering loans to students who promised to be teachers in rural areas of Minnesota. The program no longer makes loans and is currently in the repayment phase. The Office receives no administrative funds from the federal government.

- **Financial Aid Administration**
  The division's responsibilities include application processing, applicant notification, preparation of payment requests to recipients, program reports and evaluation of program effectiveness. The staff also provide administrative assistance to post-secondary institutional student financial aid offices, which includes trouble-shooting and answering program questions.

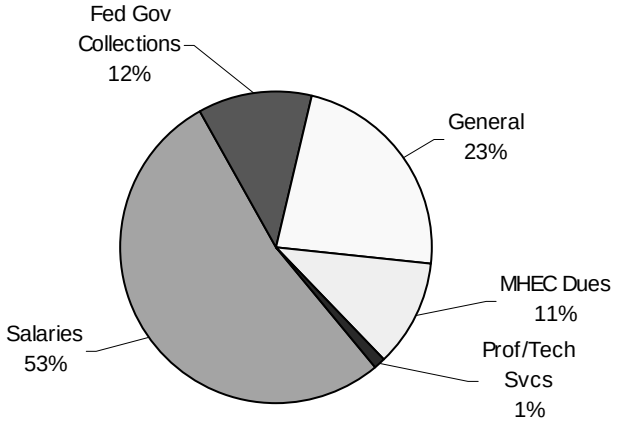
Population Served

During FY 2002, the Student Financial Aid Services Division processed approximately 140,000 student aid applications, delivering $140 million of financial assistance to approximately 80,000 students attending both public and private post-secondary educational institutions. Also, included are 36,000 reciprocity students attending institutions in Minnesota, Wisconsin, North Dakota, South Dakota, Iowa, and Manitoba under tuition reciprocity agreements.

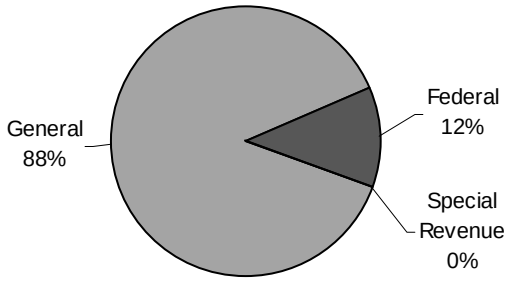
All the 132 institutions participating in the State Grant Program have decentralized delivery of grant funds to students. Funds to be used each term are disseminated to institutions which calculate individual student awards according to statutory specifications, and then report student data and results to the Services Office. The Services Office is working to enhance service delivery via the web to continually improve citizen access to agency services and information.

Activity Funding

Expenditures by Category
FY 2002-03 (Total: $1.5 Million)



Source of Funding
FY 2002-03 (Total: $1.5 Million)



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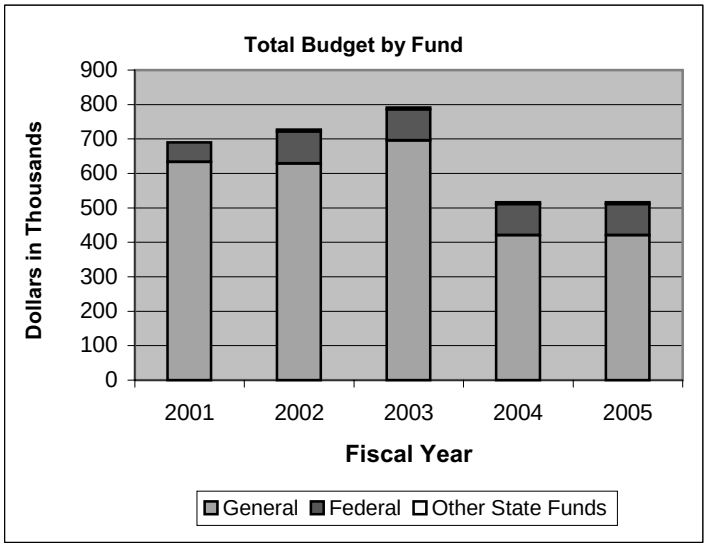
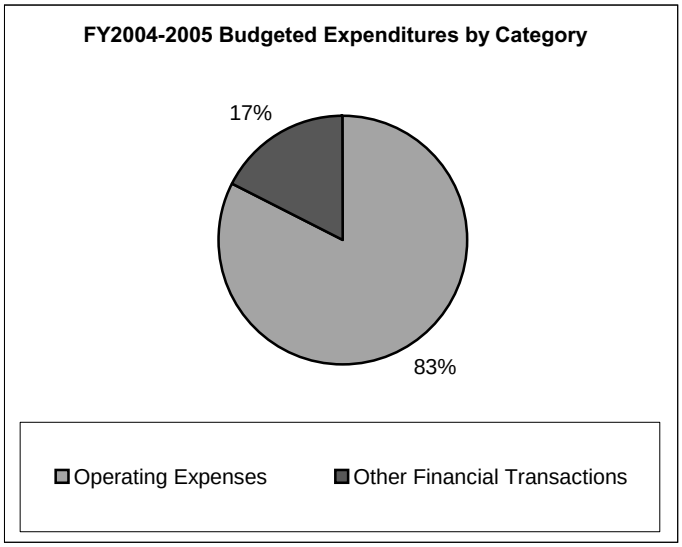
HIGHER EDUCATION SVCS OFFICE
Program: STUDENT FINANCIAL AID SERVICES
Activity: STUDENT FINANCIAL AID SERVICES

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	633	629	696	421	421	842
Statutory Appropriations						
Special Revenue	0	5	5	5	5	10
Federal	57	93	90	90	90	180
Total	**690**	**727**	**791**	**516**	**516**	**1,032**
Expenditures by Category						
Operating Expenses	633	634	701	426	426	852
Other Financial Transactions	57	93	90	90	90	180
Total	**690**	**727**	**791**	**516**	**516**	**1,032**
Revenue by Type and Fund						
Dedicated						
Special Revenue	7	6	5	5	5	10
Federal	103	93	90	90	90	180
Subtotal Dedicated	110	99	95	95	95	190
Total Revenue	**110**	**99**	**95**	**95**	**95**	**190**
Full-Time Equivalents (FTE)	**6.7**	**6.7**	**6.7**	**6.7**	**6.7**	

Program Description

This program activity provides overall administrative support for the Services Office and fulfillment of its agency responsibilities. 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, and enhanced service to the public though the use of technology.

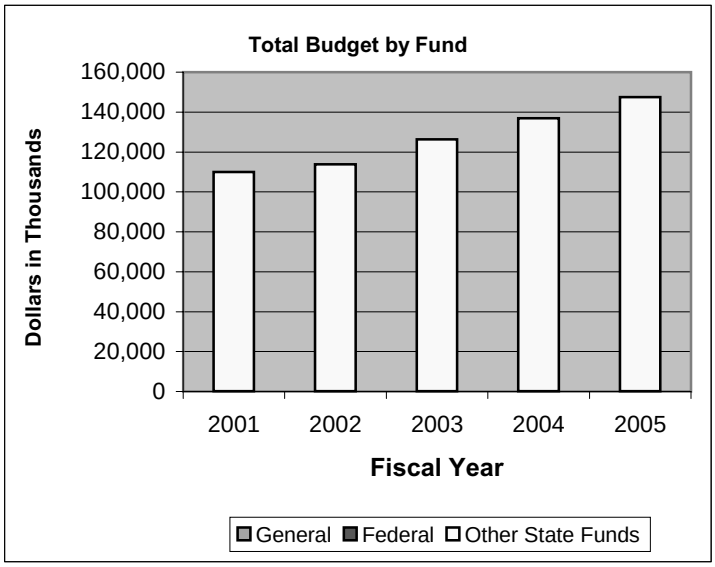
This program is an essential element in ensuring the agency's effectiveness in achieving its mission.

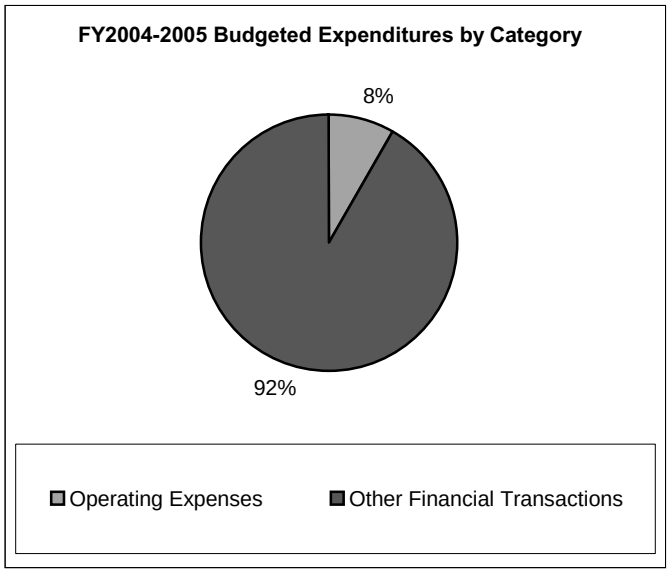
The purpose of the State Student Loan Services is to provide administrative support for the Student Educational Loan Fund Program (SELF), the Federal Stafford Loan Program, the Graduated Repayment Income Protection Program (GRIP), and the Minnesota Medical and Osteopathy Loan Program (MMOLP). These loan programs assist undergraduate and graduate students in financing their education expenses.

Budget Activities Included:

⇒ Student Educational Loan Fund (SELF)

⇒ Other loans: Federal Stafford Loan Program, Graduated Repayment Income Protection Program (GRIP), Minnesota Medical and Osteopathy Loan Program (MMOLP).





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Higher Education Svcs Office	110,046	113,827	126,342	136,942	147,442	284,384
Total	**110,046**	**113,827**	**126,342**	**136,942**	**147,442**	**284,384**
Expenditures by Category						
Operating Expenses	8,866	9,670	11,142	11,642	12,142	23,784
Other Financial Transactions	101,180	104,157	115,200	125,300	135,300	260,600
Total	**110,046**	**113,827**	**126,342**	**136,942**	**147,442**	**284,384**
Expenditures by Activity						
Student Educational Loan Fund	109,567	113,500	126,027	136,627	147,127	283,754
Other Loan Programs	454	310	300	300	300	600
Stafford Loan	25	17	15	15	15	30
Total	**110,046**	**113,827**	**126,342**	**136,942**	**147,442**	**284,384**
Revenue by Type and Fund						
Dedicated						
Higher Education Svcs Office	110,376	123,046	118,221	139,513	150,033	289,546
Subtotal Dedicated	110,376	123,046	118,221	139,513	150,033	289,546
Total Revenue	**110,376**	**123,046**	**118,221**	**139,513**	**150,033**	**289,546**
Full-Time Equivalents (FTE)	**9.6**	**8.4**	**9.6**	**9.6**	**9.6**	

Activity Description

The Student Educational Loan Fund (SELF) Program provides an additional source of long-term, low interest funding to Minnesota residents attending post-secondary education institutions both in and outside Minnesota and the providence of Manitoba, and non-residents attending Minnesota institutions. M.S. 136A.1701 permits the creation of such supplemental loan programs.

Activity at a Glance

- Since 1985, the Services Office has made more than 182,000 SELF loans totaling over $640 million to students from all sectors of higher education. The Services Office collected over $2.7 million from SELF defaulters in FY 2002. The cumulative SELF default rate after collections is less than 1%.
- In Fiscal Year 02, the SELF Program lent approximately $100 million to 28,000 students

Population Served

Graduate or undergraduate students may borrow from the SELF loan program. Minnesota residents attending in Minnesota or at one of more than 140 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.

Services Provided

The State of Minnesota has established programs like SELF to help ensure access to education for all Minnesota citizens.

The private sector has created additional private loan programs in recent years. However, the SELF loan has continued to provide funding to students at a lower interest rate and without charging origination and guarantee fees. The SELF Program is a low cost financing option for students. It provides a service to Minnesota residents, and to non-residents attending Minnesota schools, in ensuring access to an education of their choice. As the price of higher education continues to increase, more students need to partially or fully fund their education with student loans. Without the SELF program, many students might be unable to complete their education at the college of their choice.

The program requires a credit-worthy co-signer and payment of interest while the borrower is in school. The Services Office also uses various collection tools to collect on defaulted SELF loans.

Key Measures

⇒ SELF maintains a strong customer base.

⇒ Default rates are low.

Activity Funding

There are no General Fund appropriations for this program. Operating expenses are financed from bonds, loan repayments, and investment income.

The SELF Program is funded through repayments of existing SELF loans and through $95.6 million of tax exempt bonds and $129.4 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. Based on current loan volume projections, the Services Office anticipates that adequate funds exist for the FY 2002-03 biennium. It is anticipated that additional bonds will need to be issued for FY 2003-04. The Services Office is limited to a maximum of $550 million in outstanding bonds. Based on current loan growth, the amount of outstanding bonds could approach that maximum in fewer than 10 years. The Services Office may need to seek an increase in the maximum in the future. Tax-exempt bonds can be issued for student loans under Section 144(b)(1)(B) of the Internal Revenue Code of 1986, as amended.

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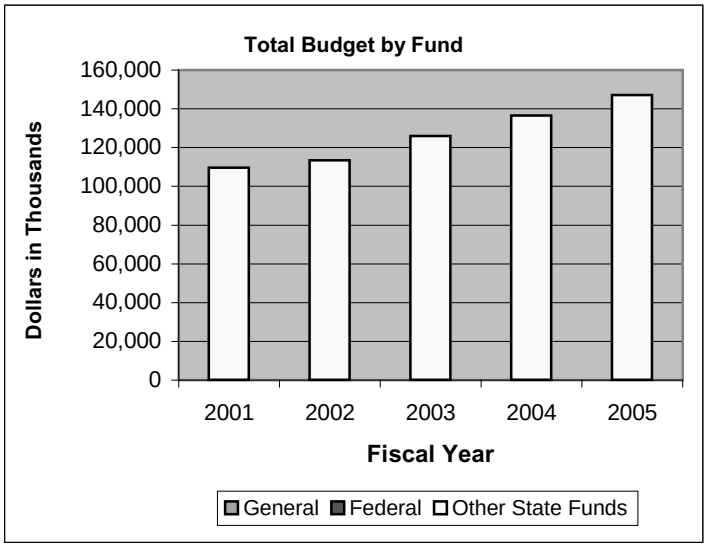
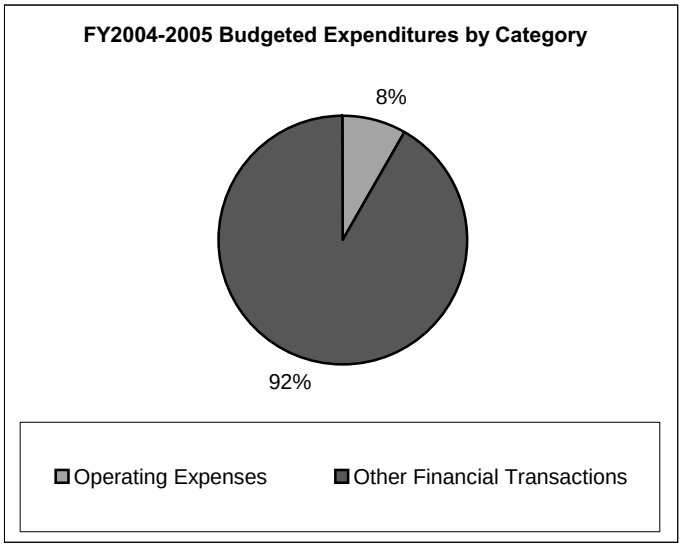
HIGHER EDUCATION SVCS OFFICE
Program: STATE STUDENT LOANS
Activity: STUDENT EDUCATIONAL LOAN FUND

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Higher Education Svcs Office	109,567	113,500	126,027	136,627	147,127	283,754
Total	**109,567**	**113,500**	**126,027**	**136,627**	**147,127**	**283,754**
Expenditures by Category						
Operating Expenses	8,841	9,653	11,127	11,627	12,127	23,754
Other Financial Transactions	100,726	103,847	114,900	125,000	135,000	260,000
Total	**109,567**	**113,500**	**126,027**	**136,627**	**147,127**	**283,754**
Revenue by Type and Fund						
Dedicated						
Higher Education Svcs Office	110,247	122,137	117,545	139,098	149,618	288,716
Subtotal Dedicated	110,247	122,137	117,545	139,098	149,618	288,716
Total Revenue	**110,247**	**122,137**	**117,545**	**139,098**	**149,618**	**288,716**
Full-Time Equivalents (FTE)	**9.6**	**8.4**	**9.6**	**9.6**	**9.6**	

Activity Description

This activity includes three targeted state student loan programs and the federal Stafford Loan Program. The Graduated Repayment Income Protection (GRIP) Program, the Minnesota Medical and Osteopathy Loan Program (MMOLP), and the Optometry and Osteopathy (O&O) Program are being phased out. The Services Office has not made any Stafford Loans since 1988. Repayment to the Stafford Programs are deposited in the loan capital fund.

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 program enabled program participants to repay their student loans with a repayment loan based on their projected annual income. The GRIP Loan was discontinued in 1995 for new participants. Loans are still being made to participants who entered the program prior to 1995.

Activity at a Glance

- Two individuals are in repayment under the O&O Program, and one individual is in repayment in the MMOLP. The principal of these loans ranges from $1,200 to $8,500. These loans should be repaid by June 2004.
- The Services Office has a portfolio of less than $1 million under the Stafford Loan Program, which will be serviced until the loans have been repaid.
- The GRIP program enabled program participants to repay their student loans with a repayment loan based on their projected annual income. There are 90 individuals in repayment. The principal of the loans ranges from $1,000 to $123,000. The last borrower should complete repayment of the last GRIP loan in June 2015.

The Services Office is no longer an active lender in the MMOLP program. No new participants are allowed to enter the program. Repayments to the MMOLP and O&O Programs are deposited in the General Fund as non-dedicated receipts. Repayment to the GRIP and Stafford Programs are deposited in the Loan Capital Fund.

Population Served

The MMOLP program assisted students in medical and osteopathy schools by providing loans which would be forgiven if they served in rural Minnesota upon completion of their medical training. The O&O program targeted loans to medical students in those fields to encourage them to practice in Minnesota upon completion of their medical training.

The Stafford loan serves graduate and undergraduate students.

GRIP participants were graduates of Minnesota schools in dentistry, medicine, pharmacy, veterinary medicine, public health, and chiropractic medicine, and Minnesota residents graduating from osteopathy programs.

Key Measures

⇒ The Services Office will continue to monitor and oversee the repayment process for these loan programs in a cost effective manner.

Activity Funding

The FY 2002-03 funding for this activity is $700,000.

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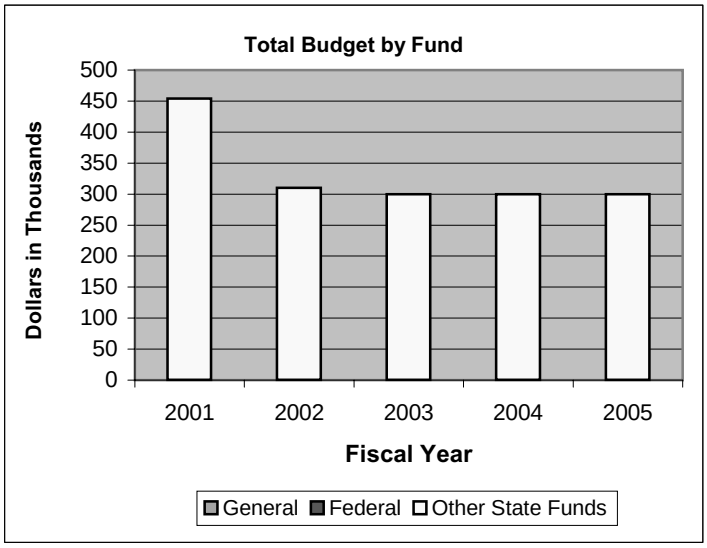
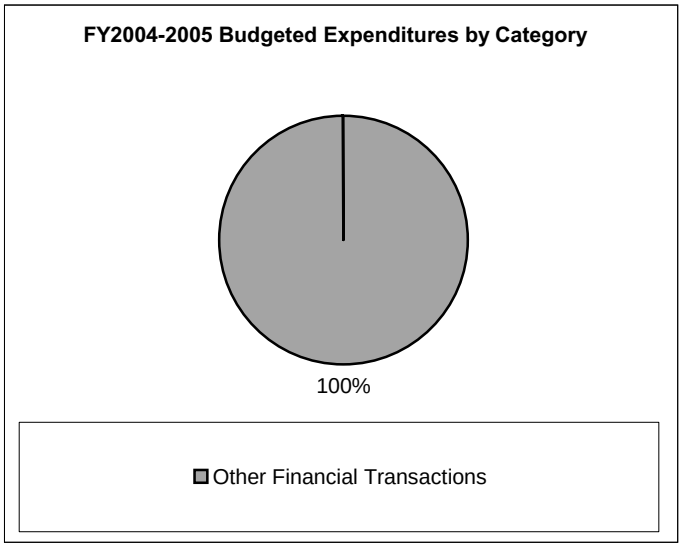
HIGHER EDUCATION SVCS OFFICE
Program: STATE STUDENT LOANS
Activity: OTHER LOAN PROGRAMS

Fiscal Report

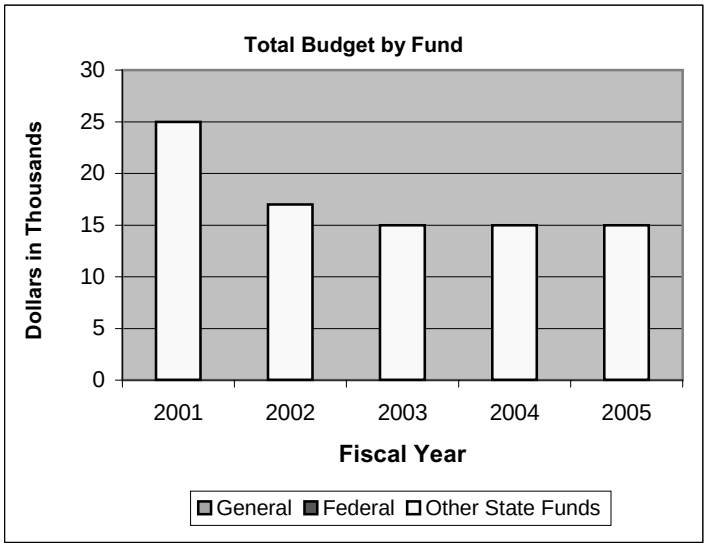


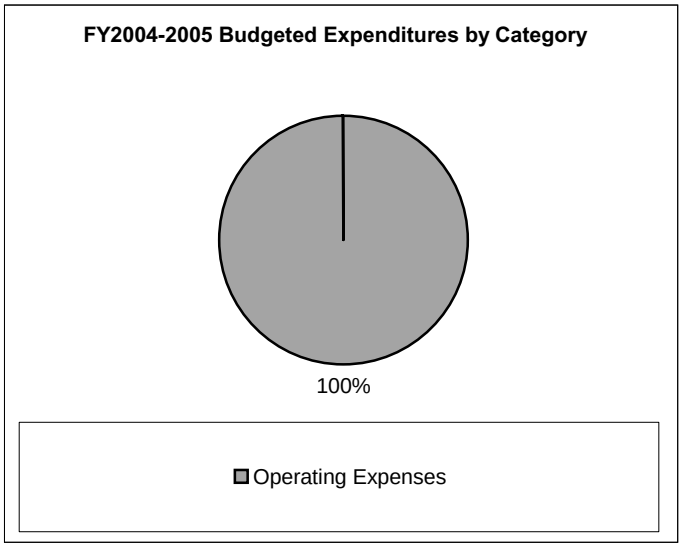


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Higher Education Svcs Office	454	310	300	300	300	600
Total	**454**	**310**	**300**	**300**	**300**	**600**
Expenditures by Category						
Other Financial Transactions	454	310	300	300	300	600
Total	**454**	**310**	**300**	**300**	**300**	**600**
Revenue by Type and Fund						
Dedicated						
Higher Education Svcs Office	108	887	661	400	400	800
Subtotal Dedicated	108	887	661	400	400	800
Total Revenue	**108**	**887**	**661**	**400**	**400**	**800**

HIGHER EDUCATION SVCS OFFICE
Program: STATE STUDENT LOANS
Activity: STAFFORD LOAN

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Higher Education Svcs Office	25	17	15	15	15	30
Total	**25**	**17**	**15**	**15**	**15**	**30**
Expenditures by Category						
Operating Expenses	25	17	15	15	15	30
Total	**25**	**17**	**15**	**15**	**15**	**30**
Revenue by Type and Fund						
Dedicated						
Higher Education Svcs Office	21	22	15	15	15	30
Subtotal Dedicated	21	22	15	15	15	30
Total Revenue	**21**	**22**	**15**	**15**	**15**	**30**

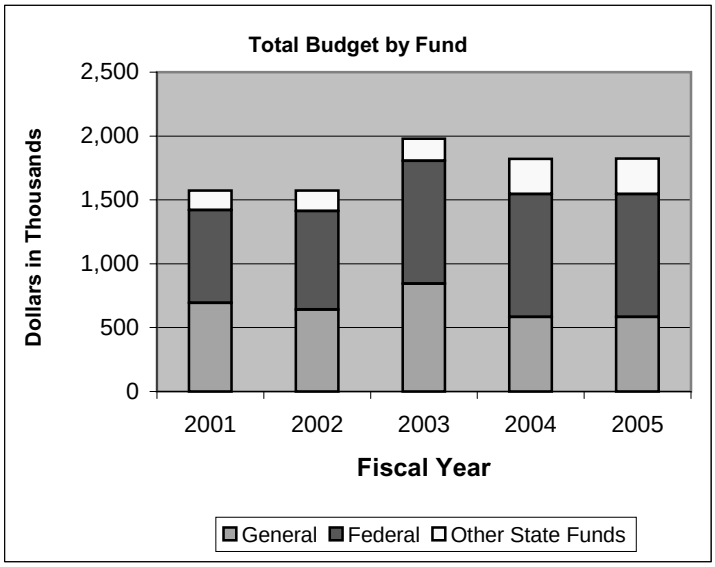
Program Description

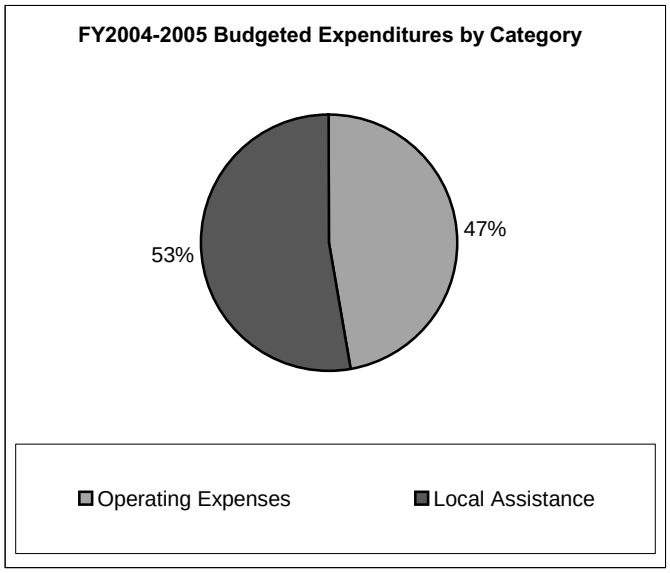
The purpose of Research and Program Services is to support student and state interests in quality, well-managed, and financially accessible higher education opportunities.

Research-related activities under this program are: data collection and reporting on higher education students and analysis of state student financial aid programs and other student financing issues. Activities that support quality higher education programs are: consumer protection services that require private and out-of-state institutions to meet state standards and specialized grants that assist institutions in addressing state and federal initiatives.

Budget Activities Included:

⇒ Research and Program Services
⇒ Miscellaneous Grant Programs





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	694	641	843	584	584	1,168
Statutory Appropriations						
Special Revenue	99	102	113	209	209	418
Federal	726	772	962	962	962	1,924
Higher Education Svcs Office	54	57	62	67	69	136
Total	**1,573**	**1,572**	**1,980**	**1,822**	**1,824**	**3,646**
Expenditures by Category						
Operating Expenses	742	745	840	860	862	1,722
Local Assistance	831	827	1,140	962	962	1,924
Total	**1,573**	**1,572**	**1,980**	**1,822**	**1,824**	**3,646**
Expenditures by Activity						
Research & Program Services	690	683	759	860	862	1,722
Miscellaneous Grant Programs	883	889	1,221	962	962	1,924
Total	**1,573**	**1,572**	**1,980**	**1,822**	**1,824**	**3,646**
Revenue by Type and Fund						
Dedicated						
Special Revenue	105	149	113	205	205	410
Federal	728	769	962	962	962	1,924
Subtotal Dedicated	833	918	1,075	1,167	1,167	2,334
Total Revenue	**833**	**918**	**1,075**	**1,167**	**1,167**	**2,334**
Full-Time Equivalents (FTE)	**9.4**	**9.5**	**9.1**	**9.1**	**9.1**	

Activity Description

In support of higher education opportunities for Minnesota residents, the Research and Program Services activity produces data and reporting on student enrollments and financing and manages regulation of private and out-of-state institutions.

Services under this activity result in consumer protection through administration of statutes that require private and out-of-state institutions to meet state standards, the ability for state and institutional policymakers to track student characteristics and trends, and research on state financial aid programs and how students finance their post-secondary educations.

Activity at a Glance

- About 50 private, nonprofit and out-of-state post-secondary institutions are approved to offer degree programs in Minnesota and 26 other post-secondary providers are registered to offer non-degree programs.
- About 70 private, for-profit career training providers are licensed to operate in Minnesota
- Enrollment records of 290,000 students attending 120 institutions were reported in fall 2000.
- Research services made available on the agency web site now total approximately 150 pages of information and links to agency reports about higher education enrollments, student aid, and student financing in Minnesota.

Population Served

Students, former students, and prospective students of private and out-of-state institutions are served by two consumer protection statutes administered under this activity. Enrollment data and analyses are used by policy makers, institution staff, the media, and the general public who need a single source of data on post-secondary education in Minnesota. The Services Office produces analyses of student financing for state policy makers and staff, for agency planning, and for others interested in these items.

Services Provided

This activity includes the following services:

Consumer Protection. Statutes allow the state to set minimum standards for private and out-of-state institution that offer programs in Minnesota.

⇒ The Minnesota Private Institution Registration Act (M.S. 136A.61-136A.71) provides quality control and fosters consumer protection for private, nonprofit and out-of-state post-secondary institutions offering educational programs within the state.

⇒ Licensing of private for-profit schools (M.S. Chapter 141) provides quality control and consumer protection for private, for-profit career training providers.

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.

When complaints or other information indicates that state standards are not being met, legal action can be taken to protect students. The Services Office maintains information on the location of student records of closed schools and assists former students in getting access to their records.

Research Services. Agency research services enable the state to identify trends and conditions in post-secondary education. While individual institution maintain information on their own activities, data collection and analyses at the Services Office cover both public and private institutions so that a statewide picture is feasible.

Enrollment-related databases are maintained for fall term enrollments and degrees and other awards conferred by Minnesota institutions. Student fall enrollment information, including data on student characteristics such as age, gender, and credit load, has been collected since 1983. The Services Office publishes both standard enrollment

reports and special analyses. Upon request, staff produces tailored summary reports for researchers from a variety of organizations. 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.

Research on student financing, including 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, is also part of this activity. A research database on the State Grant Program is used to project expenditures for budget planning and simulations of policy options.

Key Measures

New institutions, degrees and program registered or approved. Applications for new institutions, degrees or programs generally require more intensive review than renewal applications. The numbers below show completed actions; at any given time, additional institution will be in discussion about incomplete or pending applications. Staff also works with institutions that are undergoing ownership or governance changes, closing operations, and modifying programs or degrees that were previously approved, and establishing exemptions under the regulatory statutes.

FY 2001	FY 2002	FY 2003 Estimate
44	39	40

External visits to tables, reports, and graphs with student enrollment and financing data on the Services Office web site. This measure includes external visits to web pages with actual data or copies of reports produced by the Services Office; visits to cover pages are not included because some users may have decided not to continue if they did not find what they needed. Internal usage and known visits from "webcrawlers" retrieving information for search engines have been removed from these estimates. Because of the structure of the web site, not all visits to relevant pages are tracked so these estimates are conservative.

FY 2001 Estimates	FY 2002 Estimates	FY 2003 Estimates
3,100	11,700	11,700

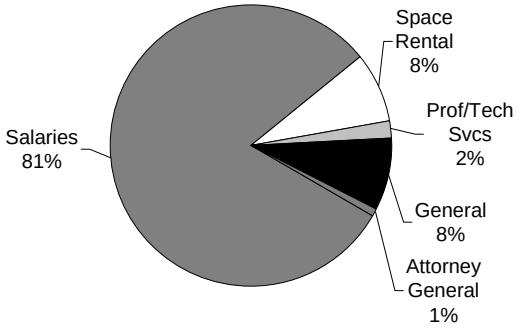
State Grant analyses in response to external requests. As the state's largest student aid program, the State Grant program requires detailed information on results and projections of policy options to satisfy requests from policymakers and others. Activity is greatest during biennial budget sessions. The requests below are in addition to work for agency reports, budget planning and simulation of potential agency budget proposals.

FY 2001	FY 2002	FY 2003 Estimate
28 requests	12 requests	28 requests

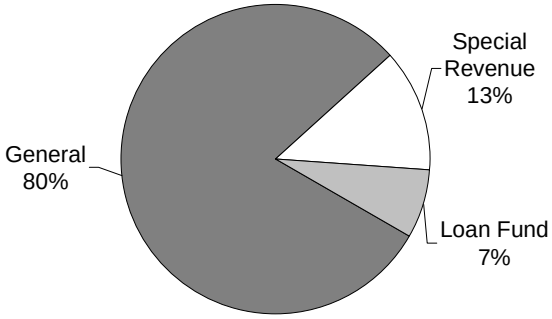
Activity Funding

This activity generates dedicated revenue from fees for Private Institution Registration and Private Career School Licensure. Enrollment reporting and analysis are fully supported from state General Fund appropriations. Student financing analysis is financed by the Loan Capital Fund and General Fund appropriations.

Expenditures by Category
FY 2002-03 (Total: $1.7 Million)



Source of Funding
FY 2002-03 (Total: $1.7 Million)



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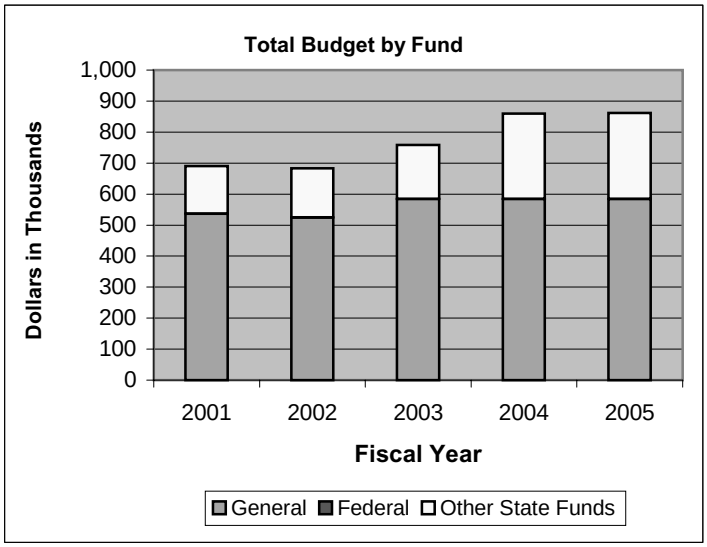
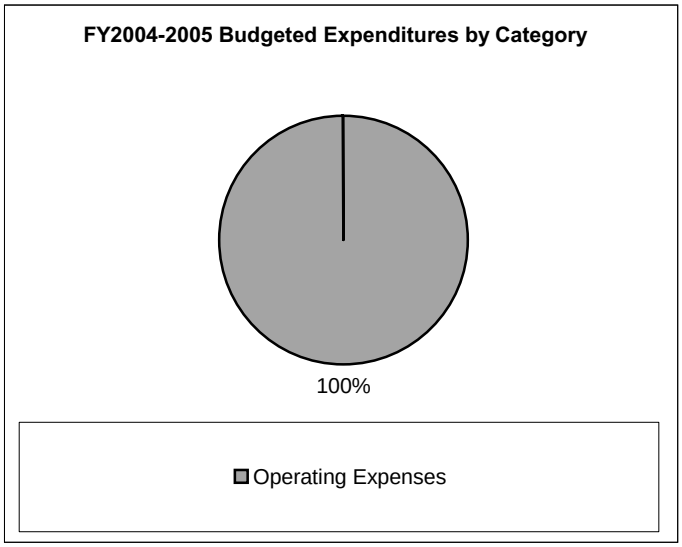
HIGHER EDUCATION SVCS OFFICE
Program: RESEARCH & PROGRAM SERVICES
Activity: RESEARCH & PROGRAM SERVICES

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	537	524	584	584	584	1,168
Statutory Appropriations						
Special Revenue	99	102	113	209	209	418
Higher Education Svcs Office	54	57	62	67	69	136
Total	**690**	**683**	**759**	**860**	**862**	**1,722**
Expenditures by Category						
Operating Expenses	690	683	759	860	862	1,722
Total	**690**	**683**	**759**	**860**	**862**	**1,722**
Revenue by Type and Fund						
Dedicated						
Special Revenue	105	149	113	205	205	410
Subtotal Dedicated	105	149	113	205	205	410
Total Revenue	**105**	**149**	**113**	**205**	**205**	**410**
Full-Time Equivalents (FTE)	**8.8**	**8.6**	**8.4**	**8.4**	**8.4**	

Activity Description

This activity manages two specialized grant programs that encourage post-secondary institutions and nonprofit organizations to address certain state and federal objectives.

⇒ State **Post-Secondary Service Learning** Grants support the development of campus/community collaborations that address significant long-term community needs and enhance the academic and civic development of post-secondary students.

⇒ Federal **Improving Teacher Quality Grants** support the academic achievement of K-12 students by helping schools and school districts improve classroom instruction and ensure that all teachers are highly qualified.

Activity at a Glance

- For the 2002-03 biennium, 13 service-learning and campus-community collaboration projects have been awarded state grants ranging from $4,000 to $60,000.
- The first grants under the new federal Improving Teacher Quality Program will be made in early 2003 to partnerships that must include a higher education institution and its teacher preparation division and school of arts and sciences and a high need school district.
- The Improving Teacher Quality Program replaces the Eisenhower Professional Development Program that is currently supporting 25 grants, ranging from $29,286 to $45,000, to eight Minnesota higher education institutions and three nonprofit organizations.

Population Served

The state Post-Secondary Service Learning Grants program serves post-secondary students, community organizations, and individual citizens. K-12 teachers and paraprofessionals in Minnesota schools will be served by the newly-authorized federal Improving Teacher Quality Program.

Services Provided

Funds for both grant programs are awarded on a competitive basis. The Minnesota Higher Education Services Office (MHESO) provides guidance for program development and administration, financial oversight and project evaluation. For Post-Secondary Service Learning Grants, MHESO contacts with the Minnesota Campus Compact for administrative and technical assistance to funded projects.

The state **Post-Secondary Service Learning** Program provides competitive grants to post-secondary institutions and nonprofit organizations. The Minnesota Campus Compact and MHESO jointly administer grants. Each project is a collaboration between at least one campus and one community-based organization. In some cases, the community organization manages the program.

Four funding areas (program start-up, integrating service with academic study, quality improvement, and the model engaged campus) allow different project strategies to meet identified post-secondary and community needs. Projects supported by current grants include health care projects that provide internships and clinical experiences for students in nursing, occupational therapy, physical therapy, social work and chiropractic care; projects in education that develop and support science and mathematics curriculum for Native American youth in grades 8-12; projects for teacher education students to provide an after-school program for underserved school-age children living in a public housing complex; and projects that aim to move institutional practice from an array of service-learning and community partnerships to a defined and integrated program of services for the entire campus.

An added activity for this biennium is a statewide assessment of the outcomes of service-learning and campus-community collaborations funded by state grants since 1989. The results of this assessment will guide the development of future projects supported by state grant funds.

Improving Teacher Quality Grants will be awarded to eligible partnerships to conduct professional development in mathematics, science, and social studies to ensure that highly qualified teachers and paraprofessionals have subject matter knowledge and teaching skills in these subjects. Eligible applicants must represent a partnership that includes a higher education institution and its teacher preparation division and school of arts and sciences and a high need school district.

Historical Perspective

Since 1985, MHESO has administered more than $10 million in federal formula funds that have supported 336 projects by higher education institutions and nonprofit organizations for teacher and paraprofessional professional development. These competitively funded projects were designed to ensure that K-12 teachers and paraprofessionals, after sustained and intensive high-quality professional development, provide challenging learning experiences in core academic subjects for all students. The federal program required that primary emphasis be placed on mathematics and science. To enhance state efforts to implement the Minnesota Graduation Standards, funding included program support for three social studies projects.

The December 2001 No Child Left Behind Act amendment to the federal Elementary and Secondary Education Act emphasizes teacher quality as a factor in improving student achievement, requires a specific partnership from applicants that focuses on high need school districts and demands stronger accountability from grantees for gains in student academic achievement or increases in teacher/paraprofessional mastery of the academic subject. The No Child Left Behind Act will guide improving Teacher Quality Grants to be funded in 2003 and 2004.

Key Measures

College and university students engaged in service-learning activities in the community. Each grant-funded project engages students in service activities with people and organizations in their local communities. "Service-learning" enhances students' academic experience, promotes career exploration, and builds a commitment to life-long civic engagement and service.

FY 1998-99	FY 2000-01	FY 2002-03 Estimate
1,709 students	1,947 students	1,912 students

Community organizations and Minnesotans benefiting from the service-learning grant program. Each grant-funded project is designed to address significant, long-term community needs. Community organizations work in partnership with colleges and universities to provide enhanced support for the residents they serve.

FY 1998-99	FY 2000-01	FY 2002-03 Estimate
148 organizations	331 organizations	104 organizations
5,789 Minnesotans	12,519 Minnesotans	18,870 Minnesotans

Faculty members prepared to integrate service-learning experiences into their courses. Faculty involved in grant projects revise existing curricula to include service-learning experiences for their students. Often, these experiences are developed during the grant period and then offered on an annual basis for years to come. Faculty are given guidance in curriculum revision by program staff at workshops and through individual consultation.

FY 1998-99	FY 2000-01	FY 2002-03 Estimate
115 faculty	68 faculty	166 faculty

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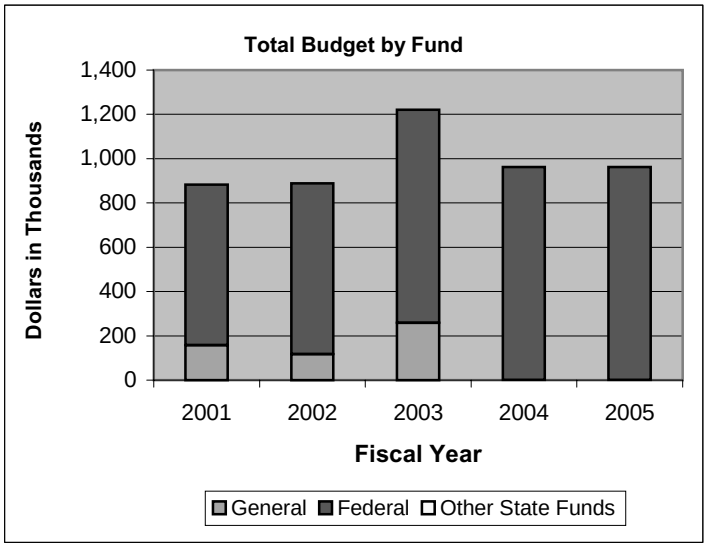
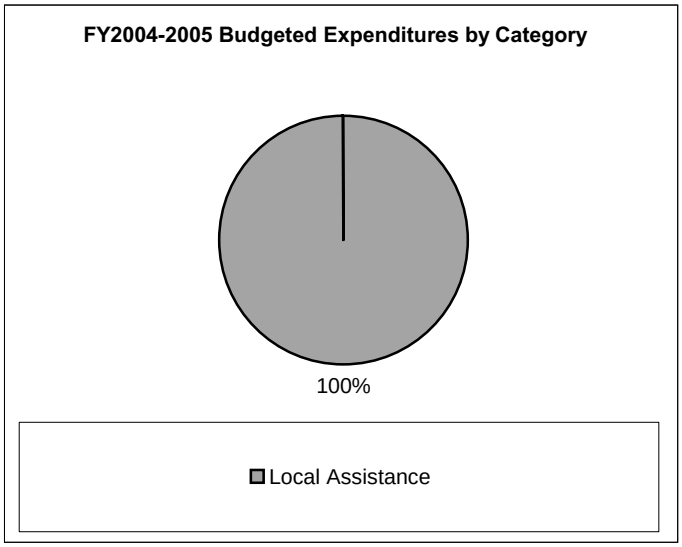
HIGHER EDUCATION SVCS OFFICE
Program: RESEARCH & PROGRAM SERVICES
Activity: MISCELLANEOUS GRANT PROGRAMS

Fiscal Report





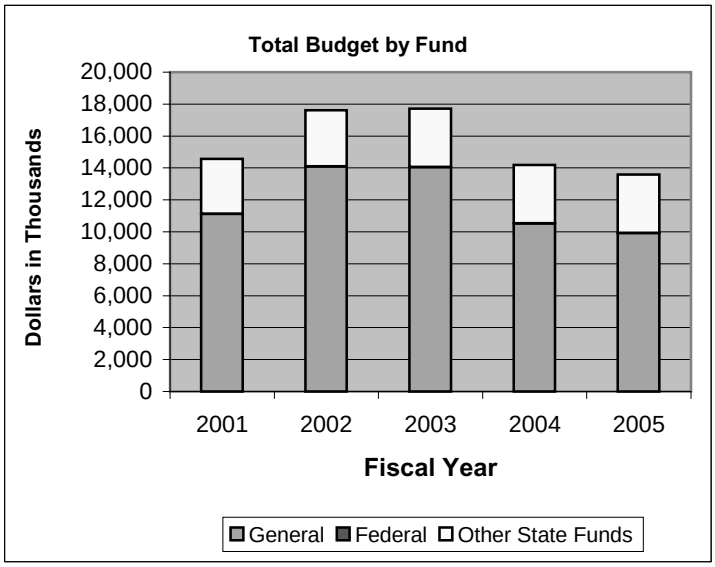
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	157	117	259	0	0	0
Statutory Appropriations						
Federal	726	772	962	962	962	1,924
Total	**883**	**889**	**1,221**	**962**	**962**	**1,924**
Expenditures by Category						
Operating Expenses	52	62	81	0	0	0
Local Assistance	831	827	1,140	962	962	1,924
Total	**883**	**889**	**1,221**	**962**	**962**	**1,924**
Revenue by Type and Fund						
Dedicated						
Federal	728	769	962	962	962	1,924
Subtotal Dedicated	728	769	962	962	962	1,924
Total Revenue	**728**	**769**	**962**	**962**	**962**	**1,924**
Full-Time Equivalents (FTE)	**0.6**	**0.9**	**0.7**	**0.7**	**0.7**	

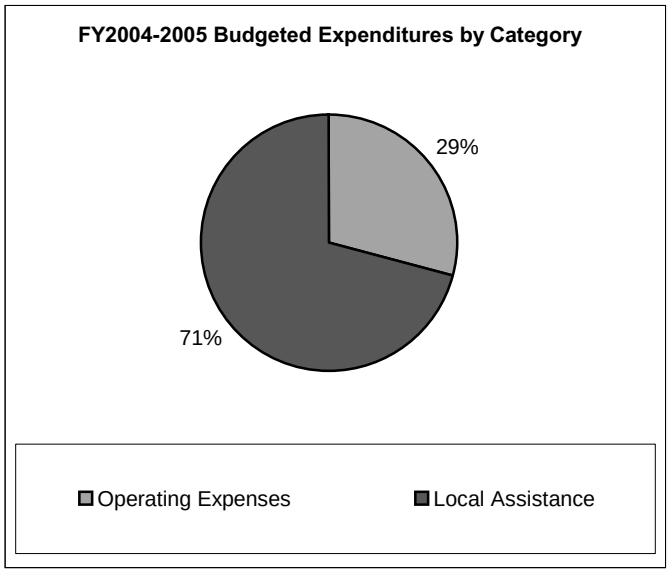
Program Description

The purpose of the Library and Technology Program is to provide statewide support functions that assist libraries and post-secondary institutions in serving Minnesotans with efficient access to library materials, distance education, and other learning resources.

Budget Activities Included:

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





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Carry Forward						
General	0	0	0	860	250	1,110
Direct Appropriations						
General	11,122	14,096	14,044	9,660	9,660	19,320
Statutory Appropriations						
Miscellaneous Agency	3,445	3,516	3,673	3,673	3,673	7,346
Total	**14,567**	**17,612**	**17,717**	**14,193**	**13,583**	**27,776**
Expenditures by Category						
Operating Expenses	4,479	3,611	7,481	4,337	3,727	8,064
Local Assistance	10,088	14,001	10,236	9,856	9,856	19,712
Total	**14,567**	**17,612**	**17,717**	**14,193**	**13,583**	**27,776**
Expenditures by Activity						
Minitex Library System	7,963	8,552	8,354	8,054	8,054	16,108
Mnlink-Implementation\Gateway	1,407	3,328	4,197	1,310	700	2,010
Learning Network Of Minn	5,197	5,732	5,166	4,829	4,829	9,658
Total	**14,567**	**17,612**	**17,717**	**14,193**	**13,583**	**27,776**
Revenue by Type and Fund						
Dedicated						
Miscellaneous Agency	3,445	3,516	3,673	3,673	3,673	7,346
Subtotal Dedicated	3,445	3,516	3,673	3,673	3,673	7,346
Total Revenue	**3,445**	**3,516**	**3,673**	**3,673**	**3,673**	**7,346**
Full-Time Equivalents (FTE)	**3.1**	**1.1**	**1.0**	**1.0**	**1.0**	

Activity Description

MINITEX's mission is to enhance the effectiveness and efficiency of libraries by expanding their access to information resources for their users. Major activities are:

- retrieval and delivery of loans and photocopies from the University of Minnesota Libraries and Minneapolis Public Library;
- coordination of a delivery system for libraries throughout the region;
- electronic delivery of articles to patrons' desktop computers;
- discounted licensing of electronic resources, including the Electronic Library for Minnesota (ELM) which provides online access to full text magazines and reference resources for post-secondary and K-12 students, faculty, teachers, and staff as well as the general public;
- providing over 8,000 electronic books via the Internet;
- a common database of magazine and newspaper holdings owned by Minnesota, North Dakota, and South Dakota libraries;
- cooperative purchasing of electronic resources to achieve economy of scale and lower subscription prices; and
- support and training for using MINITEX products and services.

Activity at a Glance

- More than 384,000 books, articles, and non-print materials delivered to Minnesota library patrons.
- Online access to full-text articles in 4,000 journals.
- Participation of more than 1,540 Minnesota libraries of all types.
- More than 161,000 journals and magazines owned by libraries in the MINITEX region listed in a common source for easy location.

Population Served

Now in its 33rd year of operation, the MINITEX Library Information Network (MINITEX) is a publicly-supported network of libraries in Minnesota, North Dakota, and South Dakota. In Minnesota, MINITEX serves over 1,400 academic, state government, K-12, and public libraries which in turn serve all Minnesota residents.

Services Provided

MINITEX fulfills its objective through four primary activities: 1) document delivery; 2) group licenses for online access to full-text and bibliographic resources; 3) a common database of books and non-print holdings through online shared cataloging; and 4) a database of serial holdings (journals and magazines) of participating libraries. MINITEX also provides cooperative purchasing for all types of libraries, periodical exchange, and back-up reference service when libraries do not have local information to answer requests from patrons.

Historical Perspective

Originally funded jointly in 1969 by the Louis W. and Maud Hill Family Foundation, and state and federal funds, MINITEX tested sharing University of Minnesota library resources with 10 representative Minnesota libraries. The pilot project demonstrated the educational and economic viability of this type of resource sharing, and in 1971 the project became a program of the Minnesota Higher Education Coordinating Board funded by the legislature. Since then, the number of participating libraries and services has expanded to create a network of information resource sharing for the Minnesota/North Dakota/South Dakota region. During the 1990s, legislative funding increased to support not only growing demand for traditional interlibrary loan services but also access to online information resources.

Key Measures

Items delivered for Minnesota library users. MINITEX assists libraries by responding to requests for books, articles, and non-print items not available locally. Items are shared either directly between libraries by using the MINITEX courier service or by requesting the MINITEX staff to locate and retrieve items from the University of Minnesota-Twin Cities Library, Minneapolis Public Library or another library. Most items are delivered to the requesting library, but some articles can now be sent electronically to the library or patron's desktop computer. The numbers of items made available by MINITEX to Minnesota library users follows.

FY 2001	FY2002	FY 2003 Estimate
328,448	383,235	459,882

Participating Minnesota Libraries. MINITEX provides services to Minnesota academic, public, state government, and K-12 school and district libraries through the Minnesota Higher Education Services Office (MHESO) appropriation and through a contract with the Minnesota Department of Children, Families & Learning. The number of Minnesota libraries participating in one or more of the primary MINITEX services supported by state appropriation follows.

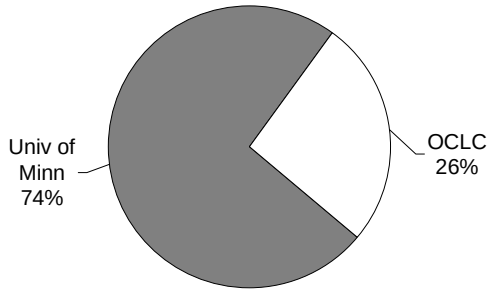
FY 2001	FY2002	FY 2003 Estimate
1,098	1,404	1,540

Uses of licensed electronic resources. MINITEX negotiates licenses for access to online indices, web resources, full-text articles in more than 4,000 journals, a world-wide library catalog, and other reference resources. Minnesotans have access to these resources once they are "authenticated" as library patrons in good standing with a participating Minnesota academic, public, K-12 school, or state government library. Usage of statewide licensed electronic resources in the Electronic Library for Minnesota (ELM) and electronic resources in nursing, science, engineering and other disciplines available through academic libraries follows.

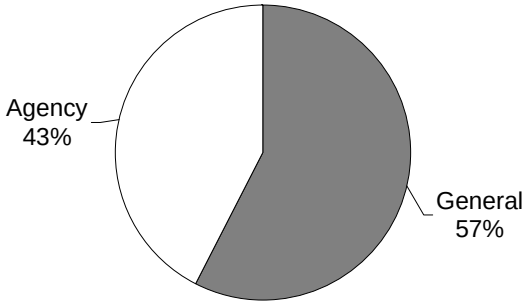
FY 2001	FY2002	FY 2003 Estimate
5,960,885	7,894,218	9,078,351

Activity Funding

Expenditures by Category
FY2002-03 (Total: $16.9 Million)



Source of Funding
FY 2002-03 (Total: $16.9 Million)



The entire MINITEX appropriation to MHESO is for contracted services provided by MINITEX at the University of Minnesota. The University of Minnesota provides space and related physical plant and administrative support services without charge to MINITEX.

Additional revenue is generated from contracts with the Minnesota Department of Children, Families & Learning, the North Dakota State Library, and the South Dakota State Library. All funds are passed by MHESO directly to MINITEX at the University of Minnesota. Revenue is also generated by the Online Computer Library Center (OCLC) online cataloging service in which the revenue is received from libraries using OCLC services through the MINITEX office and passed directly to OCLC.

In 2001, the legislature increased MINITEX appropriations by $900,000 each year to improve document delivery and to purchase additional statewide licenses to both academic and general interest electronic resources. The 2002 legislature reduced funding by $382,000 in FY 2002 and $737,000 in FY 2003. The $737,000 reduction is reflected in the annual base appropriation for FYs 2004 and 2005. To absorb the reduction for the current biennium, MINITEX discontinued a statewide license to the full-text of five national newspapers-the *Minneapolis StarTribune, New York Times, Wall Street Journal, Los Angeles Times,* and *Washington Post.*

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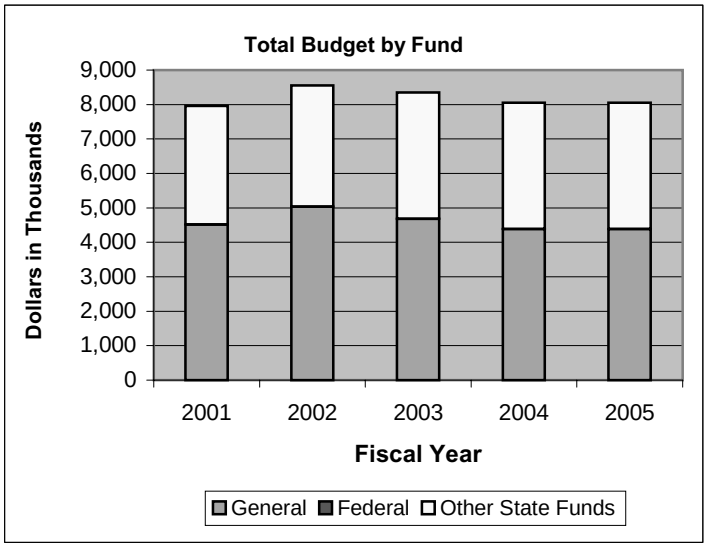
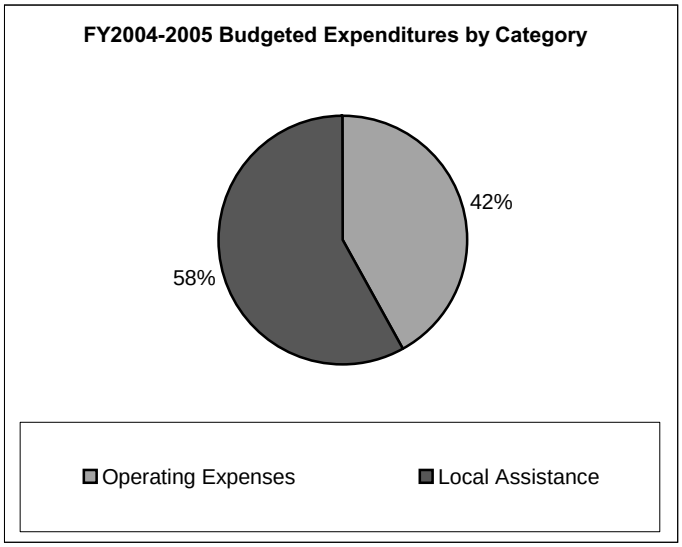




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,518	5,036	4,681	4,381	4,381	8,762
Statutory Appropriations						
Miscellaneous Agency	3,445	3,516	3,673	3,673	3,673	7,346
Total	**7,963**	**8,552**	**8,354**	**8,054**	**8,054**	**16,108**
Expenditures by Category						
Operating Expenses	3,445	631	3,673	3,373	3,373	6,746
Local Assistance	4,518	7,921	4,681	4,681	4,681	9,362
Total	**7,963**	**8,552**	**8,354**	**8,054**	**8,054**	**16,108**
Revenue by Type and Fund						
Dedicated						
Miscellaneous Agency	3,445	1,946	3,673	3,673	3,673	7,346
Subtotal Dedicated	3,445	1,946	3,673	3,673	3,673	7,346
Total Revenue	**3,445**	**1,946**	**3,673**	**3,673**	**3,673**	**7,346**

Activity Description

MnLINK is a statewide virtual library with a single point of access to most major 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.

Population Served

The *MnLINK Integrated Library System* serves the students, faculty, and staff of the University of Minnesota and MnSCU technical colleges, state universities, and community colleges and users of state government libraries and participating private college, public and school libraries. The *MnLINK Gateway* serves participating libraries and their patrons by providing access to library catalogs around the state and to online information resources.

Activity at a Glance

- *The MnLINK Integrated Library System* is an automated library information system operating on common software for the University of Minnesota libraries, MnSCU libraries, state agency libraries, and interested private college, public and school libraries.
- *The MnLINK* Gateway allows Minnesota library patrons to search from a single web site the *Integrated Library System,* many other library catalogs, and general electronic resources.
- The Gateway provides a virtual catalog to the 33.7 million volumes owned by MnLINK participating libraries.
- More than 1 million records and items were viewed through the Gateway in FY 2002.

Services Provided

MnLINK enables Minnesota residents to search the catalogs of academic, government, public and school libraries from single web interface. MnLINK will increase the efficiency of library operations by using a common library automation system in all public academic libraries and by employing technology to streamline communications for resource sharing. The first installation of the Integrated Library System software was completed at the University of Minnesota-Twin Cities in FY 2002. Initial implementation of the first (beta-site) libraries to use the software through a second server site at Minnesota State University, Mankato is scheduled to be completed before the end of FY 2003.

The Gateway web site, launched in 1999, links to state-licensed electronic resources and connects the online catalogs of 20 library systems so that they can be searched simultaneously. The Gateway is accessed at www.mnlink.org. It began services in April 1999; new Gateway software with a patron-initiated interlibrary loan request capacity is being installed during the summer and fall of 2002. The Services Office contracts with MnSCU for management of MnLINK and operation of the Gateway.

Historical Perspective

The Higher Education Services Office developed MnLINK in cooperation with the Library Planning Task Force, which was created by the 1994 legislature to make recommendations about library and information services. MnLINK implementation is funded by a 1997 continuing state appropriation intended to cover the procurement and implementation costs of both the Integrated Library System and the MnLINK Gateway. The Gateway web site was launched in 1999; a biennual appropriation supports Gateway operations. Through an open, representative committee and governance structure, implementation of MnLINK has been coordinated with the University of Minnesota, the Minnesota State Colleges and Universities (MnSCU), the Minnesota Education Telecommunications Council, the MINITEX Advisory Committee, the Department of Children, Families & Learning, the Office of Technology, and the Department of Administration.

Key Measures

Catalog records loaded into the MnLINK Integrated Library System. The MnLINK Integrated Library System functions as a public online catalog of the holdings of participating libraries. The value of the system increases as the number of records increases; also, the number of records loaded indicates progress in moving to the new automated system.

FY 2001	FY 2002	FY 2003 Estimate
0	3,690,000	6,255,000

Authenticated Uses of the Gateway. While anyone from around the world can find and search the library catalogs on the MnLINK Gateway, only those who are "authenticated" as a holder of a valid card from a participating Minnesota library can use the full set of features of the Gateway. The numbers below indicate how many times authenticated Minnesota library cardholders searched the Gateway.

FY 2001	FY 2002	FY 2003 Estimate
380,194	407,654	437,097

Searches conducted on the MnLINK Gateway. When someone is looking for material on the Gateway, a click of a button begins a search. The numbers below indicate the number of times a search was conducted on the Gateway.

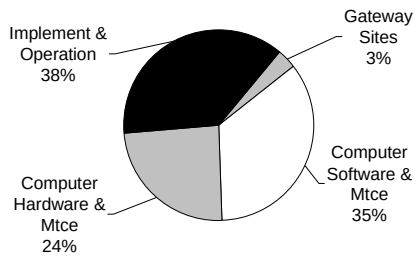
FY 2001	FY 2002	FY 2003 Estimate
671,296	731,490	1,000,000

Activity Funding

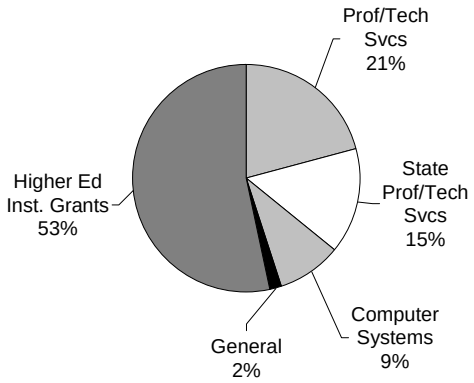
The implementation of MnLINK is funded through a 1997 state appropriation of $12 million, which can be carried over until expended. The initial appropriation is expected to cover MnLINK costs through the installation of the two systems. Training of staff in participating libraries will be covered in part by MnLINK funding and in part by local library resources. Once operational, the Integrated Library System will be funded by the participating libraries, just as they have paid for their own automated library systems in the past. State funds are provided in an annual appropriation for the ongoing coordination and operations of the Gateway.

No budget changes for MnLINK were enacted in the 2001 session. In 2002, the legislature removed $822,000 from the continuing 1997 appropriation for MnLINK implementation which had been set aside for authority control on the MnLINK servers, licensing support for report writer software, and the project's contingency fund. These reductions increase the financial risks associated with a large software installation and require participating libraries to bear some local implementation costs that would have been supported by the state appropriation.

Allocation of Expenditures
FY2002-03 (Total: $8.6 Million)
Source of Funding: General



Expenditures by Category
FY2002-03 (Total: $8.6 Million)
Source of Funding: General



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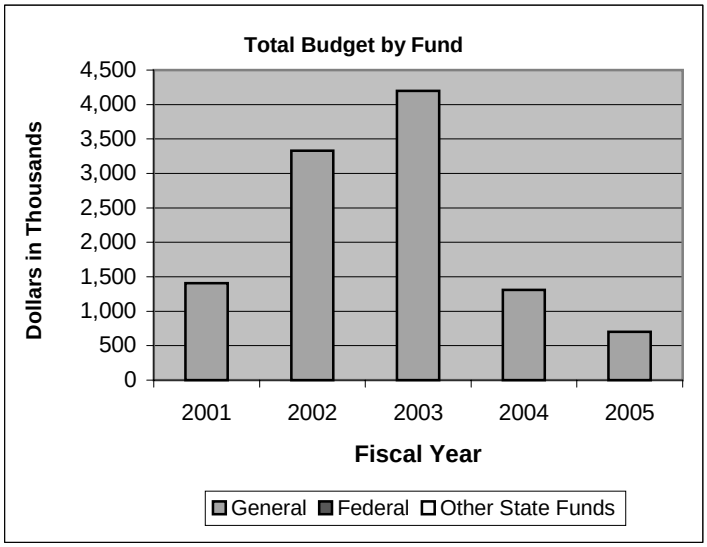
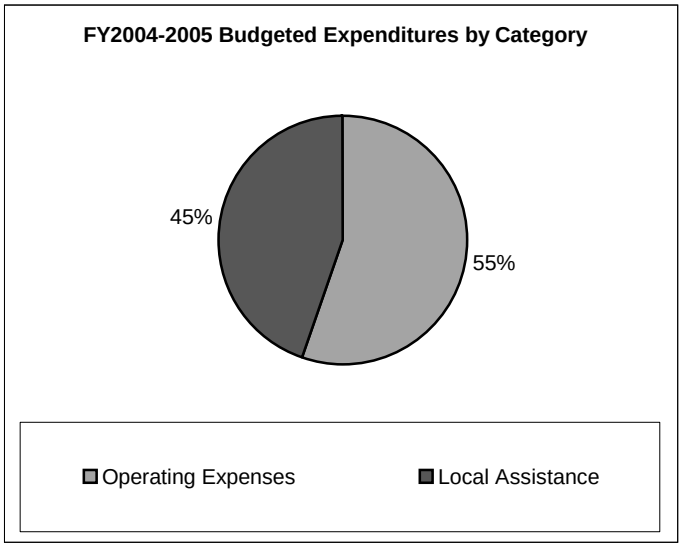
HIGHER EDUCATION SVCS OFFICE
Program: LIBRARIES AND TECHNOLOGY
Activity: MNLINK-IMPLEMENTATION\GATEWAY

Fiscal Report





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Carry Forward						
General	0	0	0	860	250	1,110
Direct Appropriations						
General	1,407	3,328	4,197	450	450	900
Total	**1,407**	**3,328**	**4,197**	**1,310**	**700**	**2,010**
Expenditures by Category						
Operating Expenses	966	2,918	3,707	860	250	1,110
Local Assistance	441	410	490	450	450	900
Total	**1,407**	**3,328**	**4,197**	**1,310**	**700**	**2,010**
Revenue by Type and Fund						
Dedicated						
Miscellaneous Agency	0	1,570	0	0	0	0
Subtotal Dedicated	0	1,570	0	0	0	0
Total Revenue	**0**	**1,570**	**0**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**2.0**	**0.0**	**0.0**	**0.0**	**0.0**	

Activity Description

The Learning Network of Minnesota provides access to educational programs and library resources and enables administrative efficiency through telecommunications network infrastructure and applications such as web-based learning, multimedia communications, desktop video and interactive television.

Population Served

All citizens of Minnesota have access to the Network and its programs through their public libraries, K-12 school districts and institution of higher education.

The Minnesota Education Telecommunications Council (METC), a 25-member board that includes representatives of K-12 education, higher education, public libraries, the Minnesota Legislature and state agencies, manages the Network. The METC also provides leadership in developing a statewide vision, planning and coordination of educational technology use.

Activity at a Glance

- The higher education portion of the Learning Network is comprised of six telecommunications regions serving approximately 70 campuses.
- The Learning Network enhances on-campus learning and provides distance education opportunities, thereby expanding access to higher education throughout the state.
- Public higher education institutions rely on the Learning Network for academic programs and administrative services, and both the University of Minnesota and the Minnesota State Colleges and Universities (MnSCU) include the Network as a key component in their strategic plans.

The Learning Network connects public school districts, regional public library systems and public higher education institutions. The Services Office serves as fiscal agent for the higher education portion of the Network and staffs the METC. The Department of Children, Families, and Learning is fiscal agent for the public school districts and library portion.

Services Provided

The higher education portion of the 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. These services include

⇒ Over 1,000 college courses are offered over the Learning Network each year via interactive television and the Internet.

⇒ Network applications such as e-mail accounts for students, web-based course support, desktop video, administrative support, voice services and access to Internet 2.

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

⇒ Aggregating purchases to take advantage of economies of scale. The metro region, for example, is increasing bandwidth to gigabit capacity while reducing costs for member institutions.

⇒ Facilitating joint degree programs between University of Minnesota and MnSCU campuses.

⇒ Enabling Community and Technical College campuses to share faculty and pool students in common sections.

⇒ Helping institutions to use technology to meet staffing needs. Colleges are hiring adjunct faculty who teach from their home communities via distance video.

Historical Perspective

In 1993 Minnesota Legislature funded the development of a statewide telecommunications network to connect public post-secondary education institutions around the state. The legislature also established the Higher Education Telecommunications Council (HETC) to provide statewide leadership and vision for the new Learning Network.

In 1995, the HETC became the METC, and the Learning Network was expanded to include K-12 education and public libraries. The legislature appropriated funds for telecommunications access grants to connect public school

districts and public libraries to the Network. For FY 2001 and FY 2002, the K-12 funds were allocated directly to school districts in the form of categorical aid.

The METC encourages collaboration with other community, regional, and state initiatives. In addition, the Council promotes interoperability and efficiency through its recommendations concerning infrastructure investments, governance, and technical standards.

Key Measures

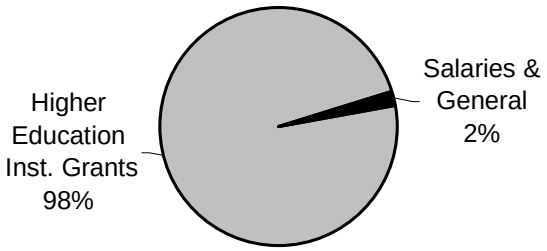
- Number of Distance Education Classrooms/Sites:
  Academic Year 1999-2000 124
  Academic Year 2000-2001 126
- Number of Courses:
  Academic Year 1999-2000 880
  Academic Year 2000-2001 944
- Number of Credits:
  Academic Year 1999-2000 2,883.5
  Academic Year 2000-2001 3,108

(Note: These figures include only courses offered via interactive television. Courses and other instruction available via the Internet also use the Learning Network infrastructure. The Services Office and telecommunications regions are working with campuses to quantify this activity.)

Activity Funding

The 2001 Legislature provided an increase of $900,000 each year of the biennium for the Learning Network to support modernization, maintenance and upgrades. The 2002 Legislature reduced appropriations for the Learning Network by $270,000 in FY 2002 and $900,000 in FY 2003 and later years. As result of these reductions, the Network is scaling down modernization and investment in new technologies.

Expenditures by Category
FY 2002-03 (Total: $10.9 Million)
Source of Funding: General



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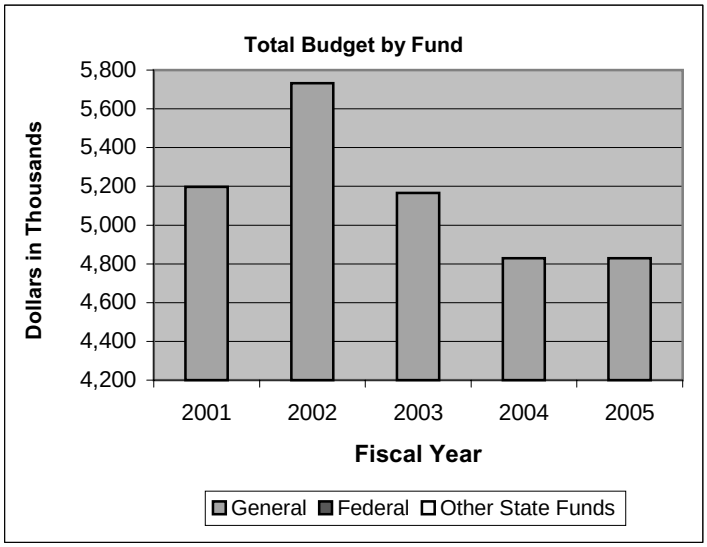
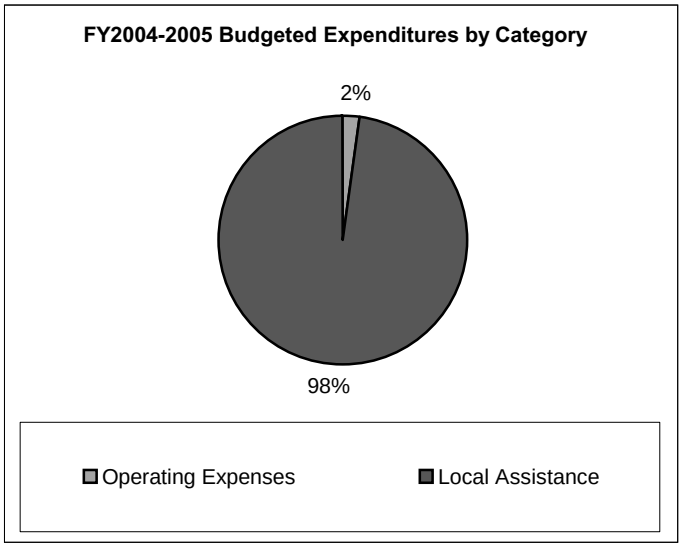
HIGHER EDUCATION SVCS OFFICE
Program: LIBRARIES AND TECHNOLOGY
Activity: LEARNING NETWORK OF MINN

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	5,197	5,732	5,166	4,829	4,829	9,658
Total	**5,197**	**5,732**	**5,166**	**4,829**	**4,829**	**9,658**
Expenditures by Category						
Operating Expenses	68	62	101	104	104	208
Local Assistance	5,129	5,670	5,065	4,725	4,725	9,450
Total	**5,197**	**5,732**	**5,166**	**4,829**	**4,829**	**9,658**
Full-Time Equivalents (FTE)	**1.1**	**1.1**	**1.0**	**1.0**	**1.0**	

Program Description

The purpose of the Agency/Loan Administration Program is to provide overall administrative support for the Higher Education Services Office and its Higher Education Services Council through: fiscal services, human resources, office administrative services, data processing and information management services, overall agency oversight and management, communications, and legislative services.

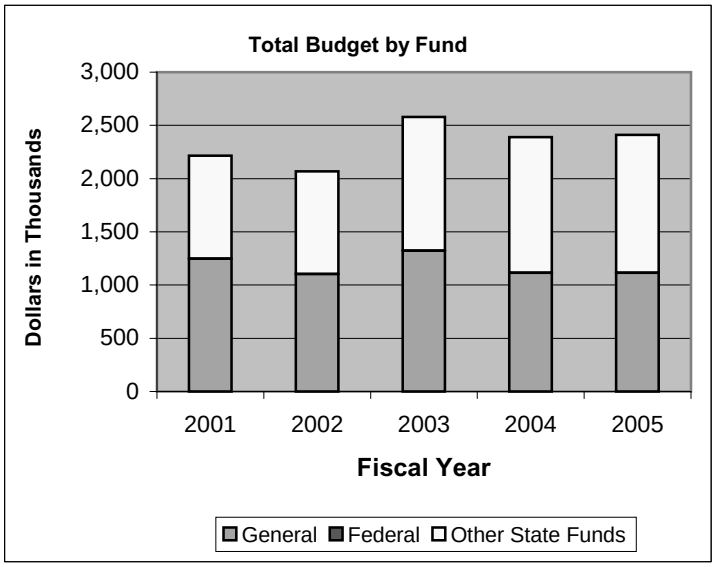
Budget Activities Included:

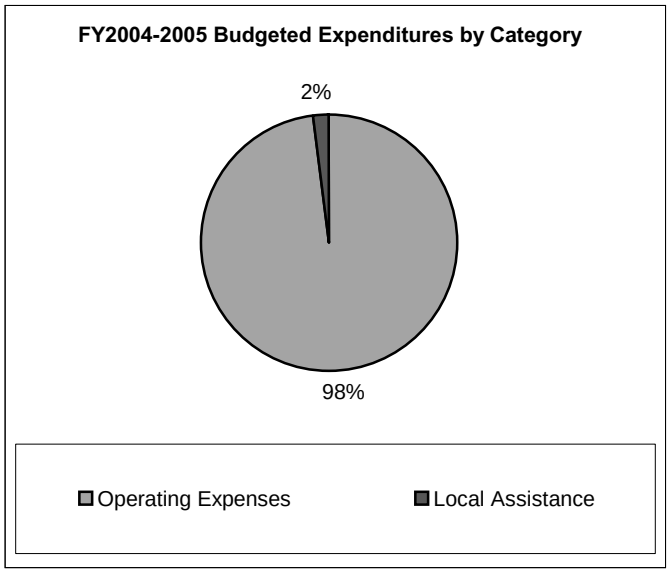
⇒ Agency Management
⇒ Administrative Services

HIGHER EDUCATION SVCS OFFICE

Program: AGENCY/LOAN ADMINISTRATION

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,248	1,103	1,322	1,115	1,115	2,230
Statutory Appropriations						
Special Revenue	40	49	64	70	75	145
Higher Education Svcs Office	928	916	1,192	1,204	1,222	2,426
Total	**2,216**	**2,068**	**2,578**	**2,389**	**2,412**	**4,801**
Expenditures by Category						
Operating Expenses	2,168	2,020	2,530	2,341	2,364	4,705
Local Assistance	48	48	48	48	48	96
Total	**2,216**	**2,068**	**2,578**	**2,389**	**2,412**	**4,801**
Expenditures by Activity						
Agency Management	540	546	655	586	591	1,177
Administrative Services	1,676	1,522	1,923	1,803	1,821	3,624
Total	**2,216**	**2,068**	**2,578**	**2,389**	**2,412**	**4,801**
Revenue by Type and Fund						
Dedicated						
Special Revenue	78	67	60	60	60	120
Higher Education Svcs Office	0	3,829	0	0	0	0
Subtotal Dedicated	78	3,896	60	60	60	120
Total Revenue	**78**	**3,896**	**60**	**60**	**60**	**120**
Full-Time Equivalents (FTE)	**23.8**	**20.9**	**23.3**	**21.8**	**21.8**	

Activity Description

The Agency Management Activity includes the agency Director's Office (1.20 FTE), which provides overall leadership, direction, and supervision to 113.7 full time equivalent staff; guides activities of the agency; manages and overall budget of $300 million; and serves the nine member Higher Education Services Council. The Council appoints the Director of the Services Office, provides advice and review regarding the performance of the Services Office, and communicates with and makes recommendations to the governor and the legislature.

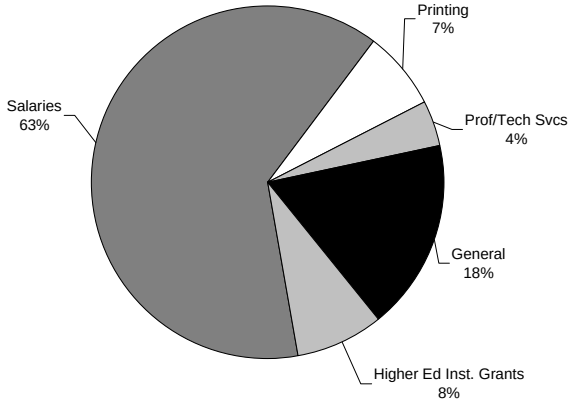
Services Provided

Responsibilities include:

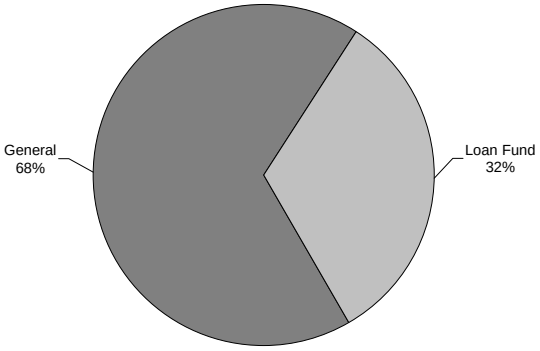
- Guiding and facilitating the work of the Higher Education Services Office through agency work plan development and Management Planning Team deliberations;
- Providing the Higher Education Services Council with the services necessary to achieve its mission, annual objectives, and statutory responsibilities; and,
- Communicating Services Office and Council actions, positions, and services to the agency's various constituencies.

Activity Funding

Expenditures by Category
FY2002-03 (Total: $1.2 Million)



Source of Funding
FY2002-03 (Total: $1.2 Million)



Contact

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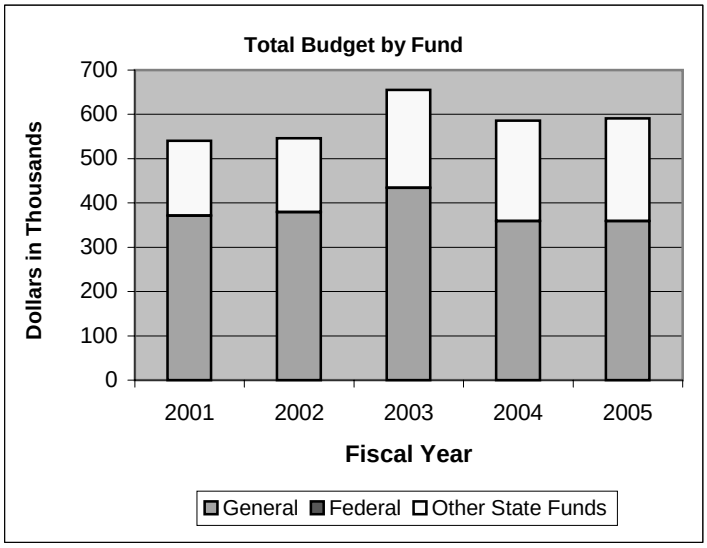
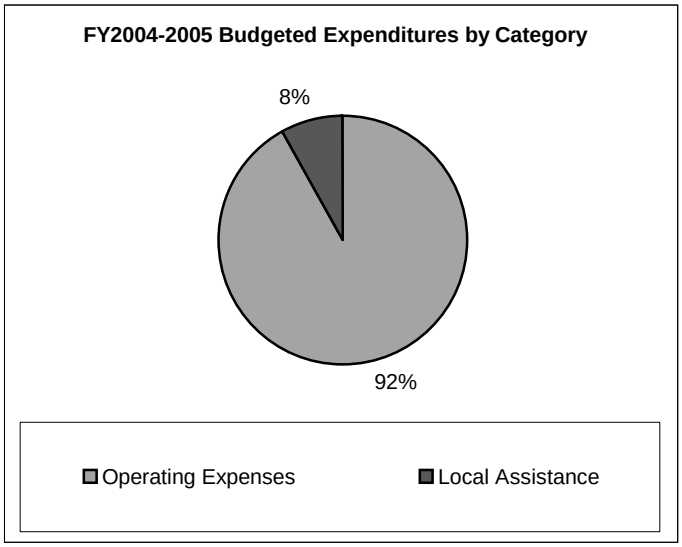
HIGHER EDUCATION SVCS OFFICE
Program: AGENCY/LOAN ADMINISTRATION
Activity: AGENCY MANAGEMENT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	371	379	434	359	359	718
Statutory Appropriations						
Higher Education Svcs Office	169	167	221	227	232	459
Total	**540**	**546**	**655**	**586**	**591**	**1,177**
Expenditures by Category						
Operating Expenses	492	498	607	538	543	1,081
Local Assistance	48	48	48	48	48	96
Total	**540**	**546**	**655**	**586**	**591**	**1,177**
Revenue by Type and Fund						
Dedicated						
Higher Education Svcs Office	0	3,829	0	0	0	0
Subtotal Dedicated	0	3,829	0	0	0	0
Total Revenue	**0**	**3,829**	**0**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**4.5**	**4.5**	**5.0**	**4.5**	**4.5**	

Activity Description

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

Population Served

All agency staff, post-secondary institutions (both in-state and out-of-state), post-secondary students, and contracted vendors are served by this budget activity.

Services Provided

Three distinct work units provide key services pertaining to agency administration:

Activity at a Glance

- Funds disbursed for the issuance of student loans: FY 2001 -- $101.9 million; FY 2002 -- $104.2 million
- Funds disbursed for State Grant payments: FY 2001 -- $140.9 million; FY 2002 -- $150.4 million
- Number of Post-Secondary Institutional Audits performed: FY 2002 – 51
- Fiscal Notes processed within deadline parameters during 2001 and 2002 legislative session: 17 (100%)

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

⇒ Human Resources and Agency Services unit provides services including: all aspect 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 Services unit provides services including: analysis, design, programming, and maintenance of computer applications for student financial aid programs and administrative support; database administration; host and program the agency web site and intranet; minicomputer system management; maintain the agency network infrastructure; provide technical support and maintenance for personal computers and servers.

Key Measures

⇒ Number of payment transactions processed: FY 2001 – 4,963; FY 2002 – 4,654 with 98% of payments processed within 30 days.

⇒ In FY 2002, 51 post-secondary institutional audits related to Minnesota financial aid programs were performed, resulting in $104,118 in refunds to state funded programs; audit review of financial statements for over 140 post-secondary institutions licensed or registered by Minnesota Higher Education Services Office.

⇒ During the 2001-2002 biennium, 100% of all fiscal note requests were responded to within the time parameters assigned to the agency.

⇒ In FY 2002, the average turn-around time to fill individual citizen requests for printed information or questions was within 72 hours of receipt.

⇒ Number of Interstate Tuition Reciprocity applications entered on-line via the agency web site: FY 2001 – 3,691; FY 2002 – 4,886.

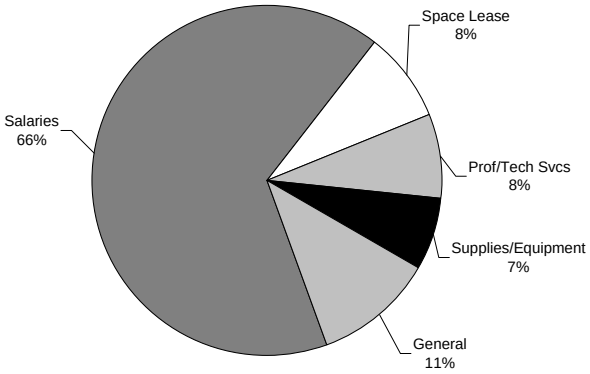
⇒ Number of Student Educational Loan Fund (SELF) student loan applicants that have successfully completed the interactive student loan counseling program on the agency web site: FY 2001 – 2,319; FY 2002 – 3,812.

Activity Funding

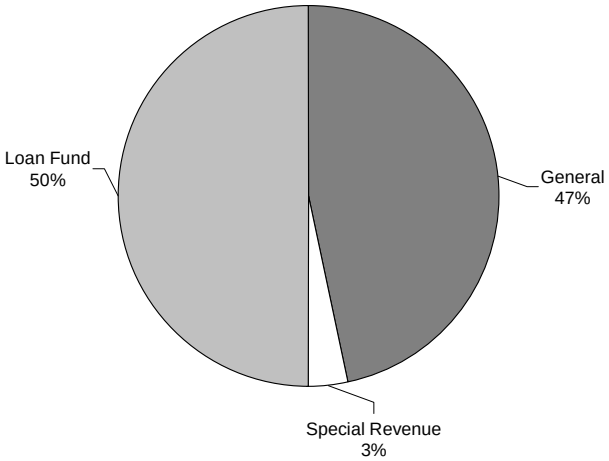
Revenue Sources: The MHESO generates non-dedicated revenue, dedicated revenue and federal revenue. The non-dedicated revenue is primarily generated through refunds of prior year financial aid payments. In addition, the MHESO received payments on several miscellaneous loan programs. All non-dedicated revenue is deposited to the state General Fund.

Fee Structure: The MHESO has two programs that are funded primarily through specific licensing fees: the Private Institution Registration Program and the Private Career School Licensure Program. In FY 2002, the revenues for these programs totaled $448,989.

Expenditures by Category
FY2002-03 (Total: $3.4 Million)



Source of Funding
FY2002-03 (Total - $3.4 Million)



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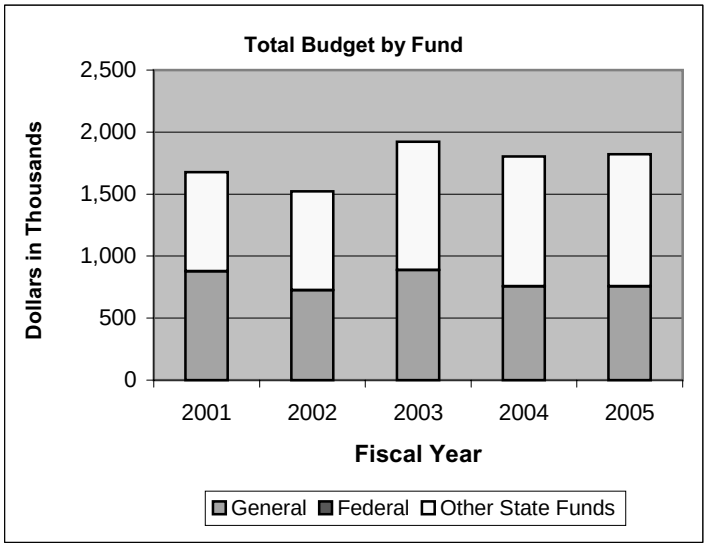
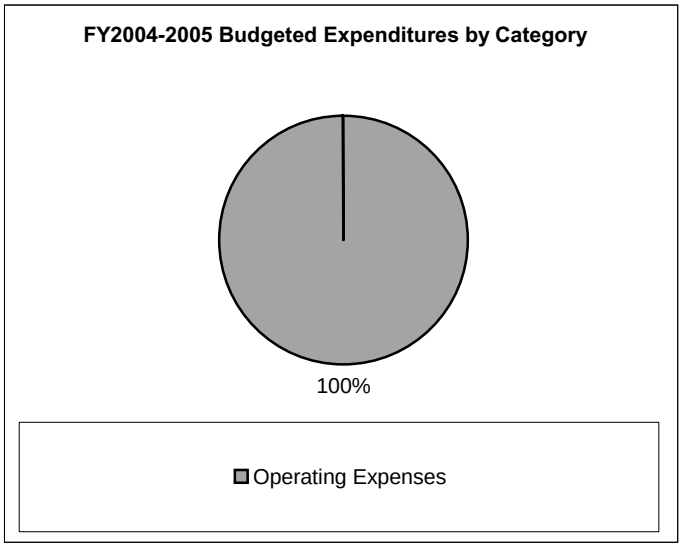
HIGHER EDUCATION SVCS OFFICE
Program: AGENCY/LOAN ADMINISTRATION
Activity: ADMINISTRATIVE SERVICES

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	877	724	888	756	756	1,512
Statutory Appropriations						
Special Revenue	40	49	64	70	75	145
Higher Education Svcs Office	759	749	971	977	990	1,967
Total	**1,676**	**1,522**	**1,923**	**1,803**	**1,821**	**3,624**
Expenditures by Category						
Operating Expenses	1,676	1,522	1,923	1,803	1,821	3,624
Total	**1,676**	**1,522**	**1,923**	**1,803**	**1,821**	**3,624**
Revenue by Type and Fund						
Dedicated						
Special Revenue	78	67	60	60	60	120
Subtotal Dedicated	78	67	60	60	60	120
Total Revenue	**78**	**67**	**60**	**60**	**60**	**120**
Full-Time Equivalents (FTE)	**19.3**	**16.4**	**18.3**	**17.3**	**17.3**	

State of Minnesota
Department of Finance

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the University of Minnesota, the Minnesota State Colleges and Universities (MnSCU), and the Higher Education Services Office (HESO). These entities will collectively administer over $4 billion (all funds) for the FY 2004-05 biennium. The Governor encourages the institutions and HESO to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The state funding recommended for these entities for FY 2004-05 represents a $254 million (9 percent) decrease in state general fund spending on higher education from the FY 2002-03 biennium. The funding provided will be used to ensure the continued excellence in higher education as well as financial aid access for students.

The University and MnSCU share in a 14 percent reduction to operational funding, $179 million for the University and $174 million for MnSCU. In addition, $30 million from each system will be moved to the State Grant Program in HESO to ensure financial access and choice for Minnesota's students. HESO also receives a 15 percent reduction to agency operational funding, consistent with other state agencies.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium. Letters from the University, MnSCU, and HESO, along with summaries of their budget requests, are also included in this transmittal. Detailed change item pages for initiatives not recommended by the Governor can be found on the Department of Finance budget website at www.budget.state.mn.us.

My staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

Governor's Recommendations:

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level (Biennial Base)	314,922	303,751	618,673
Legislatively Mandated Base	1,800	0	1,800
One-Time Appropriations	(234)	0	(234)
Adjusted Base Funding	316,488	303,751	620,239
Change Items			
Increase to Grant Program	60,000	0	60,000
Operating Reduction	(5,000)	0	(5,000)
Governor's Recommendations	371,488	303,751	675,239
Biennial Change 2002-03 to 2004-05	56,770	45,404	102,174
Percent Change	18%	18%	25%

The Governor also concurs with Higher Education Services Office's (HESO's) request for a revenue increase of $34,000 in FY 2004 and $34,000 in FY 2005 for an increase in the fees charged to private institutions for licensing.

Brief Explanation of Budget Decisions:

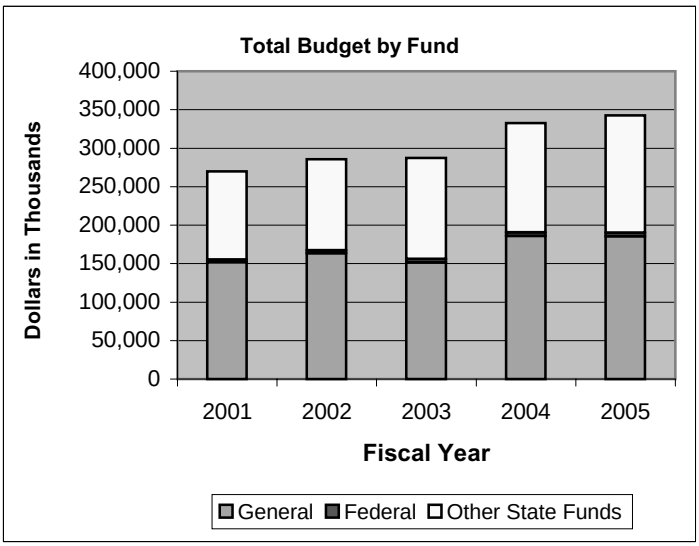
In FY 2004-05, the (HESO) received an increase of $1.8 million to reflect a legislatively-mandated base for the College Savings Plan and a reduction of $234,000 to reflect the sunset of the appropriation for the State Grant re-write.

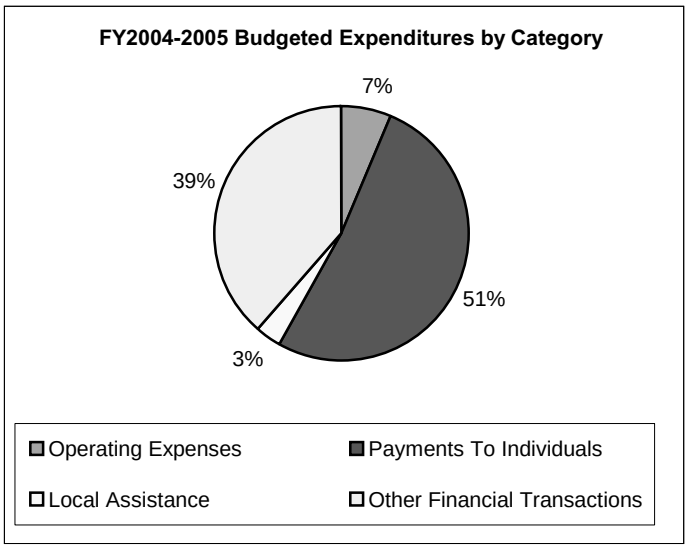
Agency Request:

The Governor has submitted the Higher Education Services Council's request to the Legislature. A narrative summary of the agency's request is included after the transmittal letter in this document. Additional detail on HESO's change items may be found on the Department of Finance's budget website at http://www.budget.state.mn.us/. The following table summarizes the agency's request:

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level (Biennial Base)	314,922	303,751	618,673
Legislatively Mandated Base	1,800	0	1,800
One-Time Appropriations	(234)	0	(234)
Adjusted Base Funding	316,488	303,751	620,239
Agency Change Items			
Student Financial Aid Services			
Increased Number of Recipients	54,340	0	54,340
Tuition & Fees	33,900	0	33,900
Living & Miscellaneous Expense	5,400	0	5,400
Tuition & Fees Maximums	2,700	0	2,700
Child Care Grants	105	0	105
Agency/Loan Administration			
State Grant Rewrite	300	0	300
Inflation	340	0	340
FY 2004-05 Total Agency Request	413,573	303,751	717,324
Biennial Change 2002-03 to 2004-05	98,855	45,404	144,259
Percent Change	31%	18%	25%

HESO also requests a revenue increase of $34,000 in FY 2004 and $34,000 in FY 2005 for an increase in the fees for licensing private institutions.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Carry Forward						
General	0	0	0	1,060	424	1,484
Direct Appropriations						
General	151,842	163,251	151,467	185,002	185,002	370,004
Statutory Appropriations						
Special Revenue	166	228	228	330	335	665
Federal	3,453	3,909	4,397	4,397	4,397	8,794
Miscellaneous Agency	3,445	3,516	3,673	3,673	3,673	7,346
Higher Education Svcs Office	111,028	114,800	127,596	138,213	148,733	286,946
Total	**269,934**	**285,704**	**287,361**	**332,675**	**342,564**	**675,239**
Expenditures by Category						
Operating Expenses	19,052	19,373	25,231	21,998	21,913	43,911
Payments To Individuals	138,185	146,131	135,216	174,121	174,095	348,216
Local Assistance	11,460	15,950	11,624	11,166	11,166	22,332
Other Financial Transactions	101,237	104,250	115,290	125,390	135,390	260,780
Total	**269,934**	**285,704**	**287,361**	**332,675**	**342,564**	**675,239**
Expenditures by Program						
Student Financial Aid Services	141,532	150,625	138,744	177,329	177,303	354,632
State Student Loans	110,046	113,827	126,342	136,942	147,442	284,384
Research & Program Services	1,573	1,572	1,980	1,822	1,824	3,646
Libraries And Technology	14,567	17,612	17,717	14,193	13,583	27,776
Agency/Loan Administration	2,216	2,068	2,578	2,389	2,412	4,801
Total	**269,934**	**285,704**	**287,361**	**332,675**	**342,564**	**675,239**

HIGHER EDUCATION SVCS OFFICE

Fiscal Report

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	170	660	50	51	50	101
Subtotal Non Dedicated	170	660	50	51	50	101
Dedicated						
General	67	189	0	0	0	0
Special Revenue	217	294	224	316	316	632
Federal	3,456	3,905	4,397	4,397	4,397	8,794
Miscellaneous Agency	3,445	3,516	3,673	3,673	3,673	7,346
Higher Education Svcs Office	110,376	126,875	118,221	139,513	150,033	289,546
Subtotal Dedicated	117,561	134,779	126,515	147,899	158,419	306,318
Total Revenue	**117,731**	**135,439**	**126,565**	**147,950**	**158,469**	**306,419**
Full-Time Equivalents (FTE)	**85.4**	**86.3**	**103.7**	**99.5**	**99.5**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$30,000	$30,000	$30,000	$30,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$30,000	$30,000	$30,000	$30,000

Recommendation

The Governor recommends $150.575 million in FY 2004 and $150.575 million in FY 2005 for the State Grant Program, a 23% increase over FY 2002-03 levels. This funding level is expected to provide grants for the current level of enrollment. The Child Care Program would be funded with a separate appropriation of $4.743 million in FY 2004 and $4.743 million in FY 2005.

The Governor is committed to maintaining a strong post-secondary education system in the state of Minnesota. He believes that moving funds into state grants helps accomplish this by providing resources directly to students, enabling them to decide where to pursue their education and encouraging a vibrant and competitive higher education infrastructure. This recommendation emphasizes the importance of providing the resources to students for financing post-secondary education.

The Governor also recommends language that would clarify eligibility for state grants and provide additional direction to the Higher Education Services Office with respect to the proration of state grant awards.

Background

The Governor's recommended changes to the State Grant Program proration language will include prioritizing available funding for core purposes before funding supplemental programs such as Work Study and Child Care.

During FY 2002, approximately $126 million was spent to make full State Grant awards to low- and moderate-income Minnesota undergraduate students. This amount exceeded the initial $108.8 million appropriated for grants. Several variables affected FY 2002 spending: higher actual tuition and fees than assumed in the initial appropriation, a five percent increase in enrollment over FY 2001, an increase in the number of students applying for and receiving State Grants, and an increase in State Grant recipients registering for full-time credit loads. The Higher Education Services Office (HESO) was able to make full awards with additional appropriations provided by the 2002 Legislature, by using its authority to borrow from FY 2003, and transferring unencumbered balances among several program accounts to the State Grant account.

Based on the increased demand in FY 2002, continued double-digit tuition and fee increases in FY 2003, and the uncertain effect of the economy on family incomes of State Grant applicants, HESO projected a FY 2003 State Grant shortfall of $16 million, and transferred $12.4 million in State Work Study funds and $3.6 million in Child Care Grant funds to the State Grant account.

Relationship to Base Budget

The proposed State Grant adjustment represents an increase of 18 percent over FY 2002-03 funding levels, and an additional $30 million per year over the FY 2004-05 base.

Statutory Change: Minnesota Statutes, 136A.121

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	-2,500	-2,500	-2,500	-2,500
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	-2,500	-2,500	-2,500	-2,500

Recommendation

The Governor recommends $35.487 million in FY 2004 and $34.851 million in 2005 for the Higher Education Services Office's (HESO) non-state grant programs, which includes $1.484 million of carry forward for the biennium. None of the reductions are made to the core State Grant Program. However, these reductions eliminate funding for the summer scholarship and Advanced Placement/International Baccalaureate programs within the State Grant Program.

Background

This recommendation is intended to focus the responsibilities of HESO on its core mission of providing access and choice to Minnesota students through the State Grant Program. The Governor expects HESO to continue working on improving its State Grant forecast to ensure that reliable information is available to meet funding expectations.

The Governor will propose separate legislation to merge the functions of the Higher Education Services Council with the Higher Education Advisory Council, which would serve as an advisory committee to the Governor. The Governor will also recommend making the director of the HESO a gubernatorial appointee. This proposal will clarify HESO's role as a state agency and will provide additional accountability for the activities of the office.

As part of this proposal, specific recommendations are being made to the appropriations HESO receives. The Governor recommends the following appropriations for FY 2004-05.

- $5.7 million for the agency's administrative budget, a 15 percent reduction from FY 2002-03 levels;
- $7.2 million for tuition reciprocity, a 66 percent increase over FY 2002-03 levels;
- $9 million for MINITEX, a 17.5 percent reduction from FY 2002-03 levels, which is a 6 percent reduction from FY 2004-05 base funding;
- $9.7 million for Learning Network grants, an 11 percent reduction from FY 2002-03 levels;
- $2.2 million for the College Savings Plan, a 186 percent increase over FY 2002-03 levels; and
- $36 million in base funding levels for Child Care ($9M in FY 04-05), Work Study ($25 million in 04-05), and MnLink ($2 million in 04-05, including carry forward).

The Governor also recommends an end date of June 30, 2005, on the MnLink appropriation in order to ensure that the project is finished by that time.

Relationship to Base Budget

The total recommendation is a 21 percent increase from FY 2002-03 levels, and a $5 million reduction from the FY 2004-05 base.

Statutory Changes: Minnesota Statutes, sections 124D.95, 136A.011, 136A.031, 136A.121, and 136A.124.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	34	34	34	34
Revenues	34	34	34	34
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor concurs with the Higher Education Services Office's (HESO) recommendation to increase initial registration fees to $1100 and annual renewal fees to $950 in order to recover costs of this function.

Background

The Private Institutions Registration Program provides consumer protection services for students and prospective students. It requires that most private and non-Minnesota public post-secondary institutions which are non-profit, or grant degrees, or use the term "academy," "college," "institute," or "university," in their names to register. HESO approves degrees awarded and terminology in the institutions' names.

Registration requires an annual submission of materials and a fee ($550 for initial registration, $400 for annual renewal). Approval to use one of the regulated terms in an institution's name includes a review of financial audits, promotional material and policies, curriculum, faculty, and facilities. In addition to items listed above, approval of degrees requires an in-depth assessment of the institution's capacity to meet generally accepted standards for the specific degree and, if necessary, an evaluation by a consultant from outside Minnesota. As needed, HESO investigates complaints about whether an institution continues to meet the standards for approval.

After reviewing the current level of effort for this activity, HESO has determined fees should be increased in order to generate sufficient revenue to cover costs of the activity. Beginning in FY 2004, HESO recommends that fees for renewal registrations be increased to $950 (currently $400) and fees for new registrations be increased to $1,100 (currently $550).

Relationship to Base Budget

The FY 2003 base budget for this activity is $41,000. Revenues and expenditures for subsequent fiscal years would increase by $34,000 to a base budget of $75,000 to cover increasing costs for site visits, lease costs, legal fees, and personnel costs.

Statutory Change: Not Applicable.

Minnesota Higher Education Services Office

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For the Hearing Impaired
TTY Relay: (800) 627-3529

February 18, 2003

Dear Members of the 2003 Minnesota Legislature:

On behalf of the Minnesota Higher Education Services Office and Minnesota Higher Education Services Council, I am pleased to submit our Fiscal Year 2004-2005 biennial budget request.

The budget and policy recommendations of the Office and Council represent strategic investments in programs, policies, and services that have been successful in supporting access to post-secondary educational opportunities and knowledge.

While mindful of the budget challenges facing the state, the Office and Council recommend that for the upcoming biennium a high priority be assigned to need-based financial aid as an investment in Minnesota's people.

With need-based financial aid, residents, who otherwise would not have the opportunity, are able to attend post-secondary institutions that can best meet their educational needs. As a result of this education, they contribute to a healthy state economy and high quality of life.

We look forward to working with you to provide a financially accessible, high quality system of post-secondary education in Minnesota.

Sincerely,

Robert K. Poch
Director

Summary of Minnesota Higher Education Services Office Budget Request

The budget recommendations of the Minnesota Higher Education Services Office and the Services Council recognize the priority state need to maintain financial access to and choice of post-secondary education opportunities for Minnesota residents as well as the budget challenges facing the state. The recommendations are mindful of projected budget deficits but also the commitment of policymakers over several decades, even during economic downturns, to support need-based financial aid as an investment in Minnesota's people and the state's future.

The recommendations take into account comments received through six public hearings (Moorhead, Winona, Duluth, St. Cloud, St. Paul, and Mankato) in fall 2002. More than 100 people testified at the hearings, and many more individuals provided written comments to the Services Office. These constituents clearly and convincingly highlighted the value of the agency's services and articulated the adverse effects of current and potentially future budget reductions to students, faculty, and the public.

Further, Services Office management and Council members reviewed the agency budget in the context of the agency mission statement as well as the current and continuing effects of budget reductions by the 2002 Legislature on programs and services.

Based on these assessments, the Office and Council developed recommendations that focus almost exclusively on increased funding for the State Grant Program except for two smaller initiatives: one supporting the effective operation of the State Grant Program and the second enabling the agency to cover inflationary costs so it can continue to deliver services effectively and efficiently. No new policy or program initiatives are proposed, and base funding is requested for all other core programs and services.

Increased State Grant funding is proposed to reflect the significant growth in demand occurring during the 2002-2003 biennium and to help low- and moderate-income undergraduate students offset an anticipated continuation of double-digit tuition and fee increases. Modest increases are proposed for the Living and Miscellaneous Expense Allowance and the Tuition and Fee maximums in the State Grant Program and to cover inflation in the Post-Secondary Child Care Grant Program.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$27,170	$27,170	$27,170	$27,170
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$27,170	$27,170	$27,170	$27,170

Recommendation
Agency Request: Submitted for Reference Only

Background
During FY2002, approximately $126 million was spent to make full State Grant awards to low and moderate income Minnesota undergraduate students. This amount exceeded the initial $108.8 million available for grants. Several variables affected FY2002 spending: higher actual tuition and fees than assumed in the initial appropriation, a five percent increase in enrollment over FY2001, an increase in the number of students applying for and receiving State Grants, and an increase in State Grant recipients registering for full-time credit loads The Services Office was able to make full awards with additional appropriations provided by the 2002 Legislature, by using its authority to borrow from FY2003, and transferring unencumbered balances among several program accounts to the State Grant account.

Based on the increased demand in FY2002, continued double-digit tuition and fee increases in FY2003, and the uncertain effect of the economy on family incomes of State Grant applicants, the Services Office, as required by law, projected a FY2003 State Grant shortfall of $16 million, and transferred $12.4 million in State Work Study funds and $3.6 million in Child Care Grant funds to the State Grant account. The Services Office projected $149 million in spending for FY2003, which exceeds the $120.5 million available in state appropriations by $28.5 million. Subtracting $1.3 million in federal matching funds results in a needed adjustment of $27.2 million per year.

Relationship to Base Budget
The proposed State Grant adjustment represents an increase of 7.6 percent per year over the state General Fund Base for State Grants of $120.5 million in each year of the 2004-2005 biennium.

Alternatives Considered
An alternative to this change request would be to implement the rationing mechanism in *Minnesota Statutes* 136A.121, Subdivision 7. The statute requires that if the amount appropriated is determined by the Services Office to be insufficient to make full awards to applicants, before any award for that year has been disbursed, awards must be reduced by (1) adding a surcharge to the contribution to the applicant's parents and (2) a percentage increase in the applicant's contribution. The Services Office rejected this alternative because it would result in denying or reducing financial aid for several thousand students.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$10,700	$23,200	$23,200	$23,200
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$10,700	$23,200	$23,200	$23,200

Recommendation

Agency Request: Submitted for Reference Only

Background

For eligible undergraduates attending Minnesota institutions, Minnesota State Grants help to offset the price of attendance based on ability to pay. Tuition and fees and Living and Miscellaneous Expenses make up the price faced by these students and their families.

Minnesota State Grants are based on the actual tuition and fees paid, subject to two-year and four-year institution Tuition and Fee Maximums specified in law (136A.121). This request would cover the increases in State Grant awards that would result from possible increases in tuition and fees charged for programs that cost *less* than the maximums. Potential increases in tuition and fees for students attending public post-secondary institutions account for nearly all the request.

Governing boards and institutions set tuition and fees annually. During the past biennium, the University of Minnesota Board of Regents increased undergraduate tuition and fees an average of about 15% per year and the Minnesota State Colleges and Universities (MnSCU) Board of Trustees about 11 to 12% per year. Increases of this magnitude, if continued in the next biennium, would require additional appropriations to help low and moderate income students keep up with increasing prices. As the governing boards move toward setting 2004-2005 rates, the expected impact on the State Grant Program could be higher or lower than these estimates.

Relationship to Base Budget

The proposed change request assumes that governing boards will increase tuition and fees for FY 2004 and 2005 at the same rates each year as the average of FY 2002 and 2003. The request for FY 2004 is about 8.8%, and for FY 2005, about 19.0% of the base.

If Minnesota State Grants were to reflect tuition and fees changes of this magnitude, it is projected that nearly 3,000 additional students would receive Minnesota State Grants in FY 2004 and another 2,000 in FY 2005. In addition, increases in tuition and fees would result in larger awards for recipients who would have received awards under the existing tuition and fee charges.

Key Measures

Number of Students Receiving Awards Because of Potential Increases in Tuition and Fees

The number of Minnesota State Grant recipients varies from year to year depending on many factors, including overall enrollments, institutional choices, registration loads, and family circumstances. The measures below assume that all other factors remain equal in order to isolate the number of recipients affected by the assumed increase in tuition and fees.

	FY 2003	FY 2004 with Tuition and Fees Increased at the Same Rate as Prior Biennium		FY 2005 with Tuition and Fees Increased at the Same Rate as Prior Biennium	
	Projected	Projected	Difference from FY 2003	Projected	Difference from FY 2003
Number of Minnesota State Grant Recipients	69,200	72,016	2,816	74,125	4,925
Number of Recipients Receiving Larger Grants		49,415		51,524	

Impact on a Typical Minnesota State Grant Recipient Attending a MnSCU University

This example shows the impact of this change on a typical student who pays an additional 11% per year in tuition and fees. The impact on individual students will vary depending on the tuition and fees recognized in the calculation of Minnesota State Grants.

	FY 2003	FY 2004 with a 11% Tuition and Fee increase		FY 2005 with an added 11% Tuition and Fee increase	
	Current	Projected	Difference from FY 2003	Projected	Difference from FY 2003
Tuition and Fees (average for MnSCU Universities)	$4,088	$4,538	$450	$5,037	$949
Minnesota State Grant (Example)	$2,626	$2,869	$243	$3,139	$513

Alternatives Considered

Public institution tuition and fee increases that are not met through increases in appropriations to the Minnesota State Grant Program put the burden to pay increasing prices solely on students and families.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$1,800	$3,600	$3,600	$3,600
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$1,800	$3,600	$3,600	$3,600

Recommendation

Agency Request: Submitted for Reference Only

Background

For eligible undergraduates attending Minnesota institutions, Minnesota State Grants help to offset the price of attendance based on ability to pay. Tuition and fees and Living and Miscellaneous Expenses make up the price faced by these students and their families.

This request would cover increases in Minnesota State Grant awards to respond to increases in room, board, books, supplies, and other expenses associated with attending Minnesota institutions. All Minnesota State Grant recipients would receive larger awards as a result of this change.

A standard Living and Miscellaneous Expense Allowance is specified in law to reflect these expenses. Historically, this amount has been intended to reflect a “frugal but reasonable” standard of living for single undergraduates without dependents. The values for the past three years as well as the proposed changes are shown in the table below.

Fiscal Year	Living & Miscellaneous Expense Allowance
Fiscal Year 2001	$5,405
Fiscal Year 2002	$5,405
Fiscal Year 2003	$5,405
Fiscal Year 2004 (proposed)	$5,464
Fiscal Year 2005 (proposed)	$5,525

Relationship to Base Budget

The proposed increases for Fiscal Years 2004 and 2005 are based on the observed change in the Consumer Price Index (CPI-U) for the period, July 1, 2001 through June 30, 2002. The CPI-U grew by 1.1 percent. As later estimates of consumer inflation are developed, it may be reasonable to adopt a different Living and Miscellaneous Expense Allowance.

The request for Fiscal Year 2004 is about 1.5 percent, and for Fiscal Year 2005, about 3.0 percent of the base. This change is projected to have little impact on the number of recipients but would result in larger awards for recipients who would receive awards without this change.

Key Measures

Number of Students Receiving Awards Because of Potential Increases in Living and Miscellaneous Expense Allowance

The number of Minnesota State Grant recipients varies from year to year depending on many factors, including overall enrollments, institutional choices, registration loads, and family circumstances. The measures below assume that all other factors remain equal in order to isolate the number of recipients affected by the proposed increase in the Living and Miscellaneous Expense Allowance (LME).

	Fiscal Year 2003	Fiscal Year 2004 with LME increased 1.1%		Fiscal Year 2005 with LME increased another 1.1%	
	Projected	Projected	Difference from Fiscal Year 2003	Projected	Difference from Fiscal Year 2003
Number of Minnesota State Grant Recipients	69,200	69,679	479	70,273	1,073
Number of Recipients Receiving Larger Grants		69,679		70,273	

Impact on a Minnesota State Grant Recipient Attending a MnSCU University

This example shows the impact of the proposed Living and Miscellaneous Expense Allowance change on a typical student assuming no change in tuition and fees.

	Fiscal Year 2003	Fiscal Year 2004 with a 1.1% LME increase		Fiscal Year 2005 with an added 1.1% LME increase	
	Current	Projected	Difference from Fiscal Year 2003	Projected	Difference from Fiscal Year 2003
Living and Miscellaneous Expense Allowance (LME)	$5,405	$5,464	$59	$5,525	$120
Minnesota State Grant (Example)	$2,626	$2,658	$32	$2,691	$65

Alternatives Considered

Minnesota's Design for Shared Responsibility, the policy framework for the State Grant Program, takes into account all expenses faced by students attending post-secondary education. A cornerstone of this policy is a "frugal but reasonable" estimate of living and miscellaneous expenses so that state policy can manage the entire picture of costs faced by students and families. The current allowance is at the low end of students' typical expenditures. If it is not increased, the allowance will become increasingly unrealistic, and the burden for increasing costs will be placed solely on students and families.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$900	$1,800	$1,800	$1,800
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$900	$1,800	$1,800	$1,800

Recommendation
Agency Request: Submitted for Reference Only

Background
For eligible undergraduates attending Minnesota institutions, Minnesota State Grants help to offset the price of attendance based on ability to pay. Tuition and fees and Living and Miscellaneous Expenses make up the price faced by these students and their families.

Minnesota State Grants are based on the actual tuition and fees paid, subject to two-year and four-year institution Tuition and Fee Maximums specified in law (136A.121). By limiting recognized tuition and fees with Tuition and Fee Maximums, state policy limits Minnesota State Grants for undergraduates selecting higher priced institutions and programs. Students who pay more than these values are assumed to have paid the Maximum for purposes of calculating Minnesota State Grants.

This request would cover the increases in State Grant awards that will result from raising the Tuition and Fee Maximums to help reflect increases in tuition and fees charged by institutions that exceed the maximums. While a few students attending public institutions could benefit, the request primarily responds to price increases faced by students attending private colleges and career schools.

Tuition and Fee Maximum values for the past three years as well as the proposed changes are shown in the table below.

Fiscal Year	Two-Year Tuition & Fee Maximum	Four-Year Tuition & Fee Maximum
Fiscal Year 2001	$6,580	$8,550
Fiscal Year 2002	6,744	8,764
Fiscal Year 2003	6,913	8,983
Fiscal Year 2004 (proposed)	6,989	9,082
Fiscal Year 2005 (proposed)	$7,066	$9,182

For FY 2003, 30 out of 34 private four-year colleges charge tuition and fees that exceed the Four-Year Tuition and Fee Maximum. The average tuition and fees charged by 17 liberal arts colleges that are members of the Minnesota Private College Council is $19,166. Among private two-year institutions, 32 of 49 institutions charge more than the Two-Year Tuition and Fee Maximum.

Relationship to Base Budget
The proposed increases for FY 2004 and 2005 were based on the observed change in the Consumer Price Index (CPI-U) for the period, July 1, 2001 through June 30, 2002. The CPI-U grew by 1.1%. The request for FY 2004 is about 0.7%, and for FY 2005, about 1.5% of the base. This change is projected to have little impact on the

number of recipients but result in larger awards for recipients who would have received awards without this change

Key Measures

Number of Students Receiving Awards Because of Potential Increases in Tuition and Fees

The number of Minnesota State Grant recipients varies from year to year depending on many factors, including overall enrollments, institutional choices, registration loads, and family circumstances. The measures below assume that all other factors remain equal in order to isolate the number of recipients affected by the proposed increase in Tuition and Fee Maximums.

	FY 2003	FY 2004 with Tuition and Fee Maximums Increased 1.1%		FY 2005 with Tuition and Fee Maximums Increased another 1.1%	
	Projected	Projected	Difference from FY 2003	Projected	Difference from FY 2003
Number of Minnesota State Grant Recipients	69,200	69,252	52	69,309	109
Number of Recipients Receiving Larger Grants		21,698		21,699	

Impact on a Minnesota State Grant Recipient Attending a Private Four-Year Institution

This example shows the impact of this change on a student who pays tuition and fees in excess of the Tuition and Fee Maximum.

	FY 2003	FY 2004 with a 1.1% Tuition and Fee Maximum Increase		FY 2005 with an added 1.1% Tuition and Fee Maximum Increase	
	Current	Projected	Difference from FY 2003	Projected	Difference from FY 2003
Four-Year Tuition and Fee Maximum	$8,983	$9,082	$99	$9,182	$199
Minnesota State Grant (Example)	$3,770	$3,823	$53	$3,877	$107

Alternatives Considered

In recent years, the Tuition and Fee Maximums have not been linked to any particular index, but have been increased periodically to reflect changes in the Consumer Price Index.

Although not proposed here, Tuition and Fee Maximums could be indexed to the investment taxpayers make in low-income students attending public institutions, with the assumption that students who choose higher priced alternatives should not receive more support from the taxpayer than this comparison group.

Another alternative is to use a single tuition and fee maximum, eliminating the difference between two-year and four-year tuition and fee maximums since this division does not necessarily reflect actual prices paid by students.

Statutory Change: Not applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	52	53	53	53
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	52	53	53	53

Recommendation
Agency Request: Submitted for Reference Only

Background
Since by statute the maximum amount of the Post-Secondary Child Care award is $2,600 and since the average award for FY 2002 was $1,956, the increase in funds would allow an additional 27 students to receive a Post-Secondary Child Care award. At the close of FY 2002 313 students were on campus Child Care waiting lists.

Relationship to Base Budget
The base amount of the Post-Secondary Child Care Grant Program is $4.743 million. Therefore, a 1.1% increase would be $52,000 in FY 2004 and $53,000 in FY 2005.

Key Measures
In FY 2002 313 students were left on the campus waiting list for Post-Secondary Child Care Grants. This increase in funding would reduce the number of students waiting to obtain a grant to help pay their child care expenses. If students have more child care support, they may be able to register for more credits per term and thus complete their degree more quickly than otherwise possible.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$150	$150	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$150	$150	0	0

Recommendation
Agency Request: Submitted for Reference Only

Background
The State Grant Program uses software leased from Sigma System's, Incorporated. These COBOL programs have been extensively modified by Services Office staff. These Office-specific changes need to be reinserted each year when Sigma releases its annual upgrades. It takes Office staff approximately two months each year to modify and test the upgraded code. The amount of time spent on maintenance will increase since new modifications are made by Sigma Systems each year.

The current COBOL implementation of the State Grant application is inflexible. Ad hoc querying and reporting capabilities are limited. Modifications to the application due to changes in statute or to improve customer service are time consuming and expensive. Electronic government services are difficult to implement.

The proposed solution is to migrate the application to a relational database such as Oracle or DB2 on an Intel-based server running Windows. The application itself would be written in a modern development tool such as Visual Basic.

The State Grant Program rewrite will reduce the amount of staff time needed to maintain the application, and will reduce the amount of time and effort required to make modifications due to changes in statute or customer requests.

The redesigned interface will be significantly more user friendly than the current character-based application which requires navigating multiple unused screens and data fields.

Ad hoc reporting and querying capabilities will be improved for administrative and research needs as well as to respond to the information requests of customers. Electronic government services to financial aid administrators, such as providing information about their institution's students, will be much easier to implement.

Relationship to Base Budget
This is a new request; and is not represented in the base budget. These funds would sunset in FY 2006.

Key Measures
The software HESO uses to run the State Grant Program is leased from Sigma Systems, Incorporated. The software was intended for use by post-secondary institutions to manage student financial aid at a single institution. The COBOL code had to be extensively modified in order to be used by the State Grant Program. These Office-specific changes need to be reinserted each year when Sigma releases its annual upgrades. It currently takes Office staff two months each year to modify and test the upgraded code. It should take less than half that time to prepare the rewritten State Grant application for a new academic year.

Alternatives Considered

Rewriting the State Grant Program using only in-house database and programming staff was considered and rejected due to lack of available time and resources to successfully complete the task. In-house database and programming staff, however, will contribute to this project throughout its duration.

Technology Funding Detail (Dollars in Thousands)

Funding Distribution	2004-2005 Biennium		2006-2007 Biennium		2008-2009 Biennium	
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personnel	$100	$100	0	0	0	0
Supplies	1	1	0	0	0	0
Hardware	10	10	0	0	0	0
Software	21	21	0	0	0	0
Facilities	8	8	0	0	0	0
Services	0	0	0	0	0	0
Training	10	10	0	0	0	0
Grants	0	0	0	0	0	0
TOTAL	**$150**	**$150**	**0**	**0**	**0**	**0**

This information is specifically required by M.S. 16A.11 and should be taken directly from the business case in the SIRMP online database under the “Project Funding” tab.

Office of Technology Analysis

The Office of Technology (OT) will complete this section with an analysis of each proposal, both preliminary and final, in the Governor’s recommended budget.

Statutory Change: “Not Applicable”.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$111	$229	$229	$229
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$111	$229	$229	$229

Recommendation
Agency Request: Submitted for Reference Only

Background
In past years there has been an adjustment for inflationary costs. HESO has a general fund complement of less than 32 FTE providing direct service delivery for HESO programs. If inflation is not funded, direct services provided by the agency would be affected.

Relationship to Base Budget
This change item represents a 5% increase over the biennial base for this appropriation account.

Key Measures
The fundamental key measure for this activity is whether or not HESO is providing service delivery for its major programs such as: State Grants, Child Care, Work Study and other non-financial aid programs.

Alternatives Considered
One consideration was to use non-financial aid program dollars to fund inflation. However, further budget reductions beyond those enacted in the FY 2002-2003 biennium would harm core, mission related programs and services. Any remaining flexibility in agency operations would be reduced, and the efficiency and effectiveness of direct service delivery would suffer.

Statutory Change: "Not Applicable".

Agency Purpose

The Minnesota Historical Society was created by the Territorial Legislature in 1849 as one of the first educational and cultural institutions in Minnesota.

Today, the Society serves a statewide audience through programs and services at the History Center in the Capitol Complex in St. Paul and through a statewide network of historic sites.

The **Mission** of the Society *is to foster among people an awareness of Minnesota history so that they may draw strength and perspective from the past and find purpose for the future.*

The ***Mission*** is carried out by:

- providing opportunities for people of all ages to learn about the history of Minnesota;
- collecting and caring for materials that document human life in Minnesota, making them known and accessible to people in Minnesota and beyond; and
- encouraging and doing research in Minnesota history.

The Society's ***Vision*** is: To serve as an educational institution providing a variety of historical programs and services. Through these activities we help people gain meaning for their lives. The Society is a creative and dynamic institution, documenting life in Minnesota and offering programs that are at once educational, engaging, and entertaining.

The Society is governed by an Executive Council of 30 members who are responsible for establishing major policies and monitoring the quality of its programs and services.

At A Glance

Two–year operating budget:

- $53.460 million in state General Funds (FY 2002-03 appropriated)
- $20.9 million in non-state funds including earned revenue, gifts, grants, etc. (FY 2002-03 estimated)

The Society serves, each year:

- Over 700,000 visitors served at Historic Sites
  Over 158,000 school children on organized programs
- Nearly 300,000 visitors served at History Center
  Over 100,000 school children on organized programs
- Nearly 1.5 million "visitor sessions" on the Society's web site, www.mnhs.org

This work is carried out by

- 249.5 FTE full-time employees
- 236.3 FTE part-time and seasonal

The Society preserves over one million items in collections, including three-dimensional objects, artifacts, books, maps, photos, government records, and archaeological artifacts for the benefit of Minnesotans of today and of the future.

Core Functions and Operations

The Minnesota Historical Society serves the citizens of Minnesota through a variety of programs and services. Major operations are as follows:

Interpretive Programs Division, Departments include:

- Historic Preservation, Field Services and Grants
- Archaeology
- MHS Press

Finance and Administration Division, Departments include:

- Finance
- Human Resources
- Information Technology
- Institutional Services

Historic Sites Division

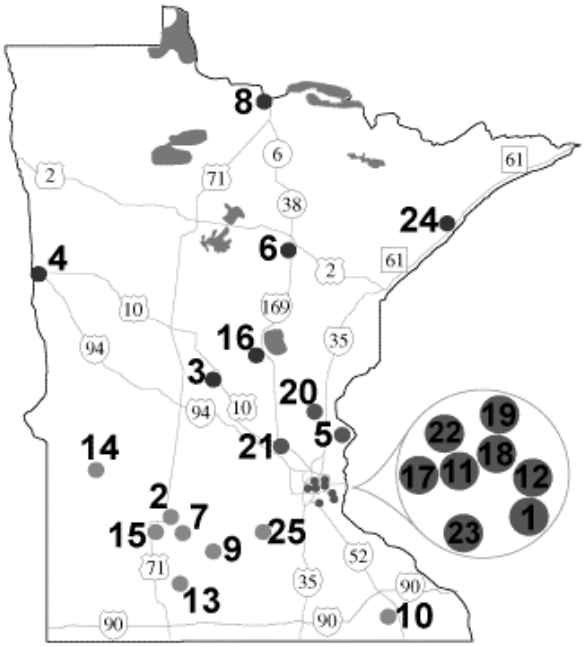
- 32 historic sites statewide

Library and Archives Division, Departments include:

- Acquisitions and Curatorial
- Reference
- State Archives
- Conservation
- Processing

Museum Division, Departments include:

- Exhibits
- Education
- Museum Collections
- Marketing and Public Relations



Minnesota's Historic Sites Network

For further information about MHS Historic Sites:
http://www.mnhs.org/places/sites/index.html

Budget

The Society is supported by state appropriations of approximately $26.7 million each year, for operation of the History Center (including building services and debt service, for which approximately $6.390 million each year is transferred to the Department of Administration), the Historic Sites Network and other activities (including State Archives), the History Center Museum, the History Center Library, the State Historic Preservation Office and numerous other functions.

In addition, the Society is supported by non-state funds, including earned revenue, gifts, and grants.

Contact

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Nina Archabal, Director
(651) 296-2747 Fax (651) 296-1004

David Kelliher, Legislative Liaison
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david.kelliher@mnhs.org

Web sites

Minnesota Historical Society Homepage:
www.mnhs.org

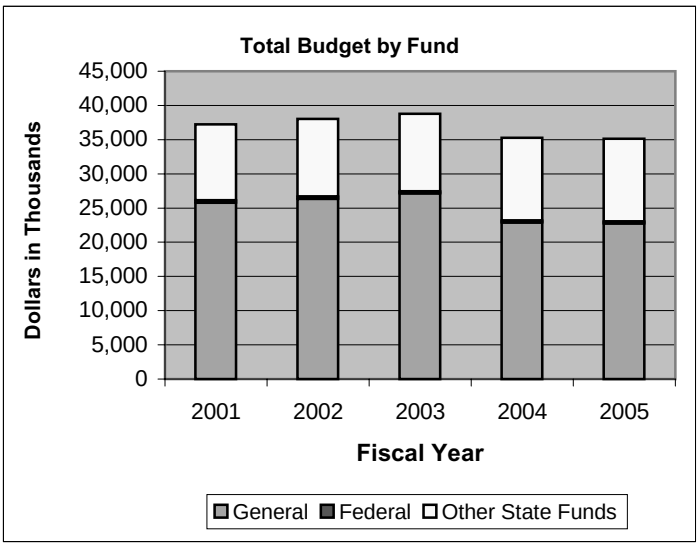
MHS Web links:
History Center information:
http://www.mnhs.org/places/historycenter/index.html

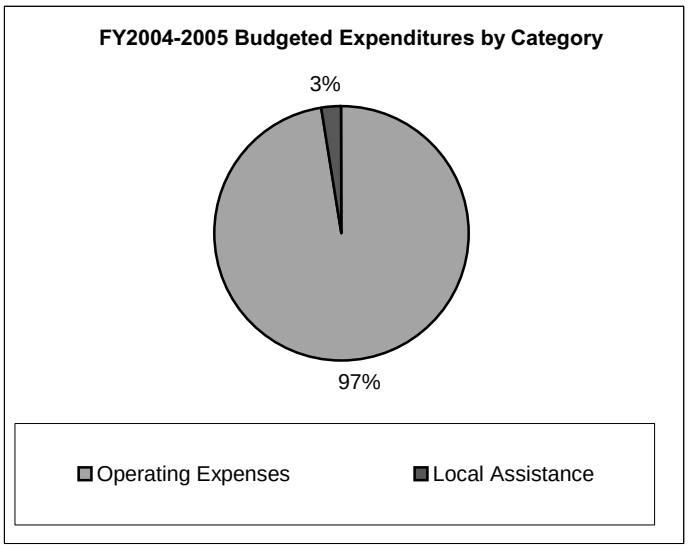
Library: Including catalogs, special databases, and genealogy information:
http://www.mnhs.org/library/index.html

Minnesota Place Names:
http://mnplaces.mnhs.org/index.cfm

Upcoming Events:
http://www.mnhs.org/events/index.html

Membership Information:
http://www.mnhs.org/about/members/index.html





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
Environment & Natural Resource	227	163	0	123	123	246
General	25,795	26,340	27,120	22,860	22,732	45,592
Minnesota Resources	60	0	90	0	0	0
Statutory Appropriations						
Special Revenue	831	864	883	883	883	1,766
Federal	290	305	303	303	303	606
Gift	10,016	10,381	10,382	11,102	11,102	22,204
Total	**37,219**	**38,053**	**38,778**	**35,271**	**35,143**	**70,414**
Expenditures by Category						
Operating Expenses	36,146	36,587	37,647	34,126	34,090	68,216
Capital Outlay & Real Property	172	321	188	157	196	353
Local Assistance	901	1,145	943	988	857	1,845
Total	**37,219**	**38,053**	**38,778**	**35,271**	**35,143**	**70,414**
Expenditures by Program						
Education & Outreach	22,465	23,542	24,112	22,215	22,215	44,430
Preservation & Access	14,406	13,965	14,318	12,708	12,708	25,416
Pass Through Appropriations	348	546	348	348	220	568
Total	**37,219**	**38,053**	**38,778**	**35,271**	**35,143**	**70,414**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	67	44	0	0	0	0
Subtotal Non Dedicated	67	44	0	0	0	0
Dedicated						
Special Revenue	831	864	883	883	883	1,766
Federal	290	305	303	303	303	606
Gift	10,016	10,381	10,382	11,102	11,102	22,204
Subtotal Dedicated	11,137	11,550	11,568	12,288	12,288	24,576
Total Revenue	**11,204**	**11,594**	**11,568**	**12,288**	**12,288**	**24,576**
Full-Time Equivalents (FTE)	**490.6**	**475.9**	**475.2**	**381.3**	**382.9**	

Program Description

The Education and Outreach Program supports the Society's mission by "providing opportunities for people of all ages to learn about the history of Minnesota." This program includes:

- Historic Sites Network
- Educational programs, including school programs, museum programs, family programs, and public programs
- Exhibits at History Center and historic sites
- MHS Press
- State Historic Preservation Office and Field Services office
- Information Technology, Human Resources and Finance Departments (also partly included in Preservation and Access Program)
- History Center Building and Debt Service (also partly included in Preservation and Access Program)

Program at a Glance

The Minnesota Historical Society serves the public through:

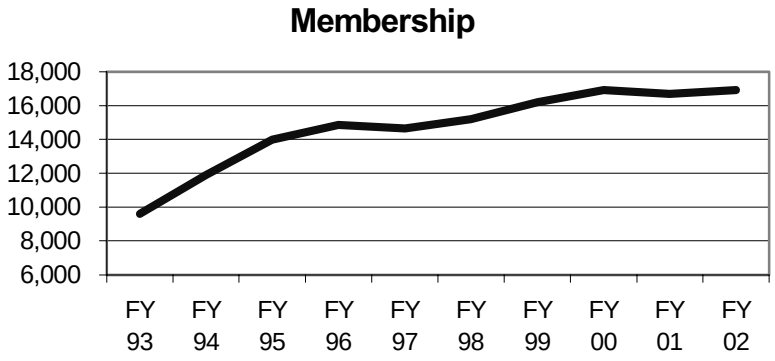
- 32 historic sites statewide
- History Center Museum program, including exhibitions, educational and public programs
- 75-100 grants made annually, as well as technical assistance provided to local historical organizations to further statewide history efforts
- 20 books published by the MHS Press in FY 2001
- www.mnhs.org - the Society's web site, a comprehensive source of information about MHS Historic Sites and History Center programs and activities, including access to the Society's collections

Population Served

Through this program, the Society serves, each year:

- Nearly 300,000 visitors to the History Center, including over 100,000 school children on organized programs.
- Nearly 700,000 visitors served at Historic Sites statewide, including over 158,000 school children on organized programs.

Activities within this program serve visitors from Minnesota and beyond, providing an important component of Minnesota's $9 billion tourism sector.



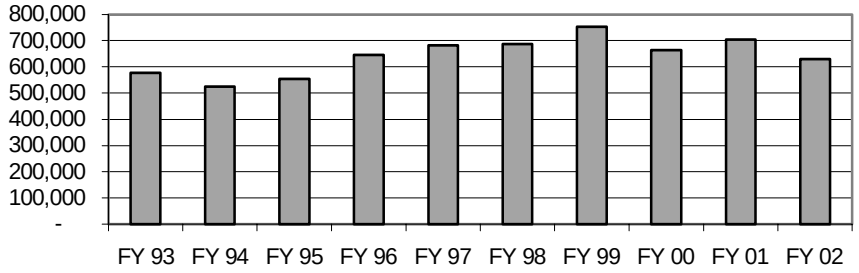
Services Provided

The Education and Outreach program provides the following services to the people of Minnesota:

⇒ *Historic Sites Network* -- Minnesota's statewide network of 32 historic sites was created in 1965 by the Minnesota Legislature under M.S. 138.661- 669. By providing visitors with the unique experience of learning about history where it happened, the Network has added richness to the educational and

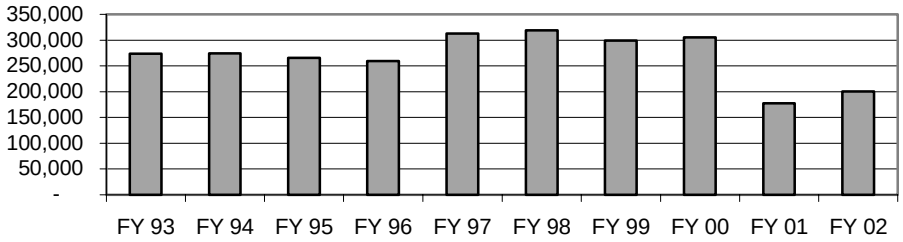
recreational life of Minnesotans and out-of-state visitors, and is an important element of the state's tourism economy.

Historic Sites Attendance



⇒ *Exhibits and Museum Program* -- Exhibits at the History Center and throughout the Historic Sites Network provide visitors with creative methods to learn about Minnesota's past. Costumed guides, interactive multi-media installations, and "hands-on" artifacts tell Minnesota's story in meaningful and memorable ways.

History Center Museum Attendance



⇒ *Education Department* -- As a central part of the Society's mission, the Education Department provides public programs for students of all ages. They include lectures, programs geared to students in the classroom, those who visit the History Center and use exhibits as a learning tool, and those who visit Historic Sites on field trips. Many of these school visits are related to material in *Northern Lights,* the Minnesota history curriculum developed by the Society and widely used in the state's schools.

One rapidly growing Society-coordinated educational program is History Day, which began with just over 100 participants in the early 1990s. Nearly 30,000 students now participate in this annual program, in which junior and senior high school students undertake original research projects, developing a variety of essential communications skills. In recent years, Minnesota students have taken numerous awards in the National History Day competition. It is expected that History Day will continue to grow, in part due to its applicability to meeting graduation standards.

⇒ Minnesota Historical Society Press -- The MHS Press, the oldest publisher in the state helps to fulfill the Society's mission by providing materials for readers interested in Minnesota's past. Through popular and scholarly titles, the MHS Press not only encourages research, but it also helps a wider audience learn about Minnesota history. The number of units shipped by the publications area (including books, tapes, CDs, posters) has shown steady increases each year over the past decade.

⇒ *Historic Preservation and Field Services* -- The Society, as directed by state and federal law, serves as Minnesota's State Historic Preservation Office (SHPO). This office maintains the *National Register of Historic Places* for properties in Minnesota, provides reviews for compliance with applicable federal laws, and educates the public about the values and benefits of maintaining cultural resources and the historic

environment. In 2001, the SHPO conducted over 4,000 reviews of state and federal projects to ensure compliance with applicable laws. In addition, the office conducts reviews of applications for the various competitive, matching grant programs administered by the Society, and it helps to coordinate the Society's contact with the state's 450 county and local historical organizations. Through matching requirements, state funds are leveraged to accomplished projects with minimal state investment.

⇒ *Information Technology* -- The use of information technology has enhanced the Society's ability to deliver programs and collections to the public. The Society's web site (www.mnhs.org) is an active destination for researchers and users of the History Center, Historic Sites, educational programs and public events. In the last year, there were over 1,800,000 "visitor sessions" with an average of 5,000 per day. This represents a 60% increase over the previous year. Among the top destinations on the Society's web page were pages with information about death records, the National Register of Historic Places, the Historic Sites Network and specific sites, and other popular programs.

Contact

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Web sites, relating to MHS and the Education and Outreach Program:

Minnesota Historical Society homepage: **http://www.mnhs.org**

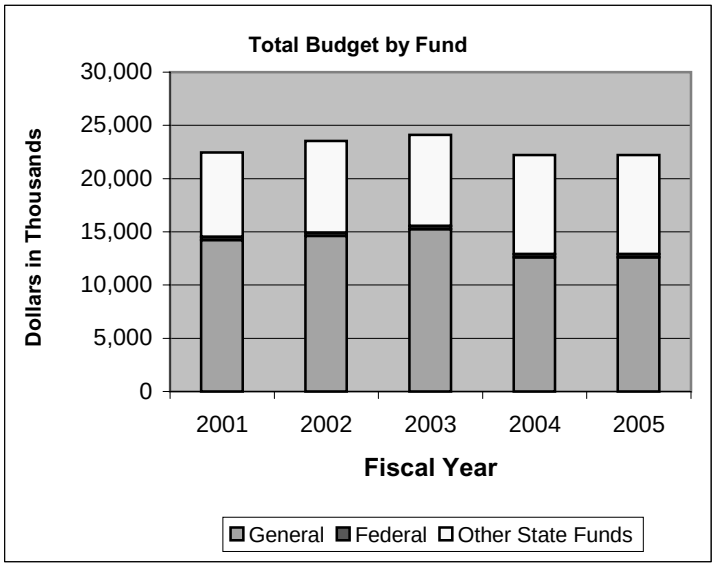
Minnesota History Center General Information: **http://www.mnhs.org/places/historycenter/index.html**

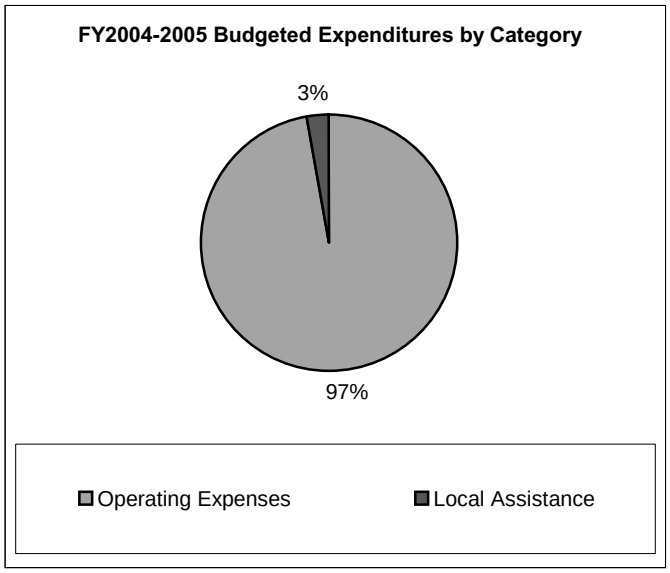
Historic Sites Network (with links to specific sites): **http://www.mnhs.org/places/sites/index.html**

State Historic Preservation Office (with links to National Register of Historic Places, grants information): **http://www.mnhs.org/preserve/shpo/index.html**

MHS Press: **http://www.mnhs.org/market/mhspress/index.html**

School and Educational Programs: **http://www.mnhs.org/school/index.html**





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	227	163	0	123	123	246
General	14,222	14,609	15,235	12,585	12,585	25,170
Minnesota Resources	50	0	90	0	0	0
Statutory Appropriations						
Special Revenue	831	864	883	883	883	1,766
Federal	290	305	303	303	303	606
Gift	6,845	7,601	7,601	8,321	8,321	16,642
Total	**22,465**	**23,542**	**24,112**	**22,215**	**22,215**	**44,430**
Expenditures by Category						
Operating Expenses	21,670	22,598	23,249	21,426	21,390	42,816
Capital Outlay & Real Property	157	262	186	155	194	349
Local Assistance	638	682	677	634	631	1,265
Total	**22,465**	**23,542**	**24,112**	**22,215**	**22,215**	**44,430**
Expenditures by Activity						
Hist Sites, Mus, Statewide Sv	17,988	19,067	19,561	18,284	18,268	36,552
Information & Program Delivery	1,144	867	872	787	755	1,542
Hist Ctr Bldg & Debt Service	3,333	3,608	3,679	3,144	3,192	6,336
Total	**22,465**	**23,542**	**24,112**	**22,215**	**22,215**	**44,430**
Revenue by Type and Fund						
Dedicated						
Special Revenue	831	864	883	883	883	1,766
Federal	290	305	303	303	303	606
Gift	6,845	7,601	7,601	8,321	8,321	16,642
Subtotal Dedicated	7,966	8,770	8,787	9,507	9,507	19,014
Total Revenue	**7,966**	**8,770**	**8,787**	**9,507**	**9,507**	**19,014**
Full-Time Equivalents (FTE)	**311.4**	**310.6**	**309.2**	**245.0**	**246.6**	

Program Description

This program helps to fulfill the Society's mission of "collecting and caring for materials that document human life in Minnesota, and making them known and accessible to people in Minnesota and beyond." Through a variety of public programs, the Society preserves paper, artifacts, and other media that document Minnesota history.

Population Served

In addition to acquiring, processing, and conserving collections, the Society annually serves the following number of customers through the Preservation and Access Program:

⇒ 54,000 patrons served, including:
⇒ 38,000 in person inquiries at the History Center Library
⇒ 12,000 inquiries by telephone
⇒ 4,000 inquiries by mail
⇒ In addition, the Society's web site has experienced large increases in usage, especially as more collections-related information has been added to the web site. In 2001, 1.8 million "visitor sessions" occurred on www.mnhs.org. Among the more popular pages on the site are collections catalogs and specific resources, such as the Visual Resources Database and the Minnesota Death Records Database.

Program at a Glance

The Society currently holds for and makes accessible to the people of Minnesota:

- 410,350 books, pamphlets and periodicals
- 36,132 cubic feet of manuscripts and 5,922 reels of microfilmed manuscripts
- 53,905 cubic feet of government records and 11,057 reels of microfilmed records
- 21,000 maps and atlases
- 347,398 photographs, albums and collections
- 6,000 works of art
- Over one million archaeological artifacts
- Four million issues of 4,000 Minnesota newspapers on 68,128 reels of microfilm
- 230,585 historical artifacts

Services Provided

Through this program, the Society provides a number of services to the public to preserve and make collections available today and for future generations:

⇒ *Library* -- The History Center Library makes accessible to more than 54,000 patrons each year the written, visual, and oral history materials relating to Minnesota's past.

⇒ *State Archives* -- The Minnesota Historical Society is statutorily responsible for working with state and local units of government to evaluate the historical importance of all of Minnesota's governmental records and arrange for their permanent preservation or disposal. This activity has experienced constant growth, and is continuing to examine how best to handle records that are increasingly more complex and varied in their form and media.

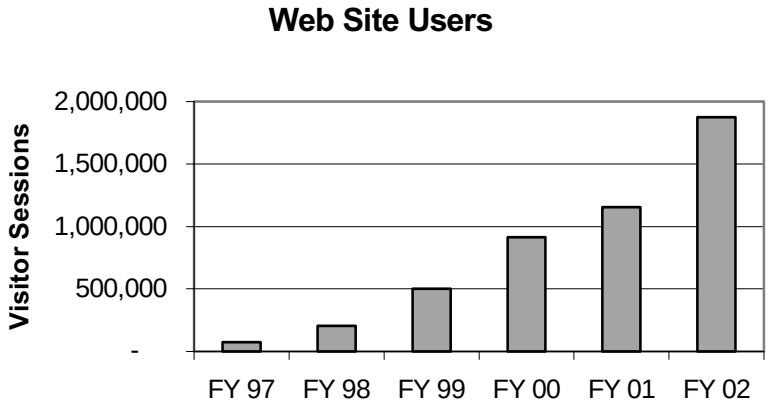
⇒ *Processing and Conservation* -- Materials selected for inclusion in the Society's collections are organized, catalogued, and treated to ensure their long-term stability and usability.

⇒ *Repair and Replacement* -- Since many of the Society's buildings are more than 100 years old, caring for them presents unique, and usually costly, challenges. This activity provides for ordinary but necessary repairs for structures in the History Center and in the Historic Sites Network.

⇒ *Archaeology* -- The archaeology department provides help to the public and other departments of the Society. Recent work has included assistance with Historic Sites capital projects such as the Sibley Historic Site, the Lindbergh House Historic Site and the Mill City Museum in Minneapolis.

⇒ *Information Technology* -- The use of information technology has enhanced the Society's ability to deliver programs and collections to the public. The Society's web site (www.mnhs.org) is an active destination for researchers. In the last year, there were over 1,800,000 "visitor sessions." This represents a 60% increase over the previous year. More than 14,000 new records and over 13,000 digital images were added to the visual resources database, a consistently popular destination. To date, more than 174,000 records and

90,000 digital images are available, including photographs, artwork, and posters from the Society's collection. In addition, an online index of 1.7 million death certificates recorded between 1908 and 1959 was officially launched last year, and has become one of the most popular destinations on the web site.



Historical Perspective

A significant part of the Society's mission involves the collection, conservation, and preservation of the state's cultural heritage and governmental records. The Society started this undertaking in 1849, even before Minnesota became a state. Over the years, the Society has successfully adapted to changing technology, beginning with the introduction of microfilming methods in the mid-twentieth century. In recent years, the Society has begun to offer these resources to the public through the internet. While we will never "digitize" all of the collections, we have begun to offer catalog information about the collections to researchers and genealogists. (The death records collection is a good example of this.) Our continuing challenge is to determine the best ways to continue to collect and preserve these materials, while using the latest technology to deliver them to the public.

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Web sites, relating to MHS and the Preservation and Access Program:

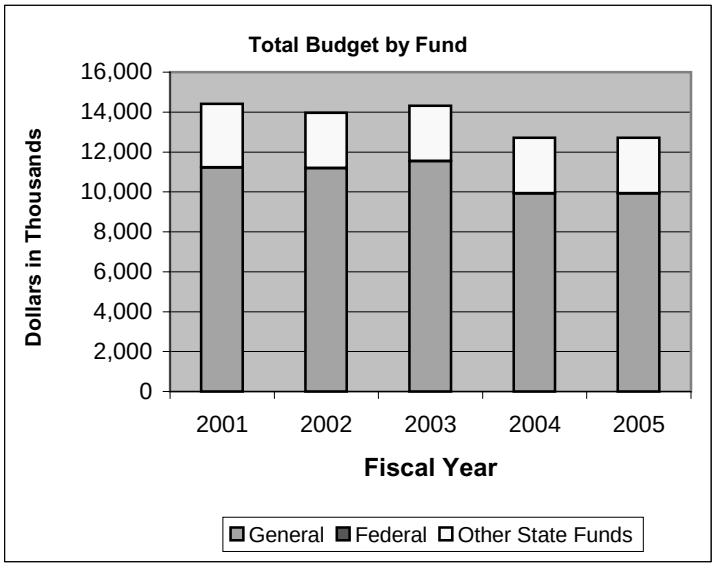
Minnesota Historical Society homepage: **http://www.mnhs.org**

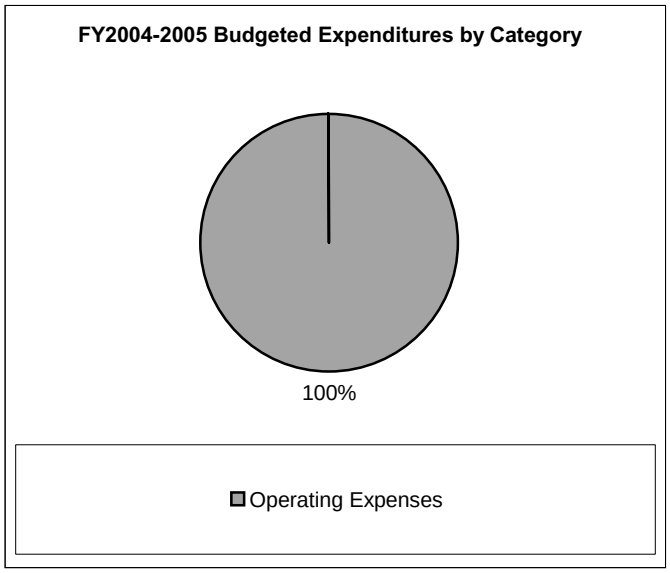
Library: including catalogs, special databases and genealogy information:
http://www.mnhs.org/library/index.html

PALS - Online catalog to MHS collections:
http://www.pals.msus.edu/cgi-bin/pals-cgi?palsAction=newSearch&setWeb=MHSCATT

Visual Resources Database (including photograph collections) **http://collections.mnhs.org/visualresources/**

Death Records Index site: **http://people.mnhs.org/dci/Search.cfm**





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	11,225	11,185	11,537	9,927	9,927	19,854
Minnesota Resources	10	0	0	0	0	0
Statutory Appropriations						
Gift	3,171	2,780	2,781	2,781	2,781	5,562
Total	**14,406**	**13,965**	**14,318**	**12,708**	**12,708**	**25,416**
Expenditures by Category						
Operating Expenses	14,388	13,901	14,310	12,700	12,700	25,400
Capital Outlay & Real Property	15	59	2	2	2	4
Local Assistance	3	5	6	6	6	12
Total	**14,406**	**13,965**	**14,318**	**12,708**	**12,708**	**25,416**
Expenditures by Activity						
Collection Services	10,318	10,050	10,229	9,213	9,204	18,417
Information & Program Delivery	1,475	1,103	1,221	1,074	1,073	2,147
Hist Ctr Bldg & Debt Service	2,613	2,812	2,868	2,421	2,431	4,852
Total	**14,406**	**13,965**	**14,318**	**12,708**	**12,708**	**25,416**
Revenue by Type and Fund						
Dedicated						
Gift	3,171	2,780	2,781	2,781	2,781	5,562
Subtotal Dedicated	3,171	2,780	2,781	2,781	2,781	5,562
Total Revenue	**3,171**	**2,780**	**2,781**	**2,781**	**2,781**	**5,562**
Full-Time Equivalents (FTE)	**176.8**	**162.9**	**163.6**	**136.3**	**136.3**	

Program Description

Project 120–Students Experiencing Government

In 1976, Project 120 was initiated to provide youth with an intensive, personalized educational experience in state government. The primary mission of Project 120 is to help students develop an in-depth understanding of the basic structure of government and the political process and to motivate them to be active and informed citizens throughout their lives. The secondary mission is to bring students together from diverse geographic, cultural, and economic backgrounds and assist them in getting to know, understand, and respect each other. Project 120 carries out its mission by conducting five day residential Seminars for students in grades 9-12 at the Minnesota State Capitol complex and related sites during the legislative session.

Program at a Glance

The Minnesota Historical Society serves as the pass through agency for certain organizations determined by the Minnesota Legislature. Those organizations are:

- Project 120 – Students Experiencing Government
- Minnesota International Center (MIC)
- Minnesota Military Museum
- Minnesota Air National Guard Museum
- Minnesota Agricultural Interpretive Center (Farmamerica)

Since its inception, Project 120 has educated more than 4,500 students. During FY 2004-05, Project 120 will educate more than 500 students in the five-day seminars, and speak to another 5,000 students through classroom presentations. A significant number of Project 120 students who complete our seminars represent communities who are under-represented in government institutions. To increase access to the political process, Project 120 also conducts two special seminars for American Indian and immigrant youth each year. This year, Project 120 developed a performance assessment package for the Minnesota Profile of Learning on civic participation for the learning area, people, and cultures in order to support Minnesota's policy objective of implementing the graduation standards.

Student demographics:

Geography:	Race/Ethnicity:	Students represented:
54% Greater Minnesota	59% Caucasian	75 Communities
46% Metro Area	15% African American	47 Senate Districts
	11% American Indian	
	9% Asian American	
	6% Latino	

Revenues: Project 120 activity generates dedicated revenue in the form of student fees to partially defray program expenses and the cost of their lodging and meals. Project 120 received $31,293 in student fees in FY 2000. Student fees ($250 per seminar) provide approximately 16% of our budget. Additionally, Project 120 believes all students, regardless of economic means, should be able to participate in the seminars and awarded $23,150 in scholarships to 122 students last year so that they could attend the seminar. State funding provides 44% of our budget total.

Results/Outcomes: In a recent survey of Project 120 participants; 69% reported an increase in school and community leadership activities, 88% reported an increased awareness in politics, and 34% reported making contact with elected officials after the program. All participants complete a pre-test and a post-test on their knowledge of state government. On average, student scores have increased by 300% after program participation.

Minnesota International Center (MIC)

The Minnesota International Center (MIC) is a nonprofit, nonpartisan organization, established in 1953 to strengthen understanding between Minnesotans and the world. MIC is part of a national network of 104 nonprofit organizations committed to connecting Americans to the world, building people-to-people ties across borders, and enhancing international understanding. MIC is the 6th largest World Affairs Council in the United States.

MIC offers a full slate of around-the-world programs open to the public. In FY 2001-02, MIC was asked by the community to do more to help Minnesotans understand the post-September 11 world. MIC programs grew by an impressive 40% from the previous year to 700 activities to help meet this need. More than 13,000 Minnesotans of

all ages connected with people from 106 countries through MIC. MIC offered presentations in K-12 classrooms, public forums with expert international speakers, grass-roots discussion groups, dinner hosting, and appointment making for international professionals coming to the U.S. as guests of the U.S. State Department.

In 2001-02, MIC brought the world first-hand to over 8,500 K-12 school children with 80 international presenters working in 60 schools across Minnesota. These presentations enhance students' knowledge of the changing world and encourage respect for diversity and other cultures.

MIC encourages Minnesotans to explore international events through first-hand accounts of expert speakers. Last year, MIC sponsored or cosponsored 48 World Affairs events, involving over 6,000 people. Speakers included His Excellency Michael Kergin, Canada's ambassador to the U. S., and R.W. Apple, *New York Times* chief correspondent.

MIC sponsors *Great Decisions*, a statewide network of 29 discussion groups involving 948 participants. MIC also offers Minnesotans the opportunity to open their homes to international professionals and students for dinner. Last year, nearly 400 international guests from 87 countries participated in 166 MIC dinners hosted.

Minnesota Military Museum

The Minnesota Military Museum, located at Camp Ripley, is operated by the Military Historical Society of Minnesota. It exists to document, preserve, and depict the stories and contributions of Minnesotans who have served in all branches of military service and on the home front in time of peace and war from Minnesota's early years to the present. Exhibits and publications are intended to foster awareness and understanding of how armed conflicts and military institutions have shaped our state and national experience. The museum also functions as a major repository in Minnesota for historical military artifacts and records.

Our mission is state-oriented and we depend on state support. We receive no direct funds from the federal government, the military, or local government. Our self funding – gift shop sales, investment income, and contributions from veterans' organizations and individuals – has grown steadily and accounts for over 75% of our operating revenue. Private fund-raising is hampered due to the museum's location and the public's perception that it's a government-supported military activity.

At a glance:

- 14,000 visitors per year
- 65 tours per year
- 26,000 artifacts
- 5,500 books in reference library
- 160 archives in linear feet
- 10,000 photographs
- 1,400 volunteer hours worked last year

Minnesota Air Guard Museum

The Minnesota Air Guard Museum serves as a community resource for the preservation of aviation history, (especially military) offering activities and education for all ages.

The private, nonprofit Minnesota Air National Guard Historical Foundation, Inc. has the funding responsibility for the museum. The museum is located on the Minnesota Air National Guard Base at the Minneapolis/St. Paul International Airport. The Minnesota Air Guard owns most of the aircraft and displays them in an air park next to the museum.

Sources of Financial Support:

⇒ Membership has increased to 415. That is as high as it has been in recent years.
⇒ The $19,000 state biennial grant represents 25% of our income.
⇒ Museum visitors have decreased over the last few years and as a result revenue is down. We expect about 11,000 visitors in 2002.
⇒ Private gifts and grants amount to about $6,500, 10% of our revenue.

Minnesota Agricultural Interpretive Center (MAIC) AKA Farmamerica

Agency Vision and Mission Statement:

The vision of the MAIC is to teach people of all ages about our agricultural, food and environmental systems and their impact on our lives. The mission of the Minnesota Agricultural Interpretive Center is to carry out the vision through public and private partnerships and interactive experiences for visitors to the site. To accomplish this mission, MAIC maintains a 120-acre interpretive site and facilities located four miles west of Waseca on Waseca County Road 2. MAIC provides educational experiences for people of all ages.

Trends, Policies and Other Issues Affecting the Demand for Services:

The governor and Minnesota state legislature commissioned the MAIC in 1978 to tell the important story of Minnesota's agriculture. It is a not-for-profit educational institution administered by a volunteer board of directors. The story of agriculture is being told through guided tours, hands-on experiential learning experiences, festivals, and exhibitions. Visitors travel on a one-mile timeline road and become involved in activities as they move to the prairie/pond/marsh to the settlement farm of the 1850s. They continue by the one-room schoolhouse, the country church, the 1920/1930s dairy farm, the feed mill, and the blacksmith shop/town hall. The next stop would be the Agri-Hall Museum and the 1970s farm exhibit. The final stop is the newly constructed Visitor's Center that has a modern farm exhibit that projects the future of agriculture.

Trends – technology changes, fewer people involved in farming:

With the tremendous technology changes going on in agriculture and with fewer people involved, there is more need and demand to tell the agriculture story – past, present, and future. In the 2001–02 season, over 30,000 participated in the school and group tours, outreach programs, and festivals during June - September, as well as the All Hallows Eve and the Holiday Traditions events.

Continued improvements have been made to site facilities since 1978 on the original 120 acres. Facilities and improvements have been made to realize the goals to develop the site with safe and accessible facilities to support educational interpretive public programming about Minnesota's agriculture.

Significant progress has been made to provide necessary facilities in keeping with strategic plans with the most recent addition of the 10,000 square foot visitors center in 2000 and the security and accessibility improvements in 2001/2002. Presently, Farmamerica is focusing on maximizing use of those facilities and assuring that they are programmed and available to the public.

MAIC is Working to Expand It's Support Base:

Additional funding is required to operate the visitors center, the sites, expanded educational programs, and increased public visitation hours. With limited funds, it has accomplished much through the help of over 450 volunteers from 37 communities that conduct the programs. To realize its potential, an annual operating budget of $500,000 is needed to operate the visitors center, serve a broad audience, be open year round, and provide quality public education programs in an efficient and effective manner.

Farmamerica is working aggressively to expand its funding base. It is continuing to develop new revenue sources including the expanded membership program, sponsorship program, naming rights program, annual fundraiser, and expanded user fee based programs and services. Donations and grant funds continue to be pursued for public programming.

Contact

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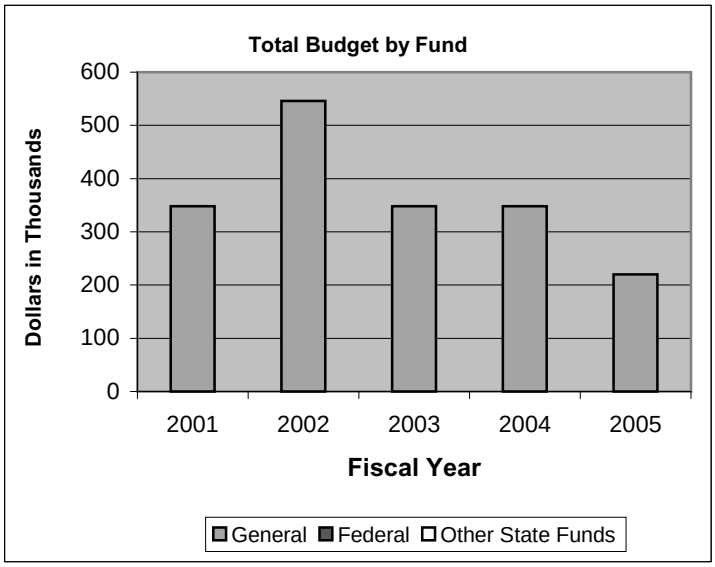

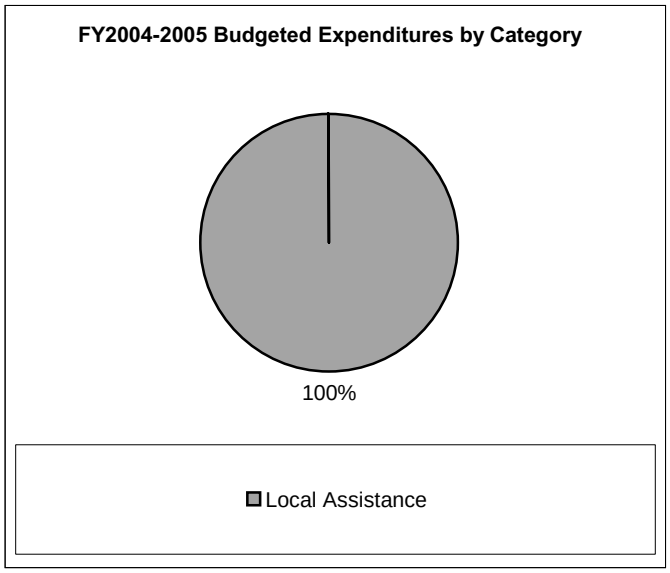

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	348	546	348	348	220	568
Total	**348**	**546**	**348**	**348**	**220**	**568**
Expenditures by Category						
Operating Expenses	88	88	88	0	0	0
Local Assistance	260	458	260	348	220	568
Total	**348**	**546**	**348**	**348**	**220**	**568**
Expenditures by Activity						
Sibley House Association	88	88	88	0	0	0
Mn International Center	50	50	50	43	42	85
Mn Air National Guard Museum	0	19	0	16	0	16
Project 120	110	110	110	94	93	187
Mn Military Museum	0	79	0	67	0	67
Farmamerica	100	150	100	128	85	213
Little Elk Heritage	0	50	0	0	0	0
Total	**348**	**546**	**348**	**348**	**220**	**568**
Full-Time Equivalents (FTE)	**2.4**	**2.4**	**2.4**	**0.0**	**0.0**	

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Department of Finance

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February 11, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Economic Development omnibus bill. These agencies collectively administer $130 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $17.5 million (17.8%) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to preserve Minnesota's rich history, support the state's art community, regulate professional licensees, and provide advice to the Governor and legislature on issues effecting the state's minority populations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

We have evaluated the role of government in a number of these agencies and are recommending the elimination of state funding. The reduction level for most of the other non-cabinet agencies in the economic development area ranges from 15-20%. Most agencies have focused on reducing their administrative areas of the budget in order to preserve the core functions of the agency.

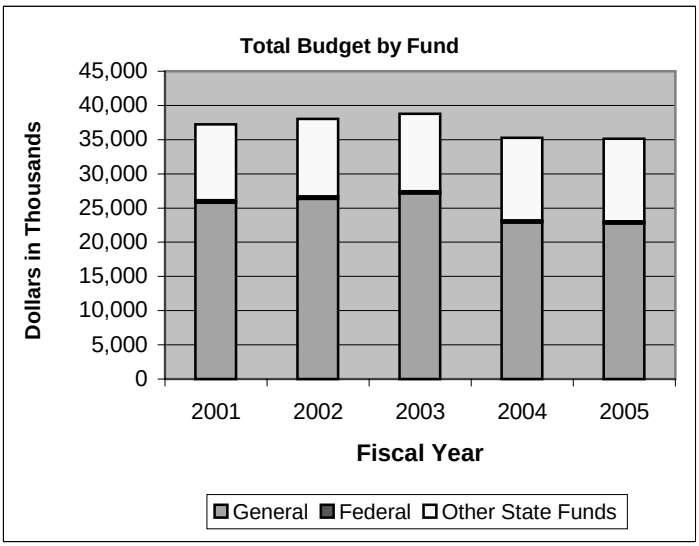
The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

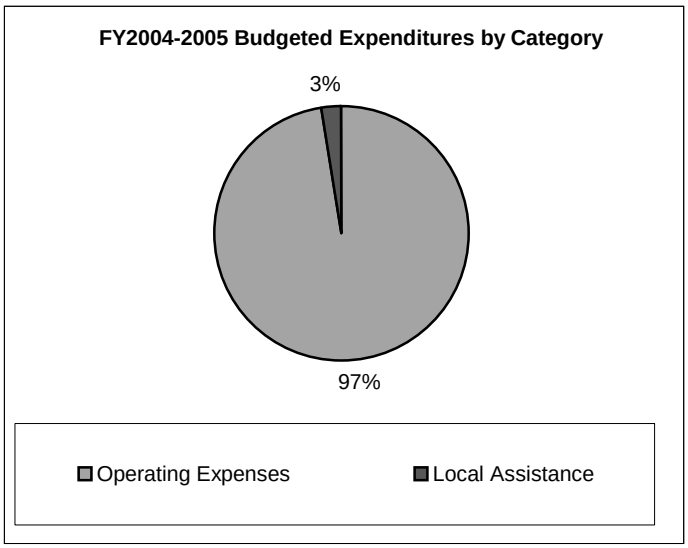
I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	53,990	24,576	78,566
Biennial Appropriations	148	0	148
Legislatively Mandated Base	-500	0	-500
Adjusted Base Funding	53,638	24,576	78,214
Change Items			
Budget Reduction	-8,046	0	-8,046
LCMR - Ft Ridgely Hist Site Trail	0	246	246
Governor's Recommendations	45,592	24,822	70,414
Biennial Change, 2002-03 to 2004-05	-7,868	1,451	-6,417
Percent Change	-15%	6%	-8%





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
Environment & Natural Resource	227	163	0	123	123	246
General	25,795	26,340	27,120	22,860	22,732	45,592
Minnesota Resources	60	0	90	0	0	0
Statutory Appropriations						
Special Revenue	831	864	883	883	883	1,766
Federal	290	305	303	303	303	606
Gift	10,016	10,381	10,382	11,102	11,102	22,204
Total	**37,219**	**38,053**	**38,778**	**35,271**	**35,143**	**70,414**
Expenditures by Category						
Operating Expenses	36,146	36,587	37,647	34,126	34,090	68,216
Capital Outlay & Real Property	172	321	188	157	196	353
Local Assistance	901	1,145	943	988	857	1,845
Total	**37,219**	**38,053**	**38,778**	**35,271**	**35,143**	**70,414**
Expenditures by Program						
Education & Outreach	22,465	23,542	24,112	22,215	22,215	44,430
Preservation & Access	14,406	13,965	14,318	12,708	12,708	25,416
Pass Through Appropriations	348	546	348	348	220	568
Total	**37,219**	**38,053**	**38,778**	**35,271**	**35,143**	**70,414**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	67	44	0	0	0	0
Subtotal Non Dedicated	67	44	0	0	0	0
Dedicated						
Special Revenue	831	864	883	883	883	1,766
Federal	290	305	303	303	303	606
Gift	10,016	10,381	10,382	11,102	11,102	22,204
Subtotal Dedicated	11,137	11,550	11,568	12,288	12,288	24,576
Total Revenue	**11,204**	**11,594**	**11,568**	**12,288**	**12,288**	**24,576**
Full-Time Equivalents (FTE)	**490.6**	**475.9**	**475.2**	**381.3**	**382.9**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(4,033)	(4,013)	(4,033)	(4,013)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(4,033)	(4,013)	(4,033)	(4,013)

Recommendation

The Governor recommends a budget of $22,796 million in FY 2004 and $22,796 million in FY 2005 for the Historical Society. These amounts reflect a 15% base reduction for the biennium. The Governor intends that the Historical Society should focus its appropriated funding on maintaining its highest priority services. While this recommendation does not identify specific reductions for the Historical Society, the Governor suggests they look at reducing their administrative costs as much as possible in order to minimize the impact to public programs.

Relationship to Base Budget

This change item results in a 15% reduction to the agency's base budget.

Alternatives Considered

None.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund -- *Environmental Trust Fund*				
Expenditures	$123	123	0	0
Revenues	0	0	0	0
Net Fiscal Impact	123	123	0	0

Recommendation

The Governor has recommended the elimination of the dedicated funding for the Future Resources Fund. The Governor is not making specific recommendations on LCMR projects at this point, but intends to provide a statement of the administration's priorities for Environmental Trust Fund projects at a later time.

Background

The Fort Ridgely Historic Site Interpretive Trail will provide for an enhanced visitor experience at this site, which played a very important role in the US/Dakota Conflict of 1862. The project will provide for an accessible trail through the original fort site and a series of interpretive markers.

The Legislative Commission on Minnesota Resources has recommended this project, with final approval by the legislature anticipated in the 2003 Legislative Session.

Statutory Change: Not Applicable.

Agency Purpose

Serving Northern Gardeners through education, encouragement and community is the mission of the Minnesota State Horticultural Society (MSHS).

- We honor the traditions of our organization and value the contributions of our members.
- We recognize that gardeners positively impact neighborhoods, communities and the environment.
- We demonstrate that gardening enhances the quality of life for all people.
- We use that knowledge to serve diverse communities.

At A Glance

- 20,000 members throughout the state all interested in gardening and environmental issues.
- 187,000 copies of *Northern Gardener* magazine are edited, published and distributed by MSHS each year. It is the only magazine written exclusively for cold climate gardening.
- 250,000 residents of Minnesota receive education from and access services provided by MSHS each year.
- Over 600 volunteers throughout the state donate more than 4,000 hours per year to MSHS.
- MSHS Bookstore sells more than 300 educational publications about northern gardening.

Core Functions

Education

⇒ MSHS serves all residents of Minnesota by providing education and resources to anyone interested in gardening and the environment.

⇒ MSHS provides educational services through the Northern Gardener magazine, membership services, the Northern Gardener Bookstore, and educational classes.

Community Outreach

⇒ *Minnesota Green*: MSHS's signature project is designed to revitalize communities through plants. This Community Gardening Program promotes community greening as a means of strengthening neighborhoods through activities that connect people and plants. In FY 2002 Minnesota Green donated 7,000 plants, 17,000 seed packets and 300 bulbs to more than 200 community gardens throughout the state. Local volunteers maintain these gardens.

⇒ *Junior Northern Gardener Program:* MSHS launched this program in FY 2002. More than 300 children received free seeds this spring. MSHS will be in regular contact with these children throughout the growing season. The Junior Northern Gardeners and their families will be invited back to MSHS in the fall to share pictures and gardening experiences with each other. Each child will receive an award.

⇒ *Organic Gardening:* MSHS received its first federal grant from the Environmental Protection Agency. Beginning in Fall 2002, the community outreach program will teach gardeners statewide about organic gardening practices.

Encouragement

⇒ The MSHS award-winning web site reached more than 5,000 people per month in FY 2002.

⇒ The MSHS state awards program honors exemplary individuals and organizations that have contributed to beautification and community livability through gardening.

⇒ With over 600 volunteers, the MSHS volunteer program is the heart and soul of the organization.

Operations

⇒ MSHS is a 501(c)3 not for profit organization founded in 1865 at the State Fair in Rochester, Minnesota.

⇒ Services are delivered through the magazine, classes held statewide, sponsorship of educational meetings statewide, the circulating library, the MN Green plant donation program and through special events held at the MSHS building and throughout the state.

Key Measures

⇒ Educate the public-MSHS reached 10,000 people this year through classes, public events and programs. MSHS published its first two books for Minnesota gardeners.

⇒ Teach children- More than 300 children participated in this new program. MSHS will continue to stay in touch with these children regularly and intends to increase the number of participating children each year.

⇒ Advocate environmental stewardship-MSHS is developing a statewide organic gardening practices educational program. The classes will be offered in fall 2002.

Budget

REVENUE FY 2002	$1.2 million per year	
Membership	$558,000	46.5%
Bookstore	$310,000	25.8%
Publications	$140,000	11.7%
Contributions	$76,000	6.3%
State Grant	$82,000	6.8%
Educ. Prog	$33,000	2.8%
Misc	$15,000	1%

EXPENSE FY 2002	$1.37 million per year	
Membership	$170,000	12%
Bookstore	$250,000	18%
Publications	$370,000	27%
Fundraising/ Member Dev.	$100,000	7%
Educ. Prog	$185,000	14%
Support Serv	$295,000	22%

⇒ Membership fees are $55 per year. A subscription option was added in January 2002. The subscription rate is $29 per year.

⇒ State grant was reduced on a one-time basis from $82,000 to $66,000 in FY 2003.

⇒ Educational programs expense includes the cost of the web site, classes at MSHS and in greater Minnesota, and the cost of managing the MN Green program for community gardens.

⇒ Staff level is 6.75 FTEs.

Contact

Minnesota State Horticultural Society
1755 Prior Avenue North
Falcon Heights, Minnesota 55113

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www.northerngardener.org
Marjee Righeimer, Executive Director
Email address: marjeer@northerngardener.org
Phone: (651) 643-3601
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State of Minnesota
Department of Finance

400 Centennial Building
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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Environment, Natural Resources, and Agriculture omnibus bill. These agencies collectively administer $129 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $28 million (18%) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to protect our water quality, reduce soil erosion, protect the health of our domestic livestock, educate citizens on environmental issues, and help farmers find ways to compete in the world market.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Examples of reductions in this area include a 20% average reduction in agency administrative costs, and $13 million in reductions to grant programs.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

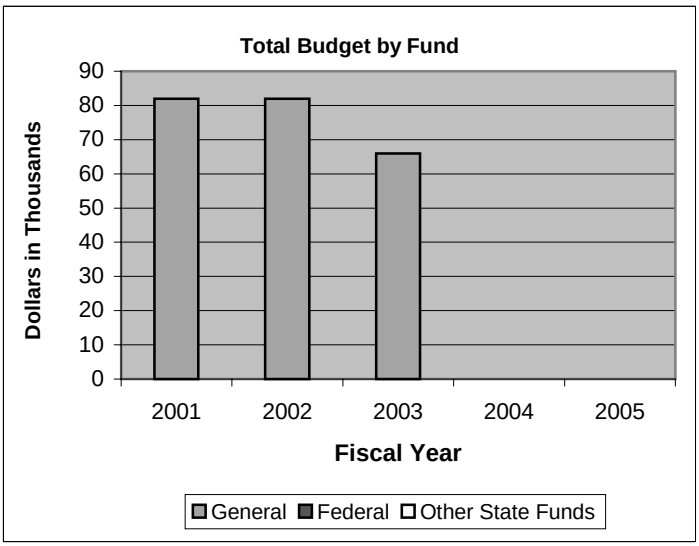
Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	132	0	132
One-Time Appropriations	32	0	32
Adjusted Base Funding	164	0	164
Change Items			
State Funding Elimination	-164	0	-164
Governor's Recommendations	0	0	0
Biennial Change, 2002-03 to 2004-05	-148	0	-148
Percent Change	-100%	n.m.	-100%

Brief Description of Budget changes:

The FY 2004-05 base was adjusted because of a one-time reduction.



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	82	82	66	0	0	0
Total	**82**	**82**	**66**	**0**	**0**	**0**
Expenditures by Category						
Local Assistance	82	82	66	0	0	0
Total	**82**	**82**	**66**	**0**	**0**	**0**
Expenditures by Program						
Horticultural Society	82	82	66	0	0	0
Total	**82**	**82**	**66**	**0**	**0**	**0**

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($82)	($82)	($82)	($82)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($82)	($82)	($82)	($82)

Recommendation
The Governor recommends eliminating the state funding for the Minnesota State Horticulture Society (MSHS) in the amount of $82,000 per year.

Background
MSHS has the following sources of revenue: fees, donations, book and merchandise sales, and advertising revenue from its publication *Northern Gardener*.

Relationship to Base Budget
Annual revenues total about $1,200,000. Of this amount fees total $550,000, donations total $125,000, book sales equal $290,000, advertising revenue is $140,000. The state grant represents a small percentage of the MSHS budget.

Key Measures
Reductions could occur in the areas of travel, staff, and the website/magazine.

Statutory Change: Not Applicable

Agency Purpose

The Minnesota Housing Finance Agency (MHFA) is committed to meeting Minnesotans' needs for decent, safe, affordable housing and stronger communities.

The agency's strategic plan sets forth the following policy objectives:

- increase production of affordable housing in connection with economic development and redevelopment efforts;
- increase investment of resources to underserved households;
- increase investment of resources in developments using smart growth principles; and
- increase leverage of non-state resources.

At A Glance

Two-Year State Budget:

- $105 million in General Funds
- $1.079 billion all funds

- 4 Sources:
- 44% bond sales
- 29% federal funds
- 14% agency resources
- 13% state appropriations

Annual Business Processes:

- Provided $383 million in housing assistance in FFY 2001.
- Served 50,000 households.
- 76% of households served had annual incomes under $20,000.

Core Functions

MHFA funds housing activity in five broad areas:

⇒ **Development and Redevelopment Programs**. These programs fund the new construction and rehabilitation of rental housing and homes for ownership for families with a range of incomes.

⇒ **Homeownership Loan Programs.** These programs fund home purchase and home improvement loans for families and individuals with a range of incomes not served by the private sector alone.

⇒ **Supportive Housing Programs**. These programs fund housing development and rental assistance for very low-income families and individuals who often face other barriers to stability, economic self-sufficiency, and independent living.

⇒ **Preservation of Federally Assisted Housing Programs**. These programs seek to preserve the stock of federally assisted rental housing that is in danger of being lost due to op-outs for market reasons, physical deterioration, or both.

⇒ **Resident and Organization Support**. These programs provide operating funds for organizations that develop affordable housing, offer homebuyer training, education, and foreclosure prevention assistance, or coordinate regional planning efforts.

Operations

Management and control of the agency is vested in the board of directors. The board is comprised of five citizen members appointed by the governor and two ex-officio members: the commissioner of Trade and Economic Development and the state auditor. The board directs the policies of the agency and adopts an affordable housing plan, approves funding decisions, adopts finance policies, and selects the finance team.

The agency staff includes 197 full-time equivalent employees in four major divisions: accounting and finance; multifamily; homeownership; and research and policy. Over half of all the employees are professional level employees.

⇒ The accounting and finance staff are responsible for the management of the assets and liabilities of the agency which includes a portfolio of $2.8 billion in housing related loans and other investments and $2 billion in mortgage revenue bonds. The staff manages the process of raising capital through periodic debt issuances. The staff in this division also prepares financial forecasts, budgets, and fiscal year-end audited financial reports for all funds and accounts. Staff is responsible for the accurate and timely reporting of all accounting and financial information necessary to comply with disclosure requirements and board policies.

⇒ The staff of the multifamily division manages the process of assisting in the financing of new construction and rehabilitation and preservation of rental housing. This division's staff oversees the provision of tenant support services and rental assistance and homeless prevention activities. The staff is also responsible for the oversight of the management of the agency's portfolio of rental housing, monitoring compliance with state and

federal requirements, and administering the Section 8 contracts of 32,000 units of rental housing that include the contracts on 18,000 units previously administered by Housing and Urban Development (HUD).

⇒ The homeownership staff manages programs to assist with the financing of home purchases and home improvements. It also manages the process of assisting in the financing of new home construction for ownership and neighborhood revitalization. The division staff oversees the provision of homeownership education services. The staff also administers programs that provide post-purchase support and foreclosure prevention for homeowners.

⇒ The research and policy division includes the commissioner's office, governmental affairs, information systems, research and policy, human resources and office management.

The agency's assistance is delivered through local lenders, community action programs, local housing and redevelopment authorities, and for-profit and non-profit developers. MFHA joins with other public and private funders to make available development and redevelopment funds in a comprehensive, single application, one-stop selection process.

Budget

MHFA's largest source of financing is the sale of tax-exempt and taxable bonds that totals approximately 44% of the agency's budget. Proceeds from the sale of these bonds provide mortgage loans to first-time homebuyers and rental housing developments. Repayments made to programs funded by mortgage revenue bonds are made available for the same activities.

Agency resources constitute 14% of the agency's budget. Agency resources are earnings over the years in excess of funds needed to cover loan loss and self-insurance.

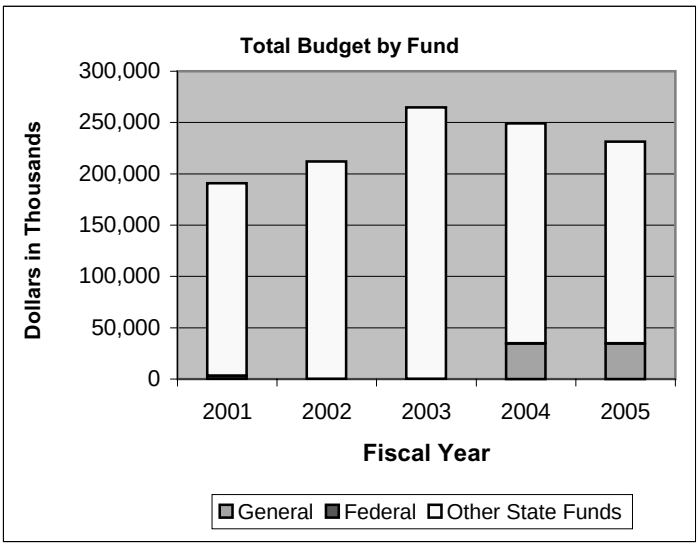
Federal funds constitute 29% of MHFA financing. In FY 2002-03 biennium, the two largest programs receiving federally appropriated funds were the Section 8 Housing Assistance payments program and the Home Investment Partnership Program (HOME). In the past, the agency has received federal funding for a number of smaller programs as well.

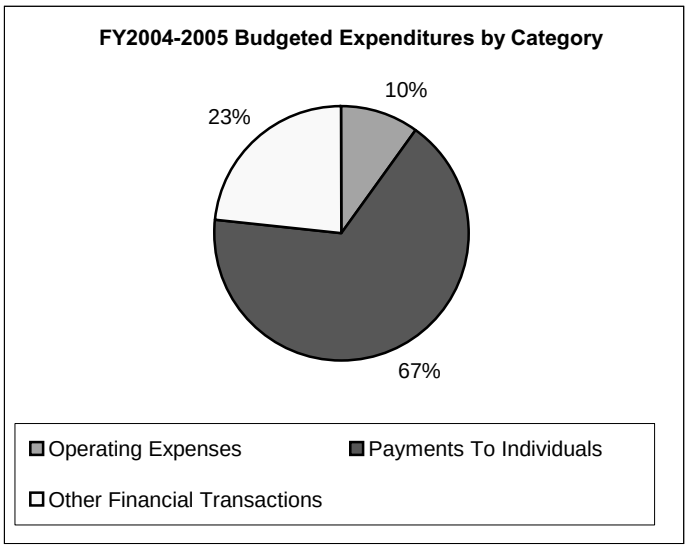
State appropriations constitute 13% of the program funds. State appropriations for the 2002-03 biennium totaled $105,048,000 from the General Fund, plus $250,000 from federal Temporary Assistance for Needy Families (TANF) funding.

Contact

For more information, contact: Tonja M. Orr, Director of Government Affairs at (651) 296-9820.

The MHFA web site at www.mhfa.state.mn.us provides information about Agency programs, application forms and procedures, and other useful information for persons seeking assistance with the financing of affordable housing.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	0	0	34,735	34,735	69,470
Federal Tanf	3,243	125	125	0	0	0
Statutory Appropriations						
Housing Finance Agency	187,674	212,029	264,510	214,407	196,731	411,138
Total	**190,917**	**212,154**	**264,635**	**249,142**	**231,466**	**480,608**
Expenditures by Category						
Operating Expenses	17,501	19,340	22,586	23,367	24,154	47,521
Payments To Individuals	129,149	142,719	165,582	164,318	155,942	320,260
Local Assistance	567	509	500	498	330	828
Other Financial Transactions	43,700	49,586	75,967	60,959	51,040	111,999
Total	**190,917**	**212,154**	**264,635**	**249,142**	**231,466**	**480,608**
Expenditures by Program						
Appropriated Programs	63,425	71,319	101,608	77,129	58,691	135,820
Non-Appropriated Programs	127,492	140,835	163,027	172,013	172,775	344,788
Total	**190,917**	**212,154**	**264,635**	**249,142**	**231,466**	**480,608**
Revenue by Type and Fund						
Dedicated						
Housing Finance Agency	131,581	143,826	169,035	176,432	176,318	352,750
Subtotal Dedicated	131,581	143,826	169,035	176,432	176,318	352,750
Total Revenue	**131,581**	**143,826**	**169,035**	**176,432**	**176,318**	**352,750**
Full-Time Equivalents (FTE)	**181.1**	**183.8**	**197.0**	**197.0**	**197.0**	

Program Description

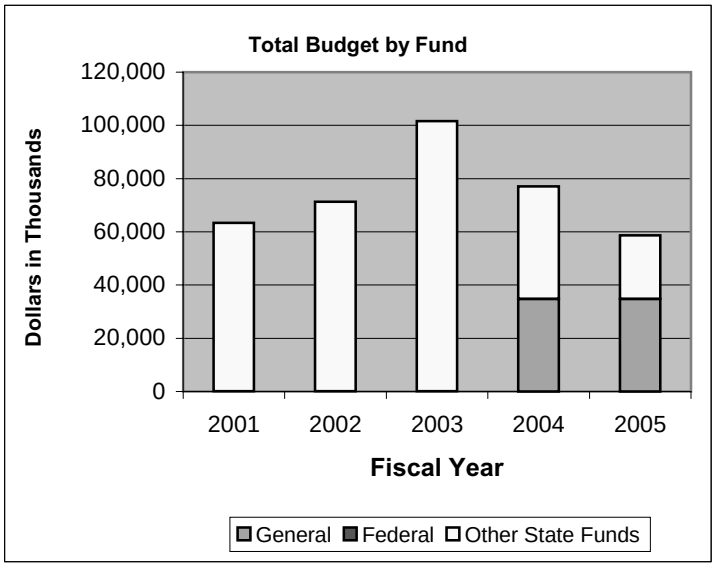
Appropriated programs fund affordable housing activities in five broad areas. Although state appropriations are only 13% of the total Minnesota Housing Finance Agency (MHFA) biennial budget, these funds make a critical difference, enabling the MHFA to meet the housing needs of lower income families and individuals than would be otherwise possible. Appropriated programs often supplement non-appropriated programs that use amortizing debt and other sources of funds. Approximately 65% of the state appropriation is used for rental housing since providing affordable rental housing requires relatively more subsidy than homeownership.

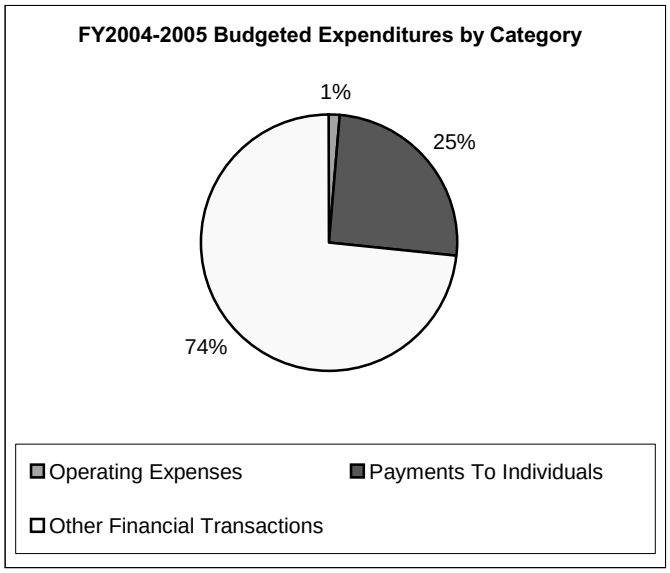
In making funding decisions in competitive selection processes, MHFA uses investment guidelines and Continuum of Care plans developed at the regional level to assure consistency with regional priorities. The agency utilizes a joint application and review process in conjunction with the Family Housing Fund, the Greater Minnesota Housing Fund, and the Metropolitan Council for significant portions of its funding. Other state agencies and local units of government are consulted in making funding awards in order to better coordinate government resources.

Budget Activities Included

- ⇒ **Development and Redevelopment Programs**. These programs fund the new construction and rehabilitation of rental housing and homes for ownership for families with a range of incomes.
- ⇒ **Supportive Housing Programs**. These programs fund housing development and rent assistance for very low-income families and individuals who often face other barriers to stability, economic self-sufficiency, and independent living.
- ⇒ **Homeownership Loan Programs**. These programs fund home purchase and home improvement loans for families and individuals with a range of incomes not well served by the private sector alone.
- ⇒ **Preservation of Federally Assisted Housing Programs**. These programs seek to preserve the stock of federally assisted rental housing that is in danger of being lost due to opt-outs for market reasons, physical deterioration, or both.
- ⇒ **Resident and Organizational Support**. These programs provide operating funds for organizations that develop affordable housing, offer homebuyer training, education, and foreclosure prevention assistance, or coordinate regional planning efforts.

	FY 2004	FY 2005	Biennial
Development and Redevelopment Programs			
Economic Development and Housing Challenge Fund	$11,804,000	$11,804,000	$23,608,000
Urban Indian Housing	$184,000	$184,000	$368,000
Supportive Housing Programs			
Housing Trust Fund	$4,545,000	$4,545,000	$9,090,000
Bridges	$1,672,000	$1,672,000	$3,344,000
Family Homeless Prevention and Assistance	$3,565,000	$3,565,000	$7,130,000
Homeownership Loan Programs			
Rehabilitation Loan	$4,215,000	$4,215,000	$8,430,000
Tribal Indian Housing	$1,655,000	$1,655,000	$3,310,000
Homeownership Assistance Fund	$885,000	$885,000	$1,770,000
Preservation of Federally Assisted Housing Programs			
Affordable Rental Investment Fund (ARIF- Preservation)	$9,832,000	$9,832,000	$19,664,000
Resident and Organizational Support			
Homeownership Education, Counseling, and Training (HECAT)	$843,000	$843,000	$1,686,000
Non-Profit Capacity Building Grants	$334,000	$334,000	$668,000
Totals	$39,534,000	$39,534,000	$79,068,000





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	0	0	34,735	34,735	69,470
Statutory Appropriations						
Housing Finance Agency	63,425	71,319	101,608	42,394	23,956	66,350
Total	**63,425**	**71,319**	**101,608**	**77,129**	**58,691**	**135,820**
Expenditures by Category						
Operating Expenses	886	1,147	1,440	920	945	1,865
Payments To Individuals	24,468	24,623	30,121	21,172	12,796	33,968
Local Assistance	567	509	500	498	330	828
Other Financial Transactions	37,504	45,040	69,547	54,539	44,620	99,159
Total	**63,425**	**71,319**	**101,608**	**77,129**	**58,691**	**135,820**
Expenditures by Activity						
Developm & Redevelopm Progs	19,921	31,823	44,369	35,898	24,814	60,712
Supportive Housing Progs	19,769	16,003	21,886	18,094	10,908	29,002
Homeownership Loan Progs	15,739	15,726	20,307	9,729	9,729	19,458
Preserv Of Fed Assisted Hous	6,409	5,983	12,500	11,940	11,940	23,880
Resident & Organizational Supp	1,587	1,784	2,546	1,468	1,300	2,768
Total	**63,425**	**71,319**	**101,608**	**77,129**	**58,691**	**135,820**
Revenue by Type and Fund						
Dedicated						
Housing Finance Agency	18,192	19,618	10,332	8,613	7,737	16,350
Subtotal Dedicated	18,192	19,618	10,332	8,613	7,737	16,350
Total Revenue	**18,192**	**19,618**	**10,332**	**8,613**	**7,737**	**16,350**

Activity Description

The goal of the Minnesota Housing Finance Agency's (MHFA) re/development programs is to fund the new construction and rehabilitation of housing, both rental and homes for ownership, needed to sustain economic growth and vitality. In some communities, new housing is needed due to significant net employment growth. In other communities, rehabilitating the existing stock is an important strategy for retaining existing employers and related economic activity.

Activity at a Glance

In FY 2001:

- 6,786 housing units were rehabilitated;
- The number of new housing units financed nearly doubled between FY 2000 and FY 2001 to over 1,400 units; and
- Requests typically exceed funds available by a five to one ratio.

MHFA's re/development programs are the primary vehicles for achieving the objective of increased production by greater leveraging of capital investment in housing. Re/development program funds have been used to finance both rental and homeownership units in new, mixed income developments, new rental housing, and affordable units in new single-family subdivisions.

Population Served

Homeowners, homebuyers, and tenants of rental housing are served by this budget activity. Additionally, communities receive assistance in their stabilization and revitalization efforts through this budget activity.

Services Provided

Re/development Program funds are made available primarily through a competitive, comprehensive, one-stop, single application process sponsored by MHFA, the Family Housing Fund, the Greater Minnesota Housing Fund, the Metropolitan Council, and others.

⇒ Economic Development and Housing Challenge Program (M.S. 462A.33)

The Economic Development and Housing Challenge program is the primary program to fund development and redevelopment activities. It funds a wide variety of development and redevelopment activities, including new construction, acquisition, and rehabilitation of both rental housing and homes for ownership. Assistance is provided generally in the form of no-interest, deferred loans and grants to local units of government, and for-profit and non-profit developers. The income maximum for the owner-occupied housing funded under this program is set at 115% of greater of state or area median income ($88,205 in the Twin Cities metro area for 2002). The income maximum for the rental housing funded under this program is set at 80% of greater of state or area median income ($61,360 in the Twin Cities metro area for 2002). The income maximums allow a range of workforce housing to be developed or rehabilitated.

Projects that show cost reduction or avoidance as a result of local regulatory relief are given a priority in selection for funding. At least 50% of the funds must be used only for projects in which an employer has made some sort of financial contribution to the housing as well as there being a contribution from either a local unit of government or a charitable organization. These requirements have helped to increase the amount of monies from non-state resources that are invested in affordable housing projects.

⇒ Urban Indian Housing Program (M.S. 462A.07, Subd. 15)

The Urban Indian Housing Program provides both home ownership and rental housing opportunities for low and moderate-income American Indians residing in the urban areas of the state. The program provides below market interest rate financing for first time homebuyers. Funding is also available for the development of special assistance program components of projects that address specifically identified needs of American Indians that are sponsored by nonprofit organizations.

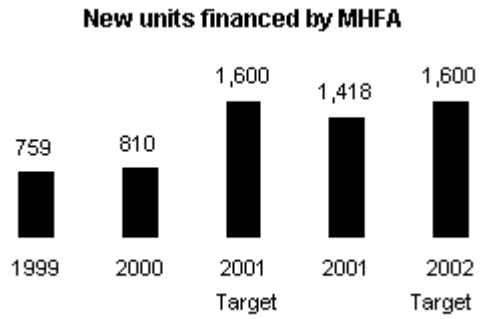
Historical Perspective

In 2000, the Minnesota Legislature approved a major consolidation of the funding for four programs that all supported re/development activities. The programs were consolidated into the Economic Development and Housing Challenge program and this program was made a permanent base program. The two primary reasons for the consolidation were:

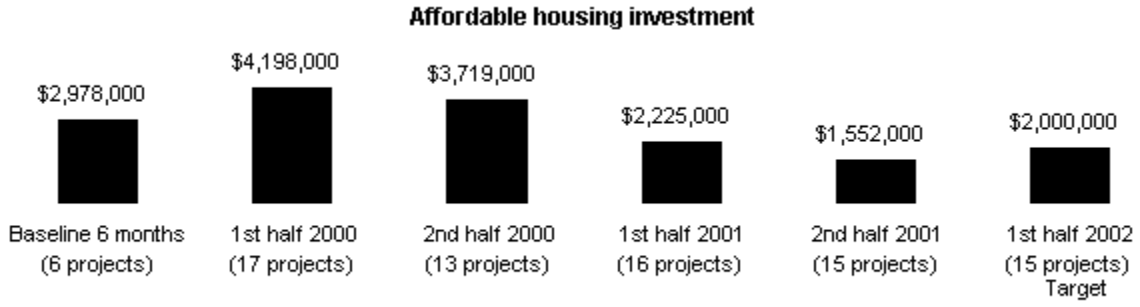
- To increase capital investment from non-state sources; and
- To increase private development and contain cost increases by promoting the removal of governmental barriers to affordable housing development.

Key Measures

Number of new units financed:



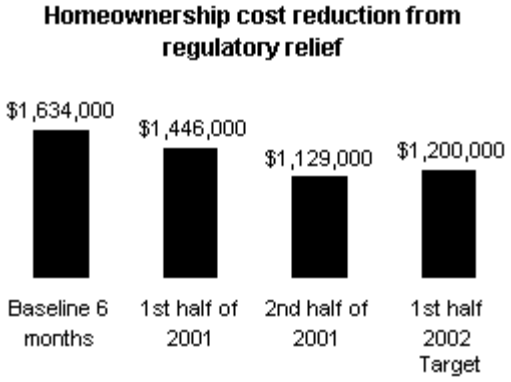
Investment in affordable housing development projects by businesses and employers both in amounts and numbers:

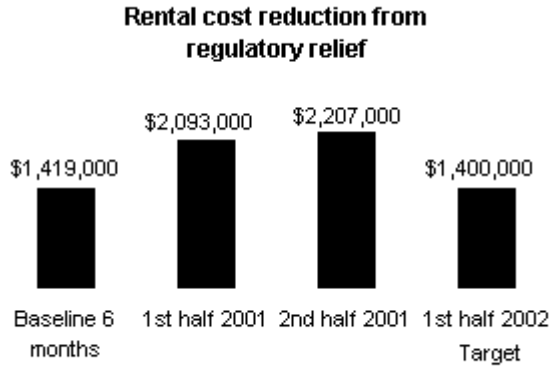


In the first half of 2000, the amount of investment by businesses and employers in affordable housing development projects increased by 41% over the baseline. In the second half of 2000, the amount of investment increased by 25%; and in the first half of 2001, the amount decreased by 26%. Since the volume of housing development business tends to be stronger in the last six months of the calendar year, we created a six-month baseline for 1999 that is half of the overall business for that year.

In the first half of 2000, the number of businesses and employers investing in affordable housing development projects increased by 183% over the baseline. In the second half of 2000, the number increased by 116%; and in the first half of 2001, by 250%.

Cost reductions in affordable housing development projects due to local regulatory relief:





Although we will never eliminate the need for public funding, subsidy must not be the only strategy for producing workforce housing. We must also work to reduce unnecessary costs, so that we can increase production of workforce housing that does not need public funding and make the public funding that does exist go farther. Local governments can contribute to reducing costs and increasing private, unsubsidized development by reducing or eliminating unnecessary barriers to development.

Since the volume of housing development business tends to be stronger in the last six months of the calendar year, we created a six-month baseline for 1999 that is half of the overall business for that year.

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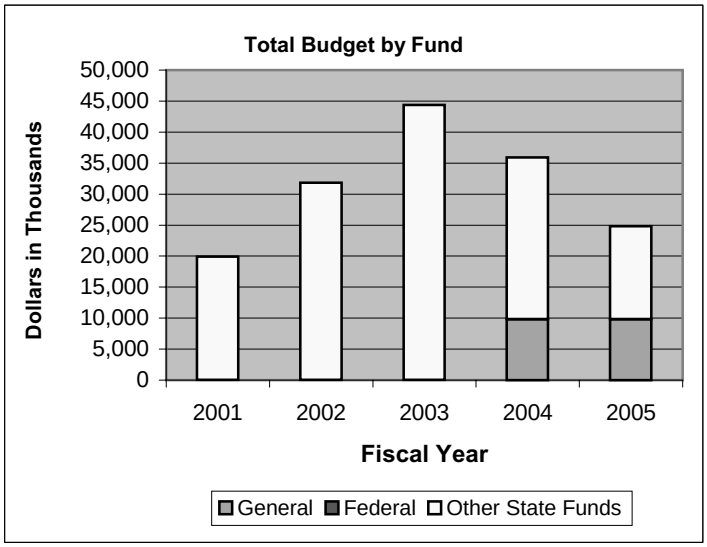
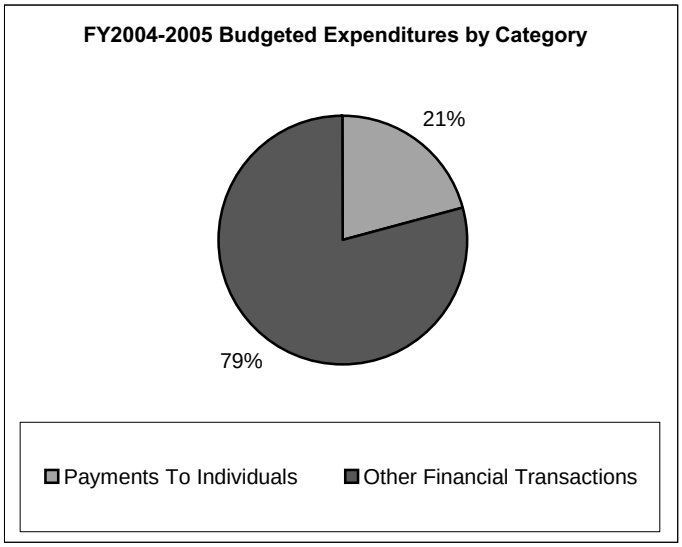
HOUSING FINANCE AGENCY
Program: APPROPRIATED PROGRAMS
Activity: DEVELOPM & REDEVELOPM PROGS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	0	0	9,802	9,802	19,604
Statutory Appropriations						
Housing Finance Agency	19,921	31,823	44,369	26,096	15,012	41,108
Total	**19,921**	**31,823**	**44,369**	**35,898**	**24,814**	**60,712**
Expenditures by Category						
Payments To Individuals	11,853	10,408	12,844	7,482	5,206	12,688
Other Financial Transactions	8,068	21,415	31,525	28,416	19,608	48,024
Total	**19,921**	**31,823**	**44,369**	**35,898**	**24,814**	**60,712**
Revenue by Type and Fund						
Dedicated						
Housing Finance Agency	6,876	5,384	3,568	2,915	2,253	5,168
Subtotal Dedicated	6,876	5,384	3,568	2,915	2,253	5,168
Total Revenue	**6,876**	**5,384**	**3,568**	**2,915**	**2,253**	**5,168**

Activity Description

Supportive housing is permanent housing with support services. The goal of supportive housing is to stabilize housing for the poorest households or households with special needs so they can successfully address barriers to employment, complete school or training, and/or achieve independent living. Housing providers understand that providing affordable housing alone does not ensure success for these populations. Service providers increasingly understand that delivering services alone to a family or individual with no stable, affordable housing does not work either.

Population Served

Supportive housing programs serve individuals and families with multiple barriers to obtaining and maintaining housing, including persons who are homeless or at risk of becoming homeless, and persons with mental illness, substance abuse disorders, or persons with HIV/AIDS.

Activity at a Glance

For FY 2001:

- 982 households received Bridges assistance;
- 2,410 households received other state funded rental assistance;
- 139 housing units for very low-income households were constructed or rehabbed with Housing Trust Fund (HTF) monies;
- 6,733 households received homeless prevention assistance;
- Average assistance per household under the Family Homeless Prevention and Assistance Program (FHPAP) - $538; and
- Nearly half of the households served under FHPAP are single-parent families.

Services Provided

Three Minnesota Housing Finance Agency (MHFA) appropriated programs assist in meeting supportive housing goals:

⇒ Housing Trust Fund Program (M.S. 462A.201)

The Housing Trust Fund program is the largest of the programs in this budget activity. The Housing Trust Fund provides 0% interest deferred loans for the financing of affordable permanent and supportive rental housing and limited equity cooperative housing for very low-income households. It also provides grants and loans for the costs of operating rental housing that are unique to the operation of low-income rental housing and for rental assistance. Housing assisted under this program must serve households with incomes that do not exceed 60% of metropolitan area median income ($46,020 for 2002); 75% of the program funds must be used for housing for households with incomes that do not exceed 30% of the metropolitan area median income ($23,010 for 2002). Nonprofit and for-profit organizations as well as local units of government are eligible to receive funds under this program.

⇒ Bridges (M.S. 462A.2097)

The Bridges program (statutorily known as the Rent Assistance for Persons with Mental Illness Program) provides rent assistance for households in which at least one adult member has a serious and persistent mental illness. Eligibility for the program is limited to households with incomes below 50% area median income. This activity links housing with social services through a partnership between a housing agency and a social service agency. The rental assistance is intended to stabilize the household in the community until a Section 8 certificate voucher becomes available.

⇒ Family Homeless Prevention and Assistance Program (M.S. 462A.204)

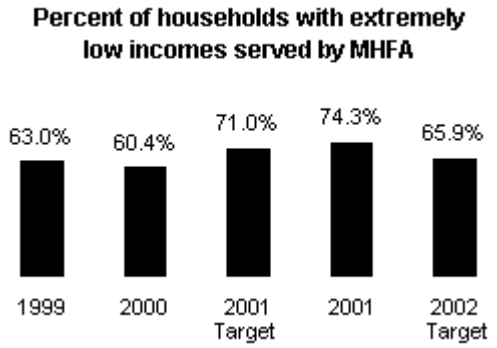
The Family Homeless Prevention and Assistance Program (FHPAP) provides flexible grants to counties and nonprofit organizations to use to assist families or youth who are homeless or at imminent risk of homelessness. Grant recipients are required to design or redesign an emergency response system to shift the focus to prevention of homelessness and a more rapid move to transitional or permanent housing. Fifty-seven counties are now served by FHPAP.

Historical Perspective

In 2000, the Minnesota Legislature approved a consolidation of funding from several programs into the Housing Trust Fund to better facilitate the development and operation of supportive housing. Prior to 2001, the Housing Trust Fund could only be used for bricks and mortar and there was no source of funding for operating cost support; the biennial base for the Housing Trust Fund was $4.6 million prior to consolidation.

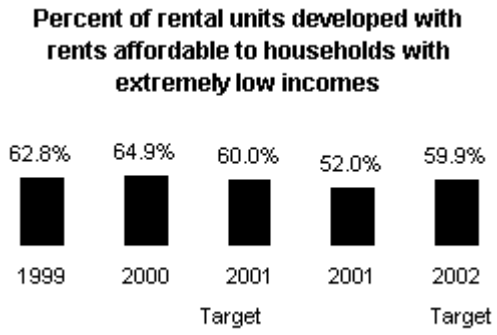
Key Measures

Households assisted that have extremely low incomes ($17,370 annually):



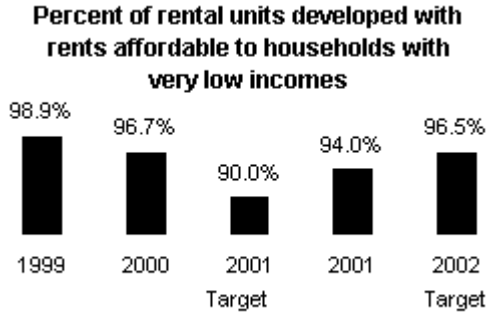
This indicator measures MHFA's efforts to assist the lowest income households in the state. 30% of the statewide median income is the standard for "extremely low income" households set by the Federal Department of Housing and Urban Development (HUD). In 2001, 30% of the statewide median income was equal to an annual income of $17,370 for a family of four. That income level is also close to the highest level that a family of four can earn and remain on the Minnesota Family Investment Program (welfare-to-work).

Rental units developed with rents affordable to households with extremely low incomes ($17,370 annually):



This indicator and the following indicator measure the extent to which MHFA produces rental housing affordable to the lowest income households and very low-income households. 30% and 50% of the statewide median income are the standards set by HUD for "extremely low" and "very low" incomes respectively. In 2001 by this standard, 30% of the statewide median income was $17,370 per year for a family of four.

Rental units developed with rents affordable to households with very low incomes ($28,950 annually):



50% of the statewide median income is the standard for "very low income" set by HUD. In 2001, 50% of the statewide median income was equal to an annual income of $28,950 for a family of four.

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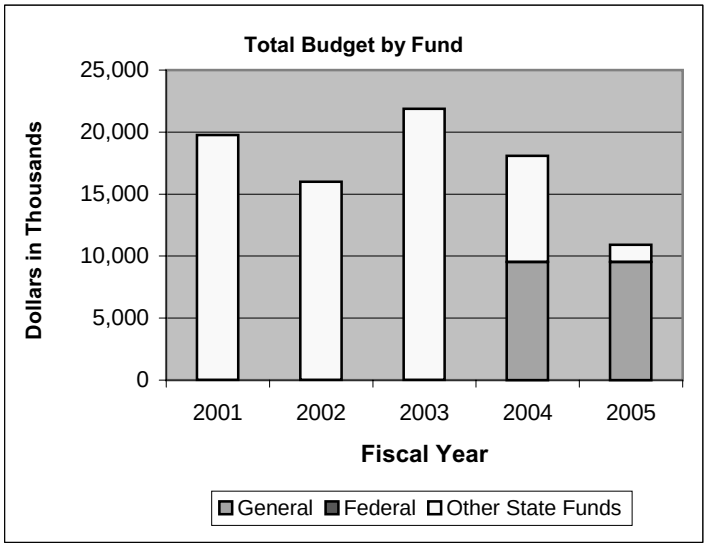
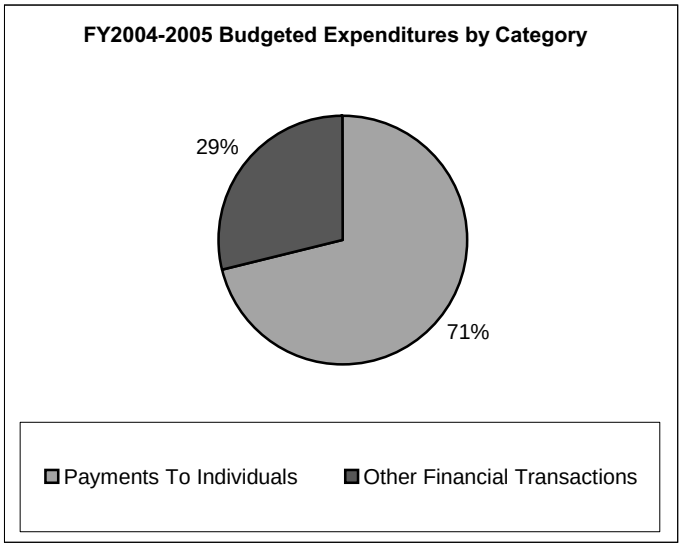
HOUSING FINANCE AGENCY
Program: APPROPRIATED PROGRAMS
Activity: SUPPORTIVE HOUSING PROGS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	0	0	9,508	9,508	19,016
Statutory Appropriations						
Housing Finance Agency	19,769	16,003	21,886	8,586	1,400	9,986
Total	**19,769**	**16,003**	**21,886**	**18,094**	**10,908**	**29,002**
Expenditures by Category						
Payments To Individuals	12,136	13,525	15,977	13,373	7,273	20,646
Other Financial Transactions	7,633	2,478	5,909	4,721	3,635	8,356
Total	**19,769**	**16,003**	**21,886**	**18,094**	**10,908**	**29,002**
Revenue by Type and Fund						
Dedicated						
Housing Finance Agency	2,579	1,806	717	393	260	653
Subtotal Dedicated	2,579	1,806	717	393	260	653
Total Revenue	**2,579**	**1,806**	**717**	**393**	**260**	**653**

Activity Description

The homeownership loan programs combine state appropriations with bond proceeds and Minnesota Housing Finance Agency (MHFA) resources to provide affordable loan programs. Homeownership loan programs also conduct marketing and outreach aimed at reaching underserved populations.

The two goals of MHFA's homeownership loan programs are as follows:

⇒ Increase homeownership among households not well served by private mortgage financing because of income, race, disability, or other factors. In many cases, the barrier to homeownership is not income but credit or racial discrimination. In the case of American Indians living on tribal land, private mortgage financing may not be available due to the security issues raised by the trust status of the land.

⇒ Provide home rehabilitation funding to homeowners not well served by private home improvement lending products.

Activity at a Glance

In FY 2001:

- 783 households received Homeownership Assistance Fund (HAF) assistance;
- 38% of first-time homebuyers with a MHFA mortgage received HAF assistance;
- Average assistance under the HAF program - $4,010;
- 4,201 households received assistance to rehab or preserve their home; and
- Average assistance under the Rehabilitation Loan Program - $11,015.

Population Served

The homeownership loan programs serve low and moderate-income first-time homebuyers and very low-income homeowners, including Native Americans living on tribal lands.

Services Provided

MHFA's appropriated homeownership loan programs are the following:

1. Rehabilitation Loan Program (M.S. 462A.05, Subd. 14a)

   The Rehabilitation Loan Program provides deferred loans of up to $15,000 to very low-income homeowners ($18,000 or less) for the purpose of correcting health and safety hazards within their homes and improving their homes and improving their habitability, accessibility, and energy efficiency. Loans are deferred until the home is sold, the borrower no longer lives in the home, or 30 years, whichever occurs first. Repayments are recycled into new loans. Historically, repayments under this program have averaged about $1,000,000 per year. Loans are distributed through local administrators who are familiar with the local area's needs.

2. Tribal Indian Housing Program (M.S. 462A.07, Subd. 14)

   The Tribal Indian Housing Program provides mortgage loans, home improvement financing, and rental housing opportunities to American Indian families and persons throughout the state. Individual programs have been developed by each of the three Indian tribes that administer the program through their respective tribal housing authorities: Minnesota Chippewa Tribe Housing Corporation, the Upper Sioux Indian Housing Authority, and the Red Lake Housing Finance Corporation. All of the tribes must recycle any repayment and prepayments into new housing loans. The state appropriations are used exclusively for housing loans; administrative costs are paid for from the earnings on loans made.

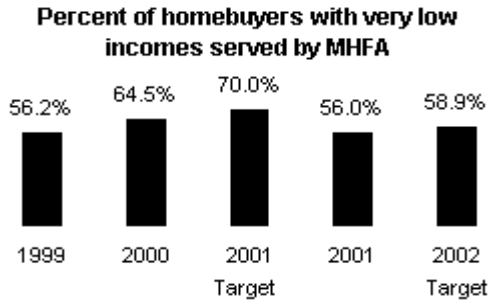
3. Homeownership Assistance Fund (M.S 462A.21, Subd. 8)

   The Homeownership Assistance Fund (HAF) provides entry costs and monthly assistance to more modest income homebuyers who are purchasing their first home through one of MHFA's mortgage revenue bond programs. Assistance is in the form of a 0% interest second mortgage loan. Repayment of the loan is

deferred until the home is sold, the mortgage is refinanced, or the borrower no longer occupies the home as his or her principal residence. Eligible homebuyers must have income that does not exceed 80% of the greater of state or area median income; income limits may be adjusted for family size. Repayments and prepayments of loans are invested in new loans. A network of participating lenders deliver this assistance.

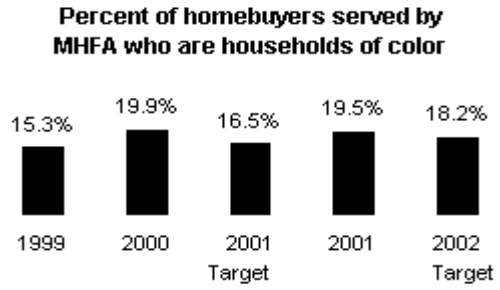
Key Measures

Homebuyers assisted that have very low incomes ($28,950 annually):



This indicator measures MHFA's efforts to bring homeownership to very low-income households. Fifty percent of the statewide median income is the standard for "very low income" set by the federal Department of Housing and Urban Development (HUD). In 2001, 50% of the statewide median income was equal to an annual income of $28,950 for a family of four.

Homeownership among households of color:



This indicator measures the extent to which MHFA serves homebuyers of color. MHFA targets its resources to groups historically underserved by the private market, including households of color. Homeownership rates among households of color are adversely affected by a variety of factors including significant increases in house prices.

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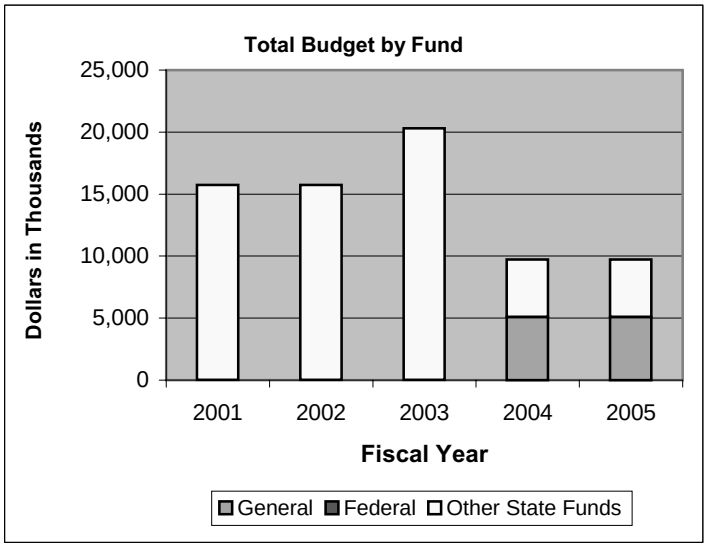
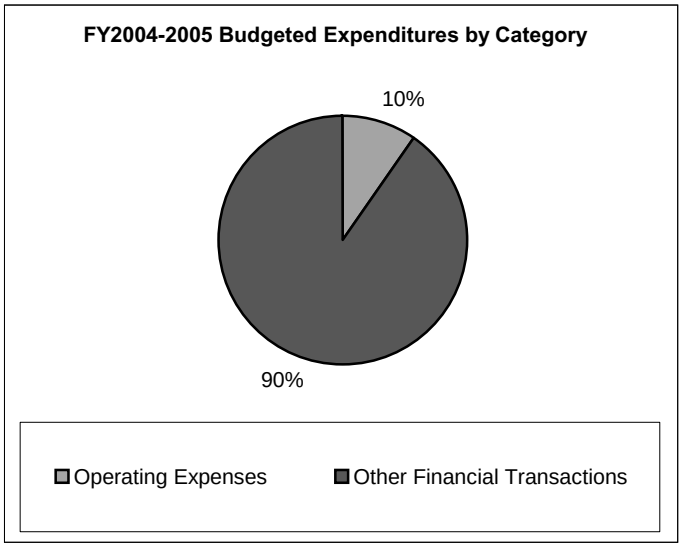
HOUSING FINANCE AGENCY
Program: APPROPRIATED PROGRAMS
Activity: HOMEOWNERSHIP LOAN PROGS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	0	0	5,077	5,077	10,154
Statutory Appropriations						
Housing Finance Agency	15,739	15,726	20,307	4,652	4,652	9,304
Total	**15,739**	**15,726**	**20,307**	**9,729**	**9,729**	**19,458**
Expenditures by Category						
Operating Expenses	886	1,147	1,440	920	945	1,865
Other Financial Transactions	14,853	14,579	18,867	8,809	8,784	17,593
Total	**15,739**	**15,726**	**20,307**	**9,729**	**9,729**	**19,458**
Revenue by Type and Fund						
Dedicated						
Housing Finance Agency	6,230	9,847	5,096	4,444	4,436	8,880
Subtotal Dedicated	6,230	9,847	5,096	4,444	4,436	8,880
Total Revenue	**6,230**	**9,847**	**5,096**	**4,444**	**4,436**	**8,880**

Activity Description

In order to preserve every unit of federally assisted rental housing as is economically feasible, the Minnesota Housing Finance Agency (MHFA) provides incentive or rehabilitation loans, or both, for new or existing owners who will commit to staying in the federal assistance program for a longer term. This housing was financed originally with Housing and Urban Development (HUD), MHFA, or United States Department of Agriculture (USDA) Rural Development programs. No existing development program – federal, state, or local - can produce housing that is as affordable to residents as the existing stock of federally assisted housing. Preserving this housing costs substantially less per unit than new construction and, in many cases, leverages federal rent or mortgage subsidies well into the future.

Activity at a Glance

- There are approximately 53,000 units of privately owned, federally assisted rental housing in Minnesota;
- Of those, 6,689 units have received preservation funding to date;
- No federally assisted housing units in MHFA's portfolio have been lost; and
- Preservation funds increasingly are being used to address the physical deterioration of federally assisted housing.

This housing stock is threatened for three reasons:

⇒ half of Minnesota's Section 8 housing stock was financed with 20-year mortgages that either have or soon will expire;

⇒ federal policies and requirements and the increasingly frequent changes in these policies and requirements makes continued participation in any publicly funded rental housing program less attractive to owners. An increasing number of owners are choosing to opt-out of the programs for estate planning reasons; and

⇒ physical deterioration threatens a significant portion of federally assisted housing.

Population Served

Tenants of federally subsidized housing are generally the among the lowest income households served by MHFA.

Services Provided

The Affordable Rental Investment Fund (ARIF Preservation) (M.S. 462A.21, Subd. 8b) provides 0% deferred loans. The loans are most commonly in the form of preservation loans or loans to cover the costs of rehabilitation. Preservation loans are provided in situations where the development could, in MHFA's estimation, produce significantly greater revenues from market rents than it does under the federal program.

Key Measures

The following chart reflects the location, number of developments, and the number of units for which the owner has agreed to preserve the federally assisted housing program for the remaining term of the contract. MHFA's subsidy source of funds include ARIF and Housing Trust Fund (HTF):

PRESERVATION SUMMARY

	# of Develop-ments	Total Units	Total Assisted Units	MHFA Subsidy per Unit	Remaining Term of Federal Assistance	Benefit (Return) on Preservation Effort
Metro	**31**	**3,430**	**3,016**	**$8,579**	**11**	**4.4**
Conversion	10	1,840	1,431	$7,027	13	5.2
Physical Deterioration	10	801	801	$9,216	14	2.5
Combination	11	789	784	$11,553	8	4.8
Greater Minnesota	**30**	**1,638**	**1,528**	**$9,798**	**15**	**3.6**
Conversion	3	206	206	$9,316	15	3.1
Physical Deterioration	17	605	601	$10,084	17	4.1
Combination	10	827	721	$9,708	13	3.3
Total	**61**	**5,068**	**4,544**	**$8,973**	**13**	**4.1**

The following chart reflects additional developments where only rehabilitation was performed:

REHABILITATION OF FEDERALLY ASSISTED HOUSING

	Developments	Total Units	Assisted Units	MHFA Subsidy per Unit
Metro	15	808	808	$1,009
Greater Minnesota	43	1,337	1,337	$3,693
Total	**58**	**2,145**	**2,145**	**$2,682**

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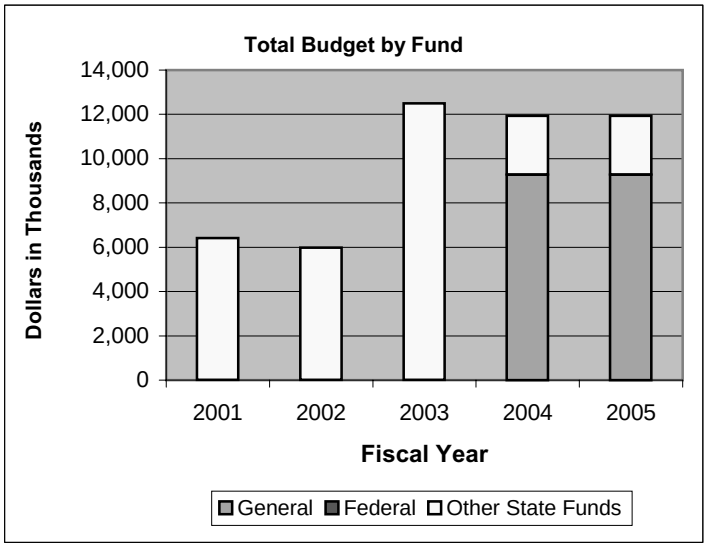
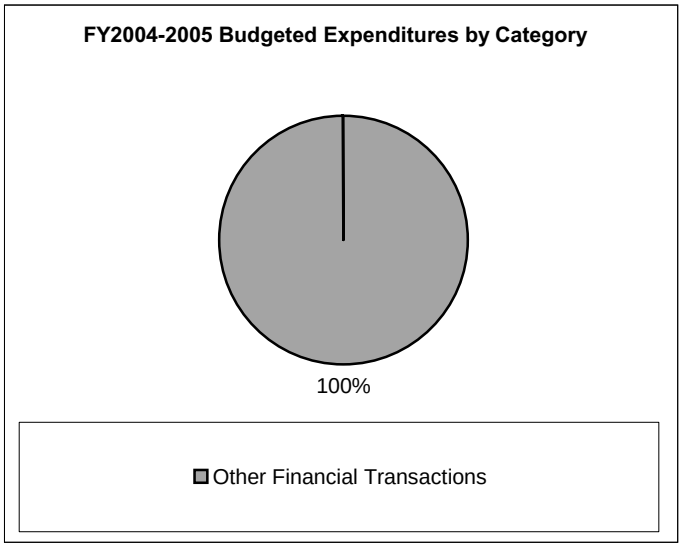
HOUSING FINANCE AGENCY
Program: APPROPRIATED PROGRAMS
Activity: PRESERV OF FED ASSISTED HOUS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	0	0	9,273	9,273	18,546
Statutory Appropriations						
Housing Finance Agency	6,409	5,983	12,500	2,667	2,667	5,334
Total	**6,409**	**5,983**	**12,500**	**11,940**	**11,940**	**23,880**

Expenditures by Category						
Other Financial Transactions	6,409	5,983	12,500	11,940	11,940	23,880
Total	**6,409**	**5,983**	**12,500**	**11,940**	**11,940**	**23,880**

Revenue by Type and Fund						
Dedicated						
Housing Finance Agency	2,135	1,904	817	752	683	1,435
Subtotal Dedicated	2,135	1,904	817	752	683	1,435
Total Revenue	**2,135**	**1,904**	**817**	**752**	**683**	**1,435**

Activity Description

The resident and organizational support programs provide support for some of the organizational infrastructure necessary to effectively deliver affordable housing throughout the state. These programs fund homebuyer education and foreclosure prevention, regional planning and coordinating activities, and non-profit operating costs. Citizen input sessions around the state and over the years consistently identify the lack of capacity as a barrier to producing more affordable housing.

Population Served

⇒ Homeowners faced with foreclosure and low and moderate-income first-time homebuyers are served by the resident support activities.

⇒ Nonprofit development organizations are assisted with the building of their capacity to develop affordable housing.

⇒ Regional networks that work on issues of regional planning and coordination.

Activity at a Glance

In FY 2001:

- 160 households received foreclosure prevention assistance;
- 5,624 households received homebuyer training services;
- 24 administrators, covering 61 counties in greater Minnesota and two counties in the metro area (Scott and Carver), receive HOME administrative costs funds;
- Funded the first steps towards coordination of homeless services throughout the metropolitan area; and
- Continued funding of regional Economic Development and Housing Initiative (EVHI) group to promote coordination of planning on a regional basis.

Services Provided

There are two appropriated programs that provide support for some of the organizational infrastructure necessary to effectively deliver affordable housing throughout the state:

⇒ Homeownership Education, Counseling, and Training (HECAT) program (M.S. 462A.209).

The Minnesota Housing Finance Agency (MHFA), in collaboration with many other organizations, has brought together groups throughout the state and designed a comprehensive statewide delivery network for homebuyer training and education overseen by the Homeownership Center in St. Paul. Experienced non-profit organizations receive grants to provide comprehensive homebuyer training and support on either a pre- or post-purchase basis for low and moderate-income first-time homebuyers. Funds may be used for either administrative support or program support.

Nonprofit and community based organizations provide interest-free loans for homeowners who are faced with foreclosure due to a temporary financial hardship; non-financial assistance in the form of financial counseling services, screening and assessment, referrals, case management and advocacy is also provided. These services are now available in every county.

⇒ Nonprofit Capacity Building Grant program (M.S. 462A.21, Subd. 3b). Two primary activities are funded through this program.

- Regional planning and coordination.

  MHFA funds two types of regional planning and coordination using the six Minnesota Initiative Fund regions and the metropolitan area. MHFA provides minimal funding for each region to convene Economic Vitality and Housing Initiative advisory groups for the purpose of maintaining good communication between MHFA and the region; enabling an effective network within the region between economic development and housing efforts; and developing a Regional Investment guideline that MHFA uses in making funding decisions.

MHFA also partially funds the development of regional Continuum of Care Plans that identify existing homeless prevention and assistance programs and services; funding and service gaps; and priorities for state and federal funding. All state agency members of the Interagency Task Force on Homelessness use these Plans when making funding decisions.

- Operating support for non-profit developers.

  Using both state appropriations and federal funds, MHFA now funds an operating support program in cooperation with the Minnesota Housing Partnership and the Local Initiatives Support Corporation to provide multi-year ongoing operating funds to build non-profit capacity.

  In addition, $20,000 is used for training.

Historical Perspective

In 2000, the Minnesota Legislature combined the Full-Cycle Homeownership Services program and the Foreclosure Prevention and Assistance program to form a new program called the HECAT program. Since many administrators participated in both programs, the merger achieved administrative simplicity.

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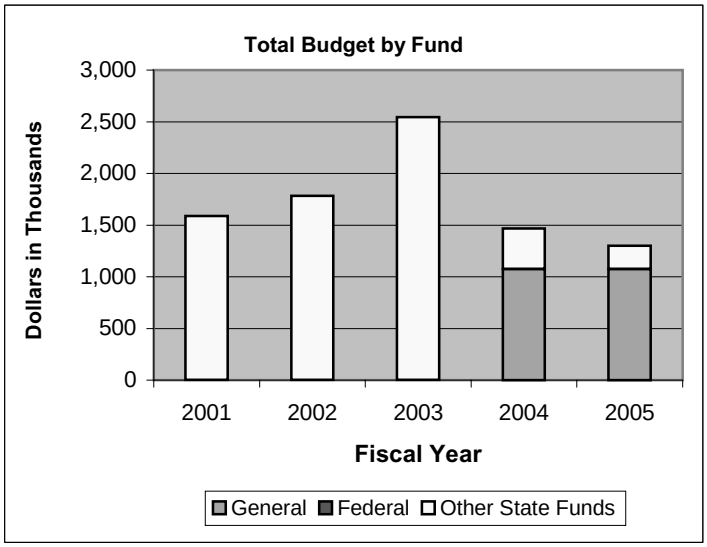
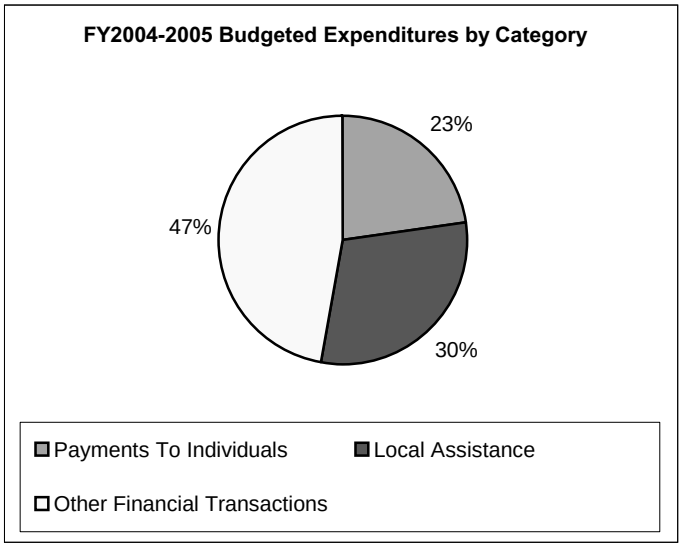
HOUSING FINANCE AGENCY
Program: APPROPRIATED PROGRAMS
Activity: RESIDENT & ORGANIZATIONAL SUPP

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	0	0	1,075	1,075	2,150
Statutory Appropriations						
Housing Finance Agency	1,587	1,784	2,546	393	225	618
Total	**1,587**	**1,784**	**2,546**	**1,468**	**1,300**	**2,768**
Expenditures by Category						
Payments To Individuals	479	690	1,300	317	317	634
Local Assistance	567	509	500	498	330	828
Other Financial Transactions	541	585	746	653	653	1,306
Total	**1,587**	**1,784**	**2,546**	**1,468**	**1,300**	**2,768**
Revenue by Type and Fund						
Dedicated						
Housing Finance Agency	372	677	134	109	105	214
Subtotal Dedicated	372	677	134	109	105	214
Total Revenue	**372**	**677**	**134**	**109**	**105**	**214**

Program Description

The Minnesota Housing Finance Agency (MHFA) funds affordable housing activities in five broad areas using "non-appropriated" funds in all five activity areas. "Non-appropriated" programs in the state budgeting system are funded with federal funds. MHFA also uses tax-exempt and taxable bond proceeds and agency resources to fund housing activities.

Budget Activities Included:

⇒ **Development and Redevelopment Programs**. These programs fund the new construction and rehabilitation of rental housing and homes for ownership for families with a range of incomes.

⇒ **Supportive Housing Programs**. These programs fund housing development and rent assistance for very low-income families and individuals who often face other barriers to stability, economic self-sufficiency, and independent living.

⇒ **Homeownership Loan Programs**. These programs fund home purchase and home improvement loans for families and individuals with a range of incomes not well served by the private sector alone.

⇒ **Preservation of Federally Assisted Housing Programs**. These programs seek to preserve the stock of federally assisted rental housing that is in danger of being lost due to opt-outs for market reasons, physical deterioration, or both.

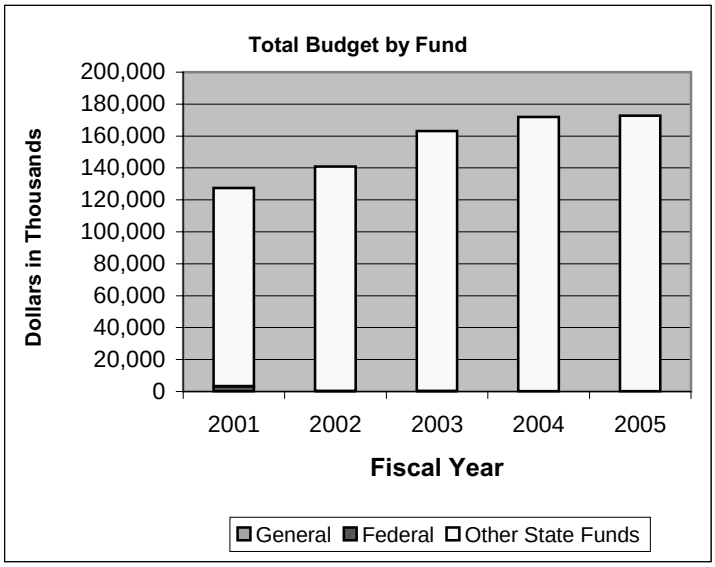
⇒ **Resident and Organizational Support**. These programs provide operating funds for organizations that develop affordable housing, offer homebuyer training, education, and foreclosure prevention assistance, or coordinate regional planning efforts.

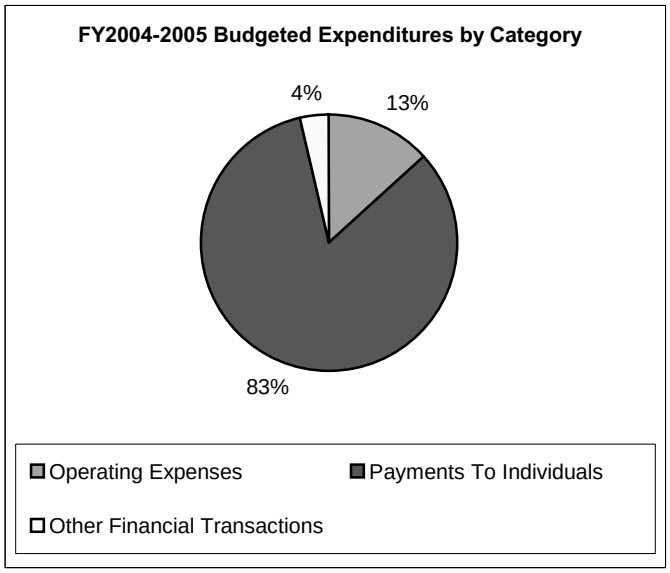
	FY 2004	FY 2005	Biennial
Development and Redevelopment Programs			
HOME Rental Rehabilitation Program	$6,400,000	$6,400,000	$12,800,000
Minnesota Urban Rural Homesteading Program (HOME-MURL)	3,300,000	3,300,000	6,600,000
Supportive Housing Programs			
Housing Opportunities for Persons with AIDS (HOPWA)	1,250,000	1,250,000	2,500,000
Homeownership Loan Programs			
HOME Downpayment Assistance	220,000	220,000	440,000
Preservation of Federally Assisted Housing Programs			
Section 8 Housing Assistance Payments	64,000,000	64,000,000	128,000,000
HUD Contract Administration	73,000,000	73,000,000	146,000,000
Section 236 Interest Rate Reduction	1,053,000	1,053,000	2,106,000
Resident and Organizational Support			
Community Housing Development Corporation (CHDO) Operating Grants	561,000	561,000	1,122,000
HOME Administration Costs	700,000	700,000	1,400,000
Totals	$150,484,000	$150,484,000	$300,968,000

HOUSING FINANCE AGENCY

Program: NON-APPROPRIATED PROGRAMS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Federal Tanf	3,243	125	125	0	0	0
Statutory Appropriations						
Housing Finance Agency	124,249	140,710	162,902	172,013	172,775	344,788
Total	**127,492**	**140,835**	**163,027**	**172,013**	**172,775**	**344,788**
Expenditures by Category						
Operating Expenses	16,615	18,193	21,146	22,447	23,209	45,656
Payments To Individuals	104,681	118,096	135,461	143,146	143,146	286,292
Other Financial Transactions	6,196	4,546	6,420	6,420	6,420	12,840
Total	**127,492**	**140,835**	**163,027**	**172,013**	**172,775**	**344,788**
Expenditures by Activity						
Developm & Redevelopm Progs	7,749	6,521	9,701	9,700	9,700	19,400
Supportive Housing Progs	3,724	1,775	1,379	1,250	1,250	2,500
Homeownership Loan Progs	1,809	89	220	220	220	440
Preserv Of Fed Assisted Hous	97,760	114,389	130,229	138,053	138,053	276,106
Resident & Organizational Supp	471	306	1,261	1,261	1,261	2,522
Program Administration	15,979	17,755	20,237	21,529	22,291	43,820
Total	**127,492**	**140,835**	**163,027**	**172,013**	**172,775**	**344,788**
Revenue by Type and Fund						
Dedicated						
Housing Finance Agency	113,389	124,208	158,703	167,819	168,581	336,400
Subtotal Dedicated	113,389	124,208	158,703	167,819	168,581	336,400
Total Revenue	**113,389**	**124,208**	**158,703**	**167,819**	**168,581**	**336,400**
Full-Time Equivalents (FTE)	**181.1**	**183.8**	**197.0**	**197.0**	**197.0**	

Activity Description

The goal of the Minnesota Housing Finance Agency's (MHFA) re/development programs is to fund the new construction and rehabilitation of housing, both rental and homes for ownership, needed to sustain economic growth and vitality. In some communities, new housing is needed due to significant net employment growth. In other communities, rehabilitating the existing stock is an important strategy for retaining existing employers and related economic activity.

Activity at a Glance

In FY 2001:

- 359 rental units in greater Minnesota were rehabbed under the HOME program;
- The median income of the tenants was $12,876; and
- 19 extremely low-income households became homeowners under MURL.

The agency's re/development programs are the primary vehicles for achieving the objective of increased production by greater leveraging of capital investment in housing. Re/development program funds have been used to finance both rental and homeownership units in new, mixed income developments, new rental housing, and affordable units in new single-family subdivisions

Population Served

Homeowners, homebuyers, and tenants of rental housing are served by this budget activity. Additionally, communities receive assistance in their stabilization and revitalization efforts through this budget activity.

Services Provided

The following are the MHFA's non-appropriated re/development programs:

⇒ HOME Rental Rehabilitation Program

The HOME Rental Rehabilitation Program is a federally funded program that provides deferred loans to rehabilitate privately owned rental property to support affordable, decent, safe, and energy efficient housing for lower income households. Assistance ranges from $3,000 to $14,000 per unit. Owners are required to match program assistance on a one to three basis. A network of local administrators assists in administering this program.

⇒ Minnesota Urban Rural Homesteading Program (HOME-MURL)

The Urban and Rural HOMEsteading Program is modeled closely after the state MURL program. It uses federal HOME block grant funds to provide grants to nonprofit housing providers or cities to acquire single-family residences that are vacant, condemned, or abandoned, rehabilitate those properties and then sell them on a contract for deed to first-time low and moderate-income homebuyers who are defined as "at risk". This program also strengthens communities by assisting in providing homeownership opportunities. Local units of government and nonprofits deliver this assistance.

Historical Perspective

The HOME funding had previously been used for the rehabilitation of owner-occupied homes as well as the Rental Rehabilitation program and the MURL program. HOME funds were reallocated in 2001 to the MURL program to simplify that program and better meet the new administrative requirements imposed by HUD on the HOME program.

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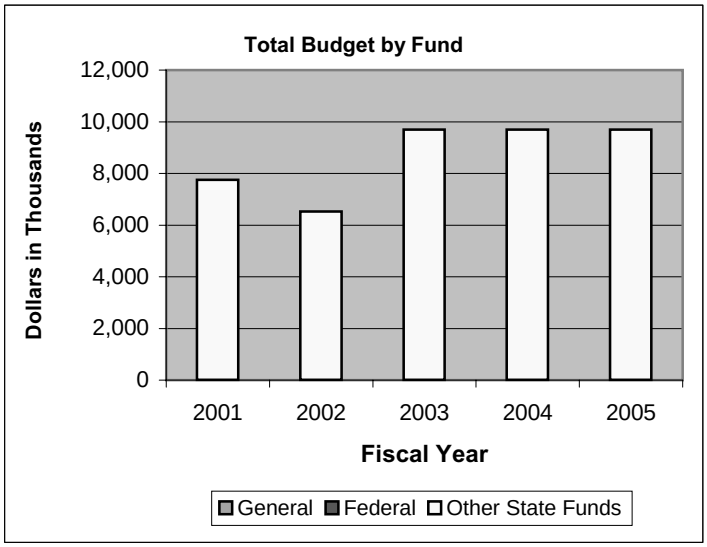
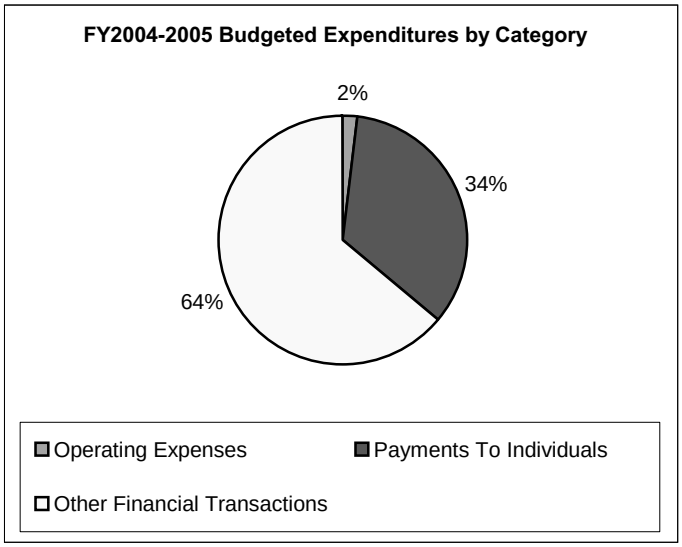
HOUSING FINANCE AGENCY
Program: NON-APPROPRIATED PROGRAMS
Activity: DEVELOPM & REDEVELOPM PROGS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Housing Finance Agency	7,749	6,521	9,701	9,700	9,700	19,400
Total	**7,749**	**6,521**	**9,701**	**9,700**	**9,700**	**19,400**
Expenditures by Category						
Operating Expenses	116	93	200	200	200	400
Payments To Individuals	3,082	1,963	3,301	3,300	3,300	6,600
Other Financial Transactions	4,551	4,465	6,200	6,200	6,200	12,400
Total	**7,749**	**6,521**	**9,701**	**9,700**	**9,700**	**19,400**
Revenue by Type and Fund						
Dedicated						
Housing Finance Agency	7,767	6,500	9,700	9,700	9,700	19,400
Subtotal Dedicated	7,767	6,500	9,700	9,700	9,700	19,400
Total Revenue	**7,767**	**6,500**	**9,700**	**9,700**	**9,700**	**19,400**

Activity Description

Supportive housing is permanent housing with support services. The goal of supportive housing is to stabilize housing for the poorest households or households with special needs so they can successfully address barriers to employment, complete school or training, and/or achieve independent living. Housing providers understand that providing affordable housing alone does not ensure success for these populations. Service providers increasingly understand that delivering services alone to a family or individual with no stable, affordable housing does not work either. Supportive housing requires three types of funding: 1) capital for bricks and mortar; 2) operating costs or rent subsidies; and 3) services and/or health care. Several recent studies have indicated that permanent supportive housing may improve outcomes for residents and reduce public expenditures.

Activity at a Glance

- At any given time, HOPWA funds provide rental assistance or a combination of rental assistance and services to repair tenant credit history to 100 persons with HIV/AIDS in the Twin Cities metro area;
- To date, more than 50 units of rental housing have been developed or rehabilitated or are in the process of re/development to house persons with HIV/AIDS; and
- In areas of greater Minnesota, HOPWA funds are used to assist with housing searches, including referral services.

Population Served

Supportive housing programs serve individuals and families with multiple barriers to obtaining and maintaining housing, including persons who are homeless or at risk of becoming homeless, and persons with mental illness, substance abuse disorders, or persons with HIV/AIDS.

Services Provided

MHFA's non-appropriated program in the area of supportive housing is:

Housing Opportunities for Persons with AIDS (HOPWA)

The HOPWA program is a federally funded program that is jointly administered by the Minnesota Department of Health and the Minnesota Housing Finance Agency. It provides resources to devise long-term and comprehensive strategies for meeting the housing needs of persons with AIDS or other related diseases. It can fund capital costs, emergency services, operating costs, or rental subsidies.

Key Measures

See Key Measures for this same budget activity under Appropriated Programs.

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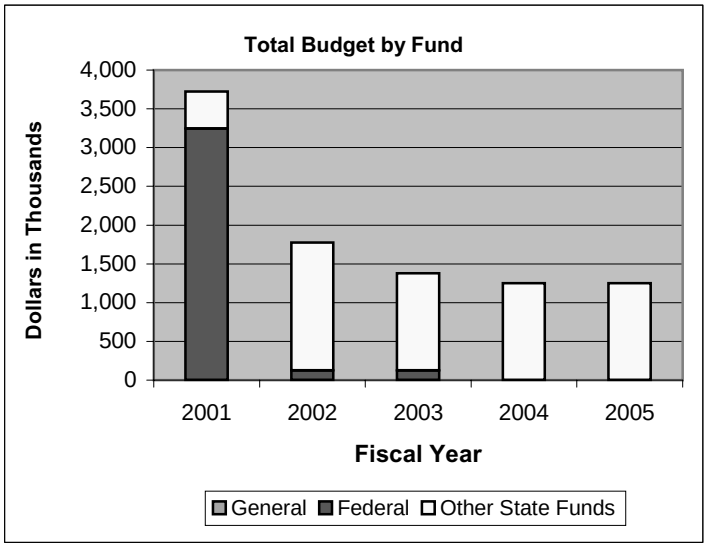
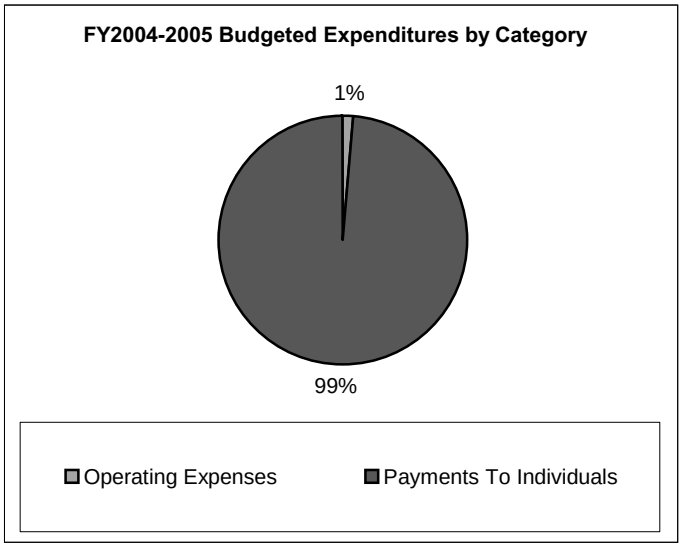
HOUSING FINANCE AGENCY
Program: NON-APPROPRIATED PROGRAMS
Activity: SUPPORTIVE HOUSING PROGS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Federal Tanf	3,243	125	125	0	0	0
Statutory Appropriations						
Housing Finance Agency	481	1,650	1,254	1,250	1,250	2,500
Total	**3,724**	**1,775**	**1,379**	**1,250**	**1,250**	**2,500**
Expenditures by Category						
Operating Expenses	27	22	9	18	18	36
Payments To Individuals	3,697	1,753	1,370	1,232	1,232	2,464
Total	**3,724**	**1,775**	**1,379**	**1,250**	**1,250**	**2,500**
Revenue by Type and Fund						
Dedicated						
Housing Finance Agency	481	1,651	1,250	1,250	1,250	2,500
Subtotal Dedicated	481	1,651	1,250	1,250	1,250	2,500
Total Revenue	**481**	**1,651**	**1,250**	**1,250**	**1,250**	**2,500**

Activity Description

The non-appropriated homeownership loan program uses federal funds to provide affordable loan programs.

The goal of the Minnesota Housing Finance Agency's (MHFA) homeownership loan programs is to:

Activity at a Glance

In FY 2001:

- The HOME downpayment assistance program was not funded in 2001.

⇒ Increase homeownership among households not well served by private mortgage financing because of income, race, disability, or other factors. In many cases, the barrier to homeownership is not income but credit or racial discrimination. In the case of American Indians living on tribal land, private mortgage financing may not be available due to the security issues raised by the trust status of the land.

Population Served

The homeownership loan programs serve first-time homebuyers.

Services Provided

The non-appropriated homeownership loan program is:

The HOME Downpayment Assistance Program.

This program uses federal block grant funds to provide downpayment assistance towards the purchase of single-family housing by low-income families who are first-time homebuyers. The 2002 appropriation for this program was rescinded; however, the President's budget includes an appropriation for this program for the upcoming year.

Key Measures

See Key Measures for this same budget activity under Appropriated Programs.

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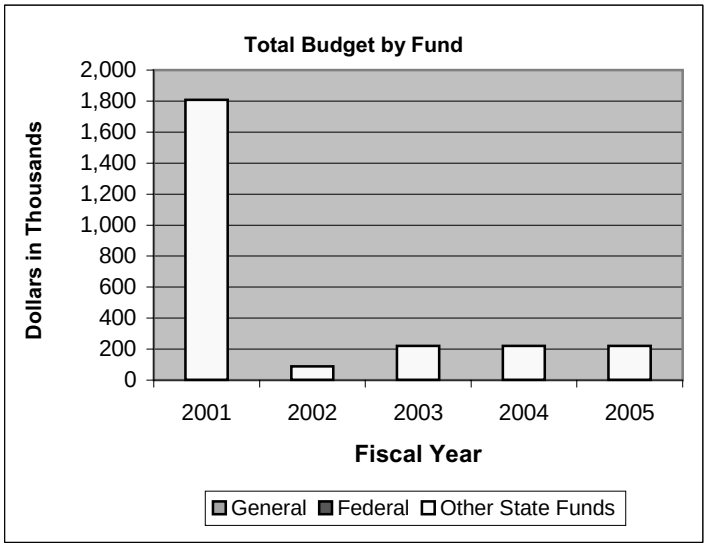
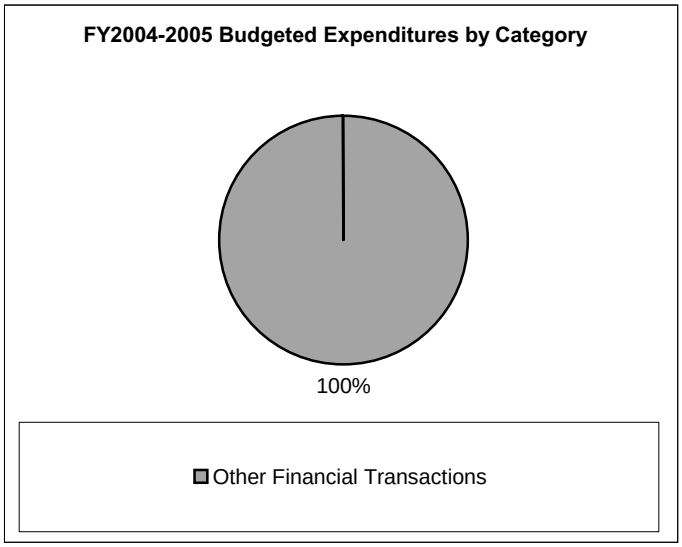
HOUSING FINANCE AGENCY
Program: NON-APPROPRIATED PROGRAMS
Activity: HOMEOWNERSHIP LOAN PROGS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Housing Finance Agency	1,809	89	220	220	220	440
Total	**1,809**	**89**	**220**	**220**	**220**	**440**
Expenditures by Category						
Operating Expenses	164	8	0	0	0	0
Other Financial Transactions	1,645	81	220	220	220	440
Total	**1,809**	**89**	**220**	**220**	**220**	**440**
Revenue by Type and Fund						
Dedicated						
Housing Finance Agency	1,809	89	220	220	220	440
Subtotal Dedicated	1,809	89	220	220	220	440
Total Revenue	**1,809**	**89**	**220**	**220**	**220**	**440**

Activity Description

In order to preserve every unit of federally assisted rental housing as is economically feasible, the Minnesota Housing Finance Agency (MHFA) provides incentive or rehabilitation loans, or both, for new or existing owners who will commit to staying in the federal assistance program for a longer term. This housing was financed originally with Housing and Urban Development (HUD), MHFA, or United States Department of Agriculture (USDA) Rural Development programs. No existing development program - federal, state, or local - can produce housing that is as affordable to residents as the existing stock of federally assisted housing. Preserving this housing costs substantially less per unit than new construction and, in many cases, leverages federal rent or mortgage subsidies well into the future.

Activity at a Glance

For FY 2001:

- $65,030,334 in Section 8 Housing Assistance payments was disbursed for 12,497 units of rental housing;
- $34,671,078 in Section 8 Housing Assistance payments was disbursed for 17,935 units of housing for which MHFA is the contract administrator;
- The median income of the households living in the Section 8 units was under $10,200; and
- Every Minnesota county has at least one federally assisted rental project.

This housing stock is threatened for three reasons:

⇒ Half of Minnesota's Section 8 housing stock was financed with 20-year mortgages that either have expired or will soon expire.

⇒ Federal policies and requirements and the increasingly frequent changes in these policies and requirements make continued participation in any publicly funded rental housing program less attractive to owners. An increasing number of owners are choosing to opt-out of the programs for estate planning reasons.

⇒ Physical deterioration threatens a significant portion of federally assisted housing.

Effective administration of housing assistance payment contracts on approximately 32,000 units of Section 8 housing is the other strategy employed by MHFA to preserve federally assisted housing.

Population Served

Tenants of federally subsidized housing are generally among the lowest income households served by MHFA.

Services Provided

MHFA's non-appropriated programs in the area of preservation of federally-assisted housing are as follows:

⇒ Section 8 Housing Assistance Payments

MHFA administers the federal Section 8 Housing Assistance Payments for developments that have contracted with MHFA. The assistance is in the form of rental subsidies to low and moderate-income tenants. The tenant pays no more than 30% of his or her income for rent and HUD pays the difference between the tenant's contribution and a rent amount set by contract between HUD and the owner. Tenants must have incomes less than 80% of area median income. For developments with Housing Assistance Payments contracts executed after 10-01-81, 100% of the units must be occupied by households with incomes below 50% of area median income; developments with contracts executed before that date must rent at least 30% of the units to households with incomes below 50% of area median income. The Housing Assistance Payments are committed for the remainder of the mortgage term (30 or 40 years).

⇒ HUD Contract Administration

MHFA is the contract administrator for HUD developments with project-based Section 8. The assistance is in the form of rental subsidies to extremely low to moderate-income tenants. The tenant pays no more than 30% of his or her income for rent, until their income exceeds the income limits and HUD pays the difference between the tenant's contribution and a rent amount set by contract between HUD and the owner. Tenants

must have incomes less than 80% of area median income. Owners must rent 40% of their units to extremely low income tenants (incomes at or below 30% of area median income). Sixty percent of the turnover units may be rented to households with incomes below 50% of area median income. For developments with Housing Assistance Payments contracts executed after 10-01-81, no more than 15% of the turn-over units may be rented to households with incomes between 50% and 80% of the area median income; developments with contracts executed before that date may not rent more than 15% of the turnover units to tenants with incomes at that level. The Housing Assistance Payments are committed for between one and five years.

⇒ Section 236 Interest Rate Reduction Program

The agency administers Section 236 interest rate reduction payments for 13 rental housing developments throughout Minnesota. The assistance is in the form of a shallow subsidy provided by HUD to lenders to cover the difference between a 1% interest rate and the market rate on a mortgage loan. Tenants must pay a basic rent, which is calculated on the basis of the reduced interest mortgage, or 30% of the tenant's income, not to exceed a market rent, whichever is greater. Tenants of the units covered by the interest-rate subsidy must have incomes at or below 80% of area median income. In general, the low-income use restrictions apply for at least 20 years.

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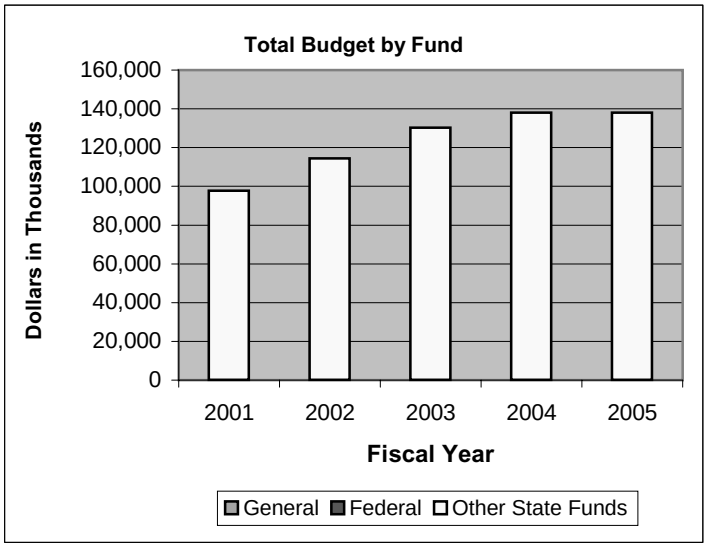
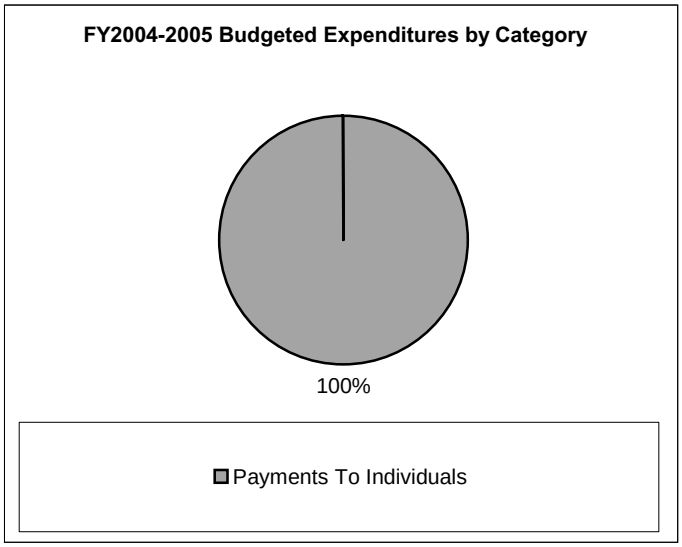
HOUSING FINANCE AGENCY
Program: NON-APPROPRIATED PROGRAMS
Activity: PRESERV OF FED ASSISTED HOUS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Housing Finance Agency	97,760	114,389	130,229	138,053	138,053	276,106
Total	**97,760**	**114,389**	**130,229**	**138,053**	**138,053**	**276,106**
Expenditures by Category						
Operating Expenses	14	12	0	0	0	0
Payments To Individuals	97,746	114,377	130,229	138,053	138,053	276,106
Total	**97,760**	**114,389**	**130,229**	**138,053**	**138,053**	**276,106**
Revenue by Type and Fund						
Dedicated						
Housing Finance Agency	96,280	109,231	130,229	138,053	138,053	276,106
Subtotal Dedicated	96,280	109,231	130,229	138,053	138,053	276,106
Total Revenue	**96,280**	**109,231**	**130,229**	**138,053**	**138,053**	**276,106**

Activity Description

The resident and organizational support programs provide support for some of the organizational infrastructure necessary to effectively deliver affordable housing throughout the state. These programs fund homebuyer education and foreclosure prevention, regional planning and coordinating activities, and nonprofit operating costs. Citizen input sessions around the state and over the years consistently identify the lack of capacity as a barrier to producing more affordable housing.

Activity at a Glance

In FY 2001:

- 11 CHDO's received operating assistance;
- 24 HOME administrators serve 61 counties in greater Minnesota and two metro area counties; and
- All of the organizations receiving CHDO operating grants are actively engaged in the development of affordable housing.

Population Served

⇒ Nonprofit development organizations are assisted with the building of their capacity to develop affordable housing; and

⇒ Local administrators of the Urban and Rural HOMEsteading Program (HOME).

Services Provided

The Minnesota Housing Finance Agency's (MHFA) non-appropriated programs resident and organizational support programs are as follows:

⇒ Community Housing Development Corporation (CHDO) Operating Grants

The CHDO Operating Grants program used up to 5% of the annual HOME Investment Partnerships Program appropriation to support nonprofit organizations meeting federal standards on structure and purpose that own, sponsor, or develop affordable housing for low-income families.

⇒ HOME Administrative Costs

HOME Administrative Costs up to 10% of the annual HOME Investment Partnerships Program appropriation may be used for the costs of administering the HOME program.

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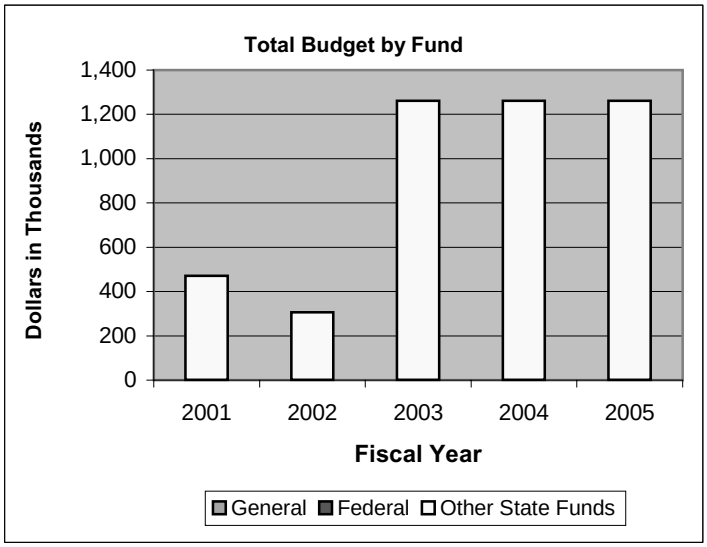
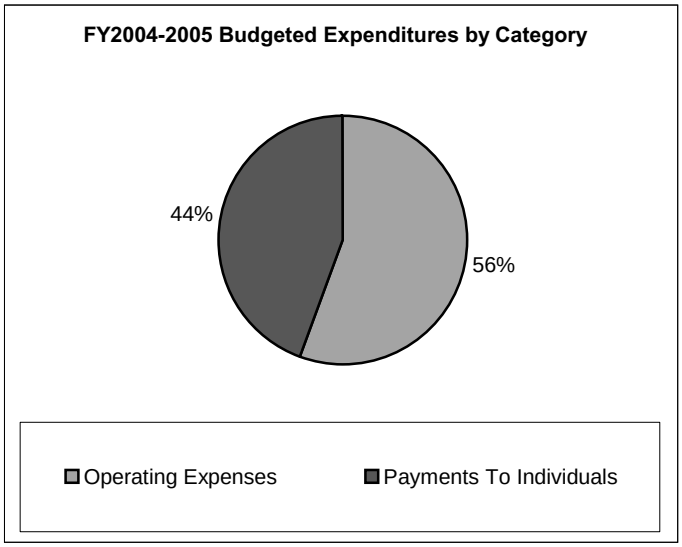
HOUSING FINANCE AGENCY
Program: NON-APPROPRIATED PROGRAMS
Activity: RESIDENT & ORGANIZATIONAL SUPP

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Housing Finance Agency	471	306	1,261	1,261	1,261	2,522
Total	**471**	**306**	**1,261**	**1,261**	**1,261**	**2,522**
Expenditures by Category						
Operating Expenses	315	303	700	700	700	1,400
Payments To Individuals	156	3	561	561	561	1,122
Total	**471**	**306**	**1,261**	**1,261**	**1,261**	**2,522**
Revenue by Type and Fund						
Dedicated						
Housing Finance Agency	415	306	1,261	1,261	1,261	2,522
Subtotal Dedicated	415	306	1,261	1,261	1,261	2,522
Total Revenue	**415**	**306**	**1,261**	**1,261**	**1,261**	**2,522**

Activity Description

This budget activity encompasses all of the activities necessary to manage and operate the agency.

During the FY 2002-03 biennium, the Minnesota Housing Finance Agency (MHFA) began implementation of a major consolidation of a variety of development and redevelopment programs into one major program – the Economic Development and Housing Challenge program. The consolidated re/development program includes provisions to emphasize the leveraging of non-state resources, particularly from employers and businesses, and local regulatory relief that helps reduce costs. Several other programs were consolidated into one supportive housing program – the Housing Trust Fund program. The consolidated program is better able to respond to the variety of funding needs of supportive housing. Rules were promulgated to govern the reconsolidated programs.

MHFA also continued the Minnesota Families Affordable Investment Fund program (MARIF) with a one-time appropriation from the 2001 Minnesota Legislature of $24 million from the state's welfare reform reserve. The goal of the MARIF program is to build and rehabilitate rental housing for families moving from welfare to work. MARIF projects range from supportive housing developments to a portion of the units in a larger mixed-income development.

MHFA continued to meet the goal of preserving as much of the stock of federally assisted housing in Minnesota as economically feasible. In addition to its Redefined Equity program, MHFA used state funds to lock-in for the long term, and to rehabilitate where necessary, a variety of projects throughout the state originally financed by Housing and Urban Development (HUD), United States Department of Agriculture (USDA) Rural Development, and MHFA.

As of 6-30-01, MHFA has approximately $2.71 billion in assets.

Activity at a Glance

For FY 2001:

- Disbursed $170 million for homeownership programs;
- Disbursed $43 million for home improvement and rehabilitation programs;
- Disbursed $169.6 million for rental housing programs;
- Administered $5.9 million in housing tax credits for 1,356 units of rental housing;
- Oversaw a portfolio of more than 900 first mortgages and deferred loans for rental housing;
- Insured an aggregate of $356 million in 16 series of bonds; and
- GO bond rating upgraded from AA to AA+ by Standard and Poor's.

Population Served

Low and moderate-income tenants, homebuyers, and homeowners benefit from the administration of agency programs.

Services Provided

Agency staff engages in a number of activities to ensure that both appropriated and non-appropriated funds are well invested and the investments are well managed.

For multifamily properties, one of the major activities is management monitoring with five major components that require review and oversight: 1) underwriting; 2) construction; 3) marketing/initial rent-up; 4) long-term management; and 5) additional oversight for troubled properties. In addition, monitoring for compliance with the federal Section 8, Section 236, Low-Income Housing Tax Credits, and Urban and Rural HOMEsteading Program (HOME) programs must be performed as well as monitoring for compliance with imposed rent and income restrictions.

Activities surrounding the various homeownership assistance provided by MHFA include processing loan reservations and disbursements, compliance monitoring of funds used for homeownership assistance, monitoring of loan services, and provision of delinquency assistance and loss mitigation tools.

The agency's portfolio grows as additional funds are appropriated for housing. A concomitant increase in the responsibilities for loan portfolio management, investment and debt management, and property management results from a larger portfolio.

The portfolio of federal housing tax credit is growing by approximately 1,200 units per year. Federal law requires that a portion of tax credit units be monitored every year.

Key Measures

By February 15 of each year, MHFA presents the following information on its administrative budget to the Jobs and Economic Development Finance Committee of the House and the Jobs, Energy and Economic Development Division of the Senate Finance Committee for review:

- A comparison of budgeted and actual administrative costs from the previous state fiscal year;
- A budget plan for the current fiscal year; and
- A comparison of the budgeted and actual-to-date administrative expenses from the current fiscal year.

The agency is required to explain any materially significant differences in any line items.

Activity Funding

The cost of operating the MHFA in FY 2001 was $16,321,000. The agency pays for the costs of operation from agency earnings. The administrative costs of operating state-appropriated programs are recovered to the extent that there are interest earnings on state appropriations. No core state appropriation is used to fund agency operations.

Contact

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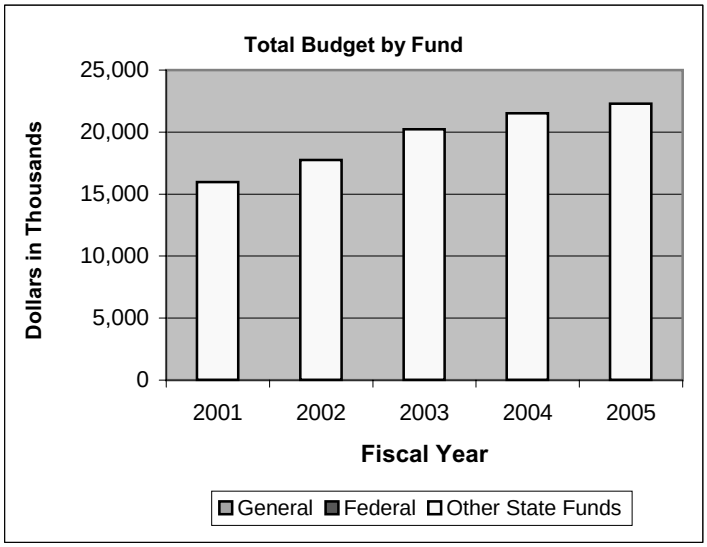
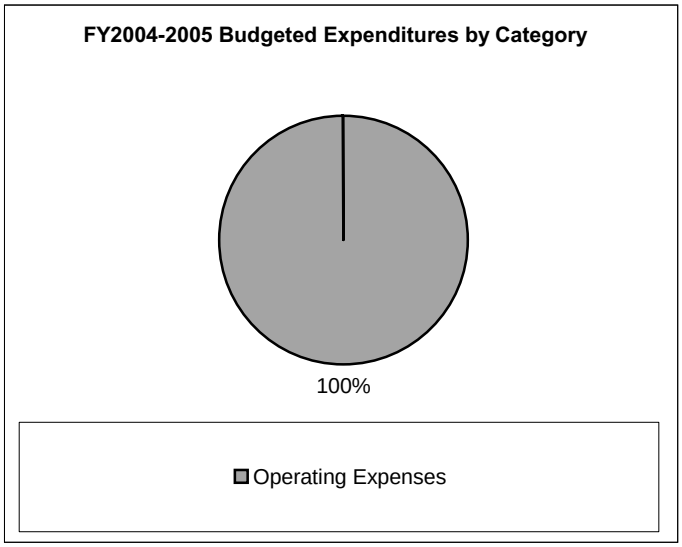
HOUSING FINANCE AGENCY
Program: NON-APPROPRIATED PROGRAMS
Activity: PROGRAM ADMINISTRATION

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Housing Finance Agency	15,979	17,755	20,237	21,529	22,291	43,820
Total	**15,979**	**17,755**	**20,237**	**21,529**	**22,291**	**43,820**
Expenditures by Category						
Operating Expenses	15,979	17,755	20,237	21,529	22,291	43,820
Total	**15,979**	**17,755**	**20,237**	**21,529**	**22,291**	**43,820**
Revenue by Type and Fund						
Dedicated						
Housing Finance Agency	6,637	6,431	16,043	17,335	18,097	35,432
Subtotal Dedicated	6,637	6,431	16,043	17,335	18,097	35,432
Total Revenue	**6,637**	**6,431**	**16,043**	**17,335**	**18,097**	**35,432**
Full-Time Equivalents (FTE)	**181.1**	**183.8**	**197.0**	**197.0**	**197.0**	

Minnesota Housing Finance Agency
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February 18, 2003

The 2003 Minnesota Legislature:

Attached and submitted for your consideration are the Governor's budget recommendations for FY 2004-05 for the Minnesota Housing Finance Agency (MHFA). The Governor's budget includes $69.470 million in General Fund appropriations to MHFA. State appropriations are less than 15% of the total MHFA budget. Bond proceeds represent the largest source of funding for MHFA activities and comprise approximately 44% of the total MHFA budget. Federal funds and agency resources make up the balance of the MHFA budget. With the Governor's budget recommendations, the agency will continue its efforts to strategically target its housing resources consistent with the agency's mission. The agency will maintain all current, ongoing program activities, although some activities will continue at a lower volume. The proposed budget is 12%, or $9.598 million, less than the base budget for MHFA for the FY 2002-03 biennium.

We are committed to meeting Minnesotan's needs for decent safe, affordable homes and stronger communities. Resources will continue to be targeted to serving populations who are underserved by the private sector. The agency will continue to provide the critical piece of financing that assists the development of housing with rents below that achievable with amortizing, interest-bearing debt. Agency resources will be used to implement plans cooperatively developed at the local or regional level. Leveraging of private investment and local investment in housing will continue to be priorities in the use of agency resources.

The agency was guided by two principles in developing its budget reduction proposals:

1. The impact on programs that serve the most vulnerable populations should be minimized.
2. The impact on programs for which there is little or no alternative funding to accomplish the same or similar goal should be minimized.

Programs that predominantly serve the homeless, disabled persons, and the lowest income households were targeted for the lowest level reductions. Several programs routinely receive repayments and prepayments of deferred loans; consequently, these programs have been funded in the past at levels above the state appropriations. The proposed budget reductions reflect the ability of certain programs - the Homeownership Assistance Fund and the Tribal Indian program - to successfully operate in the short-term with a smaller investment of new state monies.

The agency is developing a number of strategies to best fulfill its mission with reduced resources. Some program elements may be redesigned to better target remaining resources. The agency will be seeking authority to use additional financing tools to accomplish program goals with less reliance on state appropriations. Technology applications will assist in providing services more quickly and efficiently while modestly lowering staffing needs.

Please feel to contact me at (651) 297-3125 or Tonja Orr at (651) 296-9820 if you have any questions or would like to discuss these proposals with us.

Sincerely,

Patricia Hippe

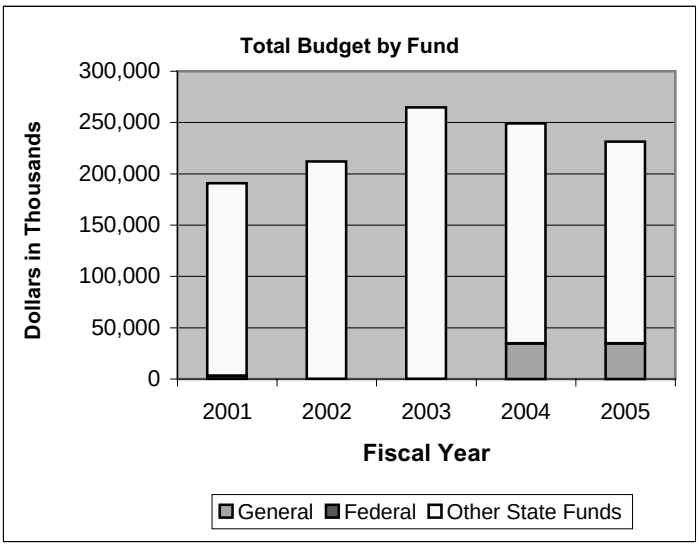
Patricia Hippe
Acting Commissioner

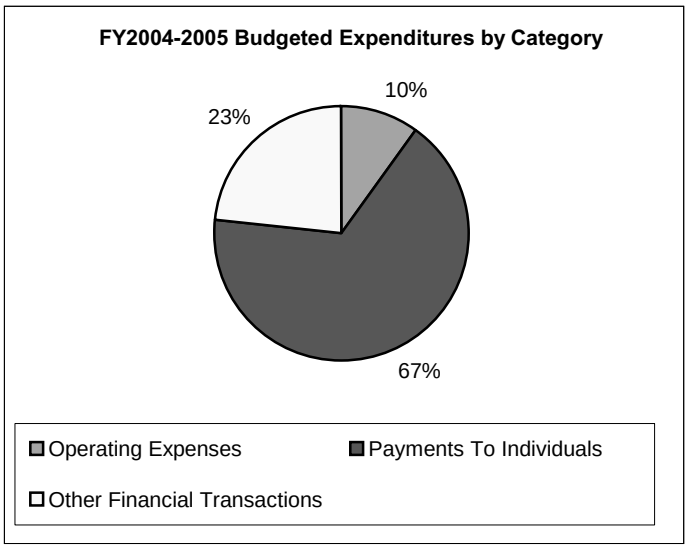
	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	104,232	411,388	515,620
Legislatively Mandated Base	-914	0	-914
One-Time Appropriations	-24,250	-250	-24,500
Adjusted Base Funding	79,068	411,138	490,206
Change Items			
Appropriated Programs			
Budget Reduction	-9,598	0	-9,598
Governor's Recommendations	69,470	411,138	480,608
Biennial Change, 2002-03 to 2004-05	69,470	-65,651	3,819
Percent Change	n.m	-14%	1%

Brief Explanation Of Budget Decisions:

Of the $105 million new money appropriated to MHFA for the FY 2002-03 biennium, more than $24 million was one-time only appropriations. The majority of the one-time only money was a result of surplus funds in the Temporary Assistance for Needy Families (TANF) reserve account. $1.27 million was redirected to new or different programs from unexpended funds from earlier appropriations. $250,000 was a one-time only appropriation of TANF funds. The FY 2002-03 base was increased initially by $750,000 over the previous biennium, but was reduced by $216,000 by the 2002 legislature. These reductions were taken by all appropriated programs proportionately. All appropriations made from the General Fund are transferred to the Housing Development Fund.

The change items reflect a total reduction in base appropriations of $9,598,000 for the biennium.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	0	0	34,735	34,735	69,470
Federal Tanf	3,243	125	125	0	0	0
Statutory Appropriations						
Housing Finance Agency	187,674	212,029	264,510	214,407	196,731	411,138
Total	**190,917**	**212,154**	**264,635**	**249,142**	**231,466**	**480,608**
Expenditures by Category						
Operating Expenses	17,501	19,340	22,586	23,367	24,154	47,521
Payments To Individuals	129,149	142,719	165,582	164,318	155,942	320,260
Local Assistance	567	509	500	498	330	828
Other Financial Transactions	43,700	49,586	75,967	60,959	51,040	111,999
Total	**190,917**	**212,154**	**264,635**	**249,142**	**231,466**	**480,608**
Expenditures by Program						
Appropriated Programs	63,425	71,319	101,608	77,129	58,691	135,820
Non-Appropriated Programs	127,492	140,835	163,027	172,013	172,775	344,788
Total	**190,917**	**212,154**	**264,635**	**249,142**	**231,466**	**480,608**
Revenue by Type and Fund						
Dedicated						
Housing Finance Agency	131,581	143,826	169,035	176,432	176,318	352,750
Subtotal Dedicated	131,581	143,826	169,035	176,432	176,318	352,750
Total Revenue	**131,581**	**143,826**	**169,035**	**176,432**	**176,318**	**352,750**
Full-Time Equivalents (FTE)	**181.1**	**183.8**	**197.0**	**197.0**	**197.0**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(4,799)	(4,799)	(4,799)	(4,799)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(4,799)	(4,799)	(4,799)	(4,799)

Recommendation

The Governor recommends a reduction in state general fund appropriations to the Minnesota Housing Finance Agency (MHFA) totaling $9,598 million. The reduction would come from all five budget activity areas of the appropriated programs.

The agency pays for the costs of operation from agency earnings. No core state appropriation is used to fund agency operations. In order to reduce operating expenses, the agency intends to purchase software instead of pursuing its original plan to develop the software in-house. Savings will result from both the initial outlay and from ongoing costs of ownership. One of the software packages is expected to result in reduced staffing needs on a permanent basis. Any amounts saved in operating costs are invested, by agency policy, in housing programs.

The following table provides the detail of the proposed reductions:

	Reductions FY 2004	Reductions FY 2005	Biennial Reductions 04 & 05
Development & Redevelopment Programs			
Challenge	2,182	2,182	4,364
Urban Indian Housing	4	4	8
Subtotal	2,186	2,186	4,372
Supportive Housing Programs			
Housing Trust Fund	240	240	480
Family Homeless Prevention and Assistance	0	0	0
Bridges	34	34	68
Subtotal	274	274	548
Homeownership Loan Programs			
Rehabilitation Loans	243	243	486
Homeownership Assistance Fund	885	885	1,770
Tribal Indian Housing	550	550	1,100
Subtotal	1,678	1,678	3,356
Preservation of Federal Assisted Housing			
ARIF – Preservation	559	559	1,118
Subtotal	559	559	1,118

Resident & Organizational Support			
Homeownership Education, Training, and Counseling	73	73	146
Non-Profit Capacity Building Grants	29	29	58
Subtotal	102	102	204
Grand Total	4,799	4,799	9,598

Background

The agency's budget reduction recommendations were guided by two principles:

- The impact on programs that serve the most vulnerable populations should be minimized.
- The impact on programs for which there is little or no alternative funding to accomplish the same or similar goal should be minimized.

⇒ Development and Redevelopment Programs:

The goal of MHFA's Re/development programs is to fund the new construction and rehabilitation of housing, both rental and homes for ownership, needed to sustain economic growth and vitality. The agency's Re/development programs are the primary vehicles for achieving the objective of increased production by greater leveraging of capital investment in housing. The proposed reduction will adversely impact the Agency's ability to meet its goal of increasing production. The Challenge program requires that a portion of the funding be used to leverage outside funds. The proposed reduction will somewhat diminish leveraging opportunities.

The Urban Indian program serves exclusively households of color.

Approximately 418 fewer units will be produced or rehabilitated due to the proposed reduction.

⇒ Supportive Housing Programs:

Supportive Housing programs serve individuals and families with multiple barriers to obtaining and maintaining housing, including persons who are homeless or at risk of becoming homeless, and persons with mental illness, substance abuse disorders, or persons with HIV/AIDS.

The Housing Trust Fund program targets assistance to housing with rents affordable to extremely low-income households. In FY 2002, the median income of the households served by the Housing Trust Fund program was under $6,000. Over 40% of the households served were households of color. The decrease in appropriations to this program will reduce the number of housing units produced or rehabilitated and will reduce the number of supportive housing units assisted with rental assistance or an operating cost subsidy.

The Bridges program provides rental assistance to extremely low income households with a disability. In FY 2002, the median income of the households served by the Bridges program was $17,332. Approximately 30 fewer households will be receive rental assistance as a result of the proposed reduction.

⇒ Homeownership Loan Programs:

The Homeownership Loan programs combine state appropriations with bond proceeds and agency resources to provide affordable loan programs. The Homeownership Loan programs serve first-time homebuyers and very low-income homeowners, including Native Americans living on tribal lands. The median incomes of the households served under the Homeownership Assistance and the Tribal Indian Housing programs are the highest of all the state-appropriated programs. On the other hand, the median incomes of the households served under the Rehabilitation Loan program is one of the lowest median incomes among the state-appropriated programs.

All of the Homeownership Loan programs benefit from repayment and prepayments of previously made loans. These payments are returned to the respective programs for the purpose of making new loans. The interest rate environment in the last couple years has resulted in higher than projected levels of prepayments under the Homeownership Assistance program. Despite the proposed reductions, the programs can continue to operate on a temporary basis at lower levels of activity due to the receipt of repayments and prepayments.

The proposed reductions will have the following impact:

- Approximately 450 fewer households will receive downpayment and closing cost assistance under the Homeownership Assistance program;
- Approximately 16 fewer households will receive mortgage or rehabilitation assistance under the Tribal Indian Housing program; and
- Approximately 63 fewer households will receive deferred loans for rehabilitation of their homes under Rehabilitation loan program.

⇒ Preservation Programs:

In order to preserve every unit of federally assisted rental housing as is economically feasible, the MHFA provides incentive or rehabilitation loans, or both, for new or existing owners who will commit to staying in the federal assistance program for a longer term. This housing was financed originally with HUD, MHFA, or U.S.D.A Rural Development programs. Tenants of federally subsidized housing are generally the among the lowest income households served by MHFA.

As a result of the budget reductions, some units of federally assisted housing may opt out of the federal program and be permanently lost as affordable housing.

⇒ Resident and Organizational Support Programs:

The Resident and Organizational Support programs provide support for some of the organizational infrastructure necessary to effectively deliver affordable housing throughout the state. These programs fund homebuyer education and foreclosure prevention, regional planning and coordinating activities, and non-profit operating costs.

As a result of the proposed reductions, approximately 300 fewer households will receive counseling to avoid a foreclosure or training to become a homeowner. The agency will work with providers of these services to try to encourage financial institutions to help make up some of the lost state funds.

In addition, some non-profit organizations will receive less financial assistance with organizational support or training to help build capacity.

Relationship to Base Budget

⇒ Development and Redevelopment Programs:

The Challenge program represents nearly 30% of the total biennial base state appropriations to the agency. The proposed reduction is about 18.5% of the base appropriation to the Challenge program. It represents 45% of the total proposed reduction.

The appropriation to the Urban Indian program is less than one-half of 1% of the total agency base appropriation. The proposed reduction would decrease the program base by 2%.

⇒ Supportive Housing Programs:

The base appropriation to the Housing Trust Fund program is 11.5% of the total biennial base appropriation to the agency. The proposed reduction would decrease the program base by 5.2%. Receipt of approximately $1 million is projected in the upcoming biennium from the interest earnings on the real estate brokers trust account. This is consistent with the revenues in past biennia from this source.

The base appropriation to the Bridges program is 4.23% of the total biennial base appropriation to the Agency. The proposed reduction would decrease the program base by 2%.

⇒ Homeownership Loan Programs:

The base appropriations for homeownership loan program activities are 17% of the total agency biennial base appropriations. The proposed reductions for these activities are 35% of the total proposed reductions. The proposed reductions to each program as a percentage of the program's base appropriation are as follows:

- Rehabilitation Loan program – 5.7%
- Tribal Indian Housing program - 32.86%
- Homeownership Assistance Fund program -100%

⇒ Preservation Programs:

The Affordable Rental Investment Fund-Preservation program is nearly 25% of the total base budget. The proposed reduction would decrease funding for this program by 5.6%.

⇒ Resident and Organizational Support Programs:

Funding for this budget activity is 3% of the total state appropriations to the agency. The proposed reduction will decrease funding for each of the programs by 8.5%.

Key Measures

See Key Measures for the relevant budget activity under Appropriated Programs.

Alternatives Considered

Smaller reductions were considered for redevelopment and development programs and for homeownership loan programs; however, adherence to the principles directs the proposed distribution of the reductions.

Statutory Change: Not Applicable.

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
Section 8 Housing Assistance Payments	0	GI	55,050	64,000	64,000	64,000
HOME	0	GI	6,895	11,181	11,181	11,181
HOPWA	0	GI	1,651	1,250	1,250	1,250
Federal Preservation	0	GI	468	176	0	0
TANF Family Homeless Prevention	0	GI	125	125	0	0
Federal Contract Administration	0	GI	52,635	65,000	73,000	73,000
Section 236 Interest Reduction	0	GI	1,078	1,053	1,053	1,053
Agency Total	0	GI	117,902	142,785	150,484	150,484

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

Agency Purpose

The mission of the Department of Human Rights is *to stop illegal discrimination and further equal opportunity for all people in Minnesota.* The department pursues this mission through a coordinated program of law enforcement, prevention education, and community-based conflict resolution.

There are five major objectives that drive all department activities:

- provide *statewide leadership* aimed at eliminating illegal discrimination;
- *remedy harm* resulting from illegal discrimination;
- build capacity to *resolve discrimination issues locally*;
- *leverage outside resources* to accomplish the mission;
- provide services consistent with *individual needs and differences;* and
- provide *quality service in a timely manner*.

At A Glance

Two-Year State Budget

$7.7million	General Fund

Revenue Generated for General Fund

$720,000	federal EEOC Funds
$ 70,000	litigation reimbursements (est.)

Annual Business Process (FY 2002)

18,000	inquires/referrals
5,500	jurisdictional complaints evaluated
1,450	formal charges filed and resolved
$3.1 million	recovered aggrieved parties
2,500	state contractors
2,010	business EEO action plans reviewed
1,000	consultations with businesses
100	on-site audits conducted

Core Functions

The Department of Human Rights resolves unlawful discrimination through enforcement of the *Human Rights Act.* Core functions support both the resolution of discrimination complaints and the promotion of increased fair employment opportunities statewide.

These core functions are:

- investigating and resolving discrimination complaints in *education, housing, jobs* and *services;*
- reviewing and certifying state contractor compliance with equal employment opportunity regulations; and
- providing education and consulting services.

These functions support daily operating goals:

- providing consistent, timely and legally sound processes and outcomes;
- resolving conflict at the earliest possible time in the process;
- improving access to legal and policy information for decision-makers and the public; and
- performing prevention education and consulting services for clients and partners.

Operations

The department serves a varied customer base. People alleging discrimination, those accused of discrimination, the legal community and state vendors are the primary customers of the department's business processes. This customer base includes: individuals, school districts, businesses, attorneys, local governments, state agencies, local human rights commissions, landlords, and local and federal human rights enforcement agencies.

The Contract Compliance Unit reviews affirmative action plans of state vendors and issues Certificates of Compliance to eligible businesses. It also provides consulting services to 1,000 businesses annually and conducts approximately 100 on-site compliance audits per year.

The Enforcement Unit handles 18,000 inquiries annually and provides referral, charge drafting, investigation and resolution of 1,400 charges annually.

Management Services and Administration provides policy leadership, manages external communications and publications, operates accounting, purchasing, and payroll services and manages departmental databases, web page facilities, and disaster recovery issues.

Budget

The agency's FY 2002-03 budget totals $7.7 million. Department staff includes 57 full-time equivalent employees.

Of the total budget for the biennium, over $7.6 million comes from the General Fund. An additional $70,000 (est.) in dedicated revenue is generated from reimbursed legal costs borne by the agency. All dedicated revenue is used to pay litigation expenses incurred by the agency.

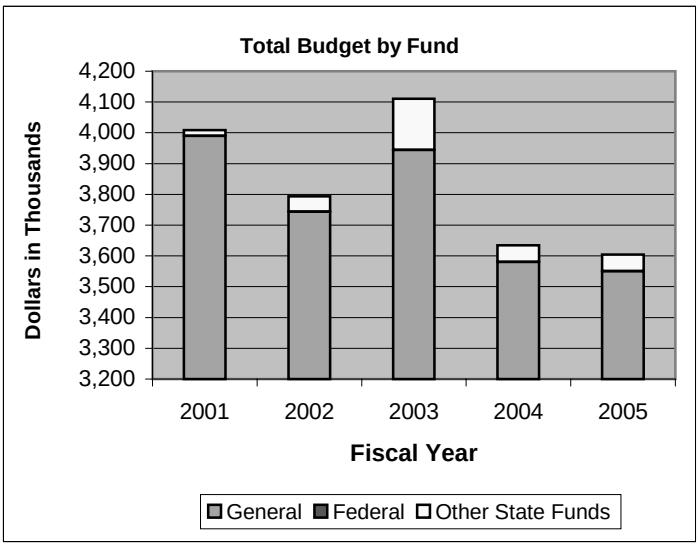
Note: The agency also generates $360,000 per year through a contract with the federal Equal Employment Opportunity Commission. All receipts are transferred to the General Fund.

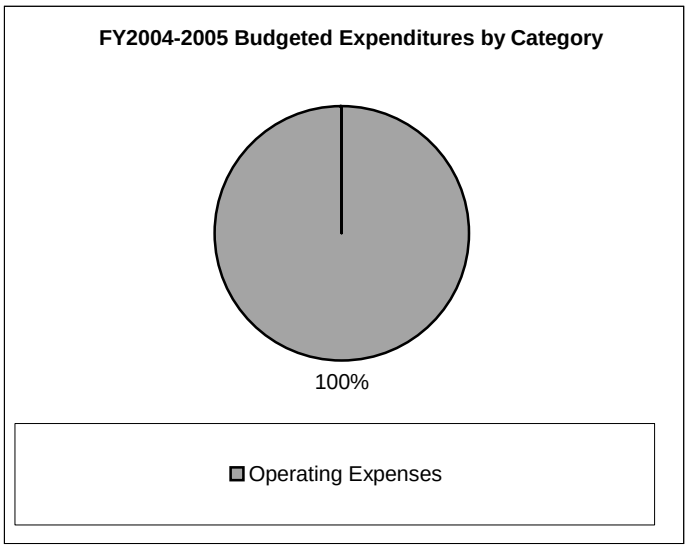
Contact

Department of Human Rights
Army Corps of Engineer Center
190 East 5th Street, Suite 700
St. Paul, Minnesota 55101

World Wide Web Home Page: http://www.humanrights.state.mn.us
Phone: (651) 296-5663
Fax: (651) 296-1736

For information on how this agency measures whether it is meeting its statewide goals, please refer to www.departmentresults.state.mn.us.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	3,990	3,744	3,944	3,580	3,550	7,130
Statutory Appropriations						
Special Revenue	19	50	167	54	54	108
Total	**4,009**	**3,794**	**4,111**	**3,634**	**3,604**	**7,238**
Expenditures by Category						
Operating Expenses	4,009	3,794	4,111	3,634	3,604	7,238
Total	**4,009**	**3,794**	**4,111**	**3,634**	**3,604**	**7,238**
Expenditures by Program						
Human Rights Enforcement	3,973	3,794	4,111	3,634	3,604	7,238
Management Services And Admin	36	0	0	0	0	0
Total	**4,009**	**3,794**	**4,111**	**3,634**	**3,604**	**7,238**
Revenue by Type and Fund						
Non Dedicated						
General	5	2	2	2	2	4
Subtotal Non Dedicated	5	2	2	2	2	4
Dedicated						
Special Revenue	24	48	56	54	54	108
Federal	337	518	181	260	260	520
Subtotal Dedicated	361	566	237	314	314	628
Total Revenue	**366**	**568**	**239**	**316**	**316**	**632**
Full-Time Equivalents (FTE)	**58.6**	**56.6**	**55.7**	**47.7**	**47.7**	

Program Description

The purpose of the Human Rights Enforcement program is to stop illegal discrimination and promote equal opportunity for all people in Minnesota.

Budget Activities Included:

⇒ Contract Compliance
⇒ Complaint Processing
⇒ Management Services and Administration

Activity Description

The Contact Compliance activity enforces M.S. 363.073, which requires that state government agencies do business only with affirmative action/equal opportunity employers. This activity encourages equal employment opportunity (EEO) for qualified minorities and women.

Activity at a Glance

- 2,010 EEO action plans reviewed
- 1,000 consultations with Minnesota businesses in FY 2002
- 200 on-site audits in FY 2001-02

Population Served

This activity provides service to over 2,500 Minnesota businesses annually that want to do business with the state. Indirectly, the activity serves potential employees of these firms by promoting equal access to employment opportunities.

Services Provided

The Contract Compliance activity provides enforcement and direct technical services to businesses throughout the state. Audits conducted during the current biennium reveal that small businesses lack resources to implement successful EEO programs. Program evaluation shows that on-site audits have been extremely effective in enhancing business EEO programs; audit recipients outperformed their peers in EEO policy development and in recruiting and maintaining qualified women and minorities in their workforce.

This activity provides the following services:

- reviewing and assisting businesses in developing EEO action plans;
- issuing certificates of compliance in a timely manner;
- conducting on-site audits to provide technical assistance and insure compliance with EEO goals and policies; and
- evaluating on-site audit data and developing training tools and programs for Minnesota employers.

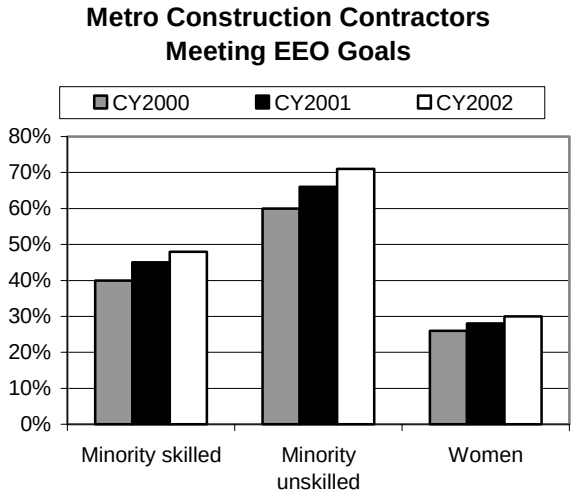
Historical Perspective

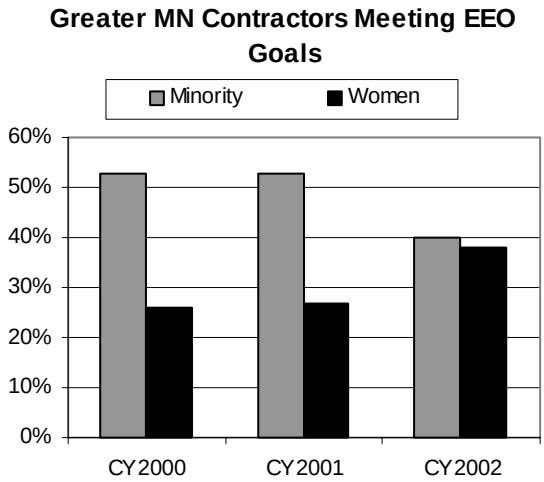
The Contract Compliance activity historically has focused its efforts on conducting “desk audits” of business affirmative action plans and providing telephone assistance to businesses in developing and implementing plans that work. Recently, Minnesota Department of Human Rights (MDHR) has emphasized on-site consulting in EEO recruitment and retention strategies. An evaluation of this effort has shown it to be very effective; over two-thirds of businesses receiving on-site assistance have improved their EEO policies and practices for three years or longer after the initial visit. During the last biennium, 10% or 200 businesses were audited.

The Contract Compliance activity was reduced by two positions as a result of budget reductions. MDHR responded by reengineering the plan review process, reducing technical assistance in plan development and limiting on-site audits to successful bidders on state contracts. Plans will be reviewed to insure that all required elements of affirmative action plans are addressed and that statistical information submitted is based on accurate workforce availability data. Individualized assistance to businesses developing plans will be reduced by 70% and on-site audits will be reduced from 10% to 2.5% of businesses contracting with the state.

Key Measures

One of the primary indicators for this activity is the percentage of companies meeting or substantially meeting their EEO goals. Progress toward achieving goals is measured by determining the percentage of minority (or female) participation hours in construction and non-construction businesses at a given point in time. MDHR receives monthly utilization reports from contractors and evaluates them to determine whether progress is being made toward goal attainment. The following is information provided by construction contractors for 6-30-02:





CY – Calendar Year

Activity Funding

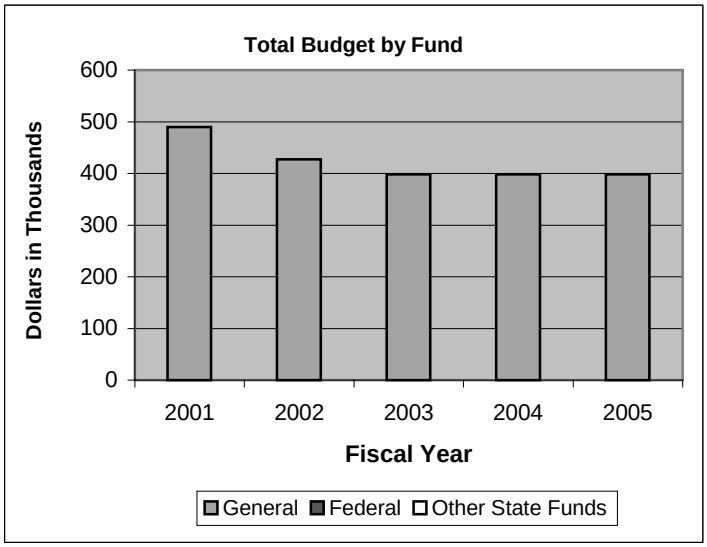
This activity is 100% funded by state General Funds.

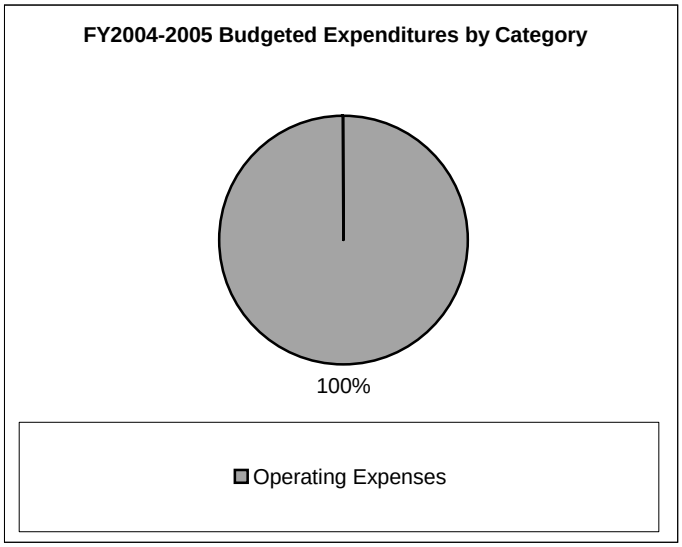
Contact

Additional information on this program can be obtained under “information for businesses” on our web site at www.humanrights.state.mn.us

HUMAN RIGHTS DEPARTMENT
Program: HUMAN RIGHTS ENFORCEMENT
Activity: CONTRACT COMPLIANCE

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	490	427	398	398	398	796
Total	**490**	**427**	**398**	**398**	**398**	**796**
Expenditures by Category						
Operating Expenses	490	427	398	398	398	796
Total	**490**	**427**	**398**	**398**	**398**	**796**
Full-Time Equivalents (FTE)	**7.8**	**6.9**	**6.0**	**6.0**	**6.0**	

Activity Description

M.S. Chapter 363 requires that the agency investigate complaints of unlawful discrimination. While the majority of cases involve claims of discrimination in employment, the agency also has jurisdiction over allegations of discrimination in housing, education, public accommodations, public services, credit, and business contracts.

Activity at a Glance

- $360,000 generated annually for the state General Fund
- 18,000 inquiries/referrals annually
- 1,300-1,500 charges filed annually
- 1,536 cases determined in FY 2002
- $3.2 million recovered for aggrieved parties in FY 2002

Population Served

The agency's services are provided to charging parties, respondents to discrimination charges, attorneys, employers, landlords, business owners, and the general public.

Services Provided

This activity achieves results through a coordinated program of law enforcement and prevention education. In enforcing the Human Rights Act (HRA), the agency makes every effort to resolve human rights complaints at the earliest possible stage in the process. As a result, a wide range of services is provided to agency clients:

- preliminary inquiries into initial allegations;
- pre-and post-charge screening to efficiently allocate resources;
- investigation of allegations;
- pre-determination settlements (before a final determination is made);
- mediation services;
- administrative appeals for parties who challenge the agency's determination;
- conciliation services to resolve meritorious cases prior to litigation; and
- litigation of selected cases not resolved through the discrimination complaint process.

In addition to these activities, the agency has partnered with local human rights commissions to provide information, education, and intake services to 60 Minnesota communities. The agency also provides limited speaking, training, and outreach services to organizations and businesses throughout the state.

Historical Perspective (External)

Externally, the agency notes the following trends and issues emerging in the human rights arena.

⇒ Race/national origin is the most common basis for complaint and is likely to increase as new immigrants become familiar with our social system and overcome fear/distrust of government.

⇒ We expect more cases in which complainants and/or witnesses do not speak English.

⇒ Disability cases are increasing and will continue to do so as the population ages.

⇒ Government will be challenged to accomplish legitimate law enforcement objectives without unduly compromising civil rights through overly broad "profiling."

⇒ "Cyber-sex" discrimination will offer new challenges to employers, the agency and the courts. A number of questions have yet to be answered regarding whether or not sexual addiction or "impulse control disorder" constitutes a disability and whether or not co-workers can be sexually harassed by exposure to this behavior.

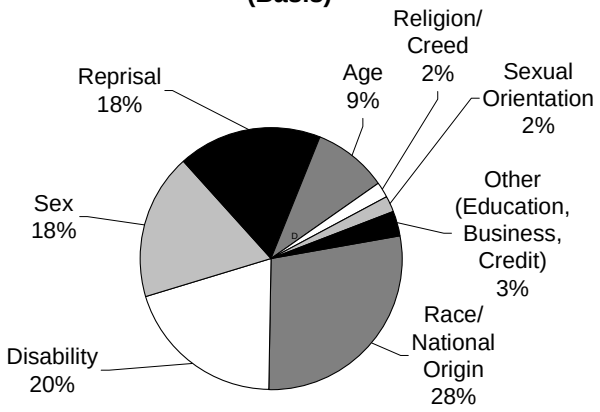
⇒ Genetic testing, prohibited in Minnesota and many other states, will continue to be an issue in pre-employment screening.

Historical Perspective (Internal)

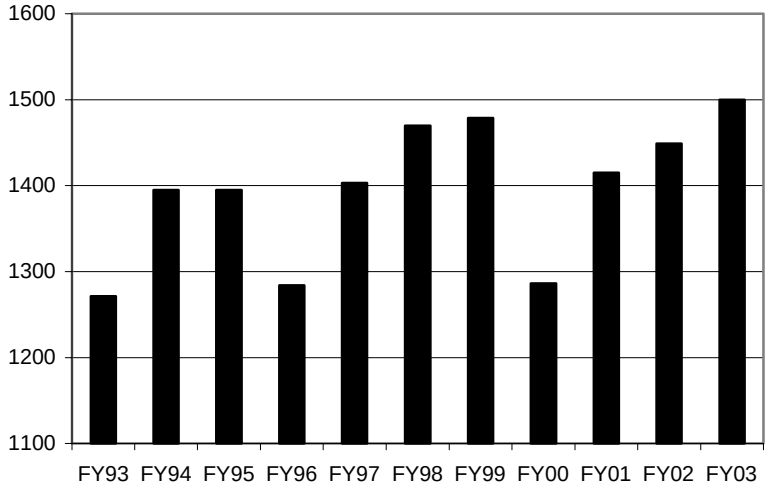
The number of discrimination charges filed with the agency has increased 13% over the current biennium. The events of September 11th coupled with the resulting economic decline are possible causes. We have noted an increase in the number of discrimination charges filed by charging parties of Middle Eastern descent as well as increased numbers of allegations related to adverse employment actions. For FY 2003, we project more than 1,500 charges will be filed with the agency.

Budget cuts in FY 2003 have resulted in the loss of two positions and all outreach travel funds in this activity. Minnesota Department of Human Rights (MDHR) has reengineered its process to provide less detailed information in its no probable cause memorandums to speed complaint processing and has aggressively pursued early case settlements in an attempt to reduce the number of investigations required. Funding also has been eliminated for providing office hours in 17 greater Minnesota communities. MDHR has worked with local human rights commissions and other organizations to enlist their aid in providing charge intake services in local communities throughout the state. We continue to examine our processes for other reengineering opportunities.

FY'02 Discrimination Charges Filed (Basis)



Discrimination Charges Filed by Fiscal Year



Key Measures

MDHR measures program effectiveness by what is important to our clients; ease of access to the human rights complaint process; timely investigation and determination of disputes; and satisfaction with settlements arising from the process. Performance indicators were measured on 6-30-02.

	2000	2001	2002
Clients who follow through after learning we have jurisdiction over their complaints	16.5%	34.1%	38% (est. 12/31/02)
Average Case Resolution Time	277 days	272 days	245 days (est. 12/31/02)
Cases resolved to both parties' satisfaction	9%	15%	20% (est. 12/31/02)

Activity Funding

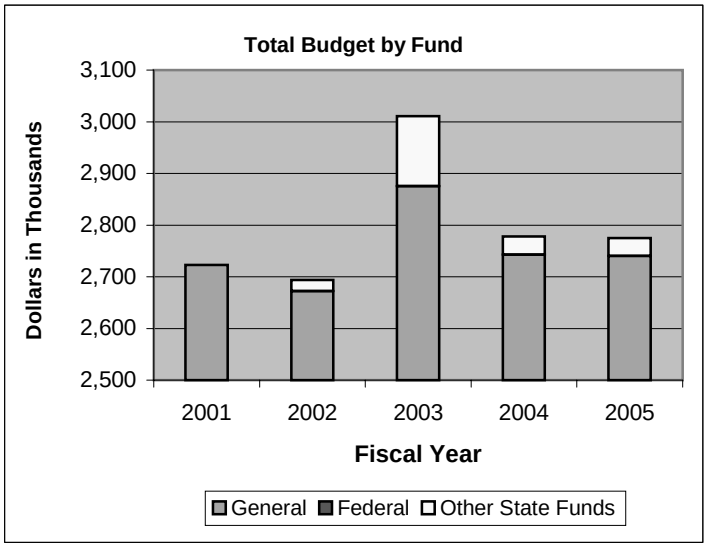
This activity is funded 100% by the state General Fund. This activity also generates revenue based on a performance contract with the Equal Employment Opportunity Commission. Cases are dual filed with the department, and must be completed within specified time periods. As a result of budget reductions, the agency anticipates that for every position eliminated, the General Fund will lose approximately $20,000 in federal reimbursements. If contract performance is reduced too far, the contract ($360,000 in FY 2002) could be cancelled in its entirety.

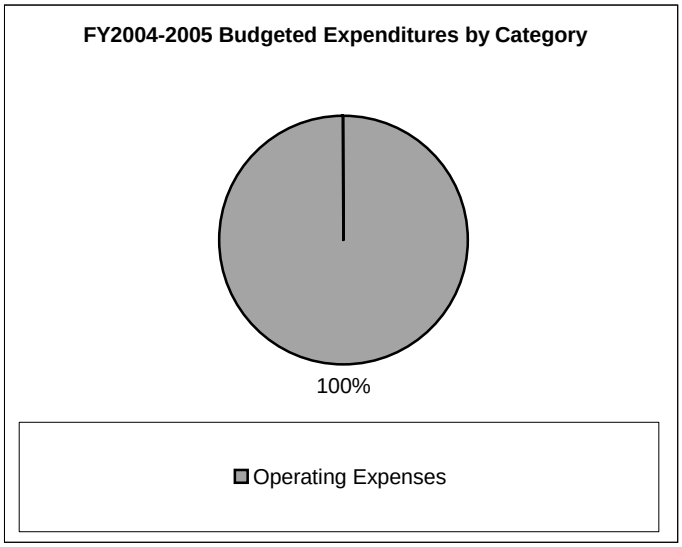
Contact

For more information about this program, visit the agency's web site at www.humanrights.state.mn.us.

HUMAN RIGHTS DEPARTMENT
Program: HUMAN RIGHTS ENFORCEMENT
Activity: COMPLAINT PROCESSING

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,723	2,672	2,875	2,743	2,740	5,483
Statutory Appropriations						
Special Revenue	0	22	136	35	35	70
Total	**2,723**	**2,694**	**3,011**	**2,778**	**2,775**	**5,553**
Expenditures by Category						
Operating Expenses	2,723	2,694	3,011	2,778	2,775	5,553
Total	**2,723**	**2,694**	**3,011**	**2,778**	**2,775**	**5,553**
Revenue by Type and Fund						
Dedicated						
Special Revenue	0	12	35	35	35	70
Subtotal Dedicated	0	12	35	35	35	70
Total Revenue	**0**	**12**	**35**	**35**	**35**	**70**
Full-Time Equivalents (FTE)	**40.2**	**40.6**	**40.6**	**38.6**	**38.6**	

Activity Description
Management Services and Administration exists to support the business units of the department and to provide legal, policy, and information/communication services in support of the department's mission.

Population Served
This activity serves parties involved in discrimination cases, policy decision-makers, the media, the legal community, department staff, and the general public.

Activity at a Glance

- 250 case appeals processed annually
- 50 mediations conducted annually
- Annual Human Rights Day (400+ attendees)
- Quarterly newsletter with 6,000 subscribers
- 50,000 web visits per year (200,000 hits)
- 99% reliability in IT computer systems

Services Provided
This activity provides internal business support services, case adjudication alternatives, policy leadership and external information/education programs. These services include the following:

- accounting, purchasing, contract management, human resources, payroll, and IT computer systems;
- policy research and development, legislative coordination, and internal legal consulting and training;
- an administrative appeal process for parties involved in discrimination cases;
- data practices enforcement;
- mediation services for parties involved in the discrimination complaint process; and
- media relations, web site design and development, a quarterly newsletter, and an annual Human Rights Day Conference.

Historical Perspective
As part of the agency's FY 2002 budget cuts, funding for replacement of obsolete computer equipment and software was eliminated. Approximately one-third of the agency's computer equipment is beyond its useful life. Minnesota Department of Human Rights (MDHR) has submitted a strategic resource information plan to the Office of Technology that identifies and prioritizes our hardware and software needs. However, prospects for receiving funds from this source are uncertain.

In FY 2003, this activity also will be restructured to eliminate one management position. Supervision of legal, legislative, policy, and data practices enforcement services will be reassigned to the commissioner's office.

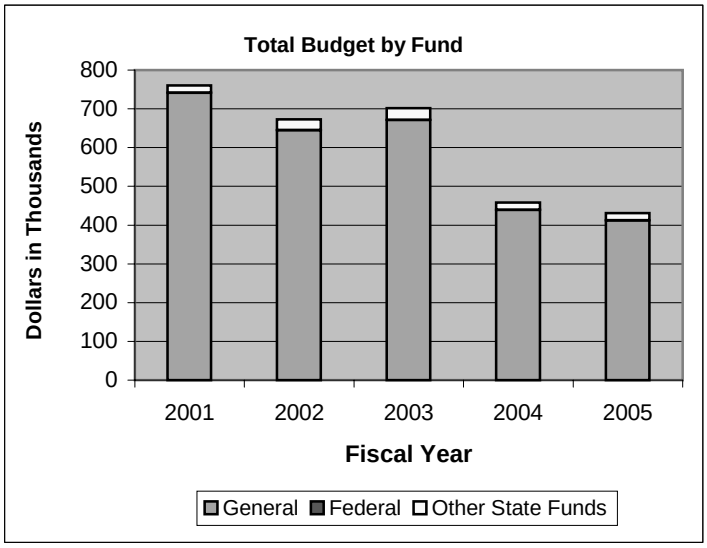
Key Measures
- resolving all administrative appeals within the statutory deadline of 20 days;
- processing 100% of all payables within 30 days; and
- maintaining computer system reliability and availability at 99% during working hours.

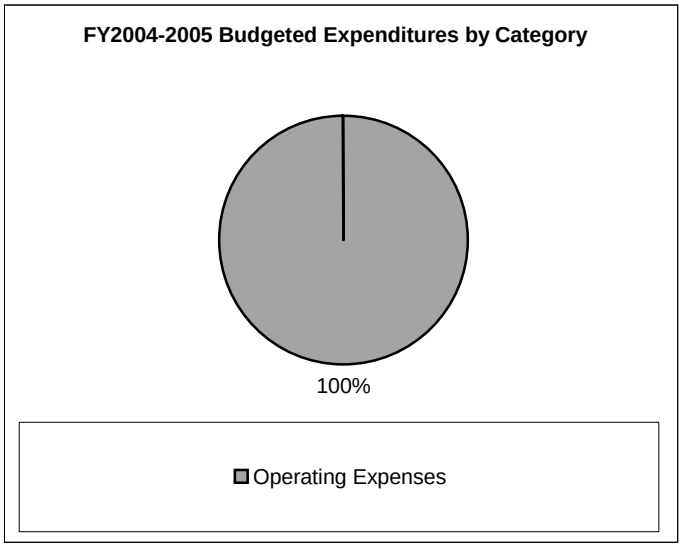
Activity Funding
This activity is 100% funded by the General Fund.

Contact
Additional information on this activity can be obtained at www.humanrights.state.mn.us

HUMAN RIGHTS DEPARTMENT
Program: HUMAN RIGHTS ENFORCEMENT
Activity: MANAGEMENT SERVICES & ADMIN

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	741	645	671	439	412	851
Statutory Appropriations						
Special Revenue	19	28	31	19	19	38
Total	**760**	**673**	**702**	**458**	**431**	**889**
Expenditures by Category						
Operating Expenses	760	673	702	458	431	889
Total	**760**	**673**	**702**	**458**	**431**	**889**
Revenue by Type and Fund						
Dedicated						
Special Revenue	24	34	19	19	19	38
Subtotal Dedicated	24	34	19	19	19	38
Total Revenue	**24**	**34**	**19**	**19**	**19**	**38**
Full-Time Equivalents (FTE)	**10.6**	**9.1**	**9.1**	**3.1**	**3.1**	

Minnesota Department of Human Rights

February 18, 2003

The 2003 Minnesota Legislature:

The purpose of this letter is to explain the proposed FY 2004-05 budget for the Department of Human Rights. The proposed budget includes Governor Pawlenty's recommended reduction of $752,000 over the biennium.

The Minnesota Department of Human Rights (MDHR) proposes to spend more than $7 million in the next biennium to process complaints of discrimination, monitor contractor compliance and to provide management oversight and services to the department.

The proposed budget, including reductions, is summarized as follows:

Proposed FY 2004-05 General Fund Spending (dollars in thousands)

Agency Function	**FY 2004-05 Adjusted Base Funding**	**Proposed Funding Changes**	**Proposed Total Funding**	**Function Reduction (%)**
Contract Compliance	$ 796	($ 0)	$ 796	0%
Complaint Processing	5,736	(261)	5,475	4.6%
Hearings	4	(0)	4	0%
Litigation Support	4	(0)	4	0%
Management Info Systems	238	(91)	147	38.2%
Mgt Services & Admin	1,104	(400)	704	36.2%
Expenditure Totals	$7,882	($752)	$7,130	
Revenues Received	$720	($200)	$520	
Net General Fund Impact	$7,162	($552)	$6,610	

MDHR's budget is approximately 90% salaries and rent, and 10% non-labor. A reduction of this size affects the number of employees in the department. This proposal includes a staff reduction we anticipate will affect our ability to fully support a contract with the EEOC, thus resulting in the loss of approximately $200,000 in federal reimbursements over the biennium. Any further operating reductions could result in the loss of all federal reimbursements to the state. Services provided by our core functions—complaint processing and contractor compliance monitoring—will be affected the least by the proposed reduction. MDHR will continue to implement existing statutory requirements.

Sincerely,

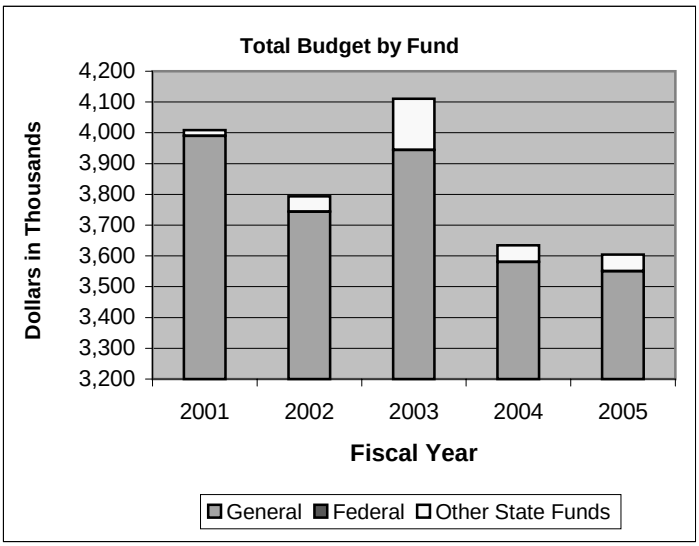
Velma Korbel
Commissioner

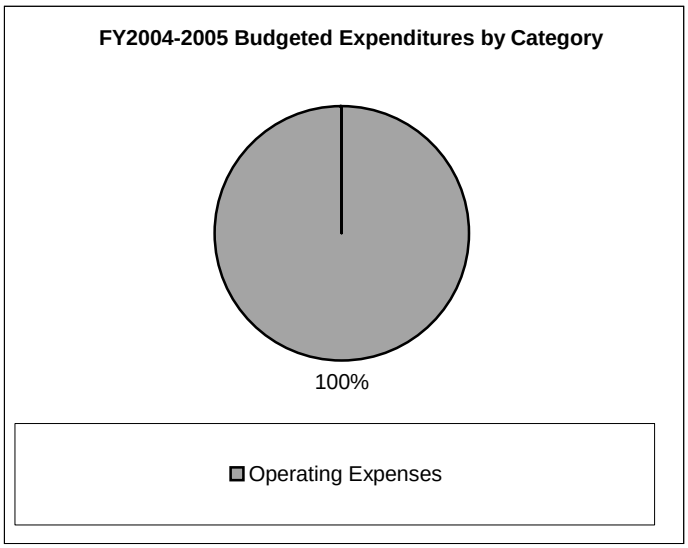
	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	7,882	108	7,990
Adjusted Base Funding	7,882	108	7,990
Change Items			
Operating Budget Reduction	-752	0	-752
Governor's Recommendations	7,130	108	7,238
Biennial Change, 2002-03 to 2004-05	-558	-109	-667
Percent Change	-7%	-50%	-8%

Brief Explanation Of Budget Decisions:

The Governor recommends total funding of $7,238,000, which includes a reduction of $752,000 over the biennium. This proposal is expected to result in the loss of $200,000 in federal reimbursements that are transferred to the General Fund. The agency's core functions of complaint processing and contractor compliance monitoring will be affected the least by the proposed reduction.

	FY 2004-05 Revenues ($000s)		
	General Fund	Other Funds	Total
FY 2004-05 Current Law Revenues	4	828	832
Change Items			
Operating Budget Reduction—Loss of Federal Funds (Reduces Reimbursement to General Fund)		(200)	(200)
FY 2004-05 Total Revenues	4	628	632
Biennial Change 2002-03 to 2004-05	0	(175)	(175)
Percent Change	0%	(22%)	(22%)





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,990	3,744	3,944	3,580	3,550	7,130
Statutory Appropriations						
Special Revenue	19	50	167	54	54	108
Total	**4,009**	**3,794**	**4,111**	**3,634**	**3,604**	**7,238**
Expenditures by Category						
Operating Expenses	4,009	3,794	4,111	3,634	3,604	7,238
Total	**4,009**	**3,794**	**4,111**	**3,634**	**3,604**	**7,238**
Expenditures by Program						
Human Rights Enforcement	3,973	3,794	4,111	3,634	3,604	7,238
Management Services And Admin	36	0	0	0	0	0
Total	**4,009**	**3,794**	**4,111**	**3,634**	**3,604**	**7,238**
Revenue by Type and Fund						
Non Dedicated						
General	5	2	2	2	2	4
Subtotal Non Dedicated	5	2	2	2	2	4
Dedicated						
Special Revenue	24	48	56	54	54	108
Federal	337	518	181	260	260	520
Subtotal Dedicated	361	566	237	314	314	628
Total Revenue	**366**	**568**	**239**	**316**	**316**	**632**
Full-Time Equivalents (FTE)	**58.6**	**56.6**	**55.7**	**47.7**	**47.7**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($361)	($391)	($391)	($391)
Revenues	0	0	0	0
Federal Fund				
Expenditures	0	0	0	0
Revenues Transferred to The General Fund	($100)	($100)	($100)	($100)
Net Fiscal Impact	($261)	($291)	$(291)	($291)

Recommendation

The Governor recommends a reduction of $752,000 in the agency's biennial appropriation as a part of his of his budget plan for FY 04-05. Due to the agency's limited operating budget, significant reductions in staffing levels will be required to achieve these savings. This proposal eliminates seven positions and downgrades three additional positions. This $752,000 reduction proposal will result in a loss of $200,000 in federal reimbursements that are transferred to the state General Fund over the biennium.

Background

MDHR set the following priorities in determining budget cuts: 1) implement existing statutory requirements to the maximum extent possible; 2) minimize the impact of cuts on revenue-generating activities; and 3) distribute reductions proportionately among bargaining units and plans. The following are the anticipated impacts of this budget reduction:

- ⇒ Three to four hundred fewer cases (approximately 25%) would be investigated annually resulting in the loss of approximately $100,000 in annual EEOC reimbursements to the state General Fund. (Non-performance on the EEOC work share agreement may result in the total cancellation of our $360,000 annual contract.).
- ⇒ The agency's quarterly legal newsletter, read by 6,000 subscribers, would be eliminated.
- ⇒ In-house computer support and web site maintenance services would be reduced by two-thirds; only semi-annual updates to the agency's web site would be possible.
- ⇒ Due to the loss of staff, the agency's annual Human Rights Day Conference (with over 400 attendees in FY 2002) would be eliminated.
- ⇒ Response time required to fulfill data practices requests from the public and the legal community would double, thus exceeding statutory time limits.
- ⇒ Management positions would be reduced by 50% in the areas of agency cases and workflow; one manager and one of two managerial plan positions would be eliminated.

Relationship to Base Budget

This proposal will require significant changes in the agency's operations. In FY 2003, MDHR sustained a 5% permanent budget reduction resulting in the loss of six full time positions. Since MDHR currently spends over 90% of its base budget on salaries and rent, this proposal will require the agency to eliminate 16.5% of its remaining staff at a time when employment discrimination and post-September 11 discrimination (e.g. religion and national origin) charges are increasing. Additionally, it may be necessary for the Department to handle charges that originate in other jurisdictions as local human rights enforcement agencies may defer some of their charges to us as a result of local budget problems. The only strategy we can reasonably pursue, given this environment, is to reduce the number of charges we accept and eliminate some of the EEO certification and prevention education services we currently provide to businesses and the general public.

Key Measures

Key measures are:

⇒ Investigation and determination of disputes within prescribed timelines.
⇒ Administrative appeals resolved within statutory time frame of 20 days.
⇒ Satisfactory settlements arising from disputes.
⇒ Women and minorities employed on state contracts (construction and non-construction) at a rate at least equal to their availability in the labor market.

Alternatives Considered

MDHR is committed to enforcement of all areas of the Human Rights Act, even if that enforcement must be scaled back to manage budget reductions during this uncertain time. The communities served by the agency support continuation of the Complaint Processing and Contract Compliance budget activities. Major reductions have been made to the Management and Administration budget activity in an effort to preserve as many of our enforcement activities as possible.

Statutory Change: Not Applicable.

Agency Purpose

The Minnesota Department of Human Services (DHS) helps people meet their basic needs, live as independently as possible and achieve their highest potential.

Core Functions

Ensuring basic health care for low-income Minnesotans

⇒ Medical Assistance (MA), Minnesota's Medicaid program for low-income seniors, children and parents, and people with disabilities.

⇒ MinnesotaCare, for residents who don't have access to affordable private health insurance and don't qualify for other programs.

⇒ General Assistance Medical Care (GAMC), primarily for adults without dependent children.

⇒ Prescription Drug Program to help low-income seniors and people with disabilities pay for prescription drugs.

Helping Minnesotans support their families

DHS works closely with counties to help low-income families with children achieve self-sufficiency, through programs such as the Minnesota Family Investment Program (MFIP, the state's welfare reform initiative), child support enforcement, food stamps, deaf and hard-of-hearing services, and refugee cash assistance and employment services.

Aiding children and families in crisis

The department supports families to ensure that children in crisis receive the services they need quickly and close to home so they can lead safe, healthy and productive lives. DHS principally guides statewide policy in child protective services, out-of-home care, permanent homes for children and children's mental health services.

Assisting people with disabilities

The department promotes independent living for people with disabilities by encouraging community-based services rather than institutional care. The department sets statewide policy and standards for care, and provides funding for:

- developmental disability services
- mental health services
- chemical health services

The department provides direct care safety net services for people with disabilities whose needs cannot be met in other ways through an array of campus- and community-based programs serving people with mental illness, developmental disabilities, chemical dependency and traumatic brain injury. This includes six regional treatment centers in Anoka, Brainerd, Fergus Falls, Moose Lake, St. Peter and Willmar, and a state-run nursing home in Ah-Gwah-Ching, near Walker.

At A Glance

Health care programs

Over 500,000 people served in January 2002:

- Medical Assistance (MA): 403,000 people
- MinnesotaCare: 137,000 people
- General Assistance Medical Care (GAMC): 31,000 people
- Prescription Drug Program: 4,457 people

Economic assistance programs

- Food Stamps: 213,639 people
- Minnesota Family Investment Program (MFIP): 43,172 families
- General Assistance: 10,614 people
- 265,000 children assisted through child support enforcement
- $519 million child support payments collected in FY 2001

Child welfare services

- 18,455 children in 2000 were served in out-of-home care, such as family foster homes
- Almost 6,400 children were cared for by adoptive parents or relatives who receive financial assistance and support for children's special needs
- 636 children under state guardianship were adopted in 2000

Mental health services

- Nearly 25,000 adults with serious and persistent mental illness received publicly funded mental health services in 2000
- More than 21,000 children in 2000 received publicly funded mental health services

Operations and two-year state budget

- FY 2002-03 $6.3 billion General Fund budget
- FY 2002-03 $12.8 billion all funds budget
- 80% of the general fund budget is spent on health care and long-term care programs and related services
- 36,000 health care providers served
- 29.5 million health encounters and claims processed
- Approximately 97% of DHS budget goes toward program expenditures
- Approximately 3% of DHS budget is spent on central office administration.

Promoting independent living for seniors
The department supports quality care and services for low-income seniors so they can live as independently as possible. Nursing home oversight and payment remains a dominant aspect of these services.

Operations

DHS has a wide variety of customers, including the state's 87 counties, 36,000 health care providers, and more than 520,000 Minnesotans who are clients or enrollees in DHS programs. Most of Minnesota's human services programs are administered locally, at the county level, although DHS provides significant operational infrastructure.

DHS licenses an array of service providers, including child care centers, group homes, and treatment programs for people with chemical dependency, mental illness or developmental disabilities.

DHS operations also support other providers who directly serve Minnesotans. DHS oversees computer system support for: MAXIS, which determines eligibility for economic assistance programs; PRISM, the child support enforcement system; the Medicaid Management Information System (MMIS), which pays medical claims for publicly funded health care programs; and the Social Service Information System (SSIS), an automated child welfare case management system for child protection, children's mental health and out-of-home placement.

Budget

DHS is one of the state's largest agencies, comprising 30% of the state's total spending. The department's FY 2002-03 budget from all funding sources totals $13.2 billion. Of the total budget for the biennium, $6.3 billion comes from general fund tax dollars. The remaining $6.9 billion comes from federal revenue and other funds, such as the Health Care Access Fund. Department staff includes approximately 5,900 full-time equivalent employees.

Contact

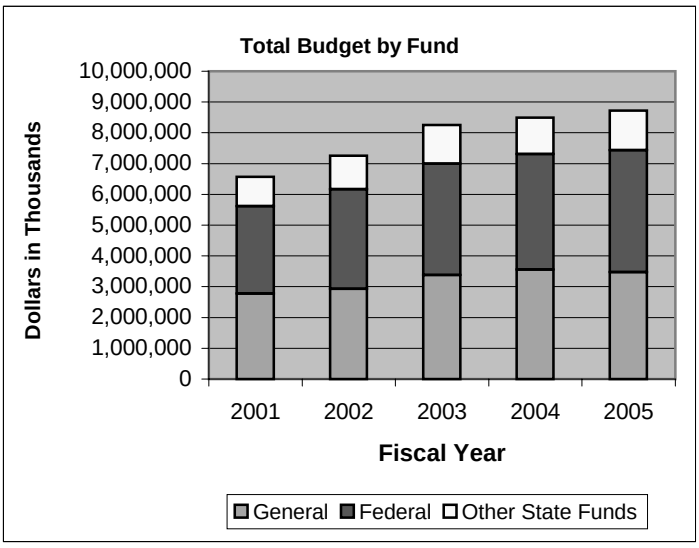
Minnesota Department of Human Services
444 Lafayette Road North
Saint Paul, Minnesota 55155-3815

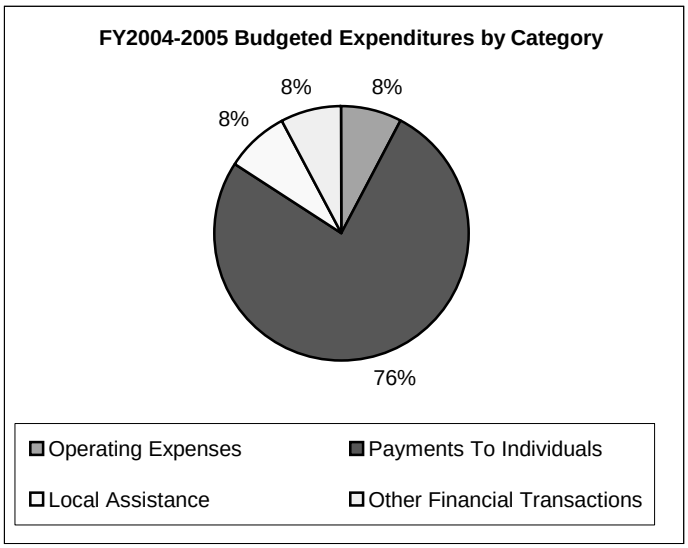
Commissioner's Office:
Kevin Goodno, Commissioner
Phone: (651) 296-2701

World Wide Web Home Page:
http://www.dhs.state.mn.us

General Information:
Phone: (651) 297-3933
TDD: 1-800-627-3529

For information on how this agency measures whether it is meeting its statewide goals, please refer to http://www.departmentresults.state.mn.us/.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,601,324	2,906,509	3,323,608	3,495,179	3,405,970	6,901,149
State Government Special Revenue	512	482	534	534	534	1,068
Health Care Access	156,511	209,608	271,422	263,014	333,106	596,120
Federal Tanf	292,205	305,896	351,015	261,482	261,161	522,643
Lottery Cash Flow	1,514	2,164	1,495	1,306	1,306	2,612
Open Appropriations						
Special Revenue	467	418	666	340	340	680
Statutory Appropriations						
General	175,238	23,084	53,425	62,462	66,221	128,683
State Government Special Revenue	1,290	0	0	0	0	0
Health Care Access	23,054	27,700	23,292	28,358	31,853	60,211
Special Revenue	172,427	217,194	262,237	156,514	143,520	300,034
Federal	2,542,785	2,924,666	3,267,077	3,492,018	3,697,516	7,189,534
Miscellaneous Agency	534,423	566,345	604,169	645,645	689,102	1,334,747
Gift	109	32	88	150	61	211
Endowment	153	5	3	0	0	0
Revenue Based State Oper Serv	46,119	50,270	57,733	57,733	57,733	115,466
Mn Neurorehab Hospital Brd	2,724	7,439	15,744	15,744	15,744	31,488
Dhs Chemical Dependency Servs	13,948	15,207	16,460	16,460	16,460	32,920
Total	**6,564,803**	**7,257,019**	**8,248,968**	**8,496,939**	**8,720,627**	**17,217,566**

Expenditures by Category						
Operating Expenses	582,192	607,739	699,717	679,193	643,060	1,322,253
Capital Outlay & Real Property	1,179	163	249	249	249	498
Payments To Individuals	4,546,804	5,342,157	6,213,443	6,461,102	6,702,264	13,163,366
Local Assistance	897,616	738,663	732,252	709,424	684,713	1,394,137
Other Financial Transactions	537,012	568,297	603,307	644,870	688,240	1,333,110
Transfers	0	0	0	2,101	2,101	4,202
Total	**6,564,803**	**7,257,019**	**8,248,968**	**8,496,939**	**8,720,627**	**17,217,566**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Program	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Agency Management	41,609	45,735	58,333	61,249	46,872	108,121
Revenue & Pass Through	930,781	942,950	996,495	996,093	1,040,906	2,036,999
Childrens Services Grants	132,942	146,350	156,214	198,428	188,503	386,931
Childrens Services Management	11,084	11,549	14,912	14,901	14,649	29,550
Basic Health Care Grants	2,197,355	2,512,662	3,122,610	3,430,388	3,645,120	7,075,508
Health Care Management	52,216	55,883	80,798	79,439	66,828	146,267
State Operated Services	288,975	287,276	312,460	295,806	287,484	583,290
Continuing Care Grants	2,291,679	2,578,647	2,829,265	2,779,652	2,805,751	5,585,403
Continuing Care Management	31,962	38,810	45,919	45,198	44,074	89,272
Economic Support Grants	513,005	566,281	547,526	511,568	495,994	1,007,562
Economic Support Management	73,195	70,876	84,436	84,217	84,446	168,663
Total	**6,564,803**	**7,257,019**	**8,248,968**	**8,496,939**	**8,720,627**	**17,217,566**

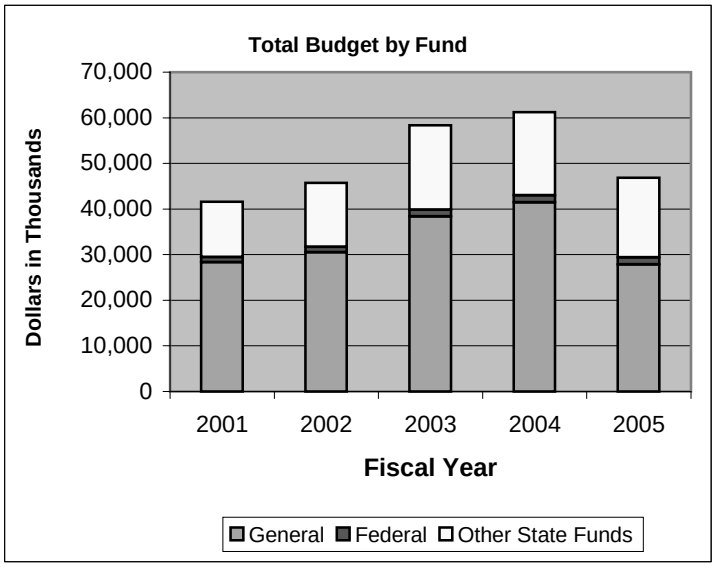
Revenue by Type and Fund						
Non Dedicated						
General	202,104	285,835	326,077	382,718	390,495	773,213
Health Care Access	2,298	4,548	3,175	2,549	2,549	5,098
Special Revenue	3	2	1	1	1	2
Cambridge Deposit Fund	58,119	0	0	0	0	0
Federal Tanf	300,488	321,847	394,256	267,482	267,161	534,643
Miscellaneous Agency	0	134	0	0	0	0
Subtotal Non Dedicated	563,012	612,366	723,509	652,750	660,206	1,312,956
Dedicated						
General	174,363	24,910	24,389	28,771	28,205	56,976
State Government Special Revenue	1,049	0	0	0	0	0
Health Care Access	22,838	27,724	23,292	28,358	31,853	60,211
Special Revenue	95,376	126,608	148,722	143,205	135,671	278,876
Federal	2,543,601	2,931,512	3,272,402	3,492,629	3,698,290	7,190,919
Miscellaneous Agency	532,917	566,828	603,996	645,566	689,023	1,334,589
Gift	107	45	75	51	47	98
Endowment	11	3	3	2	2	4
Revenue Based State Oper Serv	48,902	52,067	60,188	60,188	60,188	120,376
Mn Neurorehab Hospital Brd	4,398	11,082	16,269	16,264	16,264	32,528
Dhs Chemical Dependency Servs	12,362	15,671	18,177	18,177	18,177	36,354
Subtotal Dedicated	3,435,924	3,756,450	4,167,513	4,433,211	4,677,720	9,110,931
Total Revenue	**3,998,936**	**4,368,816**	**4,891,022**	**5,085,961**	**5,337,926**	**10,423,887**
Full-Time Equivalents (FTE)	**6,099.3**	**6,171.3**	**6,076.3**	**6,074.1**	**6,012.1**	

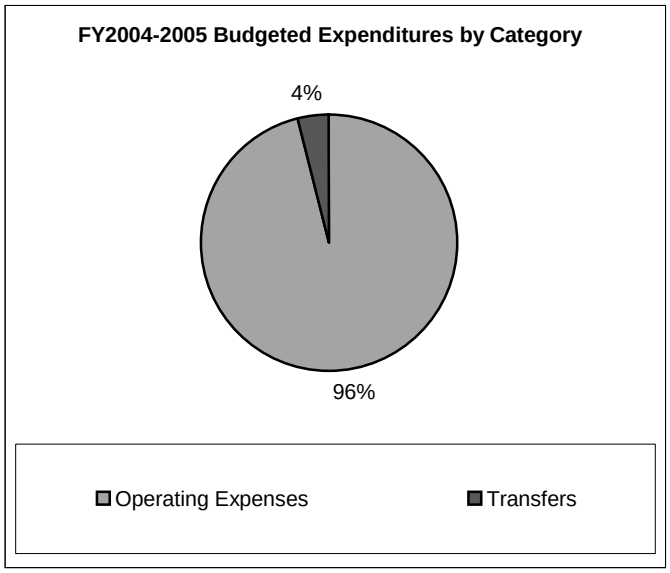
Program Description

The purpose of the Agency Management program is to provide financial, legal, regulatory, management (e.g. personnel, telecommunications and facility management) and information technology support to all DHS policy areas and programs.

Budget Activities Included:

⇒ Financial Operations
⇒ Legal & Regulatory Operations
⇒ Management Operations
⇒ Information Technology Operations





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	28,229	30,495	38,341	41,473	27,868	69,341
State Government Special Revenue	398	403	415	415	415	830
Health Care Access	3,459	3,006	3,673	3,673	3,673	7,346
Federal Tanf	91	112	320	320	320	640
Statutory Appropriations						
General	82	0	0	0	0	0
State Government Special Revenue	1,290	0	0	0	0	0
Special Revenue	6,973	10,625	14,400	14,184	13,412	27,596
Federal	1,087	1,094	1,184	1,184	1,184	2,368
Total	**41,609**	**45,735**	**58,333**	**61,249**	**46,872**	**108,121**
Expenditures by Category						
Operating Expenses	41,609	45,735	58,333	59,148	44,771	103,919
Transfers	0	0	0	2,101	2,101	4,202
Total	**41,609**	**45,735**	**58,333**	**61,249**	**46,872**	**108,121**
Expenditures by Activity						
Financial Operations	10,510	10,213	12,927	13,039	13,390	26,429
Legal & Regulatory Operations	7,598	8,151	9,294	11,455	11,657	23,112
Management Operations	14,447	14,973	17,004	19,226	4,929	24,155
Information Technology Ops	9,054	12,398	19,108	17,529	16,896	34,425
Total	**41,609**	**45,735**	**58,333**	**61,249**	**46,872**	**108,121**
Full-Time Equivalents (FTE)	**419.5**	**413.0**	**416.1**	**416.1**	**354.1**	

Activity Description

Financial Operations manages agencywide budget development, forecasting, accounting, collections and accounts payable and receivable within standard business practice and state and federal law.

Population Served

Because Financial Operations provides services to all Department of Human Services (DHS) policy and operations areas, virtually all agency businesses and clients benefit directly or indirectly.

Activity at a Glance

- Prepares forecasts for agency programs.
- Develops and manages agency budgets.
- Manages department payroll, accounts payable, accounts receivable and collections.
- Processes approximately $4.5 billion in receipts annually.
- Manages approximately $7.5 billion in payments annually.

Services Provided

⇒ Forecasts and reports for agency program revenue and expenditures to estimate growth or decline and determine fiscal implications of policy changes including:
- creating the November and February program expenditure and enrollment forecasts, such as those for Medical Assistance (MA) and the Minnesota Family Investment Program (MFIP);
- reporting and analyzing county expenditures;
- reporting and analyzing federal funding and revenues;
- reporting on accounts receivable and internal management reports on administration and grant expenditures;
- creating ad hoc financial reports, including those requested by the Legislature and other state agencies; and
- projecting the fiscal impact of policy changes.

⇒ Management to ensure that funds to defray client costs for agency services are collected from all required sources such as private insurance policies, Medicare or other federal programs; that receipt of selected fees and premiums paid by clients; and that agencywide accounting and fiscal policy support are provided including:
- managing accounts payable – payments to grantees, counties, clients, providers and vendors;
- managing accounts receivable – management, reporting and collection of DHS receivables;
- processing receipts – depositing and accounting;
- updating and maintaining computer interfaces and other technology enabling financial transactions with business partners and state agencies;
- allocating state and federal grants to counties and other recipients;
- allocating statewide, agency, and county administrative costs to programs; and
- preparing federal claims (reports) and managing federal letters of credit operations.

⇒ Development of the agency's biennial, supplemental and capital budgets.

⇒ Development and management of ongoing fiscal policies and strategies to support policy objectives, meet changing federal requirements and ensure fiscal accountability.

⇒ Customer service and technical assistance to internal and external customers including:
- providing technical assistance for revenue enhancement projects;
- publishing reports for counties to use regarding service costs;
- implementing DHS-county fiscal staff exchanges;
- partnering with counties on the annual Association of Minnesota Social Service Accountants conference;
- participating in county regional fiscal meetings and the county best practices workgroup, and seeking input from focus groups on fiscal policy changes;

- developing ways to train counties, tribes and other business partners on fiscal practices through on-site visits, interactive video and the Internet.

Historical Perspective

The past 10 years have brought significant increases in the complexity of program funding and budgeting rules. For example, the Temporary Assistance for Needy Families (TANF) block grant replaced the open entitlement Aid to Families with Dependent Children (AFDC), and the Health Care Access Fund (HCAF) was created to segregate funding for MinnesotaCare from the General Fund.

Increased use of program fees and premiums and greater complexity in program funding mechanisms and requirements have all had an impact on Financial Operations' work flow, compelling greater use of technology for efficiency and development and maintenance of electronic interfaces between computer systems within the department and between DHS, statewide and county systems. Expectations have increased for the use of electronic transfers of funds among DHS business partners.

Key Measures

⇒ Programs and operations are managed within appropriations and consistent with legal requirements, core values, and long-range planning results.

⇒ Payments are made within 30 days of receipt of invoices.

More information on Department of Human Services measures and results is available on the Web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

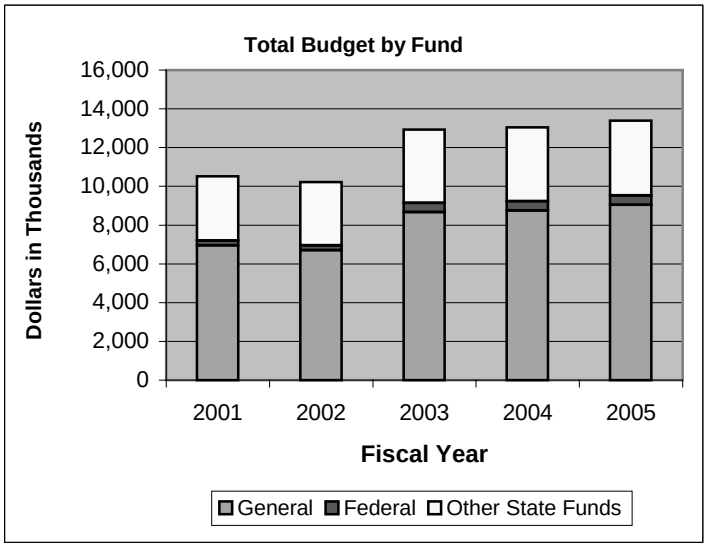
Financial Operations is funded primarily from appropriations from the General Fund and Health Care Access Fund and from federal funds.

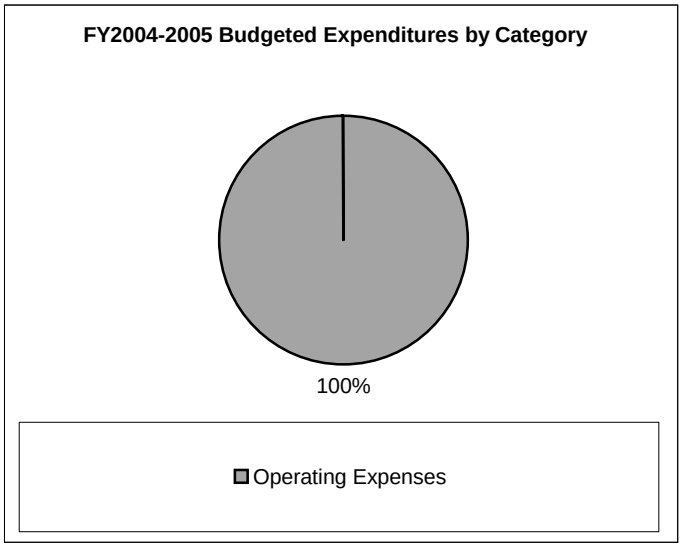
Contact

For more information about Financial Operations, contact:

- Assistant Commissioner, Finance and Management Operations Dennis W. Erickson, (651) 296-6635
- Management and Budget Office Director Jane Wilcox Hardwick, (651) 297-8051
- Financial Management Director Jon Darling, (651) 296-5733
- Reports and Forecasts Director George Hoffman, (651) 296-6154

Information is also available on the DHS Web site: http://www.dhs.state.mn.us.





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	6,949	6,700	8,669	8,751	9,056	17,807
Health Care Access	673	544	828	828	828	1,656
Federal Tanf	91	52	220	220	220	440
Statutory Appropriations						
Special Revenue	2,634	2,721	2,952	2,982	3,028	6,010
Federal	163	196	258	258	258	516
Total	**10,510**	**10,213**	**12,927**	**13,039**	**13,390**	**26,429**

Expenditures by Category						
Operating Expenses	10,510	10,213	12,927	13,039	13,390	26,429
Total	**10,510**	**10,213**	**12,927**	**13,039**	**13,390**	**26,429**

Full-Time Equivalents (FTE)	**143.6**	**138.6**	**133.8**	**133.8**	**133.8**

Activity Description

Legal and Regulatory Operations maintains legal standards by which the agency operates and by which clients gain access to services; develops and implements statutory and regulatory standards for fair hearings, contested case hearings, licensing actions and contracting; provides legal analysis and/or advice regarding data privacy and contract development/management; writes rules, which define client benefits; and publishes bulletins concerning program changes and other issues affecting agency clients and programs.

Activity at a Glance

FY 2002 figures:

- Reviews and approves more than 1,000 contracts.
- Publishes more than 150 policy bulletins.
- Conducts 4,000 administrative fair hearings.
- Responds to more than 500 data privacy inquiries.

Population Served

Because Legal and Regulatory Operations supports all Department of Human Services (DHS) policy areas, virtually all agency businesses and clients are served directly or indirectly. Direct client contact includes meeting with clients through the fair hearing process and through licensing a wide range of services, including those for people with mental illness, chemical dependency and developmental disabilities, and for providers of foster care, child placement and adoption services and child care. Indirect contact includes county licensing oversight and approving service contracts.

Services Provided

⇒ Appeals resolution and regulations development including:

- resolving disputes with clients, license holders and long-term care facilities
  - ⇒ conducting 4,000 administrative fair hearings annually for applicants and recipients of service whose benefits have been denied, reduced or terminated;
  - ⇒ resolving appeals by applicants denied licenses or by providers whose licenses are suspended or revoked;
  - ⇒ handling appeals by Medical Assistance (MA) and General Assistance Medical Care service providers, principally MA long-term care payment rate appeals;
- providing legal support and rule-making activities for all department programs;
- overseeing litigation in collaboration with the Attorney General's Office; and
- managing grants and more than 1,000 contracts for department services.

⇒ License review, quality assurance and license issuance including:

- licensing, monitoring and investigating 28,000 human services programs, including 5,000 new annual licenses;
- conducting approximately 170,000 annual background studies on people who provide direct contact services in programs licensed by DHS and the Minnesota Department of Health (MDH);
- investigating approximately 1,400 complaints about the quality of services provided in licensed programs including approximately 650 investigations of abuse or neglect of children and vulnerable adults;
- issuing approximately 450 licensing sanctions per year;
- processing approximately 1,550 requests for administrative reconsideration of disqualifications based on background study information, maltreatment investigation findings and licensing actions; and
- routinely defending licensing decisions in fair hearings, contested case hearings, district court, and the Minnesota Court of Appeals.

Historical Perspective

The appeals and regulations work initially focused on hearings for applicants and recipients of DHS health care and welfare benefits. Although the number of hearings has remained relatively constant over time, the nature of hearings has changed from relatively simple, single-issue eligibility appeals to more complicated medical and social services appeals.

The department has assumed responsibility for certain licensing and provider appeals and review of child and vulnerable adult maltreatment determinations. In 1996, the federal government passed the Health Insurance Portability Accountability Act (HIPAA), a complex federal law designed to provide protections to health care consumers and save administrative costs for health care providers. The HIPAA regulations set standards for electronic transmissions, electronic safeguards and privacy protections for the handling of private health care information. Because of the extensive databases and services provided by DHS, this legislation will impact every department business area. Appeals & Regulations is responsible for ensuring DHS' implementation of and compliance with the HIPAA privacy regulations.

The nature of licensing work has evolved as well. In 1991, the Legislature enacted a background study system. In 1995 and 2001 the Legislature established that DHS is also responsible for completing background studies on people providing services in programs licensed by the Minnesota Department of Health and the Minnesota Department of Corrections. In 1995, the Legislature transferred responsibility for many vulnerable adult maltreatment investigations from counties to DHS, and, in 1997, transferred responsibility for many maltreatment of minors investigations from counties to DHS. Regulatory simplification and the press for greater consistency across agencies has led to efforts like the current interagency project to develop an "umbrella rule" that will set similar standards for client placement in out-of-home settings whether those clients come into human services or corrections programs.

All aspects of Legal and Regulatory Operations have been affected significantly by two trends: more and faster-changing types of service models, which challenge traditional licensing and regulatory approaches; and the demands of clients, business partners and DHS staff for more use of electronic government services for basic information dissemination and for interactive business transactions.

Key Measures

⇒ Percent of timely issuance of appeals decisions (3, 60 and 90 days), fair hearing decisions, and contested case hearings (10 and 90 days).
⇒ Average length of time to complete investigations of licensing complaints.
⇒ Complete all licensing reviews within the one-year and two-year intervals set forth in statute.
⇒ Complete negative licensing action decisions within 45 days of county recommendations.

More information on Department of Human Services measures and results is available on the Web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

Legal and Regulatory Operations is funded primarily from appropriations from the General Fund, Health Care Access Fund, and state government Special Revenue Fund, from federal funds, and from fees.

Contact

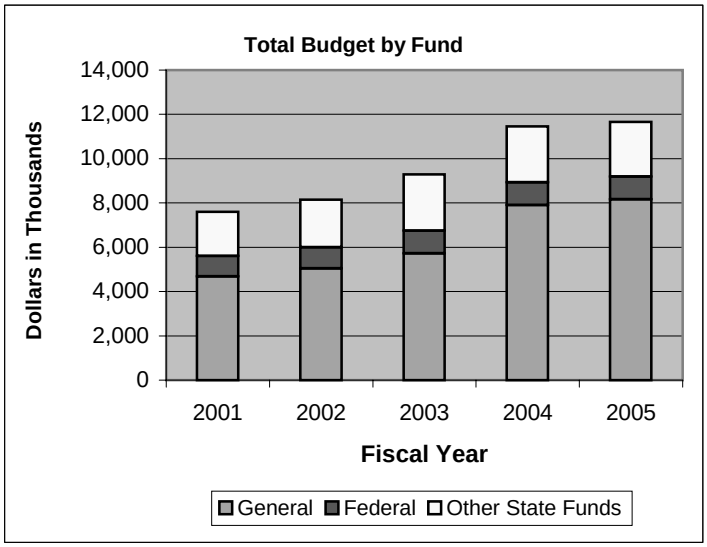
For more information about Legal and Regulatory Operations, contact:

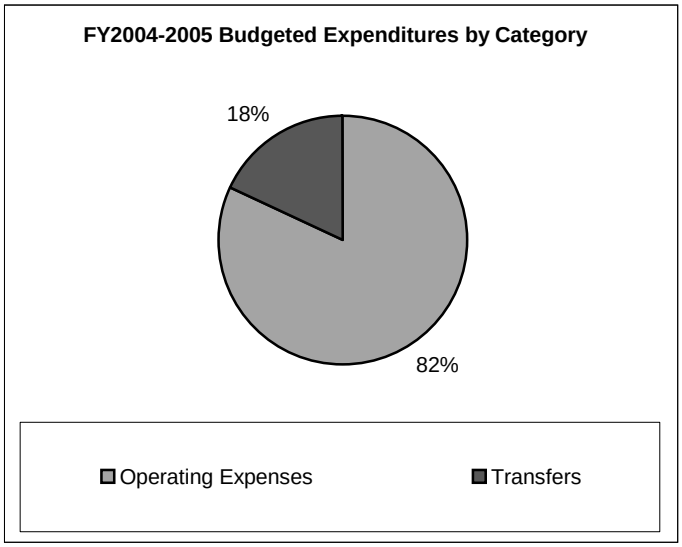
- Assistant Commissioner, Finance and Management Operations Dennis W. Erickson, (651) 296-6635
- Appeals & Regulations Director Rae Bly, (651) 297-1489
- Licensing Director Jerry Kerber, (651) 296-4473

Information is also available on the DHS Web site: http://www.dhs.state.mn.us.

HUMAN SERVICES DEPT
Program: AGENCY MANAGEMENT
Activity: LEGAL & REGULATORY OPERATIONS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,662	5,044	5,722	7,896	8,168	16,064
State Government Special Revenue	398	403	415	415	415	830
Health Care Access	236	231	244	244	244	488
Federal Tanf	0	60	100	100	100	200
Statutory Appropriations						
General	24	0	0	0	0	0
State Government Special Revenue	1,290	0	0	0	0	0
Special Revenue	64	1,515	1,887	1,874	1,804	3,678
Federal	924	898	926	926	926	1,852
Total	**7,598**	**8,151**	**9,294**	**11,455**	**11,657**	**23,112**
Expenditures by Category						
Operating Expenses	7,598	8,151	9,294	9,354	9,556	18,910
Transfers	0	0	0	2,101	2,101	4,202
Total	**7,598**	**8,151**	**9,294**	**11,455**	**11,657**	**23,112**
Full-Time Equivalents (FTE)	**119.1**	**119.6**	**118.4**	**118.4**	**118.4**	

Activity Description

Management Operations promotes and supports workplace performance through its responsibility for the department's physical facility, communication management, video and telephone communications, human resources activities and internal auditing function.

Population Served

Because Management Operations supports all Department of Human Services (DHS) policy and operations areas, virtually all agency businesses and clients are served directly or indirectly.

Activity at a Glance

- Provides human resources support for more than 6,600 staff.
- Manages eight central office locations and 45 locations throughout Minnesota.
- Provides personnel services to 76 counties.
- Coordinates federal Single Audit Act activities for more than 280 organizations providing human services.

Services Provided

- Agency leadership, public policy direction and legislative liaison activity;
- Communication oversight for interactions with clients, business partners, the media, legislators and their staff; other state agencies, counties, tribes and the federal government;
- Human resources management services, training for DHS central office employees, state operated services employees and 76 counties including:
  - ⇒ strategies for redeploying personnel to fit new priorities and changing business needs;
  - ⇒ personnel recruitment, selection, compensation and classification;
  - ⇒ labor relations, grievance arbitration and negotiations,
  - ⇒ health, safety, wellness and workers compensation activities;
  - ⇒ professional development training, continuing education and skills development;
  - ⇒ equal employment opportunity and affirmative action plan implementation and Americans with Disabilities Act coordination;
  - ⇒ diversity training, cultural competency consultation;
  - ⇒ complaint investigation and mediation services; and
  - ⇒ civil rights enforcement, monitoring and training;
- Management services addressing the basic business needs of DHS, including:
  - ⇒ visual communications/teleconferencing network development among the many communities of video-conferencing users in Minnesota's human service field;
  - ⇒ facility management and building security;
  - ⇒ telephone systems and related interactive response technology;
  - ⇒ inventory and property management;
  - ⇒ purchasing services and inventory control;
  - ⇒ translation and publishing of documents, including vital documents for Limited English Proficiency (LEP) clients.
- Internal auditing to provide management with an appraisal of the department's fiscal management and programmatic controls.

Historical Perspective

For human resource management, a significant development has been the past decade's increase in Minnesota's minority and non English-speaking populations. This has increased efforts to recruit and retain staff with new language and communications skills and develop a more diverse DHS work force.

In 2001, DHS was given authority to plan for a new building, consolidating a number of its locations and providing space more appropriate to the technology needs of the agency's work. DHS has major investments in technology with major computer systems supporting welfare and health care benefits statewide. Technology, such as

videoconferencing and sophisticated telephone systems, are increasingly part of a new spectrum of services Management Operations provides.

The Internal Audits Office was established in November 1995 to provide the department with an independent evaluation of its operations and to coordinate mandatory audit requirements for federal program funds. Over the last 2-1/2 years, the office has developed a computer forensic service to assist DHS' Human Resource Division and other state agencies in personnel investigations.

Key Measures

⇒ Customer contact centers have stated service standards, reports are available to managers to determine whether the benchmarks are met, and consulting is available to assist when performance is outside the goal.
⇒ All purchases are made according to state statute and policy and follow "best value" principles.
⇒ Timelines in the Federal Single Audit Act for processing audit reports.

More information on Department of Human Services measures and results is available on the Web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

Management Operations is funded primarily from appropriations from the General Fund and Health Care Access Fund and from federal funds.

Contact

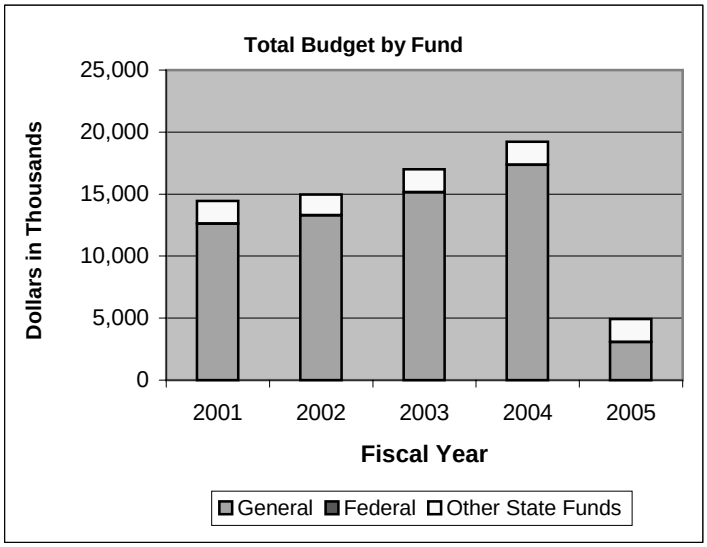
For more information about Management Operations, contact:

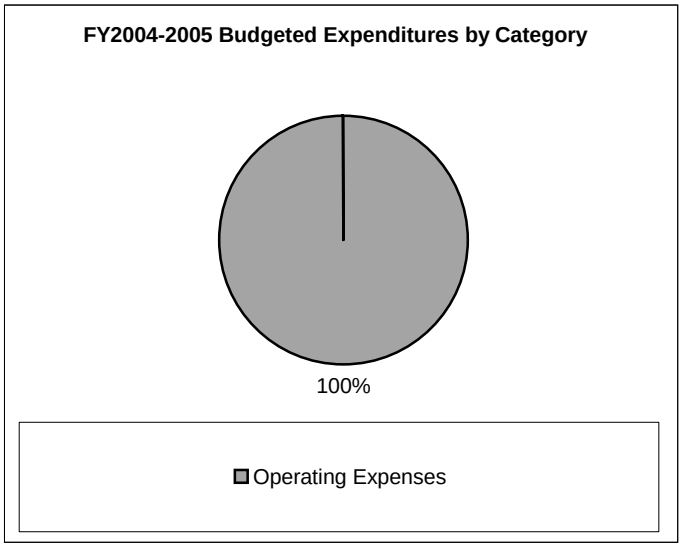
- Deputy Commissioner Wes Kooistra, (651) 296-6993
- Assistant Commissioner, Finance and Management Operations Dennis W. Erickson, (651) 296-6635
- Communications Director Terry Gunderson, (651) 296-4416
- Human Resources Director Martha J. Watson, (651) 296-8067
- Internal Audits Director David Ehrhardt, (651) 282-9996
- Legislative Coordinator Steve Barta, (651) 296-5685
- Management Services Director Linda Nelson, (651) 296-6633
- Assistant to the Commissioner Lynne Singelmann (651) 296-6627
- Tribal Relations Director Vernon Laplante, (651) 296-4606
- Director of Policy Development Christine Eilertson, (651) 296-4332

Information is also available on the DHS web site: http://www.dhs.state.mn.us.

HUMAN SERVICES DEPT
Program: AGENCY MANAGEMENT
Activity: MANAGEMENT OPERATIONS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	12,567	13,280	15,150	17,373	3,076	20,449
Health Care Access	1,581	1,500	1,623	1,623	1,623	3,246
Statutory Appropriations						
General	58	0	0	0	0	0
Special Revenue	241	193	231	230	230	460
Total	**14,447**	**14,973**	**17,004**	**19,226**	**4,929**	**24,155**
Expenditures by Category						
Operating Expenses	14,447	14,973	17,004	19,226	4,929	24,155
Total	**14,447**	**14,973**	**17,004**	**19,226**	**4,929**	**24,155**
Full-Time Equivalents (FTE)	**100.8**	**95.0**	**92.1**	**92.1**	**30.1**	

Activity Description

Information Technology Operations (IT) manages the department's technical infrastructure, working closely with Department of Human Services (DHS) programs and operations to ensure a solid foundation for future technological development.

Activity at a Glance

- Maintains DHS network
- Provides desktop support to more than 5,000 users
- Coordinates cross-agency technology issues with Office of Technology, Intertech
- Supports the Data Warehouse and Executive Information System
- Maintains department Web services for citizens of Minnesota

Population Served

IT Operations provides services to all DHS' policy and operations areas. Virtually all agency businesses, human services providers, and clients benefit directly or indirectly.

Services Provided

IT Operations provides:

- support for desktop software and hardware (data storage and backup, virus control, help desk) for 5,400 workstations;
- support of a department-wide e-mail system.;
- support for an agencywide data network, servers, data storage;
- leadership for strategic information resource management planning;
- direction for information policy, standards and practices;
- leadership for IT architectural future directions and services;
- strategic planning with DHS program areas and county service directors on the use of technology to better serve clients;
- planning and development with DHS program areas to ensure cross-agency systems coordination and compatibility;
- maintenance of and assistance for users of the DHS Data Warehouse and Executive Information System (EIS), which extracts data for program analysis from multiple service delivery systems;
- development and maintenance of information security and standards;
- coordination of technology projects agency-wide through the Projects Management Office;
- training for DHS staff on emerging computer technologies;
- planning with counties and other partners to keep computer systems compatible and planning for upgrades;
- maintenance of the department's public, internal and county Web sites;
- consultation with program areas about improving business strategies through the use of electronic government services and Web services technology; and
- representation of DHS' interests at statewide technology forums.

Historical Perspective

In 1995, the Chief Information Officer position was established to lead IT Operations and related strategic planning within the department. The department continues to face a growing demand for electronic services through Web technology to communicate and conduct government business, as it is the bridge that human services workers use to gather information from the many sources necessary to do their work. Clients, business partners, and other levels of government increasingly expect that DHS will use Web technology for electronic government services in a variety of areas.

Information Technology Operations continues to coordinate department-wide projects such as the technology aspects of the Health Insurance Portability and Accountability Act (HIPAA) implementation, technology infrastructure, security infrastructure, server replacement, centralized data storage, and electronic government services

Key Measures

⇒ Set strategic IT direction for DHS.

⇒ Provide a secure, stable Web infrastructure to further business needs while providing adequate protections.

More information on Department of Human Services measures and results is available on the Web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

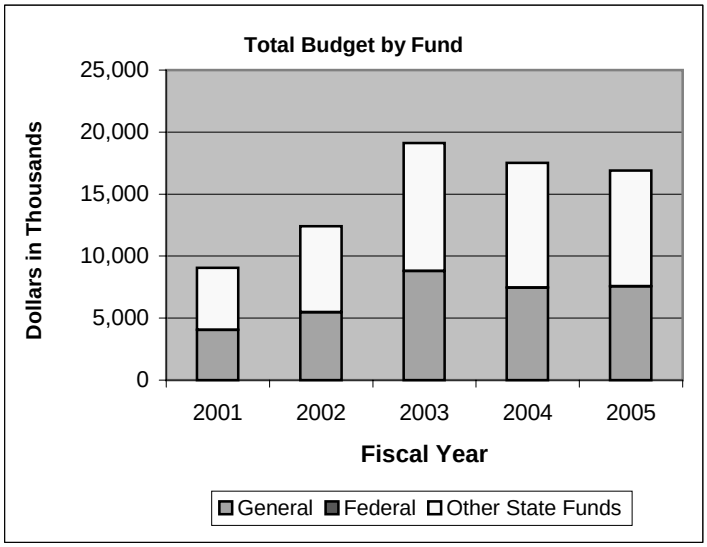
Information Technology Operations is funded from appropriations from the General Fund and Health Care Access Fund and from matching funds.

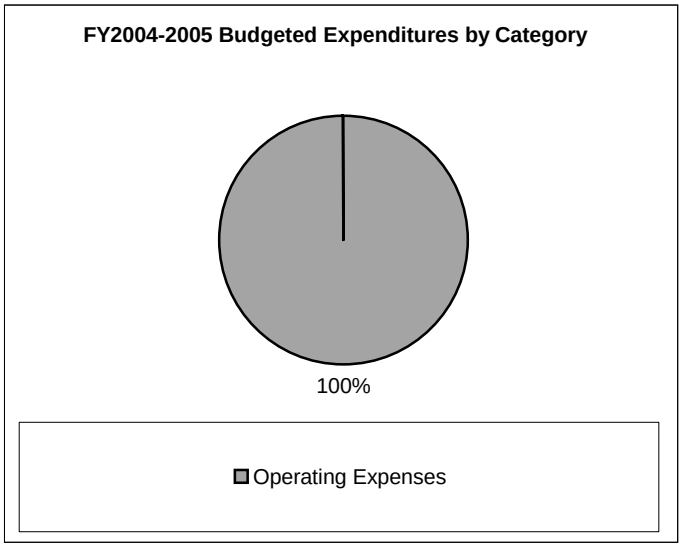
Contact

For more information about Information Technology Operations, contact:

- Chief Information Officer Johanna Berg, (651) 296-0570
- Information Technology Management and Administration Director vacant
- ITS Operations Director Chris Zehoski, (651) 296-0871
- User Applications Services Director Tom Albrecht, (651) 215-9441

Information is also available on the DHS web site: http://www.dhs.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,051	5,471	8,800	7,453	7,568	15,021
Health Care Access	969	731	978	978	978	1,956
Statutory Appropriations						
Special Revenue	4,034	6,196	9,330	9,098	8,350	17,448
Total	**9,054**	**12,398**	**19,108**	**17,529**	**16,896**	**34,425**
Expenditures by Category						
Operating Expenses	9,054	12,398	19,108	17,529	16,896	34,425
Total	**9,054**	**12,398**	**19,108**	**17,529**	**16,896**	**34,425**
Full-Time Equivalents (FTE)	**56.0**	**59.8**	**71.8**	**71.8**	**71.8**	

Program Description

This program contains the department's revenue and pass through expenditures. These revenues and pass-through expenditures involve complex inter-fund accounting transactions that often result in duplicate data within the state's standard biennial budget system reports. Isolating the results of these transactions within the Revenue and Pass-Through Program simplifies the fiscal pages for the department's other programs and activities. For example, to not skew the Child Support Enforcement Grant budget activity, the department's $500 million annual child support collection (revenue) and payment (pass-through expenditure) activity is reflected here.

Revenues

Department of Human Services (DHS) collects or processes revenues in excess of $4 billion annually. State law determines whether this revenue is *dedicated revenue* to the department (i.e. earmarked for specific programs) or *non-dedicated revenue* to the state.

Approximately 80% of the annual revenue is dedicated revenue. Examples include child support collections, federal grants, program premiums (co-pays), recoveries and refunds, cost of care billings, fees and federal administrative reimbursement.

Approximately 20% of the annual revenue is non-dedicated revenue. Examples include surcharges, recoveries and refunds, cost of care billings, fees and federal administrative reimbursement.

Pass-Through

The department's pass-through expenditures are approximately $1 billion annually. Generally, pass-through expenditures are the result of transactions between funds. Examples include child support payments, transfers and federal administrative reimbursement.

Federal Administrative Reimbursement

Eligible state administrative costs are reimbursed from federal grants at various percentages, known as the federal financial participation (FFP) rates. Not all state administrative costs are eligible for federal reimbursement. For example, expenditures that support state-only programs do not earn FFP.

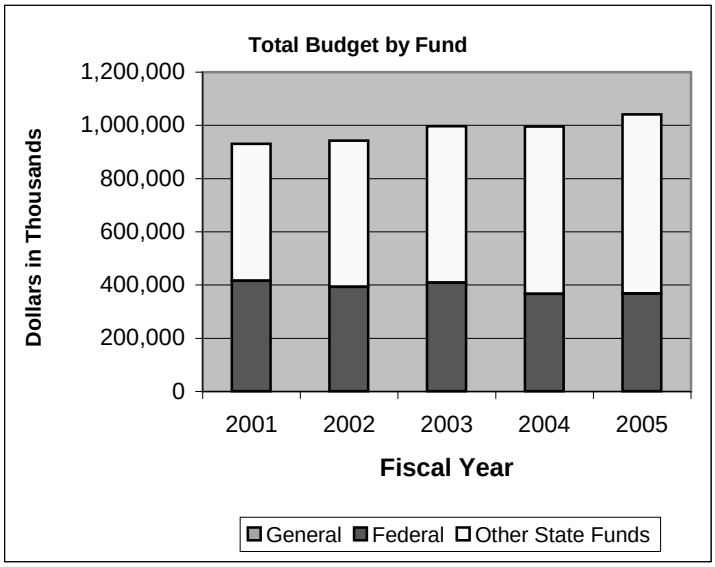
The department maintains a federally approved cost allocation plan that draws reimbursement for the federal share of state administrative expenditures. In this case, state administrative expenditures are defined to state costs (including the DHS central office) as well as county/local costs.

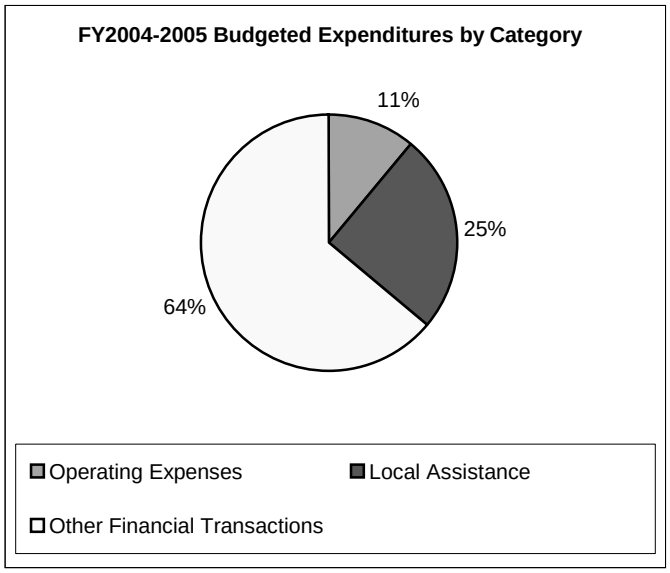
The department's central office federal administrative reimbursement exceeds $100 million annually. Unless otherwise required in state law, federal administrative reimbursement earned on General Fund and Health Care Access Fund expenditures is non-dedicated revenue to the state. State law dedicates the federal administrative reimbursement earned on major system expenditures to the department.

Historically, the DHS central office has drawn the following average FFP rates, based on cost allocation within the state fund in which the administrative expenditure is incurred:

General Fund/ Health Care Access Fund	40%
Major Systems – PRISM	66%
Major Systems – SSIS	50%
Major Systems – MAXIS	35%
Major Systems – MMIS	65%

For simplicity and consistency, DHS budget initiatives and fiscal note estimates are based on these historic central office average FFP rates.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Federal Tanf	143,818	94,724	99,599	54,845	51,221	106,066
Statutory Appropriations						
General	10	13	0	0	0	0
Special Revenue	2,558	3,083	3,271	3,171	3,146	6,317
Federal	272,492	298,779	308,716	312,162	317,024	629,186
Miscellaneous Agency	511,903	546,351	584,909	625,915	669,515	1,295,430
Total	**930,781**	**942,950**	**996,495**	**996,093**	**1,040,906**	**2,036,999**
Expenditures by Category						
Operating Expenses	89,873	102,619	108,595	111,207	112,373	223,580
Local Assistance	326,930	291,532	300,391	256,371	256,418	512,789
Other Financial Transactions	513,978	548,799	587,509	628,515	672,115	1,300,630
Total	**930,781**	**942,950**	**996,495**	**996,093**	**1,040,906**	**2,036,999**
Expenditures by Activity						
Revenue & Pass Through	930,781	942,950	996,495	996,093	1,040,906	2,036,999
Total	**930,781**	**942,950**	**996,495**	**996,093**	**1,040,906**	**2,036,999**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	202,104	285,835	326,077	377,614	373,164	750,778
Health Care Access	2,298	4,548	3,175	2,549	2,549	5,098
Special Revenue	3	2	1	1	1	2
Cambridge Deposit Fund	58,119	0	0	0	0	0
Federal Tanf	300,488	321,847	394,256	267,482	267,161	534,643
Miscellaneous Agency	0	134	0	0	0	0
Subtotal Non Dedicated	563,012	612,366	723,509	647,646	642,875	1,290,521
Dedicated						
General	174,363	24,910	24,389	28,771	28,205	56,976
State Government Special Revenue	1,049	0	0	0	0	0
Health Care Access	22,838	27,724	23,292	28,358	31,853	60,211
Special Revenue	95,376	126,608	148,722	143,205	135,671	278,876
Federal	2,543,601	2,931,512	3,272,402	3,492,629	3,698,290	7,190,919
Miscellaneous Agency	532,917	566,828	603,996	645,566	689,023	1,334,589
Gift	107	45	75	51	47	98
Endowment	11	3	3	2	2	4
Revenue Based State Oper Serv	48,902	52,067	60,188	60,188	60,188	120,376
Mn Neurorehab Hospital Brd	4,398	11,082	16,269	16,264	16,264	32,528
Dhs Chemical Dependency Servs	12,362	15,671	18,177	18,177	18,177	36,354
Subtotal Dedicated	3,435,924	3,756,450	4,167,513	4,433,211	4,677,720	9,110,931
Total Revenue	**3,998,936**	**4,368,816**	**4,891,022**	**5,080,857**	**5,320,595**	**10,401,452**

Program Description

Children's Services Grants fund statewide child welfare and community-based children's mental health services.

Population Served

Children's Services Grants fund services for children who are at risk of abuse or neglect or who have been abused or neglected, in out-of-home placements, in need of adoption, under state guardianship, homeless, or have an emotional disturbance and need mental health services. Children's Services grants affect the lives of:

- more than 11,845 children annually who are abused or neglected and need child protection services;
- approximately 18,500 children who are in out-of-home placement annually because they cannot live safely with their parents or need care which cannot be provided within their homes;
- 600 homeless children or children at risk of homelessness who receive shelter or related support services;
- more than 20,000 children who need mental health services;
- 668 children who are waiting for immediate adoption; and
- 1,480 children under state guardianship.

Program at a Glance

Serves:

- 11,845 children determined to be abused or neglected
- 18,500 children in out-of-home placements
- 600 children who are or may become homeless
- 20,000 children who need mental health services
- 668 children who are waiting for adoption
- 1,480 children under state guardianship

Services Provided

Children's Services Grants:

- fund services to children and families, including adoption, child protection, homeless youth services, and children's mental health services and
- work through counties, tribes, local service collaboratives, schools, non-profits, and foundations to deliver services.

Children's Services Grants fund the following:

- alternative response assessment and services to families referred to child protection;
- family preservation services;
- services for women involved with drug related offenses or substance abuse;
- services for homeless and run away youth;
- crisis nursery services for families in need of crisis or respite care;
- training and consultation regarding the reporting and assessment of maltreatment;
- recruitment of foster and adoptive families and specialized services to enable state wards to be adopted;
- Adoption Assistance for children with special needs who were under state guardianship and have been adopted;
- Relative Custody Assistance for children with special needs whose custody is transferred to relatives;
- Indian child welfare services; and
- children's community-based mental health services including
  - ⇒ case management;
  - ⇒ assessments and counseling, including family and individual therapy;
  - ⇒ day treatment;
  - ⇒ therapeutic supports for children in foster care;
  - ⇒ respite care;
  - ⇒ in-home and family community support services;
  - ⇒ screening and assessment of mental health problems of children in the juvenile court system and those who struggle with homelessness; and
  - ⇒ life skills development for children with severe emotional disturbances, including adolescents who are aggressive or violent.

Historical Perspective

Most recently, Children's Services has focused on:

- reforming the child welfare system through innovative efforts such as Minnesota Child Welfare Training System, Social Services Information System, Child Maltreatment Review Panel, County Child Welfare System reviews, Family Group Decision Making, Alternative Response Program, Children's Justice Initiatives and Citizen Review Panels;
- finding and supporting permanent families for children who cannot be reunited with their families through the Public/Private Adoption Initiative, Concurrent Permanency Planning, and Minnesota Adoption Support and Preservation;
- meeting the needs of children with severe emotional disturbance and their families through:
  - ⇒ supporting flexible, child-and family-centered services provided by children's mental health collaboratives;
  - ⇒ supporting the development of a statewide parent leadership network for parents of children with emotional disturbances; and
- implementing specialized services to meet the needs of emotionally disturbed youth with aggressive or violent behavior; identifying youth in the juvenile court system with underlying mental health problems; and recruiting and training respite care providers for families of children with emotional disturbances.

Children's Services has developed a set of outcome measures for child welfare services that rely on data from the Social Services Information System. These measures are used to evaluate child safety, permanency and system activity. Specific measures have also been developed for use with each set of grantees.

Key Measures

⇒ All kids will develop to their fullest potential.
- Percent of all children in Minnesota who are in out-of-home placements.
  - ⇒ By race/ethnicity
  - ⇒ Children in placements for protection
- For children who are removed from their homes, the average length of time before they are returned to their families or are placed in other permanent family arrangements
  - ⇒ By race/ethnicity
- Percent of children who are wards of the state who are adopted.
  - ⇒ By race/ethnicity
- Percent of children identified with disabilities or mental health needs who receive treatment and supportive services.

⇒ People will be free from abuse and neglect.
- Percent of child protection cases with a new substantiated maltreatment finding while case is open for child protection services.
  - ⇒ By race/ethnicity
- Percent of child protection cases with a new substantiated maltreatment finding within 12 months of case closure.
  - ⇒ By race/ethnicity
- Rate of substantiated abuse and neglect findings, per 10,000 state residents.

⇒ People will have access to high quality, cost effective mental, physical and chemical health care.
- Percent of children who receive mental health services while on Minnesota Health Care Programs.

⇒ People are supported in and by their community.
- Number of children under public guardianship/conservatorship.

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Program Funding

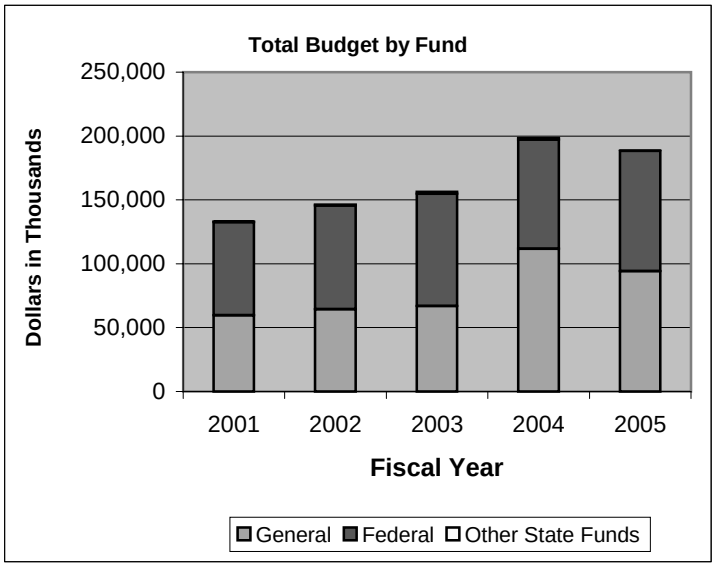
Children's Services Grants is funded primarily from appropriations from the General Fund and from federal funds.

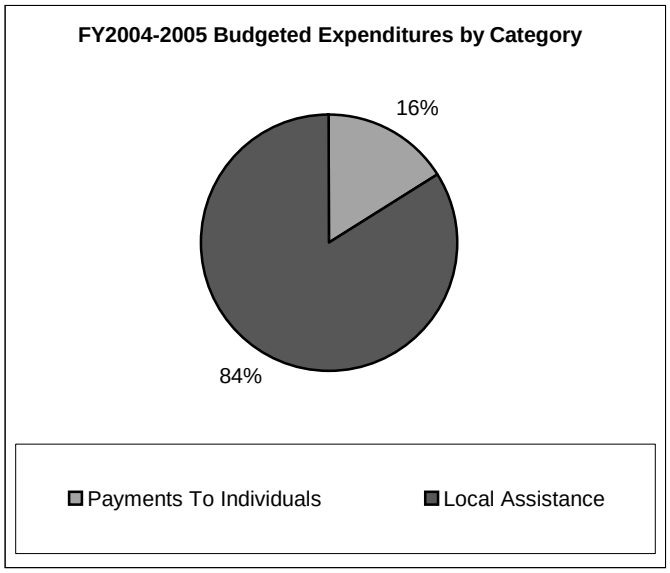
Contact

For more information about Children's Services Grants, contact:

- Assistant Commissioner Maria Gomez, (651) 297-3209
- Children's Mental Health Director Glenace Edwall, (651) 215-1382
- Family and Children's Services Director Erin Sullivan-Sutton, (651) 296-2487

Information is also available on the DHS web site: http://www.dhs.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	59,559	64,349	66,826	111,760	94,256	206,016
Federal Tanf	1,368	1,554	1,692	0	9,272	9,272
Statutory Appropriations						
Special Revenue	391	717	1,282	1,266	0	1,266
Federal	71,620	79,720	86,394	85,382	84,955	170,337
Gift	4	10	20	20	20	40
Total	**132,942**	**146,350**	**156,214**	**198,428**	**188,503**	**386,931**
Expenditures by Category						
Operating Expenses	118	67	5	0	0	0
Payments To Individuals	22,678	26,083	32,087	31,740	31,121	62,861
Local Assistance	110,146	120,200	124,122	166,688	157,382	324,070
Total	**132,942**	**146,350**	**156,214**	**198,428**	**188,503**	**386,931**
Expenditures by Activity						
Childrens Services Grants	132,942	146,350	156,214	198,428	188,503	386,931
Total	**132,942**	**146,350**	**156,214**	**198,428**	**188,503**	**386,931**

Program Description
Children's Services Management is the administrative support component of Children's Services Grants.

Population Served
As the management component, Children's Services Management serves the same children and families as Children's Services Grants. Children's Services Management works with the 87 counties, Indian tribes, local children's mental health collaboratives, non-profits, and other partners in providing services to children who are abused or neglected, in out-of-home placements, in need of adoption, under state guardianship, homeless, or have an emotional disturbance and need mental health services.

Services Provided
Children's Services Management:

- provides technical support and policy interpretation for 87 county human services agencies, non-profit and tribal agencies which deliver children and family services programs;
- provides technical assistance and administrative support for local children's mental health collaboratives in 45 counties;
- provides training and technical assistance on best practices and state and federal requirements to counties, collaboratives, and other providers of child welfare and children's mental health services;
- administers the Adoption Assistance program and reimburses counties for costs related to the Relative Custody Assistance program for children with special needs;
- maintains computer systems which support the delivery and evaluation of services to children and their families;
- assures and documents compliance with state and federal laws;
- develops statewide policy and procedures for child welfare and children's mental health services;
- conducts external reviews of county practices and monitors agency grants;
- works with other state agencies, especially the Departments of Children, Families and Learning, Corrections, and Health, to coordinate policies affecting children; and
- identifies ways children are affected by other Department of Human Services (DHS) policy changes (e.g. welfare reform) and makes recommendations about how to serve children's best interests.

Program at a Glance

- Provides administrative support to child welfare and children's mental health grants
- Develops child welfare and children's mental health policy
- Works with counties, tribes and local service collaboratives to determine best practices in child welfare and children's mental health, and to evaluate service effectiveness
- Operates the Social Services Information System (SSIS), the computer system which supports child welfare programs at the local level
- Provides training and technical assistance to direct service providers
- Monitors and implements federal actions relating to children's services

Historical Perspective
Children's Services Management has undertaken a number of initiatives to improve services for children and families in recent years. It has:

- implemented a public/private partnership to quickly find adoptive homes for children under state guardianship;
- provided leadership in developing the Local Collaborative Time Study (LCTS) as a source of funding for local children's collaboratives;
- formed a partnership with Minnesota counties to establish a statewide child welfare training system;
- implemented the Social Services Information System (SSIS), a statewide computer system that provides case management information and documentation support for children's services in Minnesota's 87 counties;
- negotiated an agreement with tribal governments in Minnesota regarding mutual roles and responsibilities in child welfare matters;
- led the expansion of federal financial participation in children's services through efforts to maximize Medical Assistance revenues for child welfare and children's mental health case management, community-based children's mental health services, and children's mental health residential treatment; and

- initiated reforms of the child protection's system response to reports of maltreatment by development of the Alternative Response program.

Throughout this period, the department has pursued constructive partnerships with Minnesota counties, school districts, and private and non-profit organizations to accomplish its mission.

Children's Services has developed a set of outcome measures for child welfare services that rely on data from the Social Services Information System. These measures are used to evaluate child safety, permanency and system activity. Specific measures have also been developed for use with each set of grantees.

Key Measures

⇒ All kids will develop to their fullest potential.
- Percent of all children in Minnesota who are in out-of-home placements.
  - ⇒ By race/ethnicity
  - ⇒ Children in placements for protection
- For children who are removed from their homes, the average length of time before they are returned to their families or are placed in other permanent family arrangements
  - ⇒ By race/ethnicity
- Percent of children who are wards of the state who are adopted.
  - ⇒ By race/ethnicity
- Percent of children identified with disabilities or mental health needs who receive treatment and supportive services.

⇒ People will be free from abuse and neglect.
- Percent of child protection cases with a new substantiated maltreatment finding while case is open for child protection services.
  - ⇒ By race/ethnicity
- Percent of child protection cases with a new substantiated maltreatment finding within 12 months of case closure.
  - ⇒ By race/ethnicity
- Rate of substantiated abuse and neglect findings, per 10,000 state residents.

⇒ People will have access to high quality, cost effective mental, physical and chemical health care.
- Percent of children who receive mental health services while on Minnesota Health Care Programs.

⇒ People are supported in and by their community.
- Number of children under public guardianship/conservatorship.

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

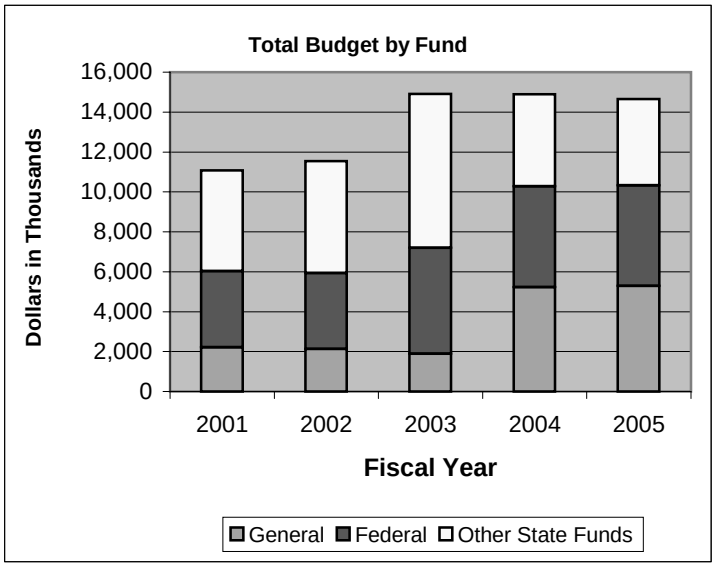
Program Funding

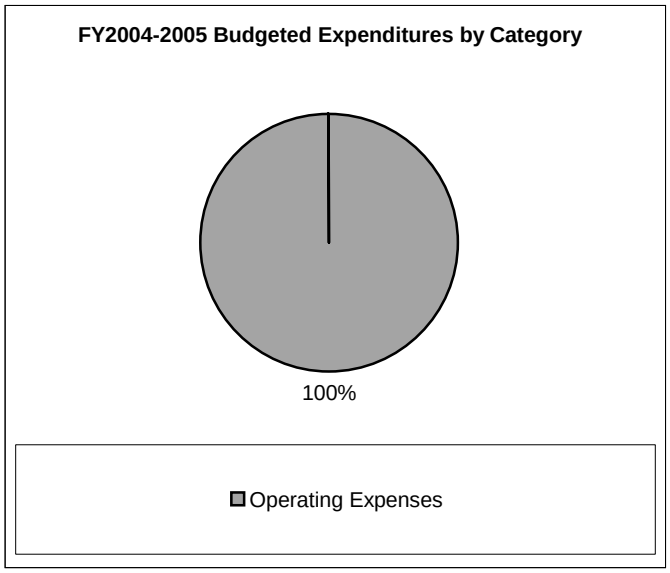
Children's Services Management is funded primarily from appropriations from the General Fund and from federal funds.

Contact

For more information about Children's Services Management, contact:
- Assistant Commissioner Maria Gomez, (651) 297-3209
- Children's Mental Health Director Glenace Edwall, (651) 215-1382
- Family and Children's Services Director Erin Sullivan-Sutton, (651) 296-2487
- Social Services Information System Director Gwen Wildermuth, (651) 772-3780

Information is also available on the DHS web site: http://www.dhs.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,209	2,125	1,890	5,221	5,283	10,504
Statutory Appropriations						
Special Revenue	5,059	5,616	7,720	4,623	4,323	8,946
Federal	3,816	3,808	5,302	5,057	5,043	10,100
Total	**11,084**	**11,549**	**14,912**	**14,901**	**14,649**	**29,550**
Expenditures by Category						
Operating Expenses	11,084	11,549	14,912	14,901	14,649	29,550
Total	**11,084**	**11,549**	**14,912**	**14,901**	**14,649**	**29,550**
Expenditures by Activity						
Childrens Services Management	11,084	11,549	14,912	14,901	14,649	29,550
Total	**11,084**	**11,549**	**14,912**	**14,901**	**14,649**	**29,550**
Full-Time Equivalents (FTE)	**111.3**	**117.3**	**122.3**	**122.3**	**122.3**	

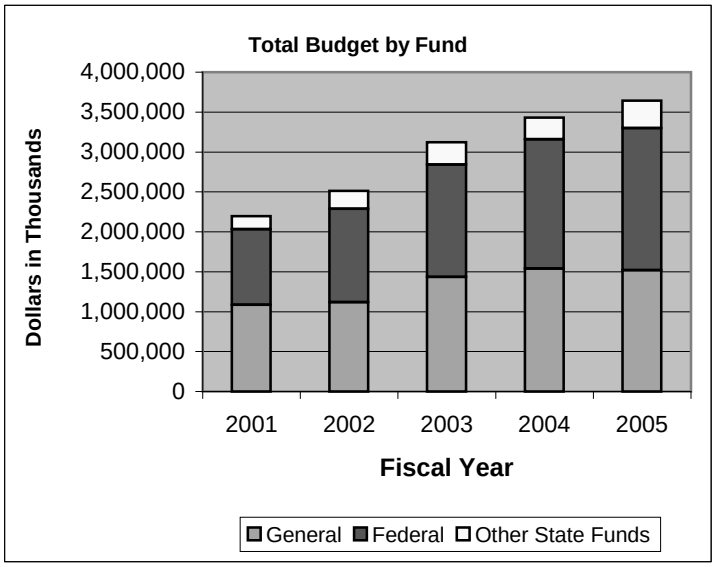
Program Description

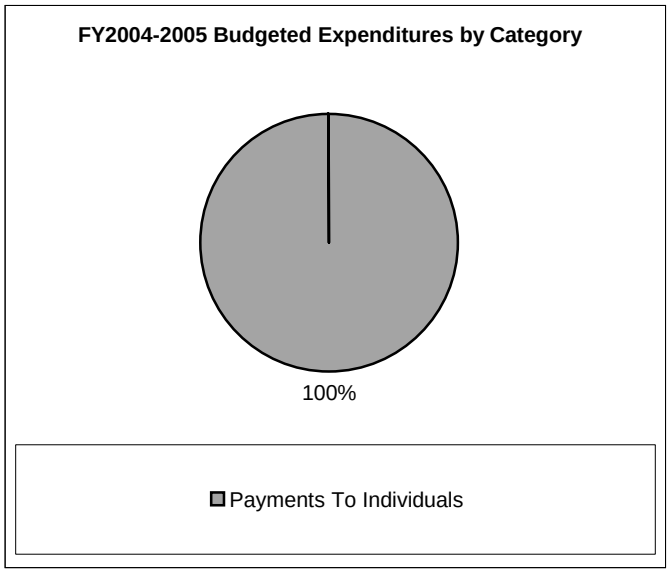
Basic Health Care Grants purchase preventive and primary health care services, such as physician services, medications, and dental care for low-income families with children, elderly and people with disabilities. More than 500,000 Minnesotans receive health care assistance through this grant area each year.

Federal Medicaid is the largest single source of federal funding in the Minnesota budget and supports activity throughout the DHS budget. Within the Basic Health Care Grants program area, federal Medicaid funding supports MinnesotaCare Grants, MA Basic Health Care Grants-Families and Children, and MA Basic Health Care Grants-Elderly and Disabled. Within the Continuing Care Grants program area, federal Medicaid funding supports MA Long Term Care Waivers and Home Care Grants and MA Long Term Care Facilities Grants.

Budget Activities Included:

⇒ MinnesotaCare Grants
⇒ MA Basic Health Care Grants – Families and Children
⇒ MA Basic Health Care Grants – Elderly and Disabled
⇒ General Assistance Medical Care Grants
⇒ Health Care Grants – Other Assistance
⇒ Prescription Drug Program





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,015,601	1,108,999	1,395,062	1,490,406	1,465,637	2,956,043
Health Care Access	140,871	194,624	253,009	243,539	313,877	557,416
Statutory Appropriations						
General	70,542	10,426	41,293	47,290	52,481	99,771
Health Care Access	22,585	27,700	23,292	28,358	31,853	60,211
Special Revenue	115	1,437	3,216	1,186	1,136	2,322
Federal	947,641	1,169,476	1,406,738	1,619,609	1,780,136	3,399,745
Total	**2,197,355**	**2,512,662**	**3,122,610**	**3,430,388**	**3,645,120**	**7,075,508**
Expenditures by Category						
Operating Expenses	406	559	687	687	687	1,374
Payments To Individuals	2,026,683	2,501,034	3,116,426	3,425,495	3,640,171	7,065,666
Local Assistance	170,266	11,069	5,497	4,206	4,262	8,468
Total	**2,197,355**	**2,512,662**	**3,122,610**	**3,430,388**	**3,645,120**	**7,075,508**
Expenditures by Activity						
Minnesotacare Grants	239,979	347,848	433,206	462,023	563,310	1,025,333
Ma Basic Hc Grants-F&C	928,539	918,478	1,184,564	1,323,372	1,391,298	2,714,670
Ma Basic Hc Grants-E&D	880,564	1,050,032	1,233,101	1,397,136	1,553,291	2,950,427
Gamc Grants	134,724	182,219	253,683	228,293	115,756	344,049
Hc Grants-Other Assistance	8,814	8,952	9,549	8,928	8,748	17,676
Prescription Drug Program	4,735	5,133	8,507	10,636	12,717	23,353
Total	**2,197,355**	**2,512,662**	**3,122,610**	**3,430,388**	**3,645,120**	**7,075,508**

Activity Description

MinnesotaCare Grants pay for health care services for Minnesotans who do not have access to affordable health insurance. There are no health condition barriers, but applicants must meet income and other program guidelines to qualify. Enrollees pay a premium based on income.

Activity at a Glance

- Purchases health care for approximately 144,000 enrollees.
- Assists low-income, working families and adults who cannot afford health insurance.
- Invests in preventive health care that makes Minnesota one of the healthiest states in the country.
- Supports families transitioning from welfare to work.

Population Served

Enrollees typically are working families and people who do not have access to affordable health insurance and whose income exceeds the limits for Medical Assistance and General Assistance Medical Care:

- Children, parents with children under 21, and pregnant women must have household incomes at or below 275% of the federal poverty guidelines (FPG). In FY 2002, an average of 115,000 people were enrolled in these categories.
- Adults (over 21) without children must have household incomes at or below 175% FPG. In FY 2002, an average of 29,000 people were enrolled in this category.
- Except for certain low-income children, applicants are not eligible if they have other health insurance (including Medicare) or have had other insurance within the past four months.

Income as a percent of federal poverty guidelines (FPG)	Approximate percent of MinnesotaCare households July 2002
≤ 100	38%
101% - 150%	33%
151% - 175%	12%
176% - 200%	7%
201% - 275%	9%
>275%	1%

The average enrollee premium for FY 2002 was $22 per person per month. The premium for some low-income children is as little as $4 per month.

Adults (except pregnant women) must also meet asset limits. A household size of one can own up to $15,000 in assets; a household size of two or more can own up to $30,000. Some assets, like homestead property and burial funds, are not counted.

Services Provided

MinnesotaCare pays for many basic health care services. Department of Human Services (DHS) contracts with managed care health plans to provide services. Covered services include:

- ambulance (emergency use only for non-pregnant adults);
- chemical dependency treatment;
- chiropractic care;
- doctor and health clinic visits;
- dental services for children to age 21 and pregnant women; preventive dental care (teeth cleaning, X-rays, oral exams) for others; extended dental in some cases;
- emergency room services;
- eye checkups and prescription eyeglasses (some restrictions apply);
- home care such as a nurse visit or home health aide;
- hospice care;
- immunizations;

- laboratory and X-ray services;
- medical equipment and supplies;
- mental health services;
- most prescription drugs;
- rehabilitative therapy; and
- hospitalization
  - ⇒ no dollar limit for children under 21 and pregnant women;
  - ⇒ no dollar limit for adults who have a child under 21 in their home whose income is equal to or less than 175% FPG; and
  - ⇒ all other adults have a $10,000 limit per year.

Children under 21 and pregnant women also have coverage for the following services:
- personal care attendant services;
- nursing home or intermediate care facilities;
- private duty nursing;
- non-emergency medical transportation; and
- case management services.

Historical Perspective

MinnesotaCare was enacted by the 1992 Minnesota Legislature to provide health care coverage to low-income people who do not have access to affordable health care coverage.

The program was implemented in October 1992 as an expansion of the Children's Health Plan. (The Children's Health Plan began in July 1988 and provided comprehensive outpatient health care coverage for children ages 1 through 17.) MinnesotaCare initially covered families with children whose income was at or below 185% of FPG. In January 1993, the program was expanded to cover families with children whose income was at or below 275% of FPG. In October 1994, MinnesotaCare became available to adults without children whose income was at or below 125% of FPG. The income guideline for adults without children was raised to 135% of FPG in July 1996, and again to 175% of FPG one year later.

The MinnesotaCare program received a boost in FY 2002 after the federal government agreed to give Minnesota access to its federal State Children's Health Insurance Program (S-CHIP) funds, a program created by Congress in 1997 to help states cover more low-income children. Minnesota had been unable to receive S-CHIP funding because MinnesotaCare provided health care coverage to low-income families and children prior to the enactment of S-CHIP. Beginning in FY 2002, the state receives federal funding based on state spending for parents in MinnesotaCare.

Key Measures

⇒ Adults who can work will and all people will have an adequate income and other supports to be self-reliant.
- Percent of people who are working and have health coverage – by race/ethnicity

⇒ People will have access to high quality, cost effective mental, physical and chemical health care.
- Percent of people who are insured
  - ⇒ children under 18 – by race/ethnicity and other know disparate groups
  - ⇒ all Minnesotans – by race/ethnicity and other known disparate groups

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

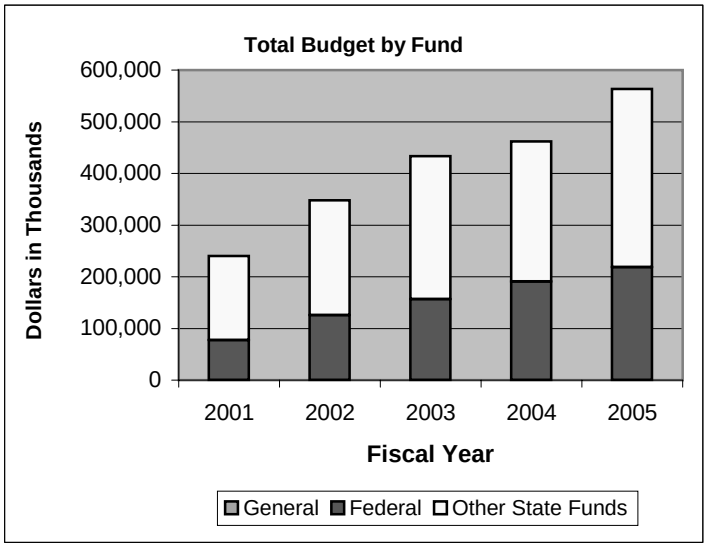
MinnesotaCare Grants is funded from appropriations from the Health Care Access Fund, from federal Medicaid funds, and from enrollee premiums.

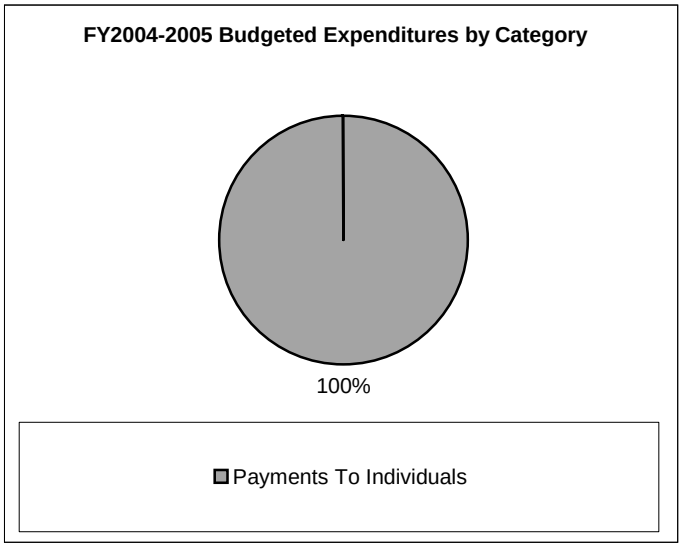
Contact

For more information on MinnesotaCare Grants, contact:

- Assistant Commissioner for Health Care Brian Osberg, (651) 284-4388
- Health Care Eligibility and Access Director Kathleen Henry, (651) 296-8818
- Purchasing and Service Delivery Acting Director Kathleen Cota, (651) 215-0125

Information is also available on the DHS web site: http://www.dhs.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Health Care Access	140,004	194,624	253,009	242,789	313,127	555,916
Statutory Appropriations						
Health Care Access	22,292	27,700	23,292	28,358	31,853	60,211
Federal	77,683	125,524	156,905	190,876	218,330	409,206
Total	**239,979**	**347,848**	**433,206**	**462,023**	**563,310**	**1,025,333**

Expenditures by Category						
Payments To Individuals	239,979	347,848	433,206	462,023	563,310	1,025,333
Total	**239,979**	**347,848**	**433,206**	**462,023**	**563,310**	**1,025,333**

Activity Description

Medical Assistance (MA) Basic Health Care Grants–Families and Children purchase health care services for the poorest Minnesotans, making it an important health care safety net. It is distinguished from MinnesotaCare in a number of ways – its income guidelines are lower, it does not have premiums, and it pays retroactively for medical bills incurred.

Activity at a Glance

- Purchases preventive and primary health care for 263,000 people (FY 2002).
- Acts as a safety net health care program for the lowest income Minnesotans.
- Is the state's largest publicly funded health care program.

Population Served

Local county agencies determine eligibility for MA within federal and state guidelines. MA Basic Health Care Grants–Families and Children serve:

- pregnant women with income at or below 275% of the federal poverty guidelines (FPG);
- infants under age two with income at or below 280% of the FPG;
- children ages two through 18 at or below 170% of the FPG; and
- parents, relative caretakers, and children ages 19 and 20 at or below 100% of the FPG.

Families and children with income over the MA limits may qualify through a spend-down provision if incurred medical bills exceed the difference between income and 100% of the FPG.

Adults (except pregnant women) must also meet asset limits. A household size of one can own up to $15,000 in assets; a household size of two or more can own up to $30,000. Some assets, like homestead property and burial funds, are not counted.

Enrollees who become ineligible for MA because of increased earned income or child/spousal maintenance may be eligible for transitional MA for four to 12 months.

MA provides retroactive coverage for medical bills incurred up to three months before the date of application.

Services Provided

The department purchases most services for this population through capitated rate contracts with health plans. In most areas of the state, MA parents and children have multiple health plans from which to choose.

MA basic health care services include:

- physician services;
- ambulance and emergency room services;
- lab and X-ray;
- rural health clinics;
- chiropractic services;
- early periodic screening, diagnosis, and treatment;
- mental health, alcohol and drug treatment;
- inpatient and outpatient hospital care;
- eyeglasses and eye care;
- immunizations;
- medical transportation, supplies and equipment;
- prescription medications; and
- dental care.

Historical Perspective

In 1966—less than a year after Congress established the Medicaid program under Title XIX of the Social Security Act—Minnesota began receiving federal marching funds for the state's Medical Assistance program. In 1998, federal matching funds were appropriated by Congress for the State-Children's Health Insurance Program (SCHIP) under Title XXI of the Social Security Act. In 1999, Minnesota began receiving SCHIP funds for coverage provided to some low-income children enrolled in Medical Assistance and later for other health care expenditures as well.

By accepting federal marching funds, states are subjects to federal regulations concerning program administration, but have certain options concerning coverage of groups and services and provider reimbursement rates.

With changes to federal Medicaid requirements, Minnesota's Medical Assistance program has expended since the mid-1980s. The expansions have focused primarily on low-income, uninsured or under-insured children, as well as eligibility changes to better support seniors and people with disabilities in their own home or in small, community-based settings.

The most recent eligibility expansions in this grant area occurred on 7-1-02. The income limit for children was increased for children ages two through 18 to 170% of the federal poverty guideline (FPG). The previous standards were 133% of FPG for children ages two through five and 100% of FPG for children six through 18. This increased limit means that younger children will no longer lose MA when they turn six, and children of various ages in the same family will be able to have the same coverage. The other change included an increase in the income limit for low-income parents who were not participating in the Minnesota Family Investment Program, from approximately 69% of FPG to 100% of FPG.

Minnesota's investments in access to health care, such as those in Medical Assistance, are one reason that the United Health Foundation, a group of leading public health scholars, ranked Minnesota the healthiest state in 2001.

Since the 1970s, Minnesota's approach to purchasing basic health care benefits under Medical Assistance has evolved from strictly fee-for-service to increased use of more contracts with health plans to deliver care for a fixed or "capitated" amount per person. Purchasing with capitated contracts provides more incentive for cost-effective and coordinated care and access to the same health care providers as the general public.

Key Measures

⇒ Adults who can work will and all people will have an adequate income and other supports to be self-reliant.
- ♦ Percent of people who are working and have health coverage – by race/ethnicity

⇒ People will have access to high quality, cost effective mental, physical and chemical health care.
- ♦ Percent of people who are insured
  - ⇒ children under 18 – by race/ethnicity and other known disparate groups
  - ⇒ all Minnesotans – by race/ethnicity and other known disparate groups
- ♦ Percent of children and adults who receive mental health services while on Minnesota Health Care Programs.
- ♦ Percent of children in Minnesota Health Care programs and commercial managed care programs who received a preventive health care service – by age group (e.g., 0-3, 3-6).

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

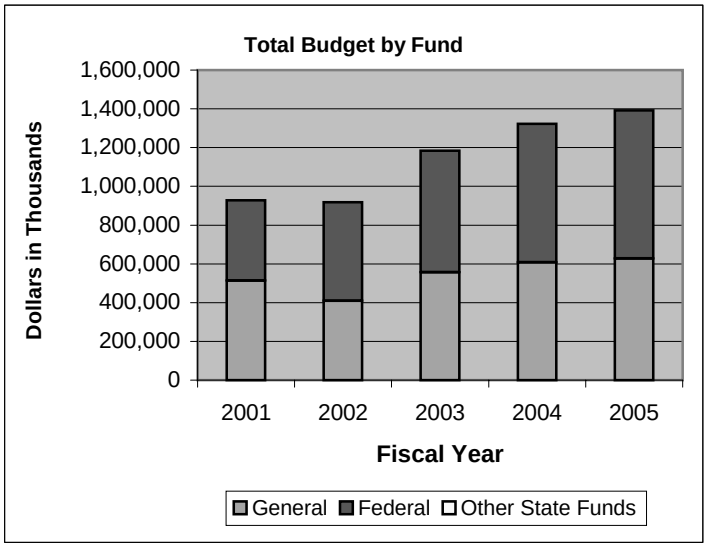
MA Basic Health Care Grants–Families and Children is funded with appropriations from the General fund and federal Medicaid funds.

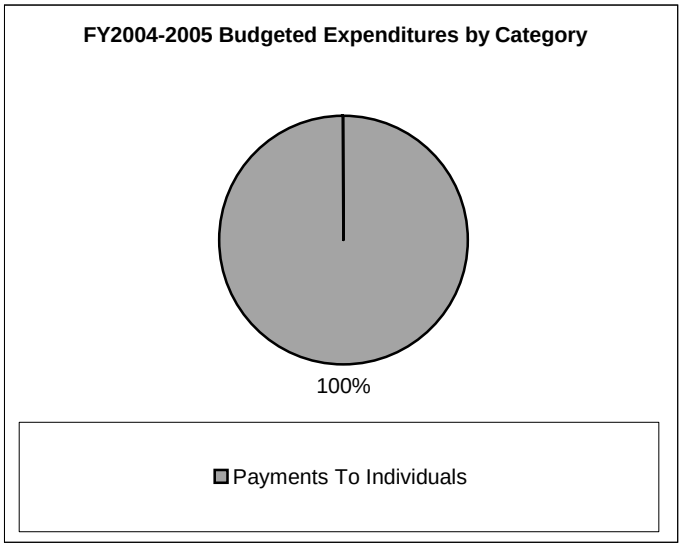
Contact

For more information about MA Basic Health Care Grants–Families and Children, contact:

- Assistant Commissioner for Health Care Brian Osberg, (651) 284-4388
- Health Care Eligibility and Access Director Kathleen Henry, (651) 296-8818
- Purchasing and Service Delivery Acting Director Kathleen Cota, (651) 215-0125
- State Medicaid Director Mary B. Kennedy, (651) 297-7515

Information is also available on the DHS web site: http://www.dhs.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	487,025	398,305	514,571	560,470	574,389	1,134,859
Statutory Appropriations						
General	26,312	10,426	41,288	47,285	52,476	99,761
Federal	415,202	509,747	628,705	715,617	764,433	1,480,050
Total	**928,539**	**918,478**	**1,184,564**	**1,323,372**	**1,391,298**	**2,714,670**

Expenditures by Category						
Payments To Individuals	763,708	912,202	1,184,564	1,323,372	1,391,298	2,714,670
Local Assistance	164,831	6,276	0	0	0	0
Total	**928,539**	**918,478**	**1,184,564**	**1,323,372**	**1,391,298**	**2,714,670**

Activity Description

Medical Assistance (MA) Basic Health Care Grants–Elderly and Disabled program purchase preventive and primary health care services for Minnesota's low-income elderly (65 years or older), blind people and people with disabilities. These funds also help many low-income Minnesotans pay Medicare premiums and co-payments.

Activity at a Glance

- Purchases health care for approximately 51,000 elderly Minnesotans and 81,000 people with disabilities (FY 2002 average).
- Helps 6,200 elderly and 1,400 people with disabilities pay Medicare premiums and co-payments (FY 2002 average).

Population Served

Local county agencies determine eligibility for MA within federal and state guidelines. Minnesotans eligible for full MA coverage include:

- elderly and disabled people who have income at or below 100% of the federal poverty guidelines (FPG) (by family size); and
- people with income over the MA limit who may qualify if their incurred medical bills exceed the difference between their income and the spend-down standard of 75% of the FPG (by family size).

The asset limit is $3,000 for a single person and $6,000 for a couple. Some assets like homestead property and burial funds are not counted.

MA provides coverage for medical bills incurred up to three months before date of application.

Additionally, several thousand Minnesotans receive help paying Medicare costs only, rather than comprehensive MA coverage. For Medicare enrollees with income at or below 100% of the FPG, MA covers all Medicare cost-sharing including premiums. For Medicare enrollees with income between 100% and 120% FPG, MA covers the Medicare Part B premium. Medicare enrollees with income between 120% and 135% FPG receive coverage of the Part B premium only through 12-31-02. Higher asset limits apply to these enrollees.

About 10% of MA enrollees with disabilities receive full MA coverage under the Medical Assistance for Employed Persons with Disabilities (MA-EPD) program. To be eligible for MA-EPD, an individual must:

- be certified disabled by either the Social Security Administration or the State Medical Review Team;
- be employed, and at least 16 but under 65 years of age;
- meet the $20,000 asset limit; and
- pay a premium, if the enrollee's earned and unearned monthly income equals or exceeds 100% of FPG for their family size.

As of June 2002, about three-fourths of enrollees paid premiums, averaging $42 per month. A majority of enrollees had earned gross income of less than $800 per month.

Services Provided

Department of Human Services (DHS) purchases services for people with disabilities and some elderly. MA basic health care services include:

- physician services;
- ambulance and emergency room services;
- lab and X-ray;
- rural health clinics;
- chiropractic services;
- early periodic screening, diagnosis, and treatment;
- mental health, alcohol and drug treatment;
- inpatient and outpatient hospital care;
- eyeglasses and eye care;
- immunizations;

- medical supplies and equipment;
- prescription medications;
- dental care; and
- medical transportation.

MA coverage of long-term care services, such as nursing home and home care services, are funded through the Continuing Care portion of the department's budget.

Historical Perspective

Medical Assistance has long served as a health care safety net for people with disabilities and elderly residents who have low income or have medical expenses that can be used to reduce income to the income limit. For many, MA acts as a supplement to Medicare, helping low-income Medicare enrollees pay premiums and co-payments.

In 1966—less than a year after Congress established the Medicaid program under Title XIX of the Social Security Act—Minnesota began receiving federal matching funds for the state's Medical Assistance program. By accepting federal marching funds, states are subjects to federal regulations concerning program administration, but have certain options concerning coverage of groups and services and provider reimbursement rates.

Prior to 2001, the income limits for most MA elderly and disabled were about 69% of the FPG.

In July 1999, Minnesota added the Medical Assistance for Employed Persons with Disabilities (MA-EPD) program that allows people with disabilities to earn income and still qualify for, or buy into, MA. Enrollment in the program leveled out in the first half of 2002, with about 5,840 people as of June 2002. Nearly 90% of enrollees have Medicare as their primary health care coverage, while MA-EPD covers additional services such as prescription drugs and personal care services.

Minnesota's investments in access to health care, such as those in Medical Assistance, are one reason that the United Health Foundation, a group of leading public health scholars, ranked Minnesota the healthiest state in 2001.

Since the 1970s, Minnesota's approach to purchasing basic health care benefits for seniors enrolled in Medical Assistance has evolved from strictly fee-for-service to increased use of more contracts with health plans to deliver care for a fixed or "capitated" amount per person. Purchasing with capitated contracts provides more incentive for cost-effective and coordinated care and access to the same health care providers as the general public.

Key Measures

⇒ Adults who can work will and all people will have an adequate income and other supports to be self-reliant.
  - Percent of people who are working and have health coverage—by race and ethnicity.

⇒ People will have access to high quality, cost effective mental, physical and chemical health care.
  - Percent of people who are insured
    - ⇒ children under 18 – by race/ethnicity and other known disparate groups
    - ⇒ all Minnesotans – by race/ethnicity and other known disparate groups
  - Percent of eligible elderly and disabled Medicare beneficiaries enrolled in public or private Medicare supplement programs.
    - ⇒ percent of eligible elderly and disabled enrolled in the Prescription Drug program
    - ⇒ percent of elderly and disabled with prescription drug coverage

⇒ People will be able to control their own lives.
  - Persons on MA residing in institutional settings

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

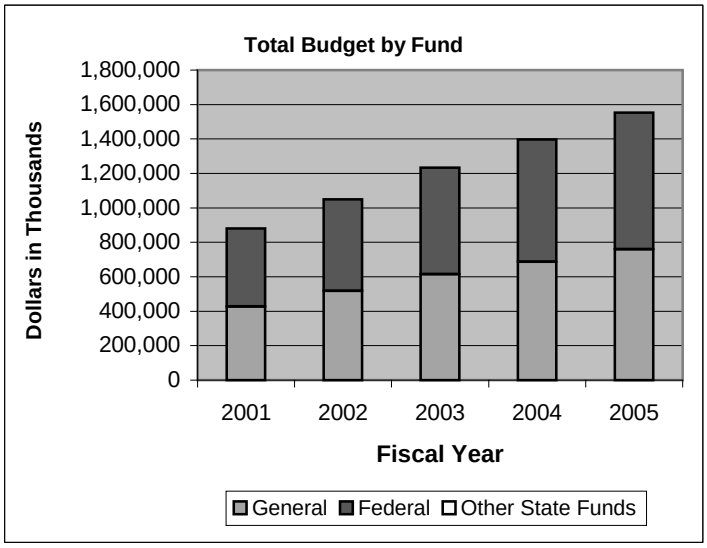
MA Basic Health Care Grants–Elderly and Disabled is funded from appropriations from the General Fund and from federal Medicaid funds.

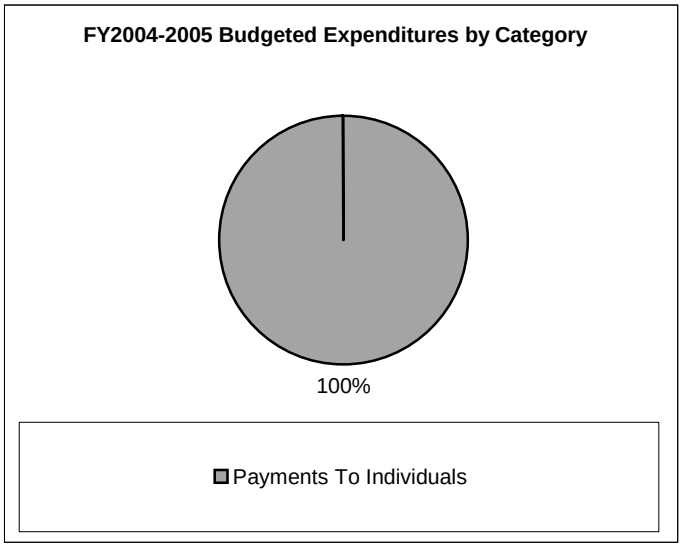
Contact

For more information about MA Basic Health Care Grants–Elderly and Disabled, contact:

- Assistant Commissioner for Health Care Brian Osberg, (651) 284-4388
- Health Care Eligibility and Access Director Kathleen Henry, (651) 296-8818
- Purchasing and Service Delivery Acting Director Kathleen Cota, (651) 215-0125
- State Medicaid Director Mary B. Kennedy, (651) 297-7515

Information is also available on the DHS web site: http://www.dhs.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	384,941	519,098	614,897	687,945	759,657	1,447,602
Statutory Appropriations						
General	43,128	0	0	0	0	0
Federal	452,495	530,934	618,204	709,191	793,634	1,502,825
Total	**880,564**	**1,050,032**	**1,233,101**	**1,397,136**	**1,553,291**	**2,950,427**
Expenditures by Category						
Payments To Individuals	880,564	1,050,032	1,233,101	1,397,136	1,553,291	2,950,427
Total	**880,564**	**1,050,032**	**1,233,101**	**1,397,136**	**1,553,291**	**2,950,427**

Activity Description

General Assistance Medical Care (GAMC) Grants pay for medical care for low-income Minnesotans who are ineligible for Medical Assistance (MA) or other state or federal health care programs–-primarily low-income adults between the ages of 21 and 64 who do not have dependent children.

Activity at a Glance

- Pays for preventive and primary health care for approximately 30,000 Minnesotans not eligible for either MinnesotaCare or Medical Assistance.
- Serves primarily low-income adults without children.

Population Served

Local county agencies determine eligibility for GAMC within state guidelines. GAMC serves:

- primarily single adults with no earned income between ages 21 and 64 who do not have dependent children;
- people receiving General Assistance (GA) cash grants;
- some residents of facilities, such as Institutions for Mental Diseases (IMDs), treatment facilities and adult foster care homes;
- undocumented people who are under 18, over 65, blind, or have a disability; and
- people receiving services from the Center for Victims of Torture.

Eligibility criteria include:

- household income may not exceed 75% of the federal poverty guidelines (FPG), except that people with incomes over this limit may qualify if their incurred medical bills exceed the difference between their income and this limit; and
- enrollees may not have more than $1,000 in assets, although some assets like homestead property and burial funds are not counted.

Other people may be eligible through a spend down if their medical bills exceed the difference between their income and the GAMC income limit.

Retroactive coverage is available for medical bills incurred one month prior to date of application.

Services Provided

Department of Human Services (DHS) purchases services for over half of this population through capitated rate contracts with health plans.

Services provided under GAMC include:

- inpatient and outpatient hospital care;
- drugs and medical supplies;
- physician services;
- immunizations;
- hearing aids;
- alcohol and drug treatment;
- medical equipment and supplies;
- prosthetics;
- emergency-room services;
- dental care;
- chiropractic services;
- medical transportation;
- eye exams and eyeglasses; and
- public health nursing services.

GAMC does not cover:

- artificial or in-vitro insemination, fertility drugs;
- cosmetic surgery;
- missed appointments;
- nursing home, hospice, or home health care;
- physical, occupational, or speech therapy, audiology; or
- pregnancy and related services.

Historical Perspective

The legislature established the state-funded GAMC program in 1976.

GAMC paid for the same broad range of medical services as MA until 1981. In 1981, coverage was restricted to seven major services: inpatient hospital care, outpatient hospital care, prescription drugs, physician services, medical transportation, dental care, and community mental health center day treatment. Since then, many services have been added back into coverage.

In 1989, provisions were added that make a person who gives away certain property ineligible for GAMC for a designated penalty period. In 1995, the time during which such transfers are examined was increased from 30 to 60 months prior to application.

Through 1990, the state paid 90% of the costs and counties paid 10%. Beginning in 1991, the state began reimbursing the 10% county share.

Key Measures

⇒ People will have access to high quality, cost effective mental, physical and chemical health care.
- Percent of people who are insured.
  - ⇒ children under 18 – by race/ethnicity and other disparate groups
  - ⇒ all Minnesotans – by race/ethnicity and other disparate groups

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

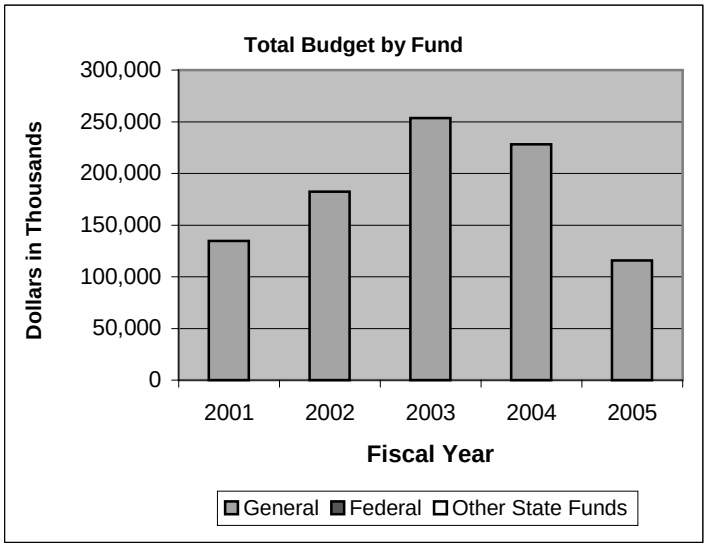
Activity Funding

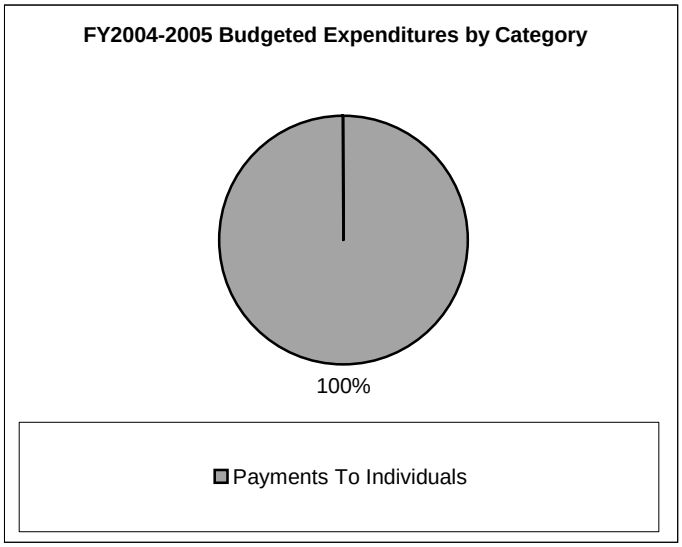
General Assistance Medical Care Grants is funded from appropriations from the General Fund.

Contact

For more information on General Assistance Medical Care Grants, contact:
- Assistant Commissioner for Health Care Brian Osberg, (651) 284-4388
- Health Care Eligibility and Access Director Kathleen Henry, (651) 296-8818
- Purchasing and Service Delivery Acting Director Kathleen Cota, (651) 215-0125

Information is also available on the DHS web site: http://www.dhs.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	134,724	182,219	253,683	228,293	115,756	344,049
Total	**134,724**	**182,219**	**253,683**	**228,293**	**115,756**	**344,049**

Expenditures by Category						
Payments To Individuals	134,724	182,219	253,683	228,293	115,756	344,049
Total	**134,724**	**182,219**	**253,683**	**228,293**	**115,756**	**344,049**

Activity Description

Health Care Grants-Other Assistance contains four elements:

- HIV/AIDS grants providing a menu of services specifically for HIV-infected people to prevent or delay enrollment in the Medical Assistance (MA) or General Assistance Medical Care (GAMC) programs;
- County Prepaid Medical Assistance (PMAP) grants defraying the administrative costs of both educating MA and GAMC enrollees about PMAP and enrolling them with a health plan;
- Community Dental grants improving access to dental care for MinnesotaCare, MA, and GAMC enrollees; and
- Minnesota Health Care Program Outreach educating people about the importance of having health insurance coverage and how to access preventive health care and assisting eligible people to enroll in Minnesota's publicly-funded health care programs.

Activity at a Glance

- In FY 2000, HIV/AIDS programs helped:
  - ⇒ 750 people pay for prescription drugs;
  - ⇒ 766 people pay insurance costs;
  - ⇒ 583 people with dental services;
  - ⇒ 815 people with nutritional services; and
  - ⇒ 981 people with case management services.
- 69 counties are eligible to utilize County PMAP grants of about $1.5 million per year.
- In FY 2003, Community Dental Clinic grants will be awarded totaling $800,000.
- Since 1997, over 40,000 people have been enrolled in a health care program by agencies funded by Minnesota Health Care Program Outreach grants.

Population Served

HIV/AIDS programs serve people living with HIV who have income under 300% of the federal poverty guideline (FPG) and cash assets under $25,000.

MA and GAMC enrollees in 69 Minnesota counties participate in PMAP. Those counties are eligible to receive PMAP grants.

While Community Dental grants are awarded to support new clinics and expanded clinics generally serving people on publicly-funded programs, special emphasis has been placed on serving enrollees with developmental disabilities and on workforce development.

Minnesota Health Care Program Outreach grants are targeted toward reaching people eligible for, but not enrolled, in MA, GAMC, or MinnesotaCare.

Services Provided

HIV/AIDS programs assist enrollees with:

- the patient's portion of the cost of HIV-related medications;
- premiums to keep people enrolled in their private insurance;
- counseling about options for third-party coverage;
- dental services;
- up to $50 per month of the cost of enteral nutrition; and
- case management through community-based vendors at a number of locations.

County PMAP grants defray the cost of PMAP administration including:

- education;
- advocacy; and
- outreach for county residents.

Community Dental Clinic grants increase access to dental care.

Minnesota Health Care Programs Outreach grants:

- educate people about the importance of having and maintaining health insurance coverage;

- assist Minnesotans in enrolling in publicly funded health care programs;
- provide ongoing support to keep people and families enrolled; and
- educate uninsured people and families on accessing preventive health care.

Historical Perspective

The HIV/AIDS program began in 1987. An important element in its creation was the desire to keep private insurance policies in place for HIV+ people and at the same time provide access to a limited scope of additionally needed services and products. The program currently serves more than 1,500 people. The number of people living with HIV in Minnesota has increased as new people are infected and those already infected are living longer. Epidemiological studies show that people contracting HIV are increasingly likely to be poor, women, people of color, and people with more complex needs and fewer resources who require more assistance. Continually evolving treatments and research make HIV an ever-changing and complex disease to manage. To make access to services more streamlined at the state level, in 2001, responsibility for case management of services to people with HIV was consolidated at DHS.

Community Dental Grants were first approved by the legislature for FY 2000-01 to address concerns about lack of access to dental care for enrollees in MA, GAMC, and MinnesotaCare. Approximately $1.4 million has been spent on grant awards targeted toward particular populations and geographic areas.

Key Measures

⇒ People will have access to high quality, cost effective mental, physical and chemical health care.
- Percent of people who are insured.
  - ⇒ children under 18 – by race/ethnicity and other disparate groups
  - ⇒ all Minnesotans – by race/ethnicity and other disparate groups

⇒ People will be able to control their own lives.
- Persons participating in consumer directed options

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

Health Care Grants-Other Assistance is funded from appropriations from the General Fund and Health Care Access Fund and from federal funds.

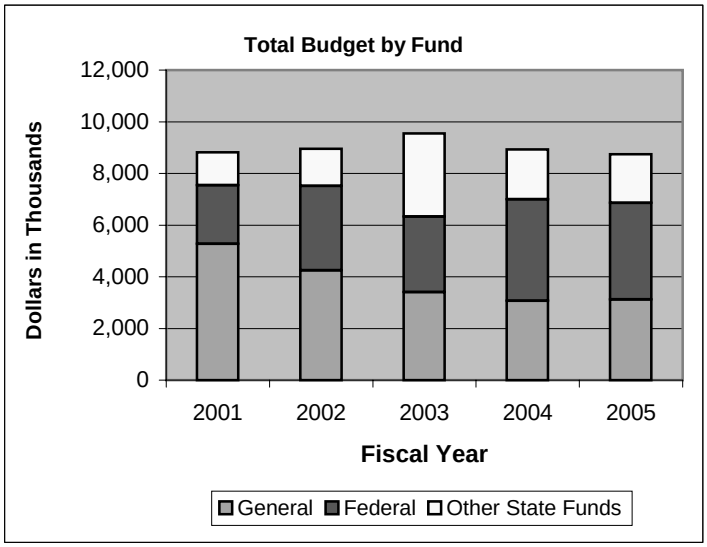
Contact

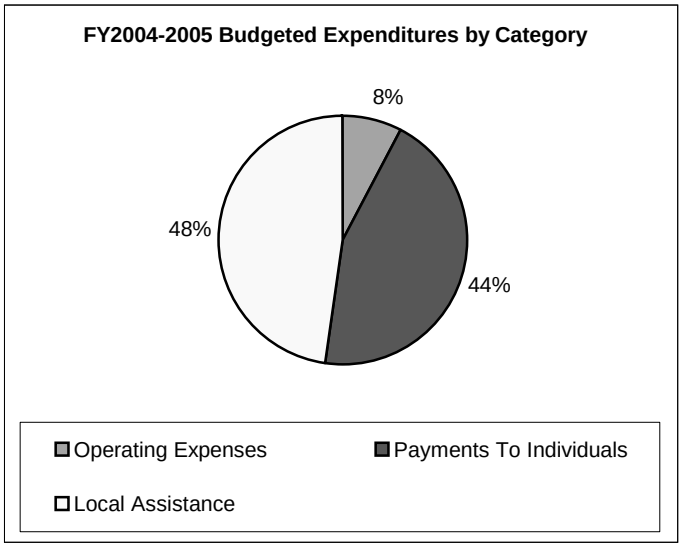
For more information on Health Care Grants-Other Assistance, contact:
- Assistant Commissioner for Health Care Brian Osberg, (651) 284-4388
- Health Care Eligibility and Access Director Kathleen Henry, (651) 296-8818
- Purchasing & Service Delivery Acting Director Kathleen Cota, (651) 297-3200
- Director of HIV/AIDS Services James R. Huber, (651) 582-1806

Information is also available on the DHS web site: http://www.dhs.state.mn.us.

HUMAN SERVICES DEPT
Program: BASIC HEALTH CARE GRANTS
Activity: HC GRANTS-OTHER ASSISTANCE

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,176	4,244	3,409	3,067	3,123	6,190
Health Care Access	867	0	0	750	750	1,500
Statutory Appropriations						
General	1,102	0	0	0	0	0
Health Care Access	293	0	0	0	0	0
Special Revenue	115	1,437	3,216	1,186	1,136	2,322
Federal	2,261	3,271	2,924	3,925	3,739	7,664
Total	**8,814**	**8,952**	**9,549**	**8,928**	**8,748**	**17,676**

Expenditures by Category						
Operating Expenses	406	559	687	687	687	1,374
Payments To Individuals	2,973	3,600	3,365	4,035	3,799	7,834
Local Assistance	5,435	4,793	5,497	4,206	4,262	8,468
Total	**8,814**	**8,952**	**9,549**	**8,928**	**8,748**	**17,676**

Activity Description

The Prescription Drug Program (PDP) pays for medications for Medicare beneficiaries who do not have prescription drug coverage. The program is state funded and rebates received from drug manufacturers help reduce costs. The PDP is not an entitlement. Assistance is provided as long as program costs do not exceed appropriated funds and rebate proceeds.

Activity at a Glance

- Pays for prescription drugs for Medicare beneficiaries who do not qualify for Medical Assistance and have incomes at or below 120% of the federal poverty guideline.
- Assists approximately 5,500 people a month.

Population Served

Elderly and disabled Medicare beneficiaries, who have income at or below 120% of the federal poverty guideline (FPG) by family size and do not qualify for Medical Assistance (MA) without a spend-down, may be eligible for the PDP. PDP enrollees must be Minnesota residents for at least six months and not have had prescription drug coverage within four months of applying.

The asset limit is $10,000 for a single person and $18,000 for a family of two or more. Some assets like homestead property and burial funds are not counted.

Services Provided

The PDP pays for most prescription drugs after enrollees pay the first $35 per month (per person).

Historical Perspective

Originally called the Senior Drug Program (SDP), the program started on 1-1-99, covering Medicare beneficiaries age 65 and older whose income did not exceed 120% of the FPG. The asset limit was $4,000 for a single person and $6,000 for a family of two or more. Enrollees were required to pay an annual enrollment fee of $120 and a monthly deductible of $25 (per person). Drugs covered in the SDP were the same as those covered in the MA program.

Effective 7-1-99, the annual enrollment fee was eliminated and the monthly deductible was increased to $35. At the same time, coverage was limited to those drugs covered by a rebate contract between the state and drug companies.

On 7-1-2000, the name of the program was changed to the PDP. Starting 10-1-2000, the asset limit for the program increased to $10,000 for a single person and $18,000 for a family of two or more. On 7-1-02, the program expanded to cover Medicare beneficiaries, under age 65 who have disabilities and incomes at or below 100% of the FPG.

A 2001 legislative expansion of the program to include elderly with income between 120% and 135% of FPG was delayed from 1-1-02 to 7-1-03 due to a shortfall in the initial 2002-03 appropriation.

Key Measures

⇒ People will have access to high quality, cost effective mental, physical and chemical health care.
- Percent of eligible elderly and disabled Medicare beneficiaries enrolled in public or private Medicare supplement programs
  - ⇒ percent of eligible elderly and disabled enrolled in the PDP
  - ⇒ percent of elderly and disabled with prescription drug coverage

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

The PDP is funded from appropriations from the General Fund; costs are reduced by negotiated rebates from drug manufacturers.

Contact

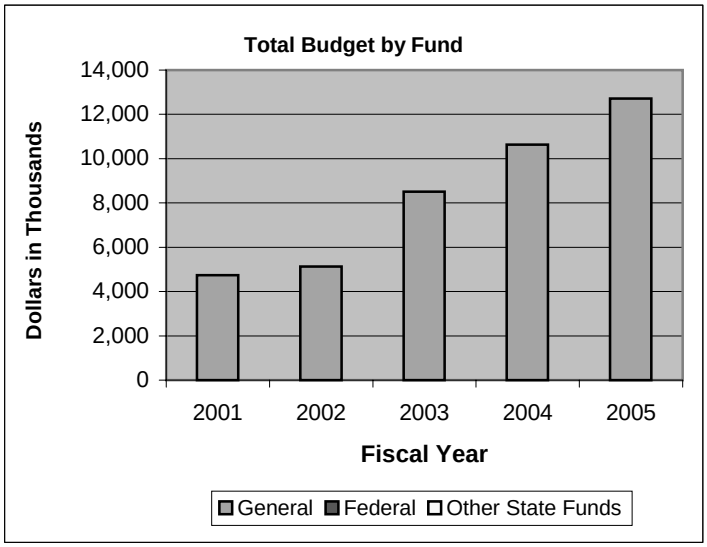
For more information about the Prescription Drug Program, contact:

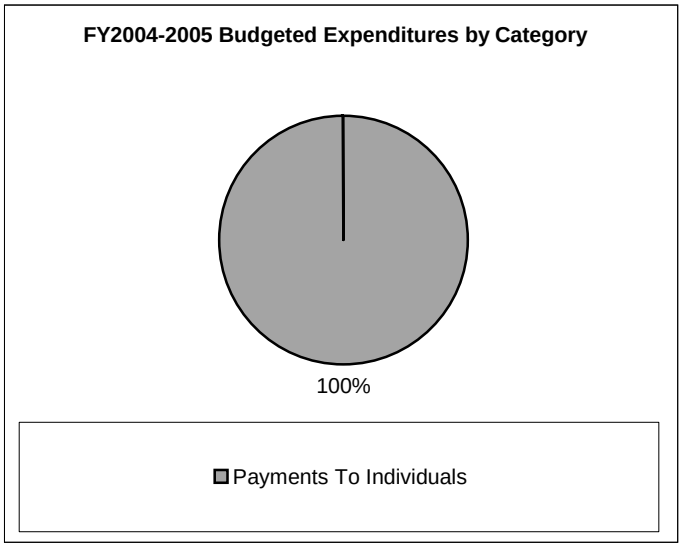
- Assistant Commissioner for Health Care Brian Osberg, (651) 284-4388
- Health Care Eligibility and Access Director Kathleen Henry, (651) 296-8818

Information is also available on the DHS web site: http://www.dhs.state.mn.us.

HUMAN SERVICES DEPT
Program: BASIC HEALTH CARE GRANTS
Activity: PRESCRIPTION DRUG PROGRAM

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,735	5,133	8,502	10,631	12,712	23,343
Statutory Appropriations						
General	0	0	5	5	5	10
Total	**4,735**	**5,133**	**8,507**	**10,636**	**12,717**	**23,353**

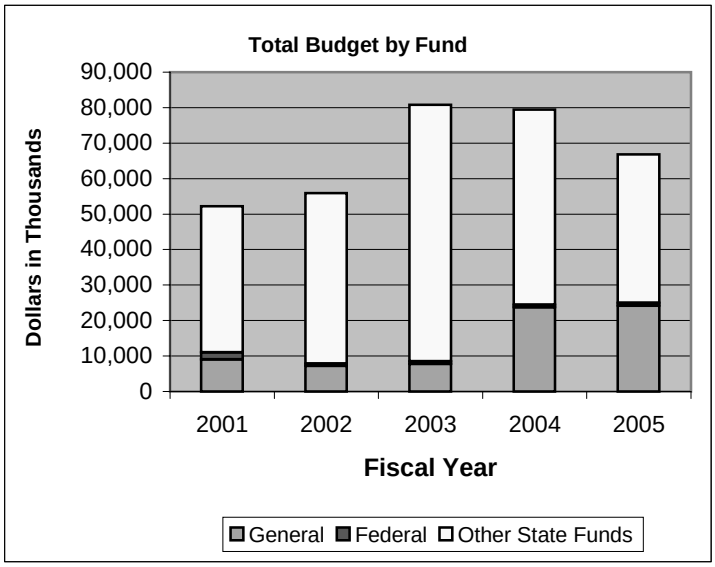
Expenditures by Category						
Payments To Individuals	4,735	5,133	8,507	10,636	12,717	23,353
Total	**4,735**	**5,133**	**8,507**	**10,636**	**12,717**	**23,353**

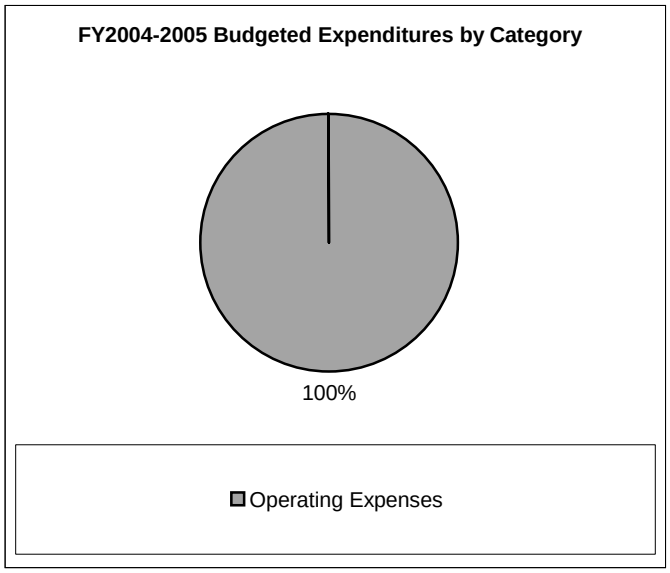
Program Description

Health Care Management is the administrative support component of Basic Health Care Grants. It is responsible for policy development and implementation, enrollment, purchasing, payment, and quality assurance for health care services. Health Care Management coordinates with Continuing Care Management on the Medicaid-funded activities within Continuing Care Grants.

Budget Activities Included:

⇒ Health Care Policy Administration
⇒ Health Care Operations





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	8,870	7,173	7,769	23,684	24,202	47,886
Health Care Access	11,899	11,684	14,491	14,395	14,179	28,574
Statutory Appropriations						
General	181	0	0	0	0	0
Health Care Access	469	0	0	0	0	0
Special Revenue	28,822	36,391	57,846	40,573	27,661	68,234
Federal	1,975	635	692	787	786	1,573
Total	**52,216**	**55,883**	**80,798**	**79,439**	**66,828**	**146,267**
Expenditures by Category						
Operating Expenses	52,216	55,883	80,798	79,439	66,828	146,267
Total	**52,216**	**55,883**	**80,798**	**79,439**	**66,828**	**146,267**
Expenditures by Activity						
Health Care Policy Admin	3,820	2,733	4,587	6,318	6,803	13,121
Health Care Operations	48,396	53,150	76,211	73,121	60,025	133,146
Total	**52,216**	**55,883**	**80,798**	**79,439**	**66,828**	**146,267**
Full-Time Equivalents (FTE)	**596.4**	**637.6**	**661.9**	**661.9**	**661.9**	

Activity Description

Health Care Policy Administration is responsible for developing and implementing health care policy related to Basic Health Care Grants.

Population Served

In an average month in FY 2002, approximately 590,000 Minnesotans were enrolled in Minnesota's publicly funded health care programs.

Health care administration works with many entities to serve enrollees including:

- 36,000 health care providers, including eight managed health care plans;
- more than 24 state health care professional organizations;
- the federal Centers for Medicare and Medicaid Services; and
- Minnesota's counties and tribes.

Activity at a Glance

- Develops health care policy for services to approximately 590,000 people served by Minnesota Health Care Programs.
- Negotiates with service providers on contracts to serve enrollees.
- Determines rates for services paid to providers.
- Works with the health care marketplace to get best coverage at the most affordable prices.
- Consults with the federal government to stay in compliance with federal law and negotiates waivers to current program rules.
- Conducts quality assurance measures to monitor health care outcomes for enrollees.

Services Provided

Health Care Policy Administration is responsible for:

- developing health care program policy and leading implementation of policy initiatives;
- developing payment policies, including fee-for-service and managed care rates, that promote cost-effective delivery of quality services to Medical Assistance (MA), General Assistance Medical Care (GAMC), MinnesotaCare and Prescription Drug Program (PDP) enrollees;
- monitoring health plans to ensure contract compliance, value, and access;
- conducting surveys and research to monitor quality of care provided and health status of program enrollees;
- working with the federal government to ensure compliance with Medicaid laws and rules;
- negotiating waivers to federal laws and rules to allow expanded access and coverage, payment initiatives, enhanced federal matching funds and demonstration projects to improve care and services for various enrollee groups;
- working with various partners to plan and implement changes needed to comply with the federal Health Insurance Portability & Accountability Act (HIPAA);
- providing oversight of county and tribal administration of state policies and rules; and
- planning and development of improved eligibility and enrollment systems, including a planned web-based HealthMatch system to make programs more accessible and administration more efficient.

Historical Perspective

Minnesota is consistently a national leader in promoting and implementing policy and payment initiatives that improve access, quality and cost-effectiveness of services provided through publicly funded health care programs.

Changes to health care program eligibility over the past 15 years—a combination of federally-mandated and state-initiated expansions—have improved access to health care for low-income, special needs, and uninsured Minnesotans. At the same time, program eligibility requirements have become more complex and resource intensive for the department.

Changes in approaches to purchasing services for enrollees has evolved over the past two decades from strictly fee-for-service to more managed care contracting. This has changed the nature of management in this area to include sophisticated, capitated rate setting and risk adjustment, contract management, performance

measurement, and more complex federal authority mechanisms, while at the same time continuing to improve fee-for-service rate setting and service coverage definition.

In the past decade, Department of Human Services (DHS) implemented managed care demonstration programs for seniors and adults with physical disabilities to provide cost-effective, coordinated Medicare and Medicaid services. Both programs -- the Minnesota Senior Health Options and Minnesota Disability Health Options -- incorporate home- and community-based services to reduce the need for nursing home care.

DHS also is actively involved in pursuit of federal prescription drug coverage for all Medicare enrollees. The state-funded PDP, implemented in 1999, serves those with the lowest incomes. In 1998 and again in 2002, the Health Care Policy Administration requested federal matching funds to expand the state's drug program, with the intent of reducing the need for and costs associated with preventable medical emergencies and serious conditions.

Finally, as the department increasingly contracts for day-to-day administration of primary health care services, more attention can be given to initiatives that better manage rapidly increasing health care costs. For example, the Health Care Policy Administration has recently implemented unique volume-based purchasing agreements within fee-for-service. Legislation passed in 2002 also directs administrators to seek additional rebate agreements with prescription drug manufacturers to help contain one of the greatest cost factors in the Medicaid budget.

Key Measures

⇒ People will have access to high quality, cost effective mental, physical and chemical health care.
- ♦ Percent of people who are insured
  - ⇒ children under 18 – by race/ethnicity and other known disparate groups
  - ⇒ all Minnesotans – by race/ethnicity and other known disparate groups
- ♦ Percent of eligible elderly and disabled Medicare beneficiaries enrolled in public or private Medicare supplement programs
  - ⇒ percent of eligible elderly and disabled enrolled in the Prescription Drug Program
  - ⇒ percent of elderly and disabled with prescription drug coverage
- ♦ Percent of children and adults who receive mental health services while on Minnesota Health Care Programs
- ♦ Percent of children in Minnesota Health Care programs and commercial managed care programs who received a preventive health care service – by age group

⇒ Adults who can work will and all people will have an adequate income and other supports to be self-reliant.
- ♦ Percent of Minnesotans between the ages of 21 and 64 with a disability who are working
  - ⇒ percent of people with disabilities enrolled in Medical Assistance for Employed Persons with Disabilities (MA-EPD)
  - ⇒ percent of people who are working and have health coverage – by race/ethnicity

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

Health Care Policy Administration is primarily funded from appropriations from the General Fund and Health Care Access Fund and from federal funds.

Contact

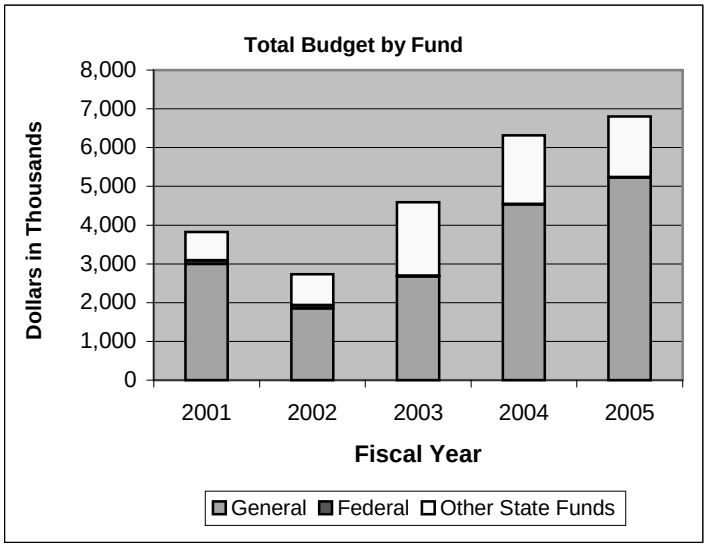
For more information on Health Care Policy Administration, contact:

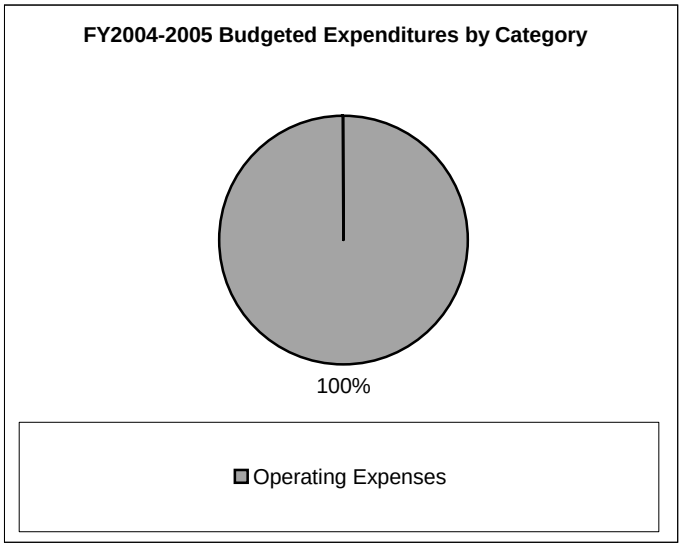
- Assistant Commissioner for Health Care Brian Osberg, (651) 284-4388
- State Medicaid Director Mary B. Kennedy, (651) 297-7515
- Health Care Eligibility and Access Director Kathleen Henry, (651) -296-8818
- Performance Measurement and Quality Improvement Director Vicki Kunerth, (651) 215-5755
- Purchasing and Service Delivery Acting Director Kathleen Cota, (651) 215-0125

Information is also available on the DHS web site: http://www.dhs.state.mn.us.

HUMAN SERVICES DEPT
Program: HEALTH CARE MANAGEMENT
Activity: HEALTH CARE POLICY ADMIN

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,997	1,848	2,678	4,532	5,226	9,758
Health Care Access	668	722	846	846	846	1,692
Statutory Appropriations						
Special Revenue	68	77	1,051	933	725	1,658
Federal	87	86	12	7	6	13
Total	**3,820**	**2,733**	**4,587**	**6,318**	**6,803**	**13,121**
Expenditures by Category						
Operating Expenses	3,820	2,733	4,587	6,318	6,803	13,121
Total	**3,820**	**2,733**	**4,587**	**6,318**	**6,803**	**13,121**
Full-Time Equivalents (FTE)	**33.4**	**34.4**	**32.4**	**32.4**	**32.4**	

Activity Description

Health Care Operations provides the infrastructure necessary for effective and efficient health care purchasing and delivery for Basic Health Care Grants. This includes administering the Medicaid Management Information System (MMIS), which is a centralized medical payment system supporting other department functions, such as administering managed care contracts, conducting eligibility determinations, and conducting quality improvement and data analysis program management.

Activity at a Glance

Annually:

- Processes over 18 million fee-for-service medical claims
- Collects $80 million from third-party insurers liable for some payment of services provided to program enrollees.
- Operates MMIS.

Population Served

Health Care Operations makes payments to providers, health plans, and, in certain cases, counties for the more than 500,000 Minnesotans enrolled in Medical Assistance (MA), General Assistance Medical Care (GAMC), MinnesotaCare and Prescription Drug Program (PDP). In doing so, Health Care Operations works directly with:

- approximately 36,000 health care service providers, including inpatient and outpatient hospitals, nursing homes, dentists, physicians, mental health professionals, home care providers and pharmacists;
- approximately 24 health care provider professional organizations;
- financial and social services staff in Minnesota's 87 counties;
- health plans and other insurers; and
- the federal Centers for Medicare and Medicaid Services.

Services Provided

Health Care Operations is responsible for:

- operating centralized payment systems (MMIS) for MA, MinnesotaCare, GAMC and PDP;
- maintaining health care provider enrollment agreements;
- supporting enrollee communication and outreach including benefit statements, renewal notices, and informational materials;
- maintaining on-line system availability for claims operation, customer services, and eligibility verification for 36,000 providers;
- supporting enhanced electronic claim activity to increase processing efficiency and decrease administrative costs, including maintaining a viable point-of-sale system for pharmacy;
- developing HealthMatch, the department's planned web-based application and eligibility system for publicly funded health care programs;
- implementing MMIS computer system changes required under the federal Health Insurance Portability & Accountability Act (HIPAA);
- supporting the collection of premiums for MinnesotaCare and MA for Employed Persons with Disabilities (MA-EPD), spenddowns for Minnesota Senior Health Options and Minnesota Disability Health Options, and development of financial control programs capable of supporting additional premium-based health care purchasing concepts;
- identifying all liable third parties required to pay for medical expenses before expenditure of state funds and recovering costs from other insurers, which includes maximizing Medicare participation in the cost of all services for dually-eligible enrollees, with emphasis on long-term care and home health services; and
- administering the medical care surcharge to ensure maximum receipt of surcharge funds from nursing care facilities and inpatient hospitals in compliance with federal laws and regulations.

Historical Perspective

The current MMIS was implemented in 1994, replacing a system that had been operational since 1974. Since that time the number of fee-for-service claims has grown to 18.4 million in FY 2002, and the number of encounter claims (record of a service provided) from prepaid managed care plans has grown to 11.6 million in FY 2002. Complexity in health care delivery strategies and in eligibility criteria to ensure focused eligibility for very specific

populations has required that MMIS be flexible and scalable. In addition, the accelerated rate of change in computing technology and the movement toward electronic government services for citizens has required ongoing strategic investments in health care systems.

Key Measures

⇒ Adults who can work will and all people will have an adequate income and other supports to be self-reliant.

- Percent of people who are working and have health coverage – by race/ethnicity

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

Health Care Operations is funded primarily from appropriations from the General Fund and Health Care Access Fund and from federal funds.

Contact

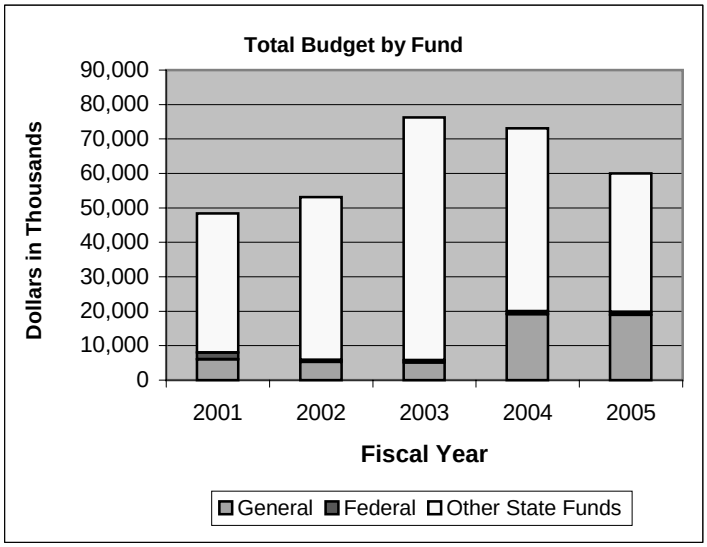
For more information on Health Care Operations, contact:

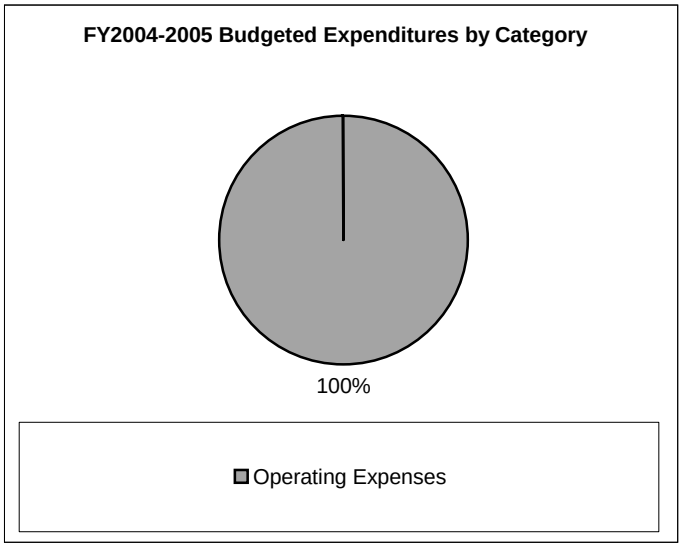
- Assistant Commissioner, Finance and Management Operations Dennis W. Erickson, (651) 296-6635
- Assistant Commissioner for Health Care, Brian Osberg, (651) 284-4388
- Health Care Operations Director, Larry Woods, (651) 296-2719

Information is also available on the DHS web site: http://www.dhs.state.mn.us.

HUMAN SERVICES DEPT
Program: HEALTH CARE MANAGEMENT
Activity: HEALTH CARE OPERATIONS

Fiscal Report





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	5,873	5,325	5,091	19,152	18,976	38,128
Health Care Access	11,231	10,962	13,645	13,549	13,333	26,882
Statutory Appropriations						
General	181	0	0	0	0	0
Health Care Access	469	0	0	0	0	0
Special Revenue	28,754	36,314	56,795	39,640	26,936	66,576
Federal	1,888	549	680	780	780	1,560
Total	**48,396**	**53,150**	**76,211**	**73,121**	**60,025**	**133,146**

Expenditures by Category						
Operating Expenses	48,396	53,150	76,211	73,121	60,025	133,146
Total	**48,396**	**53,150**	**76,211**	**73,121**	**60,025**	**133,146**

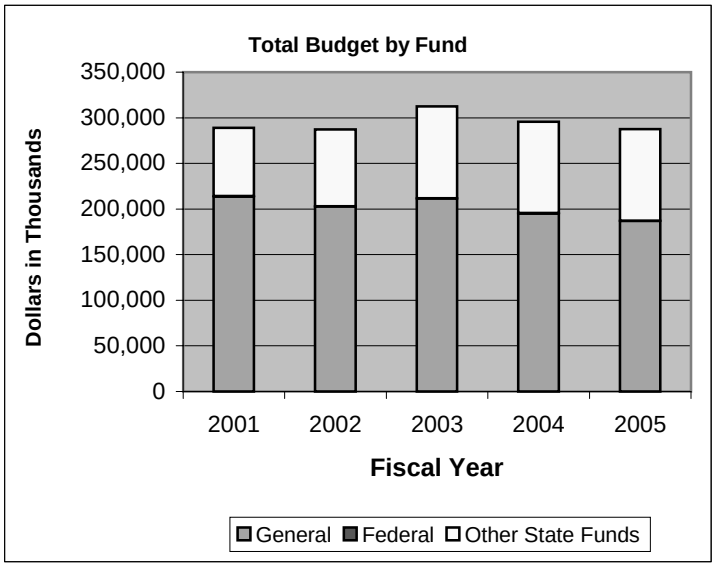
Full-Time Equivalents (FTE)	**563.0**	**603.2**	**629.5**	**629.5**	**629.5**

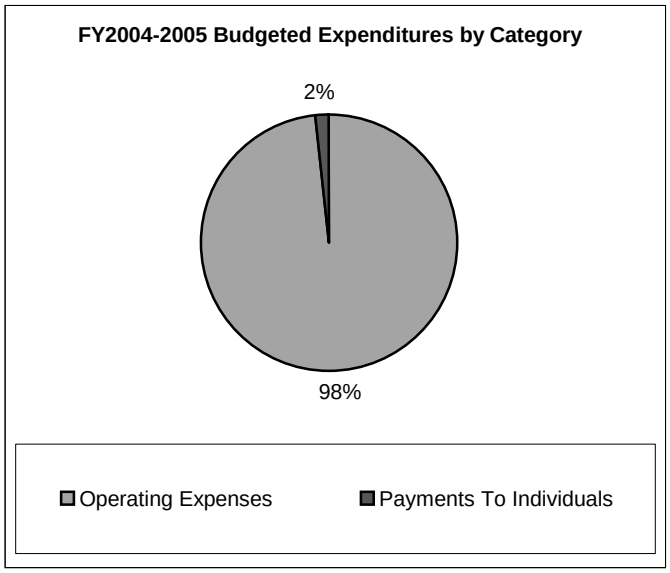
Program Description

State Operated Services (SOS) provides direct care services to people with disabilities. These services are provided to clients by DHS at campus-based regional treatment centers (RTCs) and state-operated programs and residences located within communities. This program includes the Minnesota Sex Offender Program treating individuals committed as sexual psychopathic personalities and/or sexually dangerous persons.

Budget Activities Included:

⇒ Appropriated Services
⇒ Enterprise Services





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	213,609	202,693	211,340	195,062	186,775	381,837
Statutory Appropriations						
General	51	51	52	52	52	104
Special Revenue	8,660	7,982	7,563	7,190	7,155	14,345
Federal	112	126	115	115	115	230
Miscellaneous Agency	3,582	3,485	3,419	3,419	3,419	6,838
Gift	17	18	31	31	31	62
Endowment	153	5	3	0	0	0
Revenue Based State Oper Serv	46,119	50,270	57,733	57,733	57,733	115,466
Mn Neurorehab Hospital Brd	2,724	7,439	15,744	15,744	15,744	31,488
Dhs Chemical Dependency Servs	13,948	15,207	16,460	16,460	16,460	32,920
Total	**288,975**	**287,276**	**312,460**	**295,806**	**287,484**	**583,290**
Expenditures by Category						
Operating Expenses	279,918	279,468	304,717	288,063	279,741	567,804
Capital Outlay & Real Property	1,179	163	249	249	249	498
Payments To Individuals	4,819	4,712	4,764	4,764	4,764	9,528
Local Assistance	2,473	2,493	2,473	2,473	2,473	4,946
Other Financial Transactions	586	440	257	257	257	514
Total	**288,975**	**287,276**	**312,460**	**295,806**	**287,484**	**583,290**
Expenditures by Activity						
Appropriated Services	226,184	214,360	222,523	205,869	197,547	403,416
Enterprise Services	62,791	72,916	89,937	89,937	89,937	179,874
Total	**288,975**	**287,276**	**312,460**	**295,806**	**287,484**	**583,290**
Full-Time Equivalents (FTE)	**4,162.0**	**4,186.3**	**4,111.4**	**4,109.2**	**4,109.2**	

Activity Description

State Operated Services (SOS) Appropriated Services provides specialized treatment and related supports for people with disabilities who cannot otherwise access services in community settings. These services are provided in campus-based programs, community facilities, group homes, and through direct outreach services to people.

Activity at a Glance

- Approximately 3,000 people are admitted to SOS inpatient services annually
- Average daily population for SOS inpatient services was 1,145 in FY 2002.
- Community support services provides over 20,000 services to clients annually

Population Served

SOS Appropriated Services serve:

- adults with mental illness who need inpatient and community-based services;
- elderly people who need nursing facility care;
- people with developmental disabilities who need services in the community;
- people with developmental disabilities who pose a public safety risk; and
- people who are committed mentally ill and dangerous or serious sex offenders.

Services Provided

Appropriated Services provides four sets of programs:

⇒ Adult Mental Health (MH) Services includes inpatient psychiatric services provided to adults with mental illness at the regional treatment centers (RTCs) in Anoka, Brainerd, Fergus Falls, St. Peter, and Willmar. Community-based MH services are delivered in partnership with counties and other community service providers. Adult Mental Health services also includes a 15-bed psychiatric facility in Eveleth, a 12-bed transitional facility in Duluth, three transitional programs based on the social-rehabilitation treatment model in the Twin Cities, and consultation, crisis, and aftercare services across the state.

In addition, there are 225 SOS staff who are assigned to work in community settings under the direction of local mental health authorities through the Adult Mental Health Initiatives Program, which is a collaboration between the state and local mental health agencies providing needed services in the community.

⇒ Nursing Facility (NF) Services are provided at the Ah-Gwah-Ching Center in Walker and the Woodhaven Senior Community Center on the campus of the Brainerd Regional Human Services Center. These facilities operate as nursing homes for clients referred from other parts of SOS. These facilities also accept referrals from community nursing homes for clients who have severe and challenging behavior problems.

⇒ Forensic Services includes three major program areas. The Minnesota Extended Treatment Option (METO) program is a 48-bed specialized service for adults from across the state with developmental disabilities whose behaviors present a public safety risk. The focus of treatment in this program is on changing client behavior and identifying necessary supports that will permit them to return to the community.

The Minnesota Security Hospital (MSH), a 194-bed facility located in St. Peter, provides multi-disciplinary forensic treatment services for people who are under civil commitment as mentally ill and dangerous. This facility serves adults from throughout the state who are admitted pursuant to judicial or other lawful orders for assessment and/or treatment of acute and chronic major mental disorders.

MSH also provides comprehensive court-ordered forensic evaluations, including competency to stand trial and pre-sentence mental health evaluations. In addition, MSH operates a 50-bed Forensic Transition program that provides a supervised residential setting offering social rehabilitation treatment to increase self-sufficiency and build the skills necessary for a safe return to the community.

Minnesota's third forensic program is the Minnesota Sex Offender Program (MSOP). This program includes the 150-bed Minnesota Psychopathic Personality Treatment Center in Moose Lake. It also has two

evaluation and transition units of 25 beds each in St. Peter, as well as 18 special needs beds for people who, due to limited intellectual functioning, require specialized support and treatment approaches. People are referred to the sex offender program through the civil commitment process. The majority of people are referred from the Department of Corrections (DOC) upon completion of their sentences. DHS and DOC have collaborated to establish a uniform process for managing sex offenders and have established 50 MSOP treatment beds in the Moose Lake Correctional Facility.

⇒ Community Support Services for the developmentally disabled include 15 six-bed group homes located in community settings; two community health clinics that provide psychiatric and dental services to people who are unable to obtain these services in the community; and community support services in the form of technical assistance, staff training and education, crisis intervention, direct staff support to families and providers, and crisis placement in community residences for people who must be removed from their existing residential setting.

Historical Perspective

Minnesota's public policy is based on providing treatment and supports for persons with disabilities in the community. As the community service infrastructure has developed, there has been a change in the utilization of the SOS system. The RTC DD programs have closed and all clients are being served in community-based care. The adult mental health programs have partnered with community providers and counties under the Adult Mental Health Initiatives. This has reduced the length of stay in the RTCs and has allowed clients to return to the community faster.

As the SOS RTC campus-based system has become smaller and more dispersed, administrative consolidation and simplification has occurred to make SOS more cost efficient. However, SOS RTC campuses continue to have significant unoccupied space that has a negative effect on the SOS operating budget.

Key Measures

⇒ People will be free from abuse and neglect.
- ♦ Rate of substantiated abuse and neglect findings, per 1,000 resident days of SOS and other DHS licensed long-term care facilities – under 65 and 65 and older

⇒ People are supported in and by their community.
- ♦ Length of stay in SOS hospital system

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

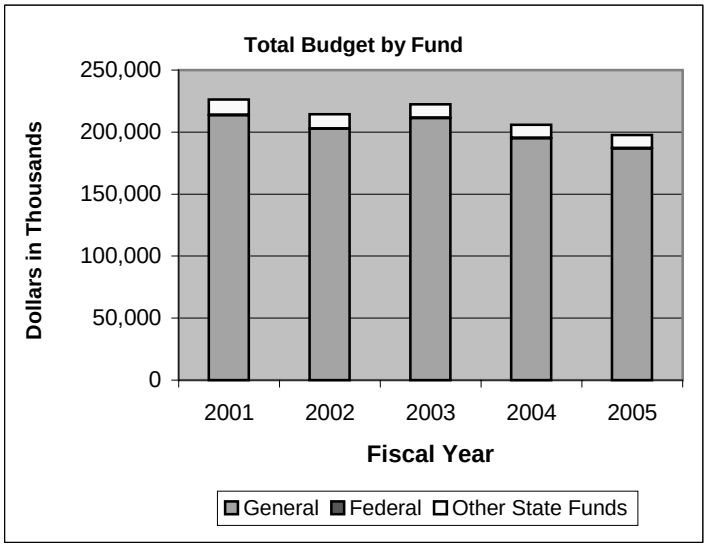
Activity Funding

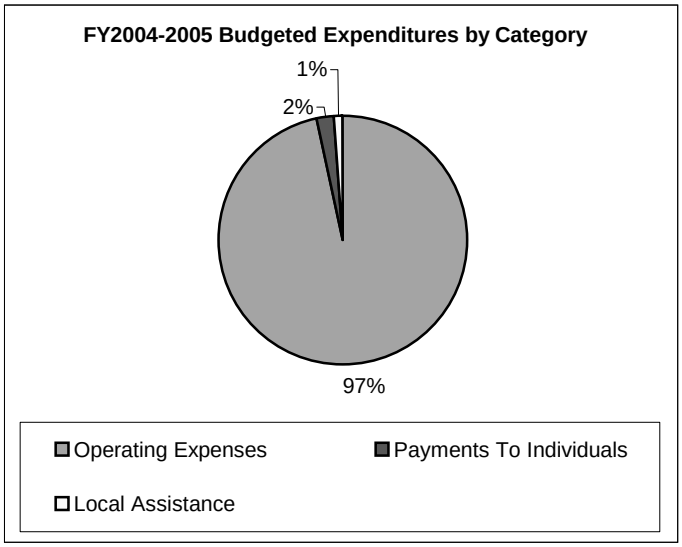
Appropriated Services is funded from appropriations from the General Fund.

Contact

For more information on SOS Services, contact:
- ♦ State Operated Services Assistant Commissioner Loren Colman, (651) 296-1776
- ♦ State Operated Services Chief Operating Officer Mike Tessneer, (651) 582-1885
- ♦ State Operated Services Support Director Fran Bly, (651) 582-1868

Information is also available on the DHS web site: http://www.dhs.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	213,609	202,693	211,340	195,062	186,775	381,837
Statutory Appropriations						
General	51	51	52	52	52	104
Special Revenue	8,660	7,982	7,563	7,190	7,155	14,345
Federal	112	126	115	115	115	230
Miscellaneous Agency	3,582	3,485	3,419	3,419	3,419	6,838
Gift	17	18	31	31	31	62
Endowment	153	5	3	0	0	0
Total	**226,184**	**214,360**	**222,523**	**205,869**	**197,547**	**403,416**
Expenditures by Category						
Operating Expenses	218,290	207,618	215,738	199,084	190,762	389,846
Capital Outlay & Real Property	1,039	128	240	240	240	480
Payments To Individuals	4,223	4,100	4,054	4,054	4,054	8,108
Local Assistance	2,473	2,493	2,473	2,473	2,473	4,946
Other Financial Transactions	159	21	18	18	18	36
Total	**226,184**	**214,360**	**222,523**	**205,869**	**197,547**	**403,416**
Full-Time Equivalents (FTE)	**3,180.3**	**3,144.0**	**2,755.1**	**2,752.9**	**2,752.9**	

Activity Description

State Operated Services (SOS) Enterprise Services serves services to people with disabilities while operating in the marketplace with other providers. These services are funded solely through revenues collected from third-party payment sources.

Population Served

Enterprise Services programs serve:

- people with chemical abuse or dependency problems;
- people who are developmentally disabled (DD);
- people with acquired brain injuries; and
- children and adolescents with severe emotional disturbances.

Activity at a Glance

- Approximately 3,500 people are treated for chemical abuse or dependency annually
- Approximately 325 people reside in community residential sites across Minnesota
- Approximately 550 people with DD are served in Day Treatment and Habilitation programs
- Between 15 and 20 clients with acquired brain injuries are treated annually
- Approximately 300 children and adolescents are treated for emotional disturbances annually

Services Provided

Enterprise Services includes a variety of programs:

⇒ State operated chemical dependency (CD) programs provide inpatient and outpatient treatment to persons with chemical dependency and substance abuse problems. Programs are operated in Anoka, Brainerd, Cloquet, Fergus Falls, St. Peter, and Willmar. Each CD program negotiates a host county contract that establishes the parameters of the services offered. Rates differ by program and type of services provided.

⇒ SOS community-based residential services for people with DD typically are provided in four-bed group homes. Individual service agreements are negotiated with the counties for each client based on his/her needs. Clients take advantage of and are integrated into the daily flow of their community.

⇒ Day Training and Habilitation (DT&H) programs provide vocational support services to people with DD and include evaluation, training, and supported employment. Individual service agreements are negotiated for each client.

⇒ The Minnesota Neurorehabilitation Hospital (MNH), located on the Brainerd Regional Human Services campus, provides intensive rehabilitation services to people with acquired brain injury who have challenging behaviors. The MNH is a 15-bed program serving the entire state of Minnesota.

⇒ Child and Adolescent Behavioral Health Services (CABHS) provides an array of services ranging from in-home crisis intervention to hospital care. CABHS does this with its own staff and by partnering with other caregivers and contracting with private providers. This is a statewide program providing hospital level of care in Brainerd and Willmar.

Historical Perspective

Changes in the funding structure for chemical dependent treatment moved SOS CD programs into enterprise services in 1988. In 1999, the legislature adopted statutory language that allowed SOS to establish other enterprise services. These services are defined as the range of services, which are delivered by state employees, needed by people with disabilities, and are fully funded by public or private third-party health insurance or other revenue sources. SOS specializes in providing these services to vulnerable people for whom no other providers are available or for whom SOS may be the provider selected by the payer. As such, enterprise services fill a need in the continuum of services for vulnerable people with disabilities by providing services not otherwise available.

Key Measures

⇒ People will have access to high quality, cost effective mental, physical and chemical health care.

- Percent of adults and minors who complete chemical dependency treatment

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

Enterprise Services is supported solely through collections from third party payment sources including:

- Consolidated Chemical Dependency Treatment Fund;
- Medical Assistance;
- Medicare;
- commercial and private insurance; and
- individual or self-pay.

Contact

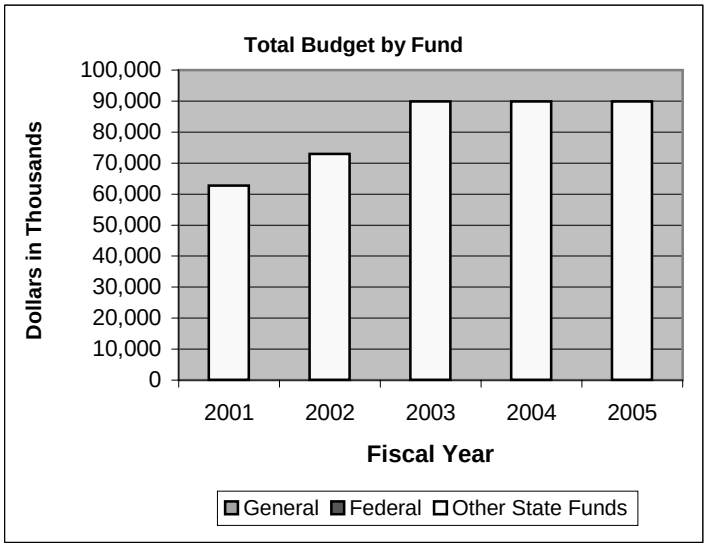
For more information on Enterprise Services, contact:

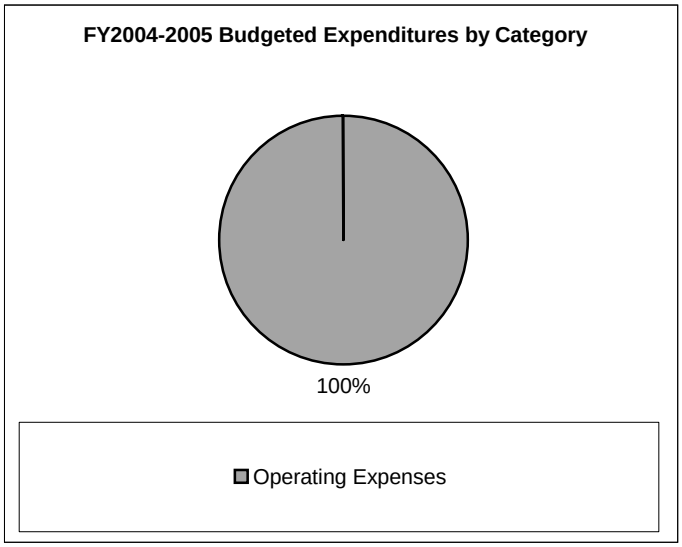
- State Operated Services Assistant Commissioner Loren Colman, (651) 296-1776
- State Operated Services Chief Operating Officer Mike Tessneer, (651) 582-1885
- State Operated Services Support Director Fran Bly, (651) 582-1868

Information is also available on the DHS web site: http://www.dhs.state.mn.us.

HUMAN SERVICES DEPT
Program: STATE OPERATED SERVICES
Activity: ENTERPRISE SERVICES

Fiscal Report





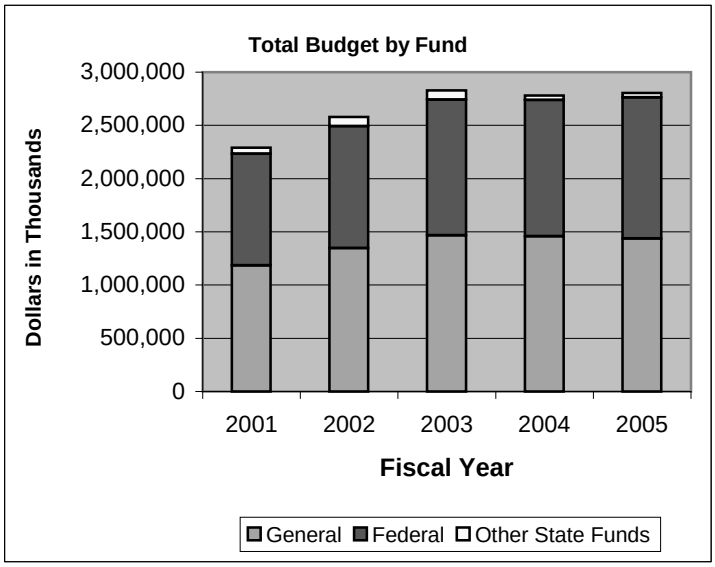
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Revenue Based State Oper Serv	46,119	50,270	57,733	57,733	57,733	115,466
Mn Neurorehab Hospital Brd	2,724	7,439	15,744	15,744	15,744	31,488
Dhs Chemical Dependency Servs	13,948	15,207	16,460	16,460	16,460	32,920
Total	**62,791**	**72,916**	**89,937**	**89,937**	**89,937**	**179,874**
Expenditures by Category						
Operating Expenses	61,628	71,850	88,979	88,979	88,979	177,958
Capital Outlay & Real Property	140	35	9	9	9	18
Payments To Individuals	596	612	710	710	710	1,420
Other Financial Transactions	427	419	239	239	239	478
Total	**62,791**	**72,916**	**89,937**	**89,937**	**89,937**	**179,874**
Full-Time Equivalents (FTE)	**981.7**	**1,042.3**	**1,356.3**	**1,356.3**	**1,356.3**	

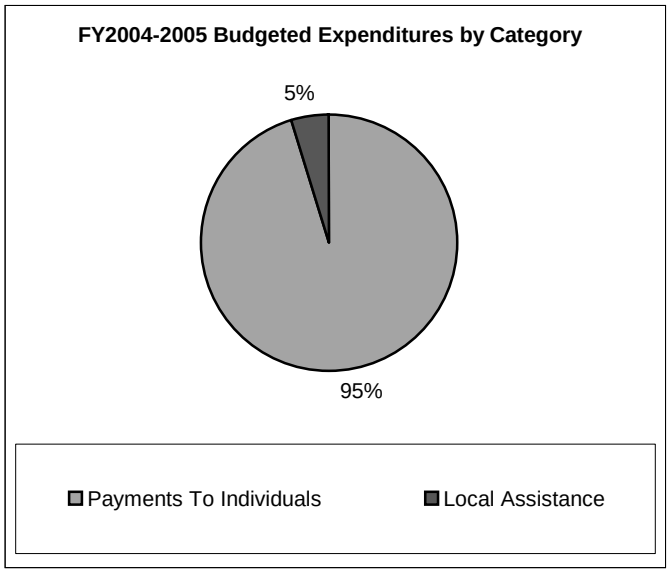
Program Description

Continuing Care Grants pay for chronic health care services, long-term care in residential settings, at-home care, and social services for older Minnesotans and people with disabilities. Continuing Care Grants provide an important health care safety net for some of Minnesota's most vulnerable people. Medicaid-funded Continuing Care Grants are coordinated with the department's Basic Health Care Grants.

Budget Activities Included:

⇒ Community Social Services Grants
⇒ Aging and Adult Services Grants
⇒ Deaf and Hard of Hearing Grants
⇒ Mental Health Grants
⇒ Community Support Grants
⇒ MA Long Term Care Waivers & Home Care Grants
⇒ MA Long Term Care Facilities Grants
⇒ Alternative Care Grants
⇒ Group Residential Housing Grants
⇒ Chemical Dependency Entitlement Grants
⇒ Chemical Dependency Non-Entitlement Grants





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,086,763	1,341,244	1,458,084	1,446,139	1,425,621	2,871,760
Lottery Cash Flow	1,372	2,025	1,341	1,158	1,158	2,316
Open Appropriations						
Special Revenue	467	418	666	340	340	680
Statutory Appropriations						
General	96,220	4,395	7,841	11,171	9,929	21,100
Special Revenue	55,725	83,654	86,447	38,605	40,868	79,473
Federal	1,051,132	1,146,911	1,274,886	1,282,239	1,327,835	2,610,074
Total	**2,291,679**	**2,578,647**	**2,829,265**	**2,779,652**	**2,805,751**	**5,585,403**

Expenditures by Category						
Operating Expenses	618	616	468	463	463	926
Payments To Individuals	2,084,012	2,359,974	2,640,021	2,638,548	2,686,063	5,324,611
Local Assistance	207,049	218,057	188,776	140,641	119,225	259,866
Total	**2,291,679**	**2,578,647**	**2,829,265**	**2,779,652**	**2,805,751**	**5,585,403**

Expenditures by Activity						
Community Social Service Grant	95,699	94,947	73,766	28,028	28,012	56,040
Aging & Adult Services Grants	23,941	31,331	36,360	28,633	29,232	57,865
Deaf & Hard Of Hearing Grants	1,877	1,890	1,848	1,702	1,468	3,170
Mental Health Grants	58,309	61,150	52,629	61,488	42,699	104,187
Community Support Grants	14,171	14,731	11,183	12,085	9,094	21,179
Ma Ltc Waivers & Home Care	780,281	1,002,787	1,254,419	1,303,440	1,408,903	2,712,343
Ma Long Term Care Facilities	1,115,961	1,136,034	1,119,363	1,078,366	1,039,862	2,118,228
Alternative Care Grants	64,886	64,955	92,524	73,438	65,573	139,011
Group Residential Housing	68,821	75,197	87,568	94,550	80,492	175,042
Cd Entitlement Grants	48,119	71,448	78,147	82,489	84,968	167,457
Cd Non-Entitlement Grants	19,614	24,177	21,458	15,433	15,448	30,881
Total	**2,291,679**	**2,578,647**	**2,829,265**	**2,779,652**	**2,805,751**	**5,585,403**

Activity Description

The Community Social Services Grants activity provides funding to counties to purchase or provide services that serve nine targeted populations of over 350,000 clients including children in need of protective services and people with disabilities. Counties determine how best to use community social services money to tailor interventions to their particular client needs and complement services provided under other human services programs.

Activity at a Glance

- Funds services in 87 counties
- Serves 350,000 people annually
- Plans services for nine groups of people

Population Served

Social services are provided to people of all ages who are faced with developmental, emotional and physical disabilities, chemical dependency, in need of protection from themselves or others, or have care or treatment needs that can't be provided by parents or family. More specifically, these grants target nine groups of people, including:

- children in need of protection, pregnant adolescents, adolescent parents and their children;
- dependent and neglected children under state guardianship;
- adults who are vulnerable and in need of protection;
- people over age 60 who need help living independently;
- children and adolescents with emotional disturbances and adults with mental illness;
- developmentally disabled people;
- chemically dependent and intoxicated people;
- parents with incomes below 70% of state median income who need child care services for their children; and
- children and adolescents at risk of involvement with criminal activity.

Services Provided

The goals for community social services are:

- preventing or remedying neglect, abuse or exploitation of children and adults unable to protect their own interests, or preserving, rehabilitating or reuniting families.
- achieving or maintaining self-sufficiency, including reduction or prevention of dependency.
- preventing or reducing inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care.
- referring or admitting for institutional care people for whom other forms of care are not appropriate.

Community Social Services Grants support:

- adoption services, including counseling for biological parent(s), recruitment of adoptive families, and pre- and post-placement training and/or counseling;
- case management services, including individual service plan development; counseling; monitoring, developing, securing, and coordinating services; monitoring and evaluating client progress; and assuring that clients' rights are protected;
- counseling services providing therapeutic help to resolve personal, family, situational, or occupational problems;
- foster care services for adults and children, including arranging substitute care and alternative living situations for people who may need such services because of social, physical or mental disabilities, or as a consequence of abuse or neglect;
- protective services for adults and children to prevent or remedy abuse, neglect, or exploitation of people who are unable to protect their own interests;
- residential treatment services including short-term residential care and comprehensive treatment and services for children or adults whose problems are so severe or are such that they cannot be cared for at home or in foster care and need services provided by specialized facilities;

- special services for people with developmental, emotional, or physical disabilities, including personal and family counseling; respite care; family support; recreation; transportation; independent functioning assistance; training in mobility, communication skills, special aids; and self-sufficiency skills;
- substance abuse services comprising a comprehensive range of personal and family counseling, methadone treatment for opiate abusers, or detoxification treatment for substance abusers; services may be provided in institutional settings, community-based halfway houses and out-patient facilities;
- transportation services to help clients access services or obtain medical care or employment; and
- public guardianship, assuring the emotional, health, vocational, and educational needs of these people and an 18-month review of the physical, mental, and social circumstances of each person under state guardianship.

Historical Perspective

The two largest elements in this grant activity are funding for the Community Social Services Act (CSSA) and the Social Services Block Grant. CSSA became law in 1979 and changed the method of funding for social services from categorical grants and aids to a county allocation block grant based on statutory formula. The initial appropriation was $39 million. Appropriations remained relatively constant throughout the 1990's, with a high in 1993 of $54 million and most years around $50 million. Since 1999, the legislature has reduced the General Fund appropriation and used federal Temporary Assistance to Needy Families (TANF) funds to backfill the reduction.

The Social Services Block Grant (Title XX) began in 1982, with Minnesota's federal share at $43 million. Through the late 1980s and mid-1990s, this federal portion rose to about $49 million. In 1996, the federal government, as a by-product of federal welfare reform, reduced Minnesota's allocation. It has dropped dramatically in subsequent years. Minnesota's current federal allocation is $29.9 million. Federal TANF rules allow states to transfer up to 10% of TANF funds into Title XX. Eleven million dollars has been transferred annually the past couple of years to make up for a General Fund cut of a like amount to CSSA and a $7.5 million one-time transfer to help counties as a result of recent cuts in the federal Title XX allocation.

To receive money from these funding sources, counties must annually levy an amount for social services at least equal to its community social services allocation by the state. Recent department efforts have focused on streamlining reporting and planning efforts around community social service grants to make it less bureaucratic for counties to participate.

Key Measures

⇒ All kids will develop to their fullest potential.
- Percent of all children in Minnesota who are in out-of-home placements – by race/ethnicity
  - ⇒ Children in placement for protection – by race/ethnicity
- For children who are removed from their homes, the average length of time before they are returned to their families or are placed in other permanent family arrangements – by race/ethnicity
- Percent of children who are wards of the state who are adopted – by race/ethnicity
- Percent of children identified with disabilities or mental health needs who receive treatment and supportive services

⇒ People will be free from abuse and neglect.
- Percent of child protection cases with a new substantiated maltreatment finding while case is open for child protection services – by race/ethnicity
- Percent of child protection cases with a new substantiated maltreatment finding within 12 months of case closure – by race/ethnicity
- Rate of substantiated abuse and neglect findings, per 10,000 state residents

⇒ People will have access to high quality, cost effective mental, physical and chemical health care.
- Percent of adults and minors who complete chemical dependency treatment

⇒ People will be able to control their own lives.

- Persons participating in consumer directed options

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

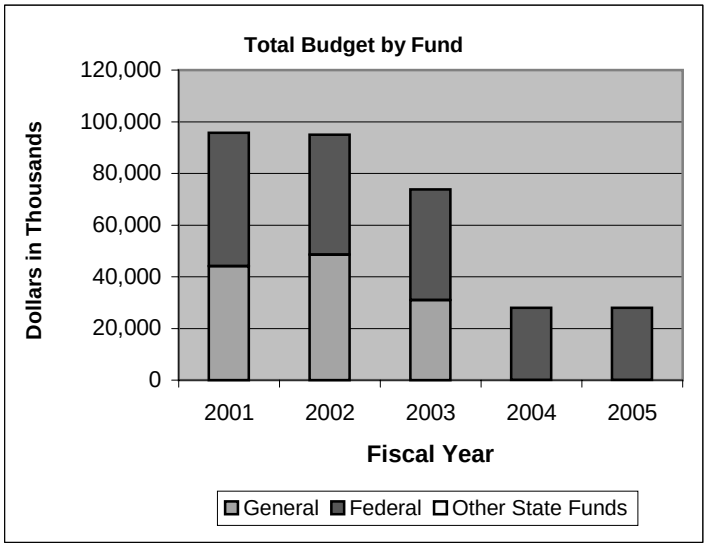
Community Social Services Grants is funded from appropriations from the General Fund and from federal funds.

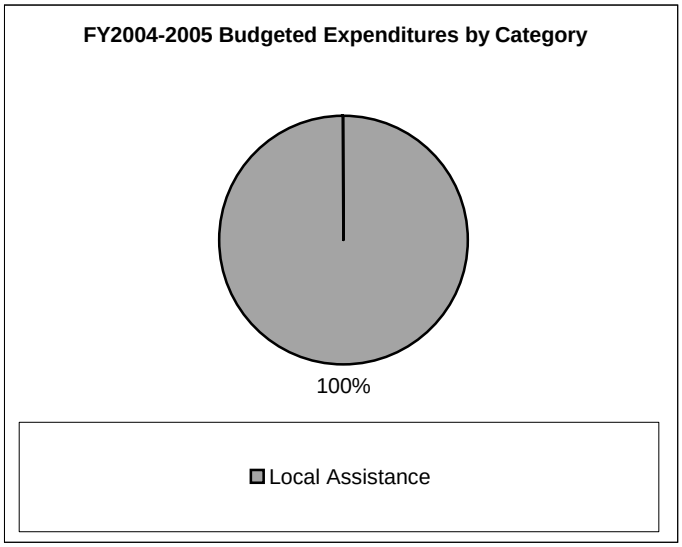
Contact

For more information on Community Social Services Grants, contact

- Assistant Commissioner Loren Colman, (651) 296-1776
- Assistant Commissioner Maria Gomez, (651) 297-3209

Information is also available on the DHS web site: http://www.dhs.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	44,062	48,562	30,970	0	0	0
Statutory Appropriations						
Federal	51,637	46,385	42,796	28,028	28,012	56,040
Total	**95,699**	**94,947**	**73,766**	**28,028**	**28,012**	**56,040**

Expenditures by Category						
Local Assistance	95,699	94,947	73,766	28,028	28,012	56,040
Total	**95,699**	**94,947**	**73,766**	**28,028**	**28,012**	**56,040**

Activity Description

Aging and Adult Services Grants pay for non-medical social services and provide funding for communities to develop informal services to keep older people engaged in their communities.

Population Served

To be eligible for most of the services paid through these grants, people must be age 60 or older. Although not means tested, services are targeted to people with the greatest social and economic needs. This conforms to eligibility criteria under the Older Americans Act (OAA), which also provides federal funding for a number of these services.

Services Provided

Aging and Adult Services grants support:

- nutritional services including meals, grocery delivery, and nutrition education counseling;
- transportation, chore services, and other social support services;
- diabetes, blood pressure screening, and other health promotion services;
- mentoring of families and children through older adult volunteer community services projects;
- care and one-on-one attention for special needs children (through the Foster Grandparents Program);
- assistance with daily activities for frail older adults;
- information and assistance through Senior LinkAge Line® and counseling about Medicare and supplemental insurance choices;
- respite and other supportive assistance to family caregivers;
- planning grants to counties and area agencies on aging to identify and develop needed services in counties and regions;
- community service grants to expand and develop more home and community service options; and
- grants for development of housing alternatives.

Activity at a Glance

- 375 grants awarded for services for older people
- 52,000 people participate in congregate dining; 9,000 people receive home-delivered meals
- 127,000 people receive social support services; 1,400 receive health care promotion services
- 18,000 volunteers provide over two million volunteer hours in the Retired and Senior Volunteer Program (RSVP); 800 Foster Grandparents provide 629,000 volunteer hours, 390 Senior Companions provide 276,000 volunteer hours
- 43,741 callers receive one-to-one information and counseling through the Senior LinkAge Line®

Historical Perspective

The OAA was passed by Congress in 1965 at the same time that the Medicaid program was established (funding nursing home care). The OAA's purpose was to assist elderly people to live as independently as possible and avoid premature institutionalization. The state's federal OAA funds are administered through the Minnesota Board on Aging to provide less formal, community-based services, including volunteer services.

Federal OAA funding is distributed by the proportion of older adults in a state relative to the total older adults in the country. Over the last decade, Minnesota has seen an increase of more than 50,000 older adults. However, other states have seen a greater increase proportionately, which results in less federal funding for Minnesota. State funding has been appropriated to supplement federal OAA funds.

Key Measures

⇒ People will be able to control their own lives.

- Percent of public long-term care funds spent on institutional care versus community care
- Persons participating in consumer directed options

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

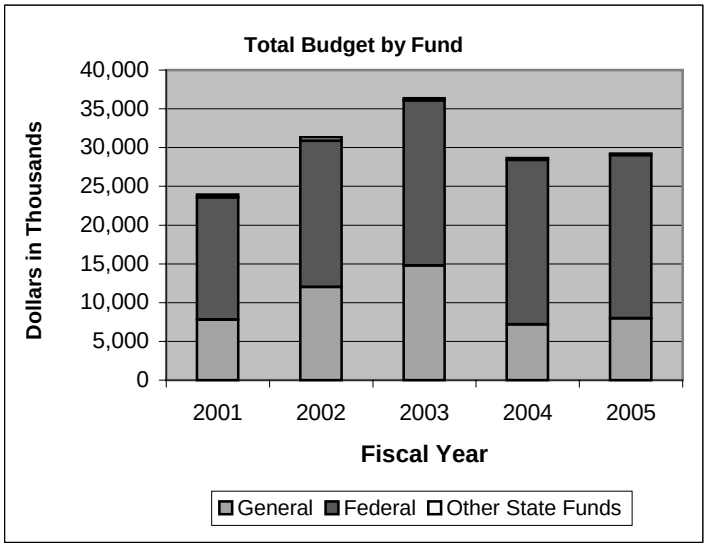
Aging and Adult Services Grants is funded from appropriations from the General Fund and from federal funds.

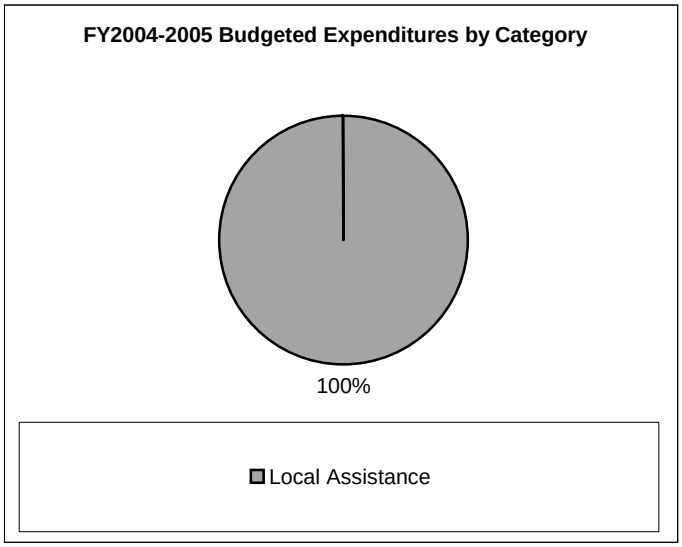
Contact

For more information on Aging and Adult Services Grants, contact

- Aging and Adult Services Director - James Varpness, (651) 296-1531
- Legislative and Fiscal Operations - Sue Banken, (651) 296-5724

Information is also available on the DHS web site: http://www.dhs.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	7,820	12,011	14,774	7,201	7,969	15,170
Statutory Appropriations						
Special Revenue	364	456	300	220	220	440
Federal	15,757	18,864	21,286	21,212	21,043	42,255
Total	**23,941**	**31,331**	**36,360**	**28,633**	**29,232**	**57,865**

Expenditures by Category						
Operating Expenses	4	0	0	0	0	0
Local Assistance	23,937	31,331	36,360	28,633	29,232	57,865
Total	**23,941**	**31,331**	**36,360**	**28,633**	**29,232**	**57,865**

Activity Description

Deaf and Hard of Hearing Grants provides support services to assist Minnesotans, who are deaf, deafblind, or hard of hearing, gain or maintain independence and participate in their communities.

Activity at a Glance

- Serves 46,000 people a year
- Provides interpreter services and adaptive equipment
- Funds specialized services including those for deafblind people and people with hearing loss and mental illnesses

Population Served

Of approximately 497,000 Minnesotans who have some degree of hearing loss, 46,000 received some form of assistance through this grant program in FY 2002. Generally, people are helped regardless of their income. To get equipment from the Telephone Equipment Distribution Program, (TED), people must demonstrate a hearing loss, speech, or mobility impairment, and have a family income below the state median poverty level.

Services Provided

Deaf and Hard of Hearing Grants provide a variety of services:

⇒ Interpreter referral services include coordinating and placing qualified sign language and oral and Cued Speech interpreters, assessing interpreter skills, disseminating regional referral directories to emergency service providers, and providing technical assistance to agencies and consumers on how to work effectively with interpreters. Services are provided through grants awarded to community-based vendors in both greater Minnesota and in the Twin Cities area.

⇒ Services to deafblind people include client needs assessment and deetermination, one-to-one support services for deafblind adults, intervenors and family education specialists for deafblind children and their families, mobility and rehabilitation services for deafblind people, and training for support service providers and intervenors. Services are provided through statewide grants awarded to community-based, specialized service providers and through a pilot project program using a consumer-directed service model.

⇒ Specialized mental health services include inpatient and outpatient therapy, family counseling, psychological assessment including recommendations and follow-up services, residential community-based support services in group home settings, a drop-in center, and community educational opportunities for families, schools and mental health providers. Services are provided through statewide grants awarded to community-based, specialized service providers.

Historical Perspective

In the early 1980s, the Minnesota Legislature passed the Hearing-Impaired Services Act and the Deaf and Hard of Hearing Services Act. These laws affirm Minnesota's commitment to making all human services provided by the state accessible to citizens who are deaf, deafblind, and hard of hearing. In 1985 the Minnesota Legislature created the Minnesota Commission Serving Deaf and Hard of Hearing People, a 15-member, statewide advisory council, which advises the governor, DHS area and other state agencies.

An important current trend affecting this grant area is greater public awareness about the importance of early hearing loss detection and intervention and related requires for information and assistance. Recent efforts to improve services include securing more technology for the Equipment Distribution Program, identifying ways to address the needs of people with both vision and hearing loss, and improving access to the Minnesota emergency and disaster system for the program's clientele.

Key Measures

⇒ People will be able to control their own lives.
- Number of persons receiving adaptive equipment

⇒ People are supported in and by their community.
- Percent of people who receive sign language interpretive services from the regional referral service

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

Deaf and Hard of Hearing Grants is funded from appropriations from the General Fund.

Contact

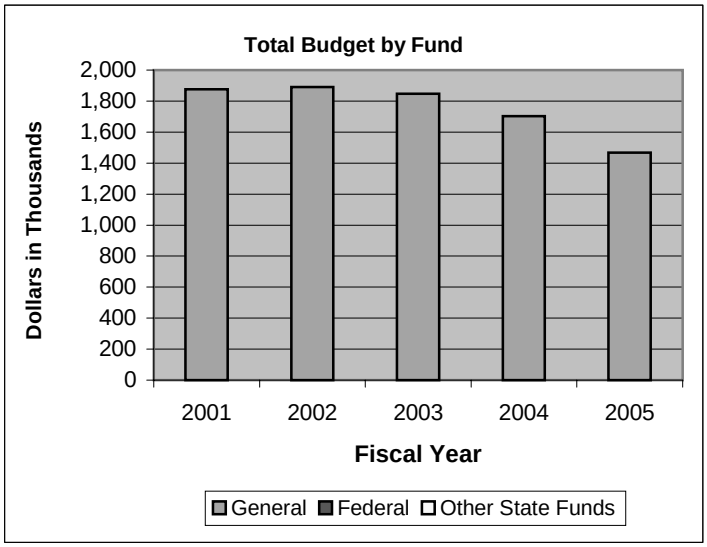
For more information on Deaf and Hard of Hearing Grants, contact:

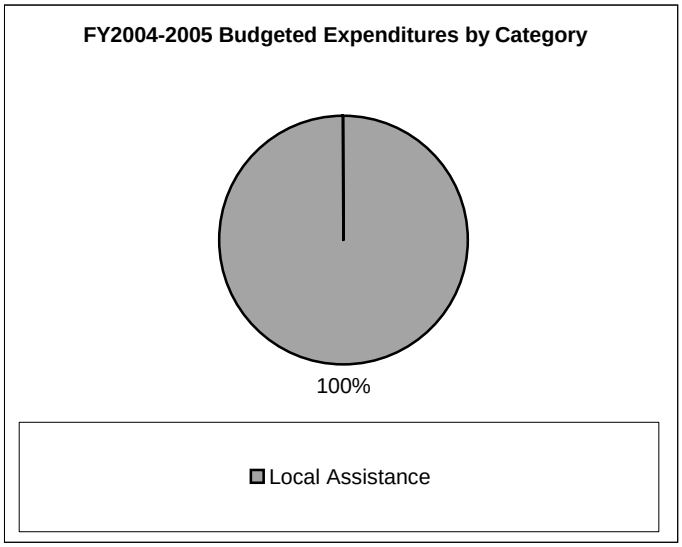
- Assistant Commissioner Maria Gomez, (651) 297-3209
- Deaf and Hard of Hearing Services Director Bruce Hodek, (651) 296-3980 (voice) or (651) 297-1392 (TTY)

Information also is available on the DHS web site: http://www.dhs.state.mn.us.

HUMAN SERVICES DEPT
Program: CONTINUING CARE GRANTS
Activity: DEAF & HARD OF HEARING GRANTS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,877	1,890	1,848	1,702	1,468	3,170
Total	**1,877**	**1,890**	**1,848**	**1,702**	**1,468**	**3,170**

Expenditures by Category						
Operating Expenses	0	6	0	0	0	0
Local Assistance	1,877	1,884	1,848	1,702	1,468	3,170
Total	**1,877**	**1,890**	**1,848**	**1,702**	**1,468**	**3,170**

Activity Description

Mental Health Grants serve Minnesotans with mental illness, set overall policy related to best practices in mental health services for enrollees in publicly funded programs, spur development of non-institutional treatment options, and pay for mental health services for people when they cannot afford to pay. This activity supports the overall objective of promoting assistance for people to live independently, when possible, and when not, to live in treatment settings that are clean, safe, caring, and effective. These grants are used in conjunction with other funding, particularly Medical Assistance (MA) and Group Residential Housing.

Activity at a Glance

- 18,000 adults receive mental health case management
- 11,000 people receive community support services
- 2,800 people receive residential treatment
- Crisis housing provided to 350 people
- 8,200 homeless people served
- 1,030 people receive compulsive gambling treatment

Population Served

This grant area primarily covers adults with serious and persistent mental illness (SPMI). This definition does not include people with developmental disabilities or chemical dependency unless these conditions co-exist with mental illness. This grant area includes a few grants that serve both adults and children. Grants that serve children only are in the Children's Services Grants budget activity.

Approximately 94,000 Minnesota adults have SPMI. Of this group, 71,000 adults with SPMI are estimated to need publicly-subsidized mental health services. This compares to about 25,000 people who actually received these services in 2001.

Services Provided

⇒ *The Adult Mental Health Initiative/Integrated Fund* supports local planning and development to expand community-based services and to develop alternative service delivery models to reduce reliance on facility-based care. As part of this initiative, regional treatment centers staff are being integrated into the community mental health delivery system. In most of the state, this also includes integration of the separate grants listed below. Integration of grants at the county level allows administration to be more effective and efficient. A recent DHS evaluation of the Adult MH Initiatives found that clients of the Initiatives reduced their use of community hospitals by 33% and state hospitals by 77%.

⇒ *Grants for Community Support Services for Adults with Serious and Persistent Mental Illness (Adult Rule 78)* are awarded to counties for client outreach, medication monitoring, independent living skills development, employability skills development, psychosocial rehabilitation, day treatment and case management if MA is inadequate or not available. These funds are allocated by formula, primarily based on a county's population. In addition, these grants include a separate allocation which is based on the amount each county formerly received as the state share of MA case management, adjusted by the number of people now being served by each county. Effective 7-1-99, counties became responsible for the non-federal share of MA case management, but they can use this "former state share" grant to meet part of that responsibility.

⇒ *Adult Residential Grants (Rule 12)* pay for residential facilities staff to provide treatment to people with mental illness. County boards apply for Rule 12 funds on behalf of local residential facilities to assist in meeting program-licensing standards.

⇒ *Crisis Housing* provides financial help when people are hospitalized and need help to maintain their current housing. Eligible people need to be in inpatient care for up to 90 days and have no other help to pay housing costs.

⇒ *Moose Lake Regional Treatment Center (RTC) Alternatives* pays for non-MA contract beds in community hospitals up to 45 days per admission for people who are committed or who would be committed if these community services were not available. This is part of a package of expanded community mental health services for the area formerly served by the Moose Lake RTC (which closed in 1995).

⇒ *Federal Mental Health Block Grant* funds are used to demonstrate innovative approaches based on best practices that, based on evaluation results, could be implemented statewide. Of the federal block grant,

Minnesota has allocated about 53% for children's mental health. At least 25% is used for Indian mental health services, not more than 15% for planning and evaluation, and not more than 5% for statewide administration. Grants provided for Indian mental health services fund nine projects on reservations and two in the metro area.

⇒ *Projects for the Homeless (PATH)* funds, from the federal McKinney Act, are provided to counties to address mental illness among the homeless. Grants to counties are made in combination with Rule 78 Community Support Program funds.

⇒ *Mental Health Services for People Affected by Natural Disasters* includes federal grants for crisis counseling for people affected by the April 1997 floods, the April 1998 tornadoes, the July 2000 tornado, and the June 2002 floods.

⇒ *Compulsive Gambling Treatment and Education* funds inpatient and outpatient treatment programs on an individual client, fee-for-service basis. The program also pays for research, a resource library, public education and awareness efforts, in-service training for treatment providers, and a statewide toll-free, 24-hour helpline. In state FY 2002, the helpline received 3,750 calls.

Historical Perspective

Federal restrictions that prohibit the use of MA for adults in Institutions for Mental Diseases (IMDs) have required the state to rely on state General Fund grant programs to a much larger degree than programs serving other populations, such as the elderly or developmentally disabled. During the past four years, Minnesota has made progress in expanding the range of non-residential community mental health services and maximizing federal reimbursement for these services. However, adults with mental illness continue to experience barriers when trying to access permanent housing options and receiving intensive sub-acute residential treatment and crisis stabilization services.

The Compulsive Gambling Treatment and Education program was created in 1989 to address concerns about the social consequences of large scale gambling expansion.

Key Measures

⇒ People will have access to high quality, cost effective mental, physical and chemical health care.
- ♦ Percent of children and adults who receive mental health services while on Minnesota Health Care programs

⇒ People will be able to control their own lives.
- ♦ Increase in employment for adults with mental illness receiving case management
- ♦ Increase in independent living for adults with mental illness receiving case management

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

Mental Health Grants is funded from appropriations from the General Fund and Lottery Fund and from federal funds.

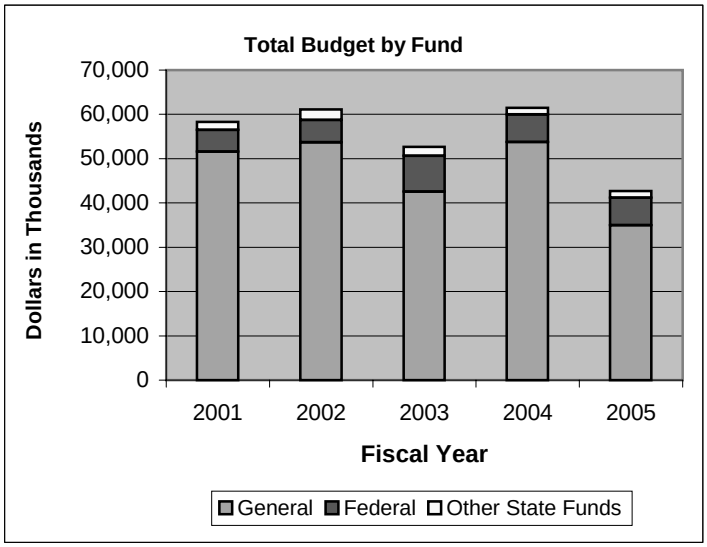
Contact

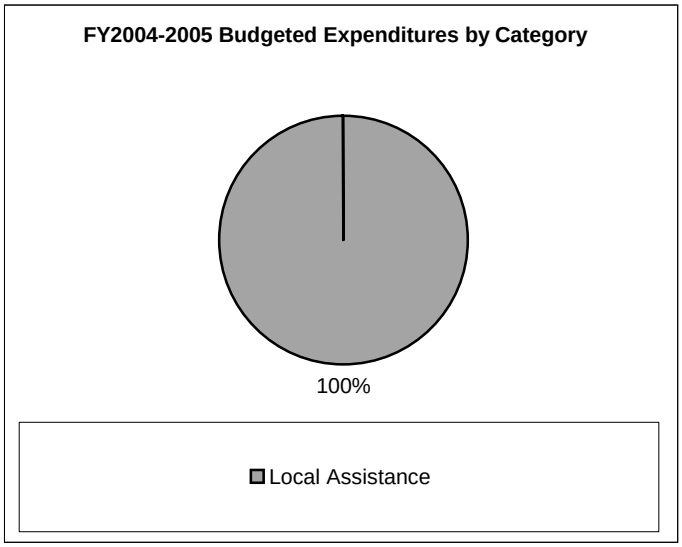
For more information about Mental Health Grants, contact:
- ♦ Mental Health Director Sharon Autio, (651) 582-1810
- ♦ Fiscal & Legislative Operations, Mental Health Division, John Zakelj, (651) 582-1825

Information is also available on the DHS web site: http://www.dhs.state.mn.us.

HUMAN SERVICES DEPT
Program: CONTINUING CARE GRANTS
Activity: MENTAL HEALTH GRANTS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	51,604	53,680	42,514	53,744	34,955	88,699
Lottery Cash Flow	1,372	2,025	1,341	1,158	1,158	2,316
Open Appropriations						
Special Revenue	467	418	666	340	340	680
Statutory Appropriations						
Federal	4,866	5,027	8,108	6,246	6,246	12,492
Total	**58,309**	**61,150**	**52,629**	**61,488**	**42,699**	**104,187**

Expenditures by Category						
Operating Expenses	357	284	305	305	305	610
Payments To Individuals	0	0	0	265	265	530
Local Assistance	57,952	60,866	52,324	60,918	42,129	103,047
Total	**58,309**	**61,150**	**52,629**	**61,488**	**42,699**	**104,187**

Activity Description

Community Support Grants pay for health care and social services to help families and people with disabilities live independently. Programs funded under this budget activity typically are not available under Medical Assistance.

Activity at a Glance

- Family Support Grants serve 1,582 families
- SILS Grants serve 1,575
- Average annual cost per person for SILS is $5,200
- Community Support Grants serve 145

Population Served

This activity serves people with disabilities and their families. Families whose annual adjusted gross income is less than $72,446 and who have a child with mental retardation or a related condition are eligible for Family Support Grants (FSG). Consumer Support Grants are for people who are eligible to receive Medical Assistance, (MA) Alternative Care (AC) services, or FSG. Semi-Independent Living Skills (SILS) recipients must be 18 years old, have mental retardation or a related condition, require a level of support that is not at a level that would put them at risk of institutionalization, and require systematic instruction or assistance to mange activities of daily living.

Services Provided

⇒ Consumer Support Grants assist people with functional limitations and their families in directly purchasing and securing supports needed to live as independently and productively as possible in the community. Consumer Support Grants enable consumers to receive a support grant as an alternative to the home care services benefits they received through MA, the AC Program or the FSG Program. Consumer Support Grants are administered by counties; however, county participation is not mandatory. People participating in the CSG Program can purchase home care, adaptive aids, home modifications, respite care, and other assistance with the tasks of daily living. Recipients receive a grant amount less than or equal to the state share of the amount of certain long-term care services they have received under other programs.

⇒ FSG provide cash to families to offset the higher-than-average cost of raising a child with a disability. Families purchase such things as supplies, home modifications, vehicle adaptations, respite care or other services not available to the family from other sources. The maximum grant per family is $3,000 per year.

⇒ SILS Grants assist adults with mental retardation or a related condition (MR/RC) to maintain or increase their independence in activities of daily living and to live as independently as possible in the community. The grants are used to purchase instruction or assistance to the person in the following areas: nutrition education, meal planning and preparation, shopping, first aid, money management, personal care and hygiene, self-administration of medications, use of emergency resources, social skill development, home maintenance and upkeep, and transportation skills. The average cost per individual is approximately $5,200 per year.

Historical Perspective

The Community Support Grant Program was established in 1995 in response to a growing interest in service alternatives that promoted consumer control and accountability.

Key Measures

⇒ People will be able to control their own lives.
- Persons participating in consumer directed options

⇒ People are supported in and by their community.
- Percent of people whose service plans include use of natural supports

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

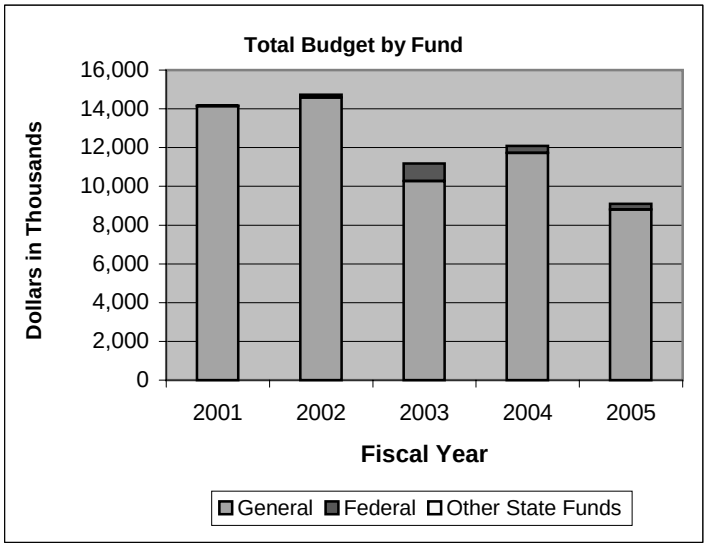
Community Support Grants is funded from appropriations from the General Fund and from federal funds.

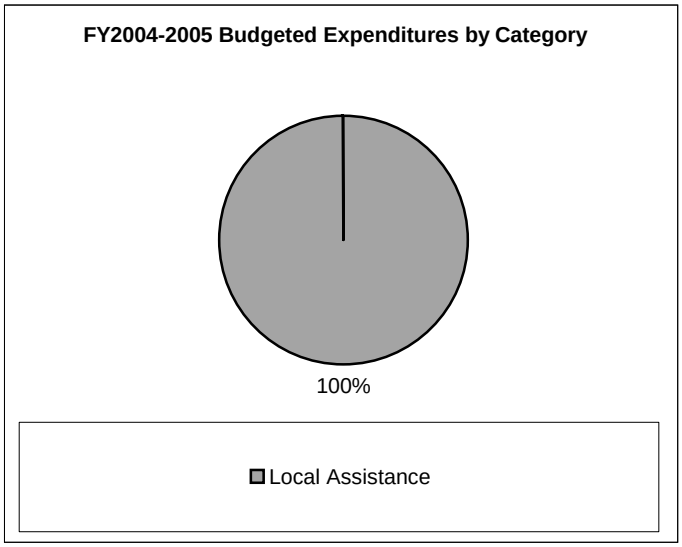
Contact

For more information on Community Support Grants, contact:

- Disabilities Services Director Shirley Patterson, (651) 582-1805
- Legislative & Fiscal Operations – Continuing Care, Dan McCarthy, (651) 582-1959

Information is also available on the DHS web site: http://www.dhs.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	14,131	14,583	10,269	11,725	8,794	20,519
Statutory Appropriations						
Federal	40	148	914	360	300	660
Total	**14,171**	**14,731**	**11,183**	**12,085**	**9,094**	**21,179**

Expenditures by Category						
Operating Expenses	95	83	5	0	0	0
Local Assistance	14,076	14,648	11,178	12,085	9,094	21,179
Total	**14,171**	**14,731**	**11,183**	**12,085**	**9,094**	**21,179**

Activity Description

Medical Assistance (MA) long-term care (LTC) waivers and home care grants pay for a collection of medical and health care-related support services that enable low-income Minnesotans, who are elderly or who have disabilities, to live as independently as possible in their communities. LTC waivers refer to home and community-based services available under a federal Medicaid waiver as an alternative to institutional care.

Activity at a Glance

- 7,761 people received MA Home Care Services
- 18,076 people received Home Health Care Services
- 35,245 people at risk of placement in an institution are supported in the community by long-term care waivers

Population Served

Home Care and LTC Waivers serve MA-enrolled people of all ages, including infants and the frail older adults. To receive LTC waivers, a person must be at risk of requiring institutional care. Waiver eligibility is linked to a person's need for a 24-hour plan of care that places them at risk of placement in an institutional setting. These programs served the following number of people in FY 2002:

	People Served	Avg. Annual Cost per Person
MA Home Care Services		
Personal Care Assistance (PCA) Services	7,356	$17,574
Private Duty Nursing (PDN) Services	405	$63,474
Home Health Care Services		
Home health aide services	4,470	$2,738
Skilled nursing services	12,504	$958
Therapies	1,102	$1,813
Long-Term Care Waivers		
Community Alternative Care Waiver (CAC)	139	$45,021
Community Alternative for Disabled Individuals Waiver (CADI)	6,151	$6,954
Elderly Waiver (EW)	12,595	$5,890
Mental Retardation/Related Conditions Waiver	15,721	$42,396
Traumatic Brain Injury Waiver (TBI)	639	$37,647

Services Provided

Home care includes specific services for people recovering from major illness or making a transition from a hospital or nursing facility back to their home. It also includes a limited continuing care benefit for people with ongoing assistance needs. MA home care services are authorized based on medical necessity and an order by a licensed physician. MA home care services include:

- assessments by public health nurses;
- home health aide visits;
- nurse visits;
- private duty nursing services;
- personal care services;
- occupational, physical, speech, and respiratory therapies; and
- medical supplies and equipment.

LTC Waivers, which are also known as home and community-based waiver programs, provide a variety of support services that assist people to live in the community instead of going into or staying in an institutional setting. Available support services include:

- caregiver training and education;

- case management;
- consumer-directed community supports;
- behavioral interventions;
- day activity, day habilitation, and vocational supports;
- home-delivered meals;
- home and environmental modifications;
- homemaking and chore services;
- independent living skills training;
- supplies and equipment;
- transportation;
- respite care;
- supportive services in foster care, assisted living, and residential settings; and
- extended MA home care services, including therapies.

Historical Perspective

Home and community-based waivers were established under section 1915(c) of the federal Social Security Act of 1981. These waivers were intended to correct the institutional bias in Medicaid by allowing states to offer a broad range of home and community-based services to people who may otherwise be institutionalized. Minnesota has obtained approval of the waivers described in this activity.

Minnesota has demonstrated a strong commitment to providing home and community-based support options for older adults and people with disabilities and to moving people with disabilities from institutional to community settings. Numerous state and national studies have documented the benefits of community-based services for persons with disabilities.

In 1999, the U. S. Supreme Court ruled in Olmsted vs L.C. that states have an obligation to insure that people with disabilities are not forced to remain institutionalized when a more integrated setting is appropriate and the affected people do not object to the community placement. The court further indicated that states should have comprehensive, effectively working plans for placing qualified people in less restrictive settings. This ruling prompted states, including Minnesota, to review their current policies and practices and to determine whether they most effectively support the relocation and diversion of people from institutional settings.

Key Measures

⇒ People will be able to control their own lives.
- Percent of public long-term care funds spent on institutional care versus community care
- Persons participating in consumer directed options

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

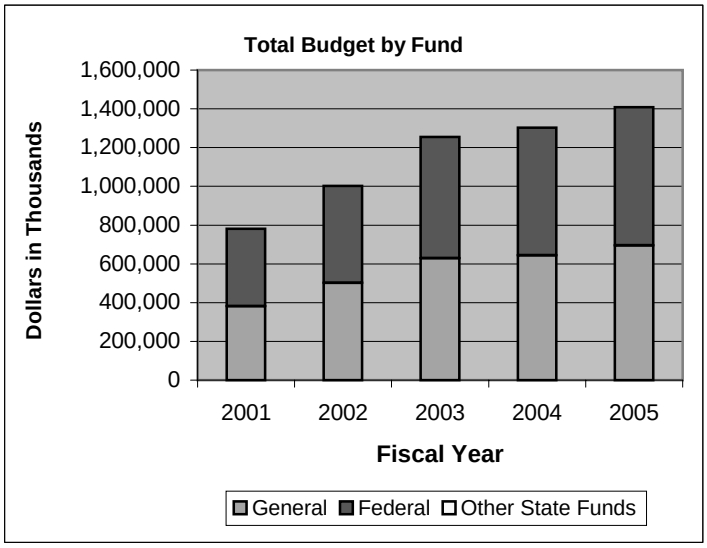
Activity Funding

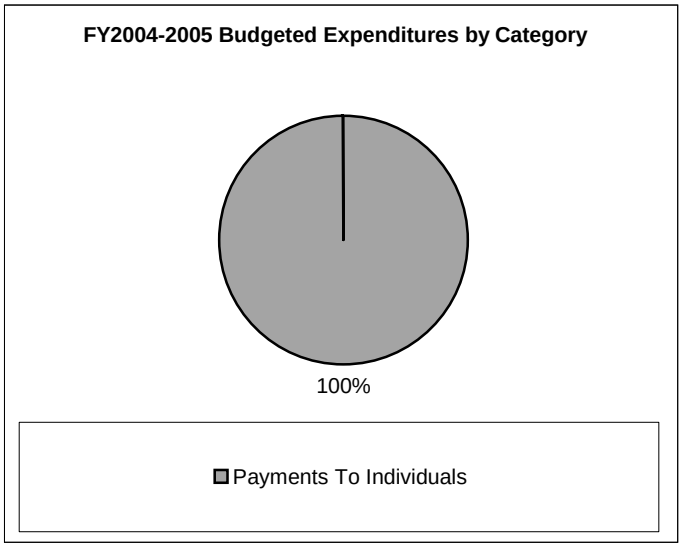
MA Long-Term Care Waivers and Home Care Grants is funded with appropriations from the General Fund and from federal Medicaid funds.

Contact

For more information on MA Long-Term Care Waivers & Home Care Grants, contact:
Legislative and Fiscal Operations (Persons with Disabilities), Dan McCarthy, (651) 582-1959
Legislative and Fiscal Operations (Aging Initiative), Sue Banken, (651) 296-5724

Information is also available on the DHS web site: http://www.dhs.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	343,583	502,506	628,848	643,530	694,967	1,338,497
Statutory Appropriations						
General	38,001	0	0	0	0	0
Federal	398,697	500,281	625,571	659,910	713,936	1,373,846
Total	**780,281**	**1,002,787**	**1,254,419**	**1,303,440**	**1,408,903**	**2,712,343**

Expenditures by Category						
Payments To Individuals	780,281	1,002,787	1,254,419	1,303,440	1,408,903	2,712,343
Total	**780,281**	**1,002,787**	**1,254,419**	**1,303,440**	**1,408,903**	**2,712,343**

Activity Description

Medical Assistance (MA) Long-Term Care Facilities Grants pays for nursing facility (NF) care, intermediate care facilities for people with mental retardation (ICF/MR), and day training and habilitation (DT&H) for people with mental retardation or related conditions who are ICF/MR residents.

Activity at a Glance

- Nursing facilities and boarding care homes serve 37,000 people per month.
- ICFs/MR serve about 2,508 residents per month.
- DT&H programs serve 11,200 people per month.

Population Served

MA enrollees who require nursing facility or ICF/MR services are eligible. There are nearly 670 long-term care (LTC) facilities that serve almost 40,000 people per month in this budget activity. The following data is from FY 2002:

⇒ There are 417 MA-certified NF and boarding care homes. MA-certified NFs and boarding care homes serve approximately 37,000 people per month at a daily average rate of $123 per person. About two-thirds of the residents receive MA and one-third privately pay for their care, receive Medicare, or have other insurance.

⇒ There are 249 MA-certified ICFs/MR. Last fiscal year, ICFs/MR served an average of 2,508 recipients per month. The monthly average payment was $5,404 per resident. In FY 2002, 23 ICFs/MR were closed and 244 additional beds were decertified.

Funding for DT&H services is contained in three different budget activities: MA Long-Term Care Facilities Grants for those people residing in ICFs/MR, MA Long-Term Care Waivers and Home Care Grants for mental retardation or related condition waiver recipients, and Community Social Service Grants available to all eligible people. There are 250 DT&H service vendors in Minnesota. In total, DT&H programs serve approximately 11,200 people with disabilities. Approximately 2,176 ICF/MR recipients per month receive DT&H services at a monthly average MA payment of $1,466 per person.

Services Provided

Nursing facilities provide 24-hour care and supervision in a residential-based setting. Housing and all other services are provided as a comprehensive package, including, but not limited to:

- nursing and nursing assistant services;
- help with activities of daily living and other care needs;
- housing;
- meals;
- medication administration;
- activities and social services;
- supplies and equipment;
- housekeeping, linen, and personal laundry; and
- therapy services (at an extra cost).

ICFs/MR provide 24-hour care, habitation, training, and supervision to people with mental retardation or related conditions. Most ICFs/MR are less medically oriented than nursing facilities and focus on teaching independent living skills. Like nursing facilities, they provide a package of services which include housing and food.

DT&H vendors provide training and activities related to work, self care, communication skills, socialization, community orientation, transportation needs, emotional development, development of adaptive behavior, cognitive development, and physical mobility. DT&H services assist people with developmental disabilities to prepare for, find, and retain employment.

These services are purchased from enrolled providers on a fee-for-service basis and, in some circumstances, on a prepaid capitated basis.

Historical Perspective

Use of NFs grew rapidly with the establishment of the federal Medicaid program in the 1960s. The availability of federal matching funds for the state's publicly-funded health care programs provided an incentive for this investment and Medicaid expenditures grew as people who qualified for NF services accessed this entitlement. In the mid-1980s, a moratorium was placed on development of new NFs and efforts were made to develop less expensive home and community-based alternatives. Today, more older adults are choosing to receive services in their own homes. NF utilization has been declining and NFs are more often used for short-term care and rehabilitation following hospitalization. Recent efforts to rightsize the industry and to provide financial stability include provisions for bed layaway and planned bed closure and higher rates for short lengths of stay.

ICFs/MR are another Medicaid-funded entitlement service. Before the 1970s, virtually all public services for people with developmental disabilities were custodial in nature, paid for with state funds and delivered in large state institutions. In 1971, Congress authorized Medicaid funding for ICF/MR services. To qualify for Medicaid reimbursement, ICFs/MR had to be MA-certified and comply with federal standards. Smaller ICFs/MR developed in the 1970s and early 1980s as a means to aid in deinstitutionalizing people with disabilities from large state-run institutions. In the mid-1980s, a moratorium was placed on the development of new ICFs/MR. Instead, people began receiving services in their own homes through the MR/RC waiver. The number of people served in ICFs/MR has been steadily declining in the past decade.

DT&H services have been in operation in the state for over 35 years. They are a mandatory service for people with mental retardation or a related condition. DT&H programs on average provide 195 days of service per year.

Key Measures

⇒ People will be free from abuse and neglect.
- Rate of substantiated abuse and neglect findings, per 10,000 state residents
- Rate of substantiated abuse and neglect findings, per 1,000 resident days of SOS and other DHS licensed long-term care facilities

⇒ People will be able to control their own lives.
- Percent of public long-term care funds spent on institutional care versus community care
- Persons on MA residing in institutional settings

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

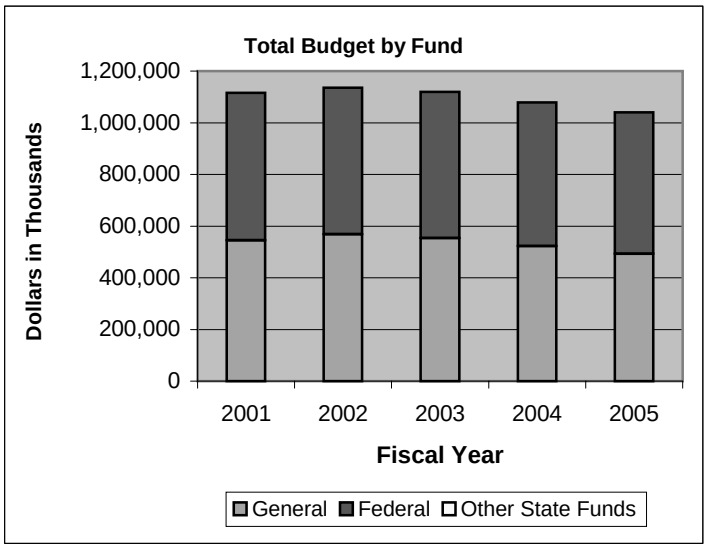
MA Long Term Care Facilities Grants is funded from appropriations from the General Fund and from federal Medicaid funds.

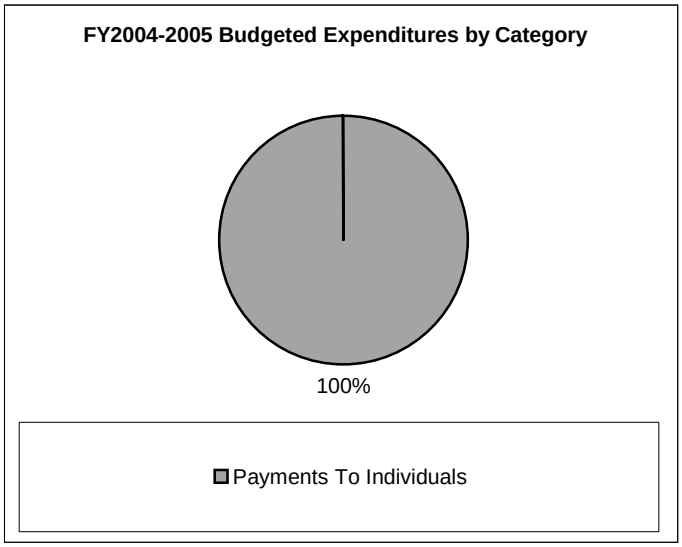
Contact

For more information on Nursing Facilities, contact:
- Assistant Commissioner Loren Colman, (651) 296-1776
- Continuing Care for the Elderly Director – Nursing Facilities, Bob Held, (651) 215-5761
- Legislative and Fiscal Operations, Sue Banken, (651) 296-5724

For more information on ICFs/MR or DT&H services, contact:
- Disability Services Director, Shirley Patterson, (651) 582-1805
- Legislative and Fiscal Operations, Dan McCarthy, (651) 582-1959

Information is also available on the DHS web site: http://www.dhs.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	489,137	567,366	548,351	514,710	485,543	1,000,253
Statutory Appropriations						
General	55,480	1,304	4,666	8,038	6,886	14,924
Federal	571,344	567,364	566,346	555,618	547,433	1,103,051
Total	**1,115,961**	**1,136,034**	**1,119,363**	**1,078,366**	**1,039,862**	**2,118,228**

Expenditures by Category						
Payments To Individuals	1,115,906	1,136,034	1,119,363	1,078,366	1,039,862	2,118,228
Local Assistance	55	0	0	0	0	0
Total	**1,115,961**	**1,136,034**	**1,119,363**	**1,078,366**	**1,039,862**	**2,118,228**

Activity Description

Alternative Care (AC) pays for at-home care and community-based services for older adults who are at risk of becoming eligible for Medical Assistance (MA) nursing facility care within six months. It is a state-funded program that gives eligible older adults community-based service choices similar to federally-funded home and community-based programs.

Population Served

To be eligible for AC, a person must be age 65 or older, assessed as needing nursing facility level of care, and have income and assets inadequate to fund nursing facility care for more than 180 days.

Activity at a Glance

- Pays for at-home health and community-based care services for low-income elderly Minnesotans
- Helps older adults stay in their own homes longer by providing an alternative to nursing home care
- Serves 8,200 persons per month
- Costs an average of $650 per person per month, compared to $3,741 per person in a nursing facility

In FY 2002, AC funded services for approximately 8,200 elderly persons per month at an average monthly cost of approximately $650 per person, compared to a $3,741 average monthly cost of nursing facility care.

Services Provided

Alternative Care provides funding for:

- respite care, both in-home and at approved facilities, to provide a break for caregivers;
- case management to ensure that care provided is appropriate;
- adult day care;
- personal care services to assist with activities of daily living;
- homemaker services;
- companion service to enhance quality of life;
- assisted living;
- caregiver training and education to provide caregivers with the knowledge and support necessary to adequately care for an elderly person;
- chore services to provide assistance with heavy household tasks such as snow shoveling;
- home health nursing and aide services;
- transportation to AC-related services and community integration;
- nutrition services;
- residential care services for people living in a board and lodging setting;
- adult foster care for people living in licensed foster care;
- medically necessary supplies and equipment;
- telehomecare services to monitor the health status of people in their own homes as an alternative to home visits; and
- other consumer directed services and discretionary services that are part of the person's plan of care.

Historical Perspective

The AC program was implemented in 1981. Its purpose is to provide older adults at risk of nursing facility placement with home and community-based services to assist them to remain at home. Funding is allocated for local lead agencies to provide for service delivery under individual service plans and manage their allocations to serve eligible persons.

Key Measures

⇒ People will be able to control their own lives
- Percent of public long-term care funds spent on institutional care versus community care
- Persons participating in consumer directed options

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

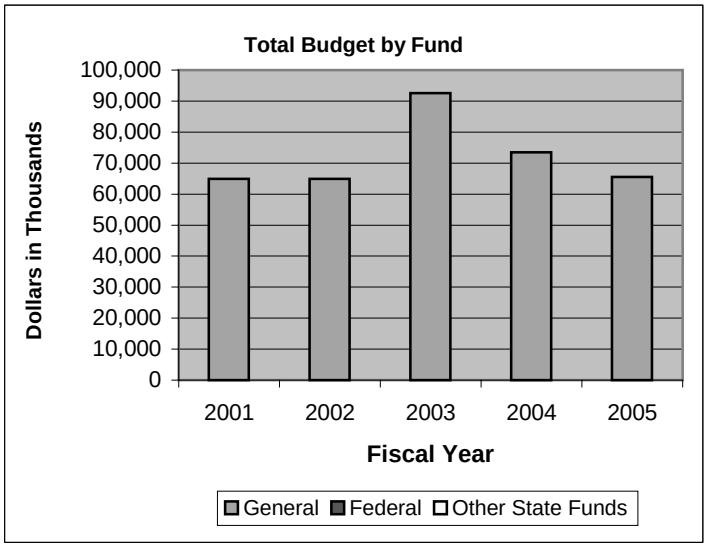
Alternative Care Grants is funded from appropriations from the General Fund and from enrollee premiums.

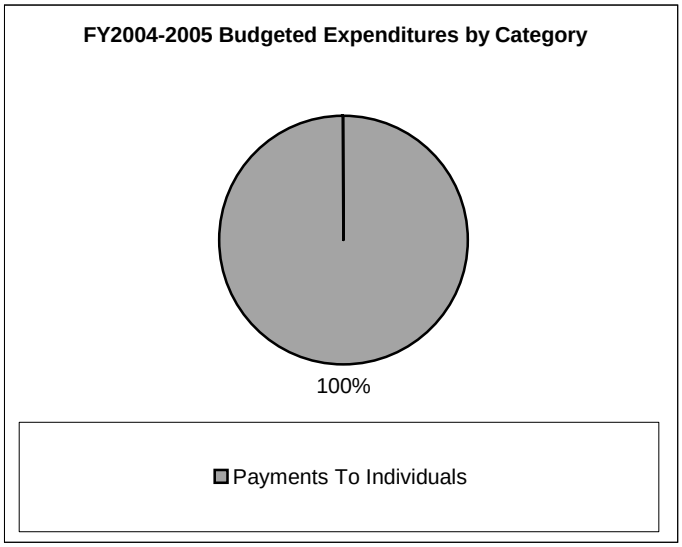
Contact

For more information on Alternative Care Program, contact

- Assistant Commissioner Loren Colman, (651) 296-1776
- Aging and Adult Services Director - James Varpness, (651) 296-1531
- Legislative and Fiscal Operations - Sue Banken, (651) 296-5724

Information is also available on the DHS web site: http://www.dhs.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	62,347	62,267	89,749	70,705	62,930	133,635
Statutory Appropriations						
General	2,539	2,688	2,775	2,733	2,643	5,376
Total	**64,886**	**64,955**	**92,524**	**73,438**	**65,573**	**139,011**

Expenditures by Category						
Payments To Individuals	64,886	64,955	92,524	73,438	65,573	139,011
Total	**64,886**	**64,955**	**92,524**	**73,438**	**65,573**	**139,011**

Activity Description

Group Residential Housing (GRH) Grants provide income supplements for room and board and other related housing services for people whose illness or disability prevents them from living independently. In order for its residents to be eligible for GRH payments, a setting must be licensed by the Department of Human Services (DHS) as an adult foster home or by the Department of Health as a board and lodging establishment, a supervised living facility, a boarding care home, or, in some cases, registered as a housing with services establishment.

Activity at a Glance

- There are 3,800 GRH settings
- GRH provides room and board for 13,500 recipients per month
- The basic GRH room and board rate is $670 per month

Population Served

There are over 3,800 GRH settings serving about 13,500 average monthly recipients who are unable to live independently in the community due to illness or incapacity.

GRH settings serve a variety of dependent persons, including persons with mental retardation, mental illness, chemical dependency, physical disabilities, advanced age, or brain injuries.

Persons receiving GRH often also receive services through Medical Assistance (MA) Home Care, a home and community-based waiver under Title XIX of the Social Security Act, or mental health grants. In these cases, the GRH rate is restricted to the room and board rate only. The combination of GRH room and board supports and Medical Assistance services enables people to live in the community rather than in a facility.

Services Provided

GRH separately identifies housing costs from services and provides a standard payment rate for housing for aged, blind and disabled persons in certain congregate settings:

⇒ GRH is a supplement to a client's income to pay for the costs of room and board in specified licensed or registered settings.

⇒ Currently, the basic GRH room and board rate is $670 per month, which is based on a statutory formula. The maximum GRH payment rate for settings that provide services in addition to room and board, such as difficulty of care in adult foster care, is $447.93 per month. In limited cases, and upon county and state approval, GRH will also fund up to $426.37 per month (based on documented costs) for persons whose needs require specialized housing arrangements.

⇒ Although GRH is 100% state-funded, these rates are offset by the recipient's own income contribution (usually Supplemental Security Income or Social Security Retirement or Disability Insurance contributions of at least $515.05).

GRH also pays for basic support services, such as oversight and supervision, medication reminders, and appointment arrangement, for persons who are ineligible for other service funding mechanisms such as home and community-based waivers or home care.

Historical Perspective

GRH was once part of the Minnesota Supplemental Aid (MSA) Program but was made a separate program in the mid-1990s. There is currently a moratorium on the creation of beds with a rate that exceeds the base rate of $670 unless they are licensed as adult foster care. More recently, all supplemental room and board rates, which are available only for adult foster care settings, are subject to a county average calculated on the basis of FY 2000 data in order to control costs.

Key Measures

⇒ People will be able to control their own lives.

- Percent of public long-term care funds spent on institutional care versus community care
- Persons on MA residing in institutional settings

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

Group Residential Housing Grants is funded from appropriations from the General Fund.

Contact

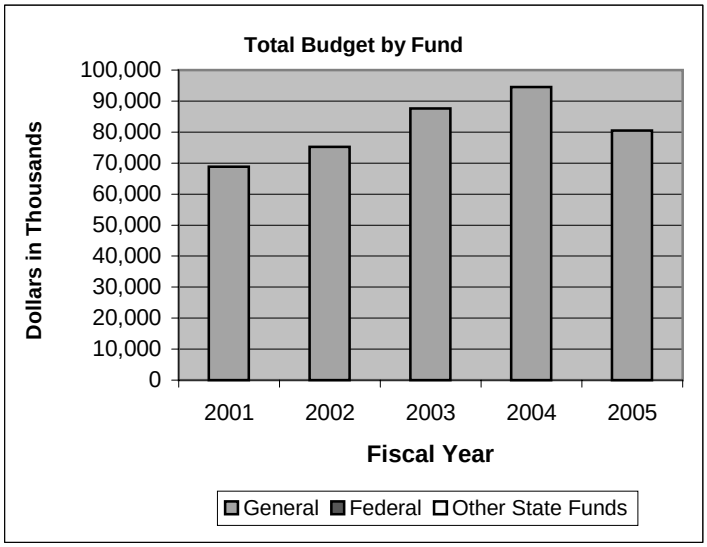
For more information on Group Residential Housing, contact:

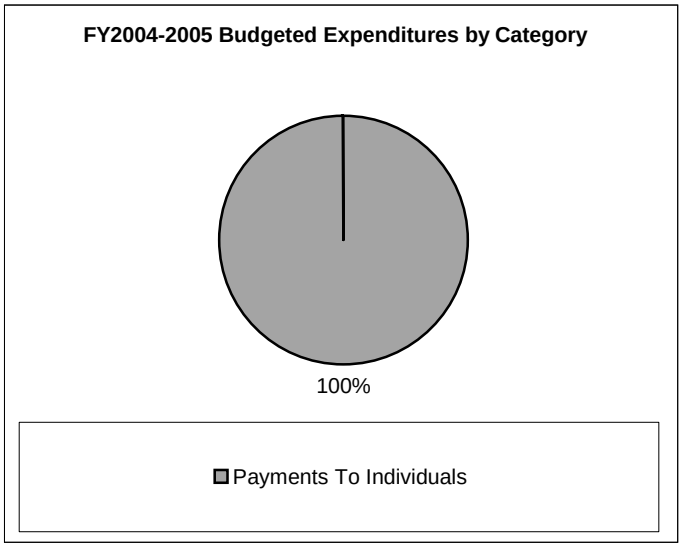
- Social Services Program Consultant, GRH, Duane Elg, (651) 296-6004
- Legislative and Fiscal Operations – older adult populations, Sue Banken, (651) 296-5724
- Legislative and Fiscal Operations – disabled populations, Dan McCarthy, (651) 582-1959

Information is also available on the DHS web site: http://www.dhs.state.mn.us.

HUMAN SERVICES DEPT
Program: CONTINUING CARE GRANTS
Activity: GROUP RESIDENTIAL HOUSING

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	68,621	74,794	87,168	94,150	80,092	174,242
Statutory Appropriations						
General	200	403	400	400	400	800
Total	**68,821**	**75,197**	**87,568**	**94,550**	**80,492**	**175,042**

Expenditures by Category						
Operating Expenses	47	0	0	0	0	0
Payments To Individuals	68,774	75,147	87,568	94,550	80,492	175,042
Local Assistance	0	50	0	0	0	0
Total	**68,821**	**75,197**	**87,568**	**94,550**	**80,492**	**175,042**

Activity Description

Chemical Dependency Entitlement Grants fund treatment of eligible people who have been assessed to be in need of treatment for chemical abuse or dependency. This activity is administered through the Consolidated Chemical Dependency Treatment Fund (CCDTF).

Activity at a Glance

- There were 18,437 treatment admissions in FY 2000
- Average cost per admission was $3,142
- 350 treatment programs participate in the CCDTF
- 50% of all treatment admissions in Minnesota are made through the CCDTF

Population Served

Chemical dependency (CD) treatment services are provided to anyone who is found by an assessment to be in need of care and is financially eligible, unless the needed services are to be provided by a managed care organization in which the person is enrolled.

The CCDTF has three tiers of eligibility, although this budget activity covers only Tier I:

⇒ Tier I is the entitlement portion. Eligible clients are people who are enrolled in Medical Assistance (MA), General Assistance Medical Care (GAMC), receive Minnesota Supplemental Assistance (MSA), or meet the MA, GAMC or MSA income limits.

⇒ Tier II includes people who are not eligible for MA, but whose income does not exceed 215% of federal poverty guidelines. (This tier is addressed in the non-entitlement grants activity page.)

⇒ Tier III includes people with incomes between 215% and 412% of federal poverty guidelines. (This tier has not been funded in recent years.)

Services Provided

The CCDTF pays for four types of chemical dependency treatment

- inpatient;
- outpatient;
- halfway house; and
- extended care.

Primary inpatient treatment typically lasts three to four weeks, extended care programs six to seven weeks, and halfway house stays seven weeks. Outpatient programs vary greatly, with stays typically ranging from four to 12 weeks.

Approximately 50% of CD treatment admissions for Minnesota residents are paid for through the CCDTF. A person's need for CD treatment is assessed by the local county social service agency or American Indian tribal entity. The assessor authorizes treatment based on uniform statewide assessment and placement criteria. Most treatment providers in the state accept Consolidated Fund clients.

Historical Perspective

The CCDTF was created in 1988 to consolidate a variety of funding sources for chemical dependency treatment services for low-income, chemically dependent Minnesota residents. The CCDTF combines previously separated funding sources - Medical Assistance, General Assistance Medical Care, General Assistance, state appropriations, and federal block grants - into a single fund with a common set of eligibility criteria. Counties pay at least 15% of treatment costs to maintain a local maintenance of effort.

Since its inception, the entitlement portion of the CCDTF (Tier I) has served about 18,500 clients annually.

Key Measures

⇒ People will have access to high quality, cost effective mental, physical and chemical health care.

- Percent of adults and minors who complete chemical dependency treatment

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

Chemical Dependency Entitlement Grants is funded from appropriations from the General Fund.

Contact

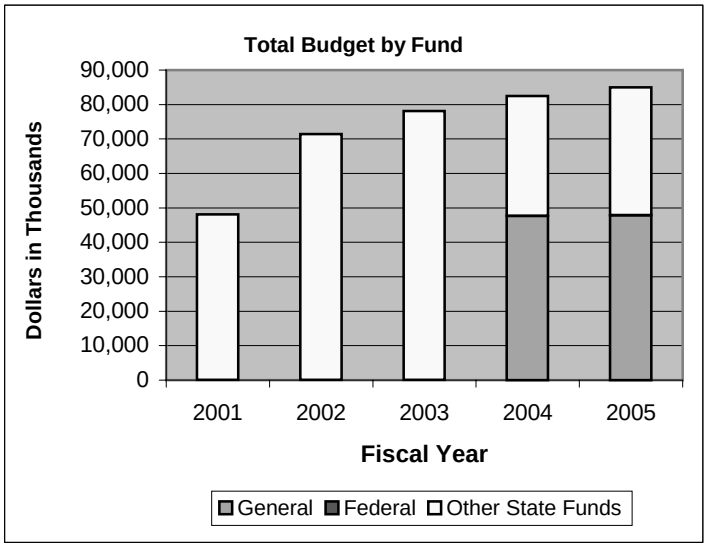
For more information on Chemical Dependency Entitlement Grants, contact:

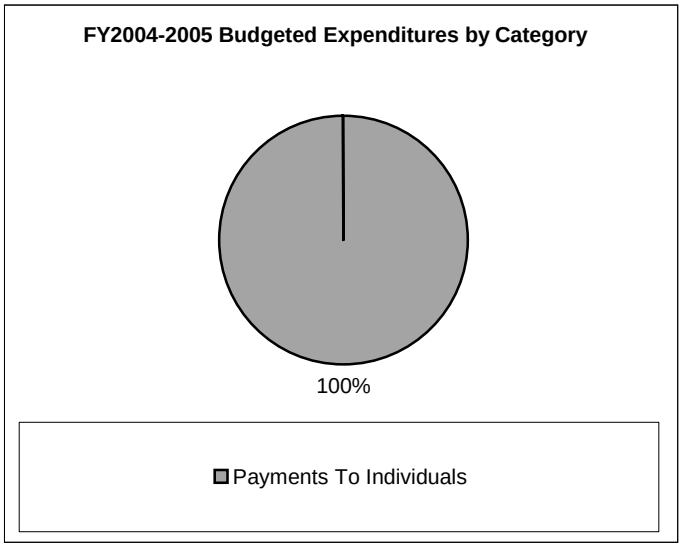
- Chemical Health Director Donald Eubanks, (651) 582-1856
- Chemical Health Operations Manager Troy Mangan, (651) 582-1884

Information is also available on the DHS web site: http://www.dhs.state.mn.us.

HUMAN SERVICES DEPT
Program: CONTINUING CARE GRANTS
Activity: CD ENTITLEMENT GRANTS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	0	0	47,617	47,848	95,465
Statutory Appropriations						
Special Revenue	48,119	71,448	78,147	34,872	37,120	71,992
Total	**48,119**	**71,448**	**78,147**	**82,489**	**84,968**	**167,457**

Expenditures by Category						
Payments To Individuals	46,923	69,301	78,147	82,489	84,968	167,457
Local Assistance	1,196	2,147	0	0	0	0
Total	**48,119**	**71,448**	**78,147**	**82,489**	**84,968**	**167,457**

Activity Description

Chemical Dependency Non-Entitlement Grants pay for chemical dependency treatment provided to low-income people ineligible for entitlement-based treatment, statewide prevention efforts, and culturally appropriate services and support.

Activity at a Glance

- Provided chemical abuse or dependency treatment to 2,800 people
- Admitted 38,400 people to detox programs
- Provided 4,000 school-age children with prevention information
- Provided intervention and case management services to 350 pregnant women and women with children
- Trained 800 CD professionals

Population Served

Eligibility for treatment is as follows:

- Tier II of the Consolidated Chemical Dependency Treatment Fund (CCDTF) includes those people not eligible for Medical Assistance (MA) and whose income does not exceed 215% of federal poverty guidelines; and
- Tier III includes people with incomes between 215% and 412% of federal poverty guidelines and who are not eligible for MA. (This tier has not been funded in recent years.)

Services Provided

Non-Entitlement Grants support:

- chemical dependency treatment for non-entitled recipients;
- community drug and alcohol abuse prevention for American Indians, African Americans, Asian-Americans, and Hispanic populations;
- women's treatment program grants which include subsidized housing, transportation, child care, and parenting education;
- counseling;
- case management for people with chronic alcohol and drug abuse conditions;
- assistance to counties and providers in meeting licensing requirements and improving services;
- a statewide prevention resource center that assists Minnesota counties, local communities, and organizations by providing alcohol and other drug abuse education, information, and training;
- research and evaluation projects identified by the division's statutory advisory councils, policy makers, and chemical dependency professionals;
- data collection and analysis on drug and alcohol abuse trends; and
- detoxification transportation.

Historical Perspective

Tier II and Tier III of the CCDTF were established in 1988 to create a hierarchy of financial eligibility that prioritized CCDTF service access when state funding was limited. In the early 1990s, Tier II eligibility was restricted to adolescents, pregnant women, and parents with minor children in the home. Since FY 1999, Tier II service needs have been fully funded using resources available in the CCDTF Reserve. Approximately 2,500 Tier II eligible individuals have accessed needed chemical dependency treatment services each year. Tier III has not been funded in over 10 years.

Over the last decade, as research studies indicated that the prevalence of substance abuse was higher for certain populations or that some groups did not succeed in chemical dependency treatment at the same rate as the general population, specific improvement efforts were established. These efforts were designed to build prevention strategies and treatment support services that focus on the unique strengths and needs of these various populations. The need for these specialized models of prevention and treatment has grown as counties and tribes recognize the role substance abuse plays in difficult Temporary Assistance to Needy Families and Child Welfare cases.

Key Measures

⇒ People will have access to high quality, cost effective mental, physical and chemical health care.
- Percent of adults and minors who complete chemical dependency treatment
- Percent of people who are insured
  - ⇒ children under 18 – by race/ethnicity and other known disparate groups
  - ⇒ all Minnesotans – by race/ethnicity and other known disparate groups

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

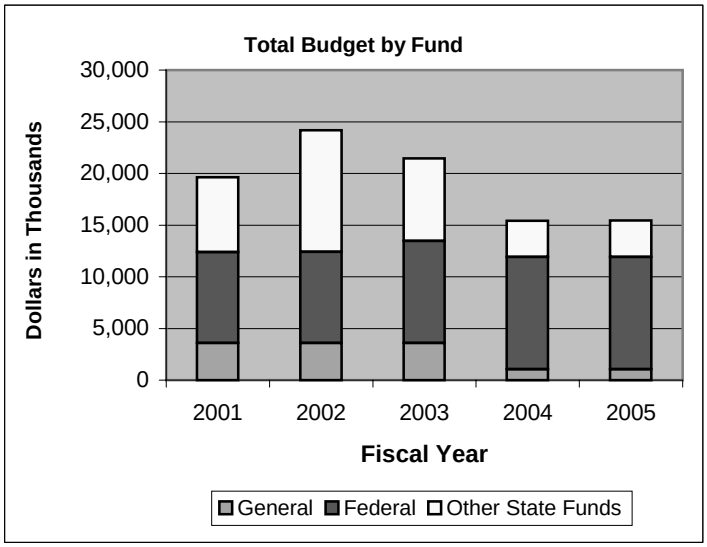
Activity Funding

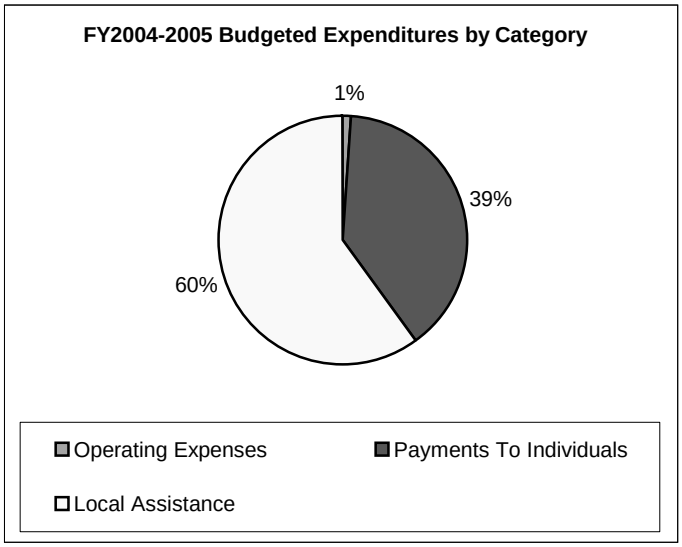
Chemical Dependency Non-Entitlement Grants is funded from appropriations from the General Fund and from federal funds.

Contact

For more information on Chemical Dependency Non-Entitlement Grants, contact:
- Chemical Health Director Donald Eubanks, (651) 582-1856
- Chemical Health Operations Manager Troy Mangan, (651) 582-1884

Information is also available on the DHS web site: http://www.dhs.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,581	3,585	3,593	1,055	1,055	2,110
Statutory Appropriations						
Special Revenue	7,242	11,750	8,000	3,513	3,528	7,041
Federal	8,791	8,842	9,865	10,865	10,865	21,730
Total	**19,614**	**24,177**	**21,458**	**15,433**	**15,448**	**30,881**

Expenditures by Category						
Operating Expenses	115	243	158	158	158	316
Payments To Individuals	7,242	11,750	8,000	6,000	6,000	12,000
Local Assistance	12,257	12,184	13,300	9,275	9,290	18,565
Total	**19,614**	**24,177**	**21,458**	**15,433**	**15,448**	**30,881**

Program Description

Continuing Care Management is the administrative component for the service areas funded by Continuing Care Grants. It also provides central office support to State Operated Services programs and coordinates with Health Care Management on the Medicaid-funded Continuing Care Grant activities.

Population Served

This program serves elderly Minnesotans and citizens with disabilities who need long-term care, including persons with physical and cognitive disabilities, deafness or hard of hearing, emotional disturbances, mental illness, HIV/AIDS, and chemical dependency.

Services Provided

Department of Human Services (DHS) staff administer programs and services that are used by over 350,000 Minnesotans. This work is accomplished by working with citizens, counties, legislators, grantees, other state agencies and providers.

Program at a Glance

Continuing Care Management functions:

- performs statewide human services planning;
- develops and implements policy;
- obtains, allocates, and manages resources;
- manages contracts and grants;
- sets standards for service development and delivery;
- provides technical assistance and training to local county agencies;
- monitors for compliance/evaluation;
- supports local innovation and quality improvement efforts;
- assures a statewide safety net capacity; and
- carries out unique specialized activities.

In addition to the normal management functions, which apply to all people served, Continuing Care Management performs unique specialized activities:

- direct constituent service:
  - ⇒ statewide regional service centers which help deaf, deafblind, and hard-of-hearing people access community resources and the human services system;
  - ⇒ the Equipment Distribution Program, which helps deaf and hard-of-hearing people access the telephone system with specialized equipment;
  - ⇒ HIV/AIDs programs which help people with HIV/AIDs obtain or maintain health care coverage; and
  - ⇒ ombudsman services for older Minnesotans which assist consumers in resolving complaints and preserving access to services;
- citizen/consumer feedback:
  Staff assistance and administrative support are provided to a number of legislatively-required councils including:
  - ⇒ The Minnesota Commission Serving Deaf and Hard of Hearing People;
  - ⇒ The Minnesota Board on Aging;
  - ⇒ The State Advisory Council on Mental Health;
  - ⇒ Alcohol and Other Drug Abuse Advisory Council;
  - ⇒ American Indian Advisory Council on Alcohol and Other Drug Abuse;
  - ⇒ Traumatic Brain Injury Service Integration Advisory Committee; and
  - ⇒ Long-term Care Advisory Committee;
- collaborative efforts with local partners and other state agencies; and
- special projects and responsibilities.

Historical Perspective

Years ago, service options for the elderly and people with disabilities were limited. Most people needing publicly-funded services received them in institutions. Through the years, priorities, values, and expectations continually change. Today, more choices are available, providing people with more individualized and better quality options.

Staff in Continuing Care Management administer a broad array of services for this diverse population. In addition to administering ongoing operations of programs and services, some recent achievements include:

- describing the demographic realities of the state's aging population and working with many constituencies to prepare responses to these profound changes (Project 2030);
- implementing strategies of the long-term care task force that reform Minnesota's long-term care system for the elderly. This includes administering the voluntary, planned closure of nursing facility beds and expanding use of home and community-based services through grants and other mechanisms to develop community capacity;
- working with community partners that included the Citizen's League, Consumer Survivor's Network, the State Mental Health Advisory Councils, and the Department of Health to increase the public's understanding of our citizen's mental health needs and the community infrastructure, both formal and informal, that will meet those needs;
- taking actions necessary to increase flexibility, reduce access barriers, and promote consumer choice and control with the home care and waivered services covered by Medical Assistance;
- working with consumers, family members, county agencies, provider organizations, and advocates to develop community potions for younger persons with disabilities currently residing in institutional settings;
- developing the Minnesota Senior Health Options (MSHO) and Minnesota Disability Health Options (MDHO) projects that integrate health and long-term care for "dual eligible" elderly and younger persons with disabilities to improve community capacity;
- working with American Indian stakeholders to clarify desired outcomes of culturally appropriate substance abuse and mental health services necessary to address the needs of their people;
- working with members of the Ethiopian, Oromo, and Somali communities in Minnesota to obtain federal grant funds to improve the access of resettled refugees to mainstream continuing care services; and
- working with contract nursing homes under the Alternative Payment System to continually improve quality.

Key Measures

⇒ People will have access to high quality, cost effective mental, physical and chemical health care.
  - Percent of children and adults who receive mental health services while on Minnesota Health Care programs
  - Percent of adults and minors who complete chemical dependency treatment

⇒ People will be able to control their own lives.
  - Percent of public long-term care funds spent on institutional care versus community care
  - Persons participating in consumer directed options

⇒ People are supported in and by their community.
  - Percent of individuals who receive sign language interpretive services from the regional referral service.
  - Geographic concentration of licensed residential sites and numbers of adults living in individually licensed sites
  - Length of stay in State Operated Services (SOS) hospital system
  - Length of stay in SOS hospital system after the person is ready for discharge

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Program Funding

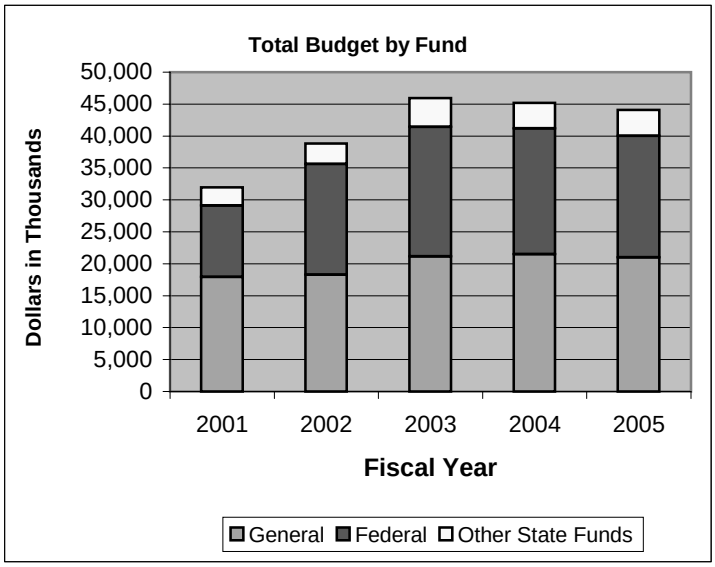
Continuing Care Management is funded primarily from appropriations from the General Fund, State Government Special Revenue Fund, and Lottery Fund and from federal funds.

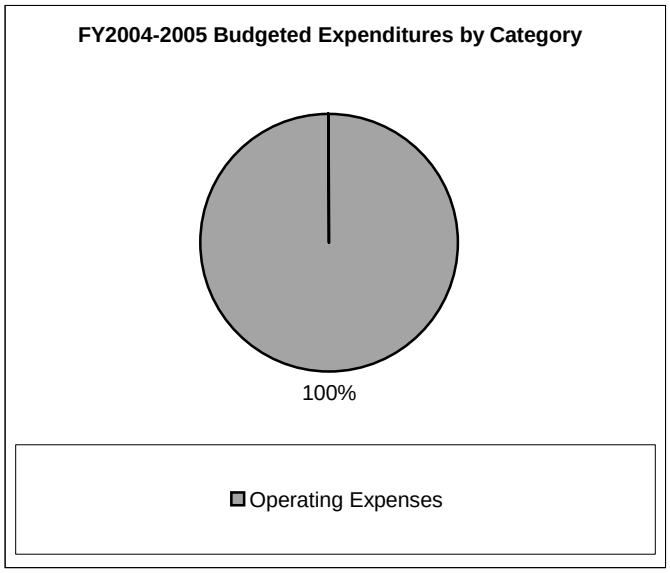
Contact

For more information on Continuing Care Management, contact

- Sue Banken, Fiscal & Legislative Operations, (651) 296-5724
- Dan McCarthy, Fiscal & Legislative Operations, (651) 582-1959

Information is also available on the DHS web site: http://www.dhs.state.mn.us.





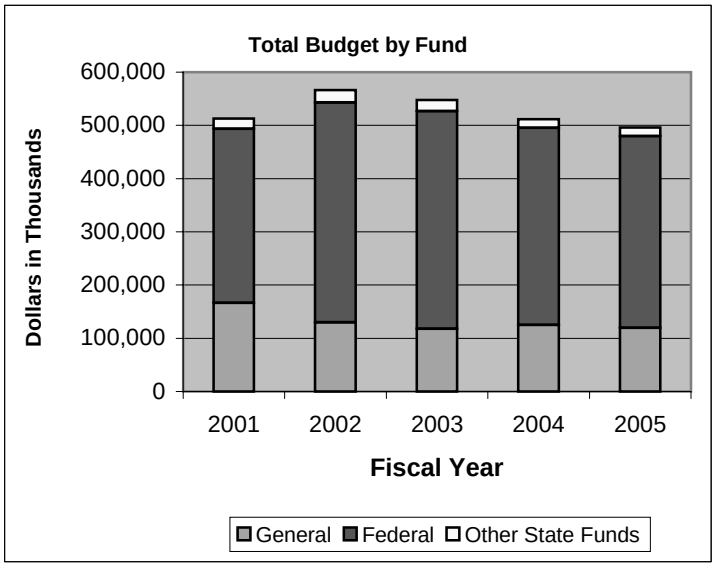
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	17,888	18,278	21,161	21,484	21,014	42,498
State Government Special Revenue	114	79	119	119	119	238
Lottery Cash Flow	142	139	154	148	148	296
Statutory Appropriations						
General	46	3	0	0	0	0
Special Revenue	2,566	2,978	3,901	3,428	3,460	6,888
Federal	11,190	17,329	20,247	19,707	19,023	38,730
Miscellaneous Agency	0	0	300	300	300	600
Gift	16	4	37	12	10	22
Total	**31,962**	**38,810**	**45,919**	**45,198**	**44,074**	**89,272**
Expenditures by Category						
Operating Expenses	31,962	38,810	45,919	45,198	44,074	89,272
Total	**31,962**	**38,810**	**45,919**	**45,198**	**44,074**	**89,272**
Expenditures by Activity						
Continuing Care Management	31,962	38,810	45,919	45,198	44,074	89,272
Total	**31,962**	**38,810**	**45,919**	**45,198**	**44,074**	**89,272**
Full-Time Equivalents (FTE)	**315.6**	**324.3**	**286.4**	**286.4**	**286.4**	

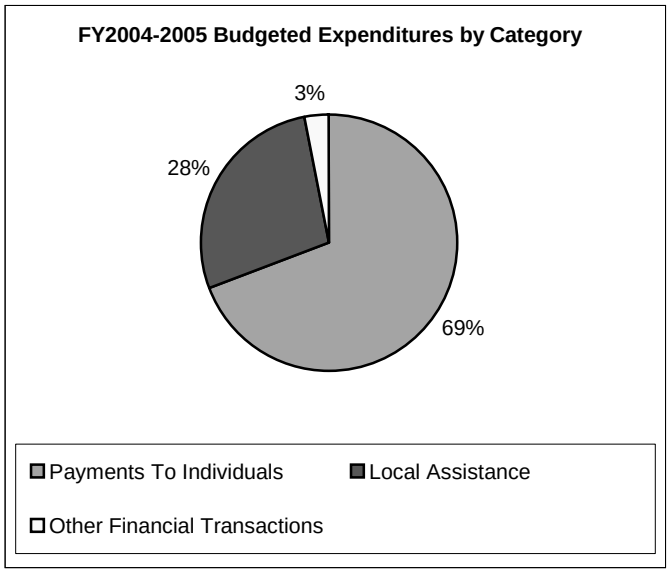
Program Description

The purpose of the Economic Support Grants program is to provide cash, food assistance, job training, and work related services to increase the ability of families and individuals to move out of poverty and support themselves financially, while also providing a safety net for people who cannot fully support themselves.

Budget Activities Included:

⇒ Minnesota Family Investment Program
⇒ Work Grants
⇒ Economic Support Grants – Other Assistance
⇒ Child Support Enforcement Grants
⇒ General Assistance Grants
⇒ Minnesota Supplemental Aid Grants
⇒ Refugee Services Grants





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	158,449	121,840	113,483	120,922	116,011	236,933
Federal Tanf	146,434	207,651	248,133	205,949	199,980	405,929
Statutory Appropriations						
General	8,085	8,196	4,139	3,949	3,759	7,708
Special Revenue	658	6,634	5,183	125	125	250
Federal	180,441	205,451	161,047	164,612	160,251	324,863
Miscellaneous Agency	18,938	16,509	15,541	16,011	15,868	31,879
Total	**513,005**	**566,281**	**547,526**	**511,568**	**495,994**	**1,007,562**

Expenditures by Category						
Operating Expenses	1,193	1,557	847	500	500	1,000
Payments To Individuals	408,612	450,354	420,145	358,499	337,145	695,644
Local Assistance	80,752	95,312	110,993	136,558	142,481	279,039
Other Financial Transactions	22,448	19,058	15,541	16,011	15,868	31,879
Total	**513,005**	**566,281**	**547,526**	**511,568**	**495,994**	**1,007,562**

Expenditures by Activity						
Minnesota Family Investment Pr	379,006	414,155	374,779	315,116	291,818	606,934
Work Grants	63,317	70,466	79,960	112,521	119,159	231,680
Economic Support Grants-Other	6,801	14,263	15,624	9,094	9,199	18,293
Child Support Enforcement	6,245	5,287	5,592	3,858	3,790	7,648
General Assistance	20,355	24,622	29,039	27,651	27,482	55,133
Minnesota Supplemental Aid	26,754	28,031	29,323	30,519	31,737	62,256
Refugee Services	10,527	9,457	13,209	12,809	12,809	25,618
Total	**513,005**	**566,281**	**547,526**	**511,568**	**495,994**	**1,007,562**

Activity Description

Minnesota Family Investment Program (MFIP) Grants pay for cash grants and food assistance. MFIP is Minnesota's program implementing the federal Temporary Assistance to Needy Families (TANF) block grant, which replaced Aid to Families with Dependent Children (AFDC) in 1996.

Activity at a Glance

- An average of 43,300 families, or 128,000 people, a month participated in FY 2002
- About two-thirds of those served are children

Population Served

To be eligible for MFIP, a family must include a minor child or a pregnant woman, and meet citizenship, income, and asset requirements. MFIP is aimed at moving parents quickly into jobs and out of poverty. Most parents are required to work and receive help with health care, child care, and employment services.

Most parents with minor children are eligible to receive cash assistance for a total of 60 months. Families reaching the 60-month time limit are eligible for extensions if they meet certain categorical requirements. Most families reaching the 60-month limit are those with multiple and serious barriers to employment. Families of color are also disproportionately represented in this group.

Services Provided

This activity funds the cash and food assistance grants of the MFIP program. Supports outside the welfare system, such as health care, child care, child support, housing and tax credits, are important components to Minnesota's welfare approach. Working families receive earning supplements, leaving MFIP when their income is approximately 20% above the federal poverty level.

Parents who fail to work or follow through with activities to support their families have their assistance cut by 10%, and then 30%, and have shelter costs and utilities paid directly to landlords, mortgage companies, or utility companies.

Historical Perspective

The MFIP was initially piloted in seven counties as a state welfare reform effort. After passage of the federal welfare reform law, MFIP was implemented statewide in 1998 as the state's Temporary Assistance to Needy Families Program that expects, supports, and rewards work. MFIP replaced AFDC and includes employment and training and food support. Congress is scheduled to reauthorize the TANF law in 2002; possibly requiring changes to MFIP.

Minnesota has experienced national success with MFIP. More than three-quarters of the families on MFIP in July 1998 were off assistance or working three years later. However, the population served by MFIP remains vulnerable to economic shifts. Because of the slumping economy, the MFIP caseload has increased from 40,700 families in SFY 2001 to 43,300 families in 2002.

Key Measures

⇒ Adults who can work will and all people will have an adequate income and other supports to be self-reliant.

- Percent of all Minnesotans living below the poverty line
  - ⇒ children under 18 – by race/ethnicity
  - ⇒ 65 years and older – by race/ethnicity
- MFIP Self-Support Index (percent of adults working 30+ hours or off MFIP cash assistance three years later) – by race/ethnicity

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

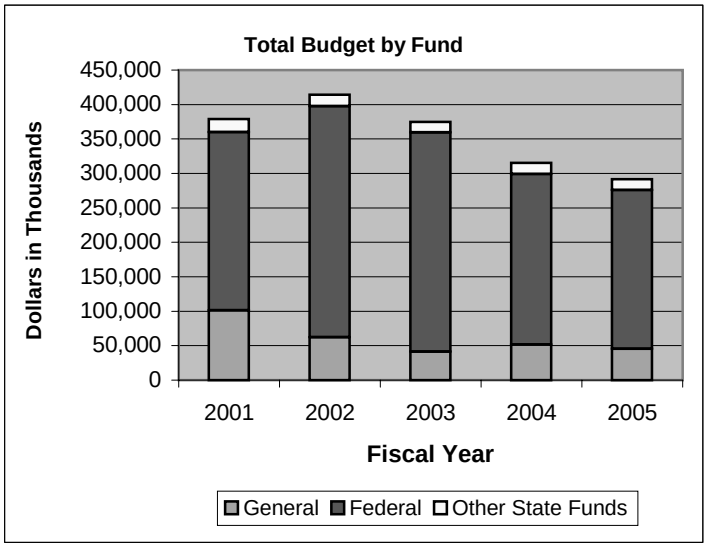
Minnesota Family Investment Program Grants is funded primarily from appropriations from the General Fund and from the federal TANF block grant, which replaced AFDC in 1996.

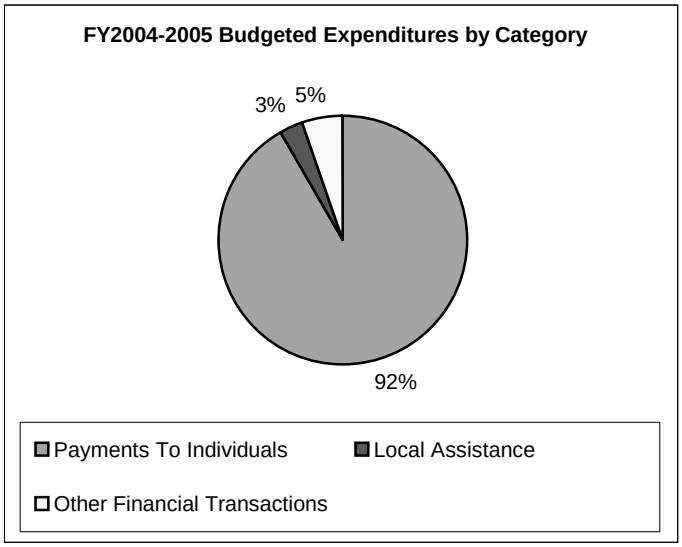
Contact

For more information on the Minnesota Family Investment Program, contact:

- Assistant Commissioner Maria Gomez, (651) 297-3209
- Families with Children Division Director Chuck Johnson, (651) 297-4727

Information is also available on the DHS web site: http://www.dhs.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	96,449	57,161	40,487	50,947	44,938	95,885
Federal Tanf	94,376	147,543	179,148	104,889	92,294	197,183
Statutory Appropriations						
General	4,727	4,883	849	659	469	1,128
Federal	164,516	188,059	138,754	142,610	138,249	280,859
Miscellaneous Agency	18,938	16,509	15,541	16,011	15,868	31,879
Total	**379,006**	**414,155**	**374,779**	**315,116**	**291,818**	**606,934**

Expenditures by Category						
Payments To Individuals	352,684	387,155	349,227	289,335	266,827	556,162
Local Assistance	3,874	7,942	10,011	9,770	9,123	18,893
Other Financial Transactions	22,448	19,058	15,541	16,011	15,868	31,879
Total	**379,006**	**414,155**	**374,779**	**315,116**	**291,818**	**606,934**

Activity Description

Work Grants provides employment, education, and training services to help low-income families and people to avoid or end public assistance dependency.

Activity at a Glance

- In FY 2002, about 56,300 people were served by MFIP employment services
- In FY 2002, about 7,000 people were served by FSET.

Population Served

This activity serves two core groups:

- participants in the Minnesota Family Investment Program (MFIP); and
- recipients of food stamps, or food support, through the Food Support Employment and Training (FSET) program.

Although most MFIP participants succeed in the work force, those who remain on MFIP or food support for the longest time are generally those who are most difficult to employ. Many need very basic skills training or have learning disabilities, chemical dependency or mental health problems. To meet work goals, job counselors need to invest more time and resources to help these people.

Services Provided

Grants for work programs are co-managed by DHS and the Minnesota Department of Economic Security (DES). DES oversees state workforce centers that work with county agencies to evaluate the needs of each recipient and work together to develop an employment plan.

Local employment service providers and counties provide referrals for a number of services including:

- job search, job counseling, job interview skills, skill development, and training services;
- educational planning and payment for educational services;
- adult basic education, intensive work literacy, high school completion classes, general equivalency diploma(GED)/high school equivalency coaching;
- English proficiency training;
- training currently limited to 24 months;
- assistance and referral to other services such as child care, medical benefits programs, and chemical dependency and mental health services; and
- small business development (for a small group of recipients who may be good candidates to become self-employed).

Key Measures

⇒ Adults who can work will and all people will have an adequate income and other supports to be self-reliant.
  - MFIP Self-Support Index (percent of adults working 30+ hours or off MFIP cash assistance three years later)
  - Percent of people who are working and have health coverage – by race/ethnicity

⇒ All people will achieve comparable outcomes; there will not be disparities.
  - Percent of newly arrived Minnesotans between the ages of 21 and 64 who access employment and training services.

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

Work Grants is funded from appropriations from the General Fund and federal funds.

Contact

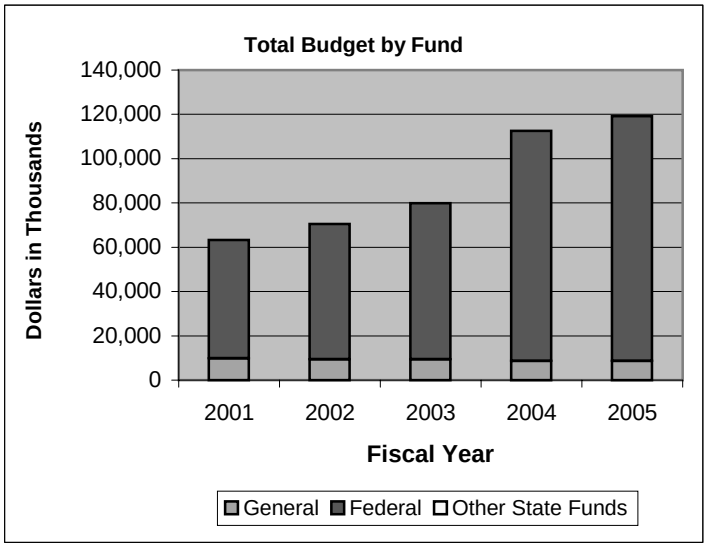
For more information on Work Grants, contact:

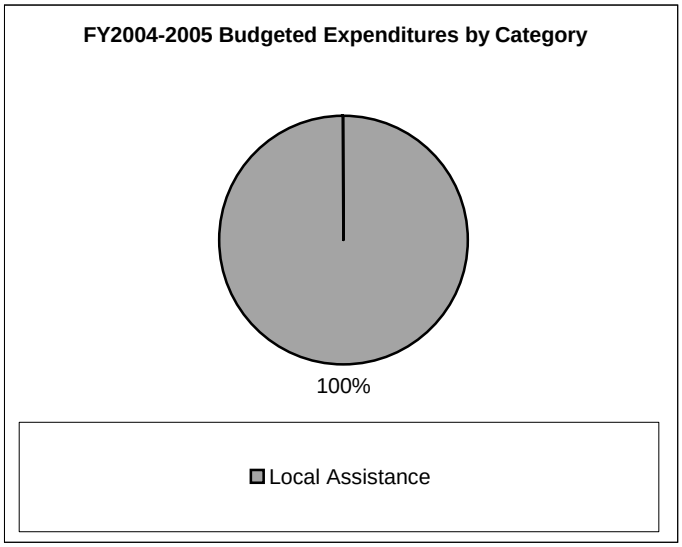
- Assistant Commissioner Maria Gomez, (651) 297-3209
- Families with Children Division Director Chuck Johnson, (651) 297-1428
- Adult Supports Division Director Bonnie Becker, (651) 296-2499

Information is also available on the DHS web site: http://www.dhs.state.mn.us.

HUMAN SERVICES DEPT
Program: ECONOMIC SUPPORT GRANTS
Activity: WORK GRANTS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	9,782	9,448	9,440	8,666	8,678	17,344
Federal Tanf	51,684	58,970	67,725	101,060	107,686	208,746
Statutory Appropriations						
Federal	1,851	2,048	2,795	2,795	2,795	5,590
Total	**63,317**	**70,466**	**79,960**	**112,521**	**119,159**	**231,680**

Expenditures by Category						
Operating Expenses	747	553	347	0	0	0
Local Assistance	62,570	69,913	79,613	112,521	119,159	231,680
Total	**63,317**	**70,466**	**79,960**	**112,521**	**119,159**	**231,680**

Activity Description

Economic Support Grants-Other Assistance includes Temporary Assistance for Needy Families (TANF) services and programs that do not fall under the program structure of the Minnesota Family Investment Program (MFIP). It includes food support, housing assistance, and fraud prevention grants.

Activity at a Glance

- 1,300 people receive MFAP each month
- 56,400 households, or 84,800 people, a month receive non-MFIP food support
- 48 families receive housing support through the pilots

Population Served

Eligible recipients include:

- legal, noncitizens who are not eligible for federal food support and participate in the Minnesota Food Assistance Program (MFAP);
- homeless people, who are eligible for TANF services in Ramsey and Blue Earth counties who participate in a housing support pilot; and
- homeless families, or families at risk of homelessness, who need housing and supportive services until they are able to move into stable, permanent housing.

Services Provided

Programs and services include:

- TANF - Supportive Housing/Managed Care, a pilot project in Ramsey and Blue Earth counties that provides integrated employment services, supportive services, housing and health care for people who are homeless;
- TANF-Transitional Housing, a program administered by the Minnesota Department of Children, Families and Learning, that provides grants for programs that provide transitional housing and supportive services to people until they can find stable, permanent housing;
- TANF-Family Homeless Prevention and Assistance, a program administered by the Minnesota Housing Finance Agency, that provides grants for projects to stabilize families in their existing homes, shorten the time that families stay in emergency shelters, and assist families with securing transitional or permanent affordable housing;
- food support provided through Electronic Benefit Transfer (EBT), Food Support Expedited Benefits and Food Support Cashout Supplemental Security Income (SSI);
- MFAP, state-funded grants to legal noncitizens who are no longer eligible for federal food support; and
- fraud prevention grants, which are awarded to counties to fund early fraud detection and collection efforts.

Historical Perspective

The number of people eligible for MFAP is expected to decline because food support for some noncitizens will be restored under the 2002 federal farm bill. Also, current state law ends MFAP benefits for individuals 18 – 49 years old beginning 7-1-03.

TANF funds for the Supportive Housing/Managed Care pilot, Transitional Housing, and Family Homeless Prevention and Assistance are only appropriated through state FY 2003.

Key Measures

⇒ Adults who can work will and all people will have an adequate income and other supports to be self-reliant.
- MFIP Self-Support Index (percent of adults working 30+ hours or off MFIP cash assistance three years later)
- Percent of people who are working and have health coverage – by race/ethnicity

⇒ All people will achieve comparable outcomes; there will not be disparities.
- Percent of non-citizens and elderly who qualify for food support programs and actually receive food supports
- Percent of newly arrived Minnesotans between the ages of 21 and 64 who access employment and training services.

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

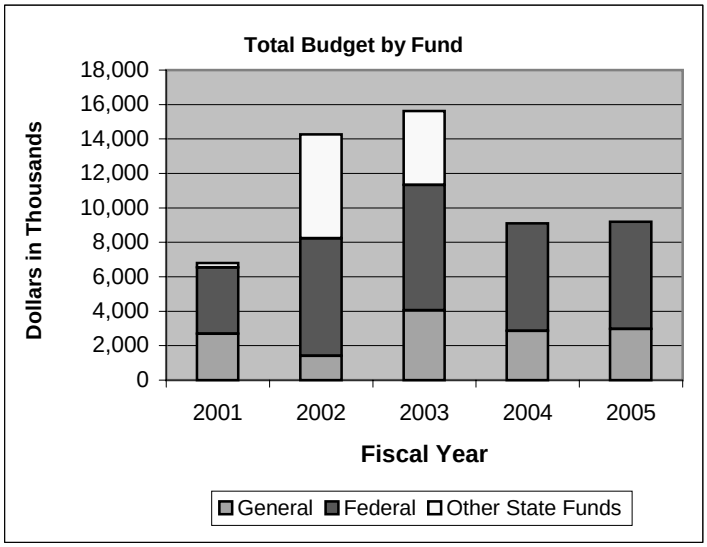
Economic Support Grants–Other Assistance is funded from appropriations from the General Fund and from federal funds.

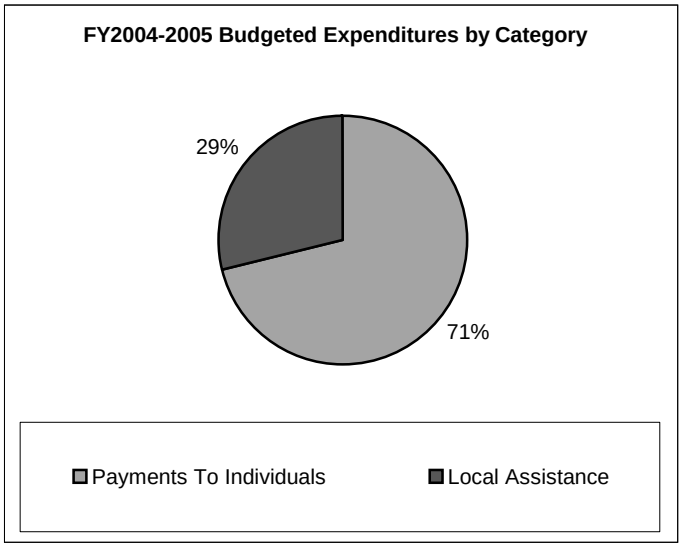
Contact

For more information on Economic Support Grants–Other Assistance, contact:

- Assistant Commissioner Maria Gomez, (651) 297-3209
- Families with Children Division Director Chuck Johnson, (651) 297-4727
- Adult Supports Division Director Bonnie Becker, (651) 296-2499
- Program Assessment and Integrity Division Director Ramona Scarpace, (651) 296-5767

Information is also available on the DHS web site: http://www.dhs.state.mn.us.





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	2,700	1,414	4,045	2,858	2,963	5,821
Federal Tanf	117	906	1,000	0	0	0
Statutory Appropriations						
Special Revenue	260	6,040	4,285	0	0	0
Federal	3,724	5,903	6,294	6,236	6,236	12,472
Total	**6,801**	**14,263**	**15,624**	**9,094**	**9,199**	**18,293**

Expenditures by Category						
Payments To Individuals	4,946	7,553	8,006	6,444	6,549	12,993
Local Assistance	1,855	6,710	7,618	2,650	2,650	5,300
Total	**6,801**	**14,263**	**15,624**	**9,094**	**9,199**	**18,293**

Activity Description

Child Support Enforcement Grants help families receive child support, an important component in helping many families become self-sufficient and stay off welfare.

Population Served

Child Support Enforcement serves both families who receive public assistance and those who are non-public assistance clients.

Activity at a Glance

- $553 million in child support collected in SFY 2002
- 268,400 children served
- 56,600 public assistance cases
- 181,300 non-public assistance cases

Services Provided

Services provided by the state and counties to help families in Minnesota receive child support include:

- establishing paternity;
- establishing and modifying orders for child support, medical support, and child care support;
- collecting and disbursing support; and
- enforcing support orders, including:
  - ⇒ intercepting income tax refunds and lottery winnings when child support is not paid and investigating income sources of non-paying parents;
  - ⇒ locating non-paying parents; and
- using various tools to collect support, including suspension of driver's licenses and various state occupational licenses for non-payment, new hire reporting by employers, and working with financial institutions to move money directly from bank accounts.

Historical Perspective

Although most child support cases do not currently receive public assistance, a large percentage of cases at one time received public assistance. Most child support is collected from wage withholding by employers.

Key Measures

⇒ All kids will develop to their fullest potential.
- Percent of children born out-of-wedlock in Minnesota this year having paternity established or acknowledged
- Percent of child support payments that are made on time

⇒ Adults who can work will and all people will have an adequate income and other supports to be self-reliant.
- Percent of all Minnesotans living below the poverty line.
  - ⇒ children under 18 – by race/ethnicity
  - ⇒ 65 and older – by race/ethnicity

⇒ People will have access to high quality, cost effective mental, physical and chemical health care.
- Percent of people who are insured
  - ⇒ children under 18 – by race/ethnicity and other known disparate groups
  - ⇒ all Minnesotans – by race/ethnicity and other known disparate groups

More information on Department of Human Services measures and results is available on the Web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

Child Support Enforcement Grants is funded from appropriations from the General Fund and from federal funds.

Contact

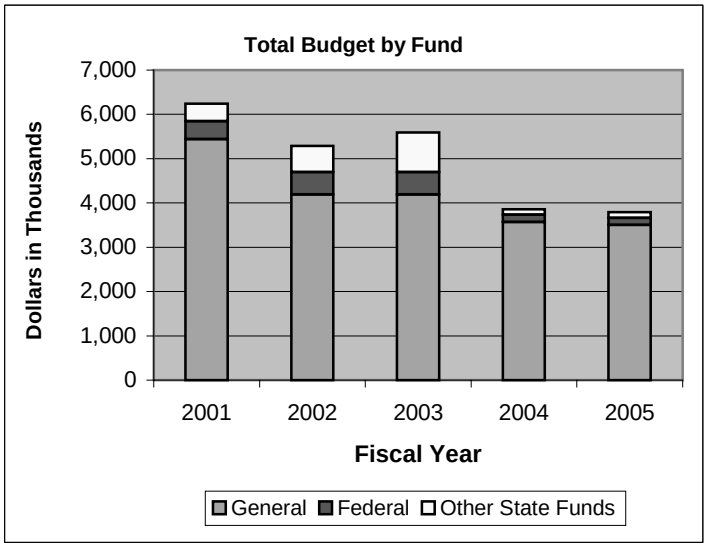
For more information on Child Support Enforcement Grants, contact:

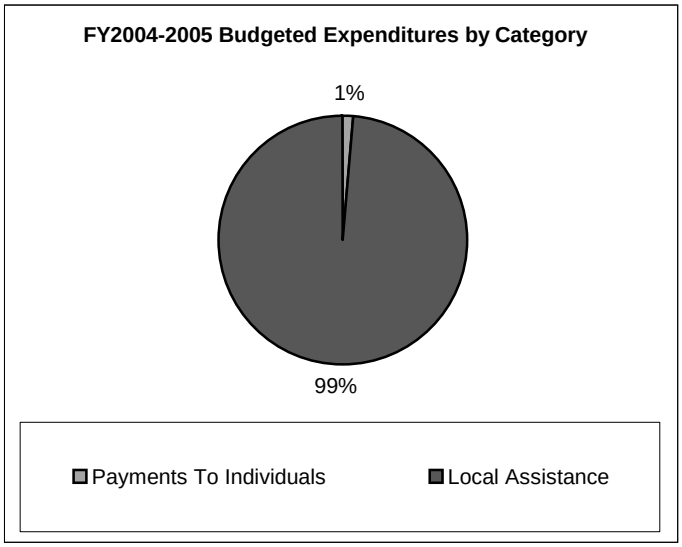
- Assistant Commissioner Maria Gomez, (651) 297-3209
- Child Support Enforcement Division Director Wayland Campbell, (651) 297-8232

Information is also available on the DHS web site: http://www.dhs.state.mn.us.

HUMAN SERVICES DEPT
Program: ECONOMIC SUPPORT GRANTS
Activity: CHILD SUPPORT ENFORCEMENT

Fiscal Report





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	5,309	4,189	4,189	3,571	3,503	7,074
Federal Tanf	257	232	260	0	0	0
Statutory Appropriations						
General	128	0	0	0	0	0
Special Revenue	398	594	898	125	125	250
Federal	153	272	245	162	162	324
Total	**6,245**	**5,287**	**5,592**	**3,858**	**3,790**	**7,648**

Expenditures by Category						
Operating Expenses	232	372	0	0	0	0
Payments To Individuals	33	28	50	50	50	100
Local Assistance	5,980	4,887	5,542	3,808	3,740	7,548
Total	**6,245**	**5,287**	**5,592**	**3,858**	**3,790**	**7,648**

Activity Description

General Assistance (GA) Grants provide monthly cash supplements for individuals and childless couples, who cannot fully support themselves, to help meet some of their monthly maintenance and emergency needs. GA is a state-funded program and an important safety net for low income Minnesotans.

Activity at a Glance

- An average of 10,200 people, or 10,000 cases, received GA in SFY 2002

Population Served

Program participants must fit one of 18 categories of eligibility specified in state statutes, which are primarily defined in terms of inability to work and disability, and meet income and resource limits. Applicants or recipients are generally required to apply for benefits from federally funded disability programs for which they may qualify.

Services Provided

GA grants currently provide cash assistance of $203 for single people and $260 for married couples. Special funding is available when a person or family lacks basic need items for emergency situations, which threaten health or safety.

GA is temporary for some recipients while an individual overcomes an emergency situation, a temporary problem, or is waiting for approval for other forms of assistance. For others with more intractable barriers to self-support, assistance is needed for a longer term.

GA recipients are usually eligible for payment of medical costs through the General Assistance Medical Care program or the Medical Assistance program.

Historical Perspective

The Minnesota Legislature established the General Assistance Program in 1973. The original program provided assistance to low-income people who did not qualify for federal assistance. In the early 1980s, the legislature changed the program by increasing the GA grant to the current $203 for single people and $260 for married couples and by targeting assistance to people who meet certain standards of un-employability as determined and certified by a licensed physician, licensed consulting psychologist, licensed psychologist, or vocational specialist.

In 1998, families with children were moved from GA to the Minnesota Family Investment Program, immediately reducing the number of people served in GA each month from 15,000 to 11,000. Since that time, the average number of people served on GA has ranged from a low of roughly 7,800 a month in 2000 to the current 10,200 a month for FY 2002.

Payments for women staying in Battered Women's Shelters were transferred out of the GA program (into the Department of Corrections' Crime Victims Services) in FY 2001.

Key Measures

⇒ Adults who can work will and all people will have an adequate income and other supports to be self-reliant.
- Percent of Minnesotans living below the poverty line
  - ⇒ children under 18 – by race/ethnicity
  - ⇒ 65 yearsand older – by race/ethnicity

⇒ People will have access to high quality, cost effective mental, physical and chemical health care.
- Percent of people who are insured
  - ⇒ children under 18 – by race/ethnicity and other known disparate groups
  - ⇒ all Minnesotans – by race/ethnicity and other known disparate groups

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

General Assistance Grants is funded from appropriations from the General Fund.

Contact

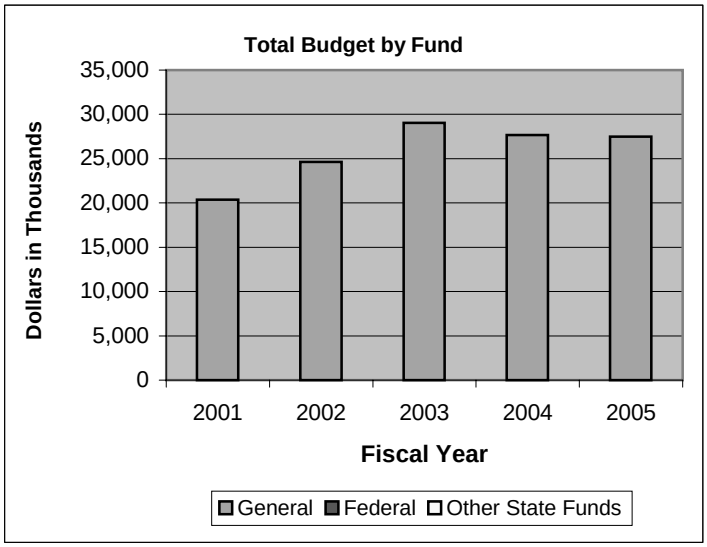
For more information on General Assistance Grants, contact:

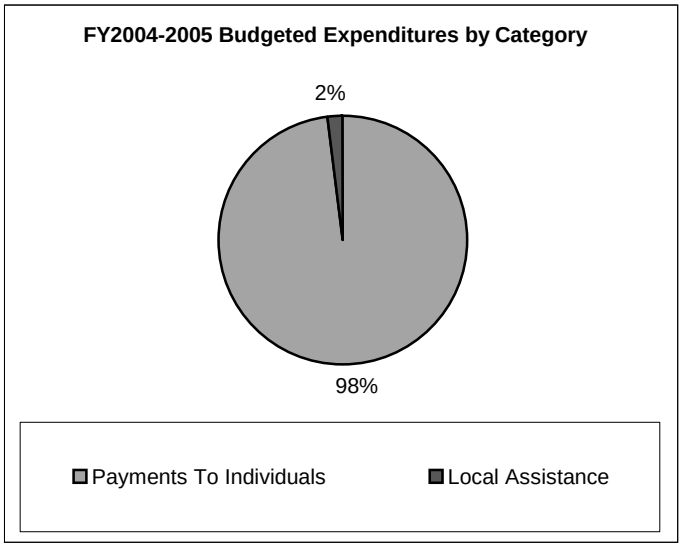
- Assistant Commissioner Maria Gomez, (651) 297-3209
- Adult Supports Division Director Bonnie Becker, (651) 296-2499

Information is also available on the DHS web site: http://www.dhs.state.mn.us.

HUMAN SERVICES DEPT
Program: ECONOMIC SUPPORT GRANTS
Activity: GENERAL ASSISTANCE

Fiscal Report





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	17,332	21,595	26,039	24,651	24,482	49,133
Statutory Appropriations						
General	3,023	3,027	3,000	3,000	3,000	6,000
Total	**20,355**	**24,622**	**29,039**	**27,651**	**27,482**	**55,133**

Expenditures by Category						
Payments To Individuals	19,966	24,302	28,539	27,151	26,982	54,133
Local Assistance	389	320	500	500	500	1,000
Total	**20,355**	**24,622**	**29,039**	**27,651**	**27,482**	**55,133**

Activity Description

Minnesota Supplemental Aid (MSA) Grants provides a state-funded monthly cash supplement to people who are eligible for federal Supplemental Security Income (SSI) benefits and are disabled, aged, or blind.

Activity at a Glance

- An average of 27,600 people a month received MSA in FY 2002

Population Served

To receive MSA benefits, a person must be:

- age 65 or older;
- blind or have severely impaired vision; or
- disabled and age 18 or older.

MSA is available to individuals with assets up to $2,000 and couples with assets up to $3,000.

Services Provided

The MSA monthly grant standards are $606 each month for individuals and $908 each month for couples. Although payments amounts vary depending upon a number of factors, monthly grants average about $83.

Historical Perspective

The Legislature established the MSA program in 1974. The program serves as the federally mandated supplement to Minnesota recipients of the Supplemental Security Income (SSI) program.

Key Measures

⇒ Adults who can work will and all people will have an adequate income and other supports to be self-reliant.

- Percent of all Minnesotans living below the poverty line
  - ⇒ 65 years and older – by race/ethnicity

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

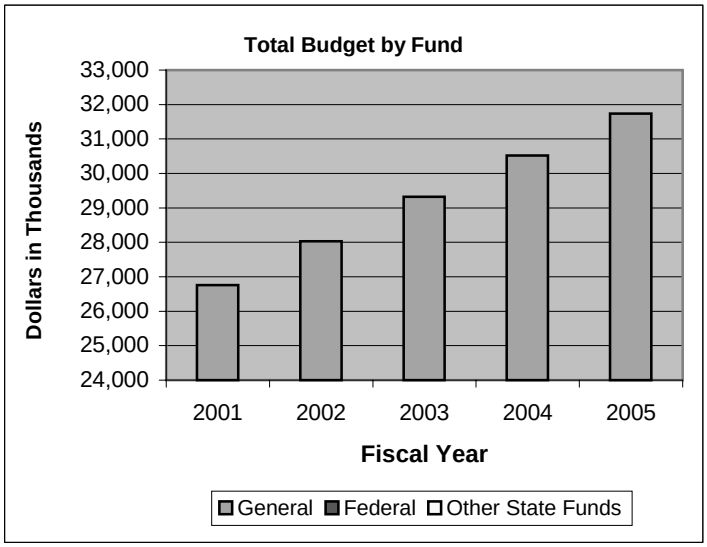
Minnesota Supplemental Aid Grants is funded from appropriations from the General Fund.

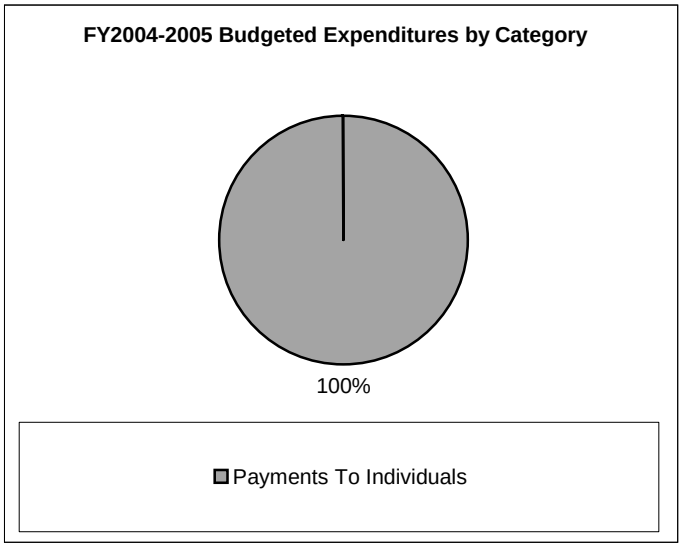
Contact

For more information on MSA Grants, contact:

- Assistant Commissioner Maria Gomez, (651) 297-3209
- Adult Supports Division Director Bonnie Becker, (651) 296-2499

Information is also available on the DHS web site: http://www.dhs.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	26,547	27,745	29,033	30,229	31,447	61,676
Statutory Appropriations						
General	207	286	290	290	290	580
Total	**26,754**	**28,031**	**29,323**	**30,519**	**31,737**	**62,256**

Expenditures by Category						
Operating Expenses	6	0	0	0	0	0
Payments To Individuals	26,748	28,031	29,323	30,519	31,737	62,256
Total	**26,754**	**28,031**	**29,323**	**30,519**	**31,737**	**62,256**

Activity Description
Refugee Services grants provide federally funded services to help refugees resettle in Minnesota and become self-sufficient.

Population Served
Refugees are people lawfully admitted to the United States who are unable to return to their own home because of a well-founded fear of persecution.

Activity at a Glance

Monthly average of refugees receiving resettlement services (prior to 9/01)

- Refugee Cash Assistance 800
- Refugee Medical Assistance 700
- Social Services 1,400

Services Provided
Refugee Cash Assistance/Refugee Medical Assistance (RCA/RMA) is federal funding for cash and medical assistance for needy refugees who do not qualify for the Minnesota Family Investment Program (MFIP) or Medical Assistance (MA).

Social services provide refugees with culturally appropriate and bilingual employment services through contracts with nonprofit and ethnic-based community organizations. Services are generally limited to refugees during their first five years in this country, with priority given to those in their first year.

A wide range of other services is provided to help refugees adjust to life in the United States. Examples of these services are referral and information, translation and interpreter services, family literacy and English language instruction, and preparation for citizenship.

Historical Perspective
The number of refugees in Minnesota who have arrived in this country within the past five years is estimated to be over 20,000. The exact number of new arrivals is difficult to verify, because people move between states. Refugees may be from any country; however, refugees from Africa, especially Somalia, have been predominant among recent arrivals.

Prior to September 2001, an average of 3,200 refugees a year from about 29 counties resettled in Minnesota. This represents approximately 4% of the total number of refugees admitted to the United States during the year. The largest group of refugees is from Somalia and is joining family members already in Minnesota. Since September 2001, resettlement has slowed because of federal restrictions. Similar numbers are expected through the next biennium.

Key Measures
⇒ Adults who can work will and all people will have an adequate income and other supports to be self-reliant.
- Percent of all Minnesotans living below the poverty line
  - ⇒ children under 18 – by race/ethnicity
  - ⇒ 65 years and older – by race/ethnicity

⇒ All people will achieve comparable outcomes; there will not be disparities.
- Percent of county, DHS, and provider staff who have received Limited English Proficiency (LEP) training
- Percent of newly arrived Minnesotans between the ages of 21 and 64 who access employment and training services.

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

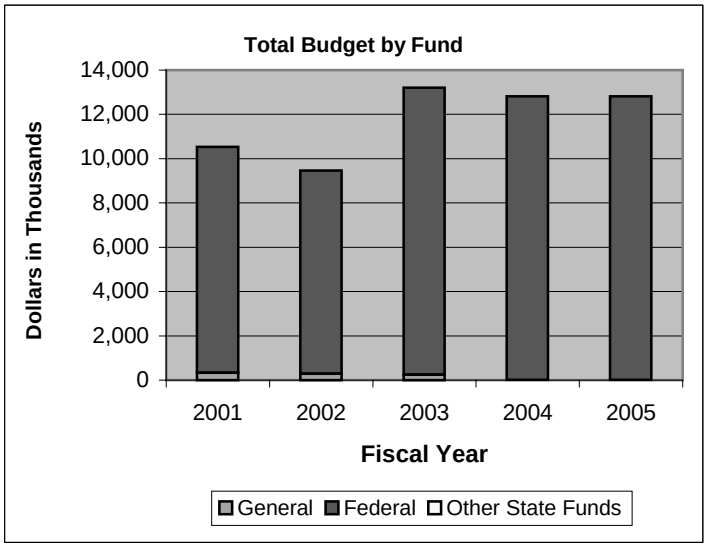
Activity Funding
Refugee Services Grants is funded from appropriations from the General Fund and from federal funds.

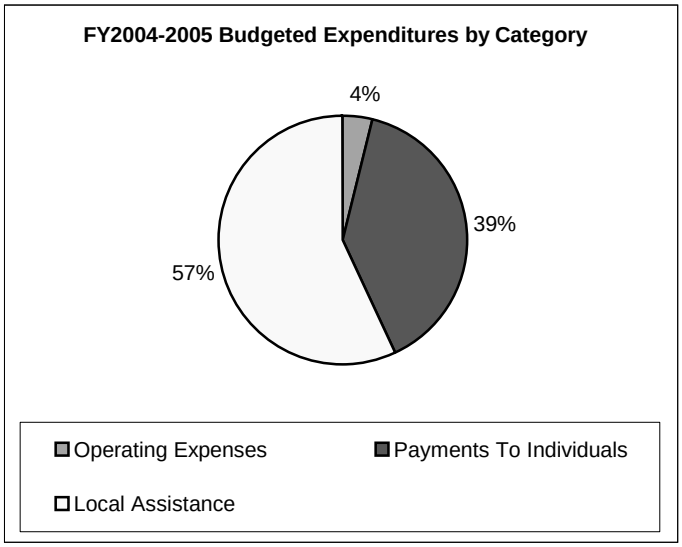
Contact

For more information on Refugee Services Grants, contact:

- Assistant Commissioner Maria Gomez, (651) 297-3209
- Adult Supports Division Director Bonnie Becker, (651) 296-2499

Information is also available on the DHS web site: http://www.dhs.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	330	288	250	0	0	0
Statutory Appropriations						
Federal	10,197	9,169	12,959	12,809	12,809	25,618
Total	**10,527**	**9,457**	**13,209**	**12,809**	**12,809**	**25,618**

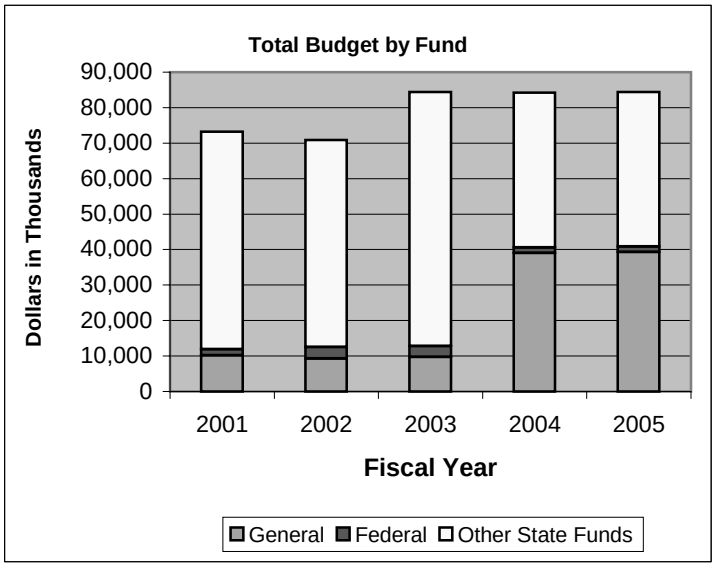
Expenditures by Category						
Operating Expenses	208	632	500	500	500	1,000
Payments To Individuals	4,235	3,285	5,000	5,000	5,000	10,000
Local Assistance	6,084	5,540	7,709	7,309	7,309	14,618
Total	**10,527**	**9,457**	**13,209**	**12,809**	**12,809**	**25,618**

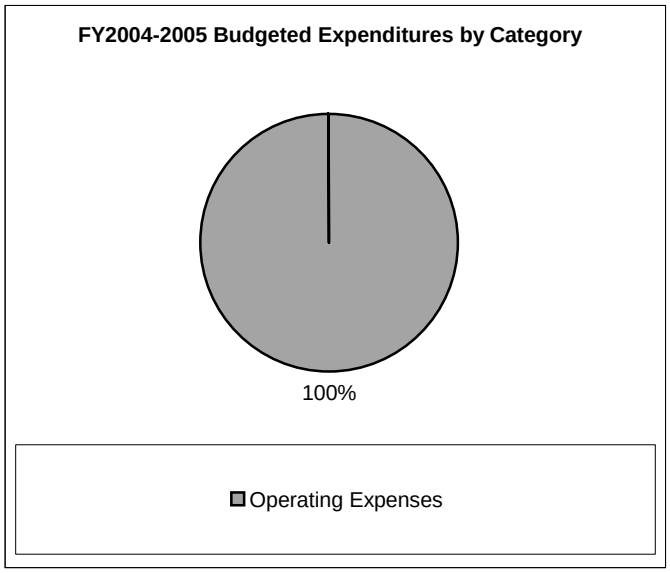
Program Description

Economic Support Management is the administrative support component for Economic Support Grants. It is responsible for policy development and implementation and for operating and computer systems support for Economic Support Grants.

Budget Activities Included:

⇒ Economic Support Policy Administration
⇒ Economic Support Operations





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	10,147	9,313	9,652	39,028	39,303	78,331
Health Care Access	282	294	249	1,407	1,377	2,784
Federal Tanf	494	1,855	1,271	368	368	736
Statutory Appropriations						
General	21	0	100	0	0	0
Special Revenue	60,900	58,077	71,408	42,163	42,234	84,397
Federal	1,279	1,337	1,756	1,164	1,164	2,328
Gift	72	0	0	87	0	87
Total	**73,195**	**70,876**	**84,436**	**84,217**	**84,446**	**168,663**
Expenditures by Category						
Operating Expenses	73,195	70,876	84,436	84,130	84,446	168,576
Other Financial Transactions	0	0	0	87	0	87
Total	**73,195**	**70,876**	**84,436**	**84,217**	**84,446**	**168,663**
Expenditures by Activity						
Economic Support Policy Admin	7,890	8,411	8,895	6,979	7,119	14,098
Economic Support Operations	65,305	62,465	75,541	77,238	77,327	154,565
Total	**73,195**	**70,876**	**84,436**	**84,217**	**84,446**	**168,663**
Full-Time Equivalents (FTE)	**494.5**	**492.8**	**478.2**	**478.2**	**478.2**	

Activity Description

Economic Support Policy Administration provides policy development and administrative support for programs funded through Economic Support Grants.

Activity at a Glance

- Develops economic support policy for services to more than 500,000 people
- Conducts pilot programs to improve service delivery and outcomes
- Administers Limited English Proficiency services
- Provides child support services for 268,400 children

Population Served

People receiving economic support services include:

- Minnesotans who receive benefits through Minnesota Family Investment Program, General Assistance, and food support;
- children who receive child support enforcement services; and
- more than 3,200 workers in 87 counties who receive policy, technical support, and training.

Services Provided

Economic Support Policy Administration:

- supports county agency delivery of services through training, instructional manuals, policy assistance, and system support help desks;
- assists with case management;
- implements and monitors state-funded grant projects;
- conducts pilot programs to improve service delivery and outcomes;
- implements policy changes and develops and analyzes legislation;
- participates with other state and county agencies and community organizations to identify and address welfare reform issues;
- administers Limited English Proficiency (LEP) services;
- administers social services, cash assistance, and employment services to refugees;
- administers the Telephone Assistance Plan (TAP), which provides telephone subsidies to low-income elderly and disabled Minnesotans; and
- manages intergovernmental relations.

Historical Perspective

Welfare reform has increased the need for data, research and evaluation. Demands for technical assistance and information have also grown, especially as counties intensify efforts to assist families with employment barriers.

Growing numbers of clients with limited English proficiency have increased the need for LEP services.

Key Measures

⇒ Adults who can work will and all people will have an adequate income and other supports to be self-reliant.
- Percent of all Minnesotans living below the poverty line
  - ⇒ children under 18 – by race/ethnicity
  - ⇒ 65 years and older – by race/ethnicity
- MFIP Self-Support Index (percent of adults working 30+ hours or off MFIP cash assistance three years later) – by race/ethnicity
- Percent of people who are working and have health coverage – by race/ethnicity

⇒ All people will achieve comparable outcomes; there will not be disparities.
- Percent of non-citizens and elderly who qualify for food support programs and actually receive food supports.
- Percent of county, department of Human Services (DHS), and provider staff who have received LEP training.

- Percent of newly arrived Minnesotans between the ages of 21 and 64 who access employment and training services.

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

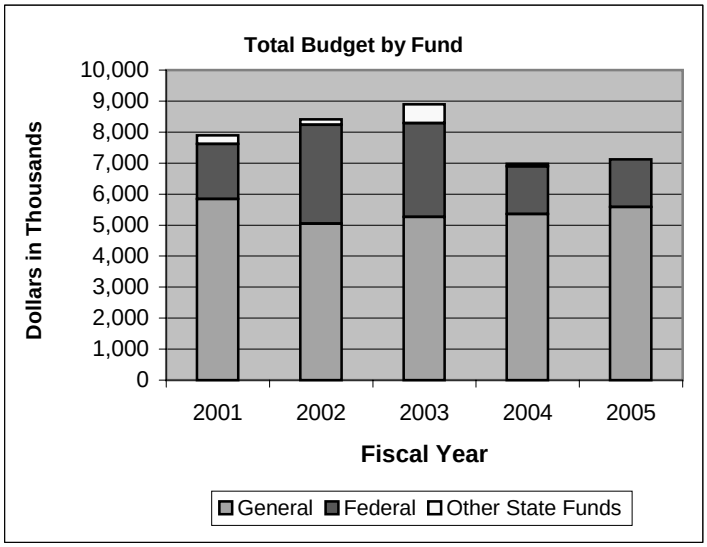
Economic Support Policy Administration is funded primarily from appropriations from the General Fund and from federal funds.

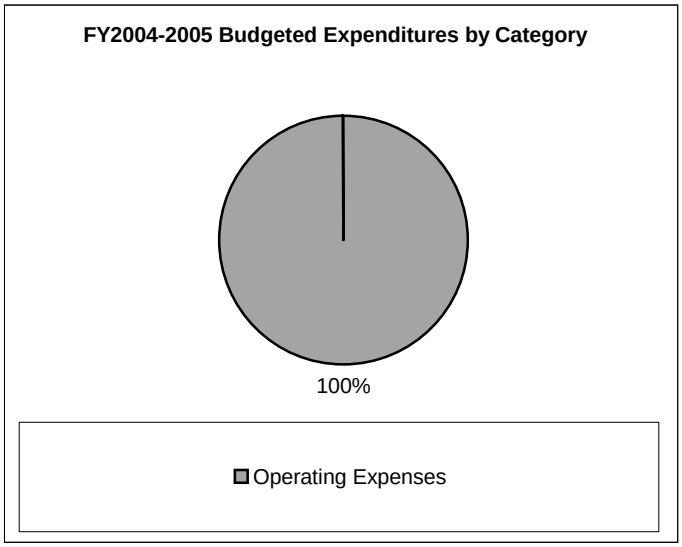
Contact

For more information on Economic Support Policy Administration, contact:

- Assistant Commissioner Maria Gomez, (651) 297-3209

Information is also available on the DHS web site: http://www.dhs.state.mn.us.





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	5,839	5,047	5,162	5,360	5,587	10,947
Federal Tanf	494	1,855	1,271	368	368	736
Statutory Appropriations						
General	0	0	100	0	0	0
Special Revenue	206	172	606	0	0	0
Federal	1,279	1,337	1,756	1,164	1,164	2,328
Gift	72	0	0	87	0	87
Total	**7,890**	**8,411**	**8,895**	**6,979**	**7,119**	**14,098**
Expenditures by Category						
Operating Expenses	7,890	8,411	8,895	6,892	7,119	14,011
Other Financial Transactions	0	0	0	87	0	87
Total	**7,890**	**8,411**	**8,895**	**6,979**	**7,119**	**14,098**
Full-Time Equivalents (FTE)	**85.7**	**82.9**	**80.2**	**80.2**	**80.2**	

Activity Description

Economic Support Operations provides operating and computer systems support for programs funded through Economic Support Grants.

Activity at a Glance

- More than 500,000 people receive benefits through MAXIS
- 268,400 children receive child support services
- More than 3,200 workers in 87 counties use the systems

Population Served

Economic Support Operations serves:

- Minnesotans who receive economic assistance benefits through MAXIS;
- children who receive child support enforcement services through PRISM; and
- more than 3,200 county workers who use MAXIS and PRISM.

Services Provided

Economic Support Operations supports economic assistance programs by:

- operating and maintaining the eligibility and delivery systems for food support, General Assistance (GA), Minnesota Supplemental Aid (MSA), Minnesota Family Investment Program (MFIP), Medical Assistance (MA), General Assistance Medical Care (GAMC), Group Residential Housing, Minnesota Food Assistance Program, Telephone Assistance Program (TAP), Emergency General Assistance, and Emergency Assistance (EA);
- collecting and distributing child support payments, locating absent parents, establishing paternity, and enforcing of court orders;
- conducting federally mandated quality control reviews, payment accuracy assessment and administrative evaluation for MFIP, food support, MA, child support, and MinnesotaCare;
- administering the Electronic Benefit Transfer (EBT) system;
- managing program integrity (fraud prevention) and control functions;
- collecting and analyzing data trends and activities that determine program effectiveness, establish program error levels to prevent recipient fraud, and support long-range planning; and
- managing claims and recoveries of overpayments for the cash public assistance program, including the Treasury Offset Program (TOP).

Historical Perspective

Demands for user access and data exchange with other systems continue to increase and new technology needs to be incorporated to meet these needs.

Key Measures

⇒ All kids will develop to their fullest potential
  - Percent of children born out-of-wedlock in Minnesota this year having paternity established or acknowledged
  - Percent of child support payments that are made on time.

⇒ Adults who can work will and all people will have an adequate income and other supports to be self-reliant.
  - Percent of all Minnesotans living below the poverty line

⇒ children under 18 – by race/ethnicity
  - 65 years and older – by race/ethnicity
  - MFIP Self-Support Index (percent of adults working 30+ hours or off MFIP cash assistance three years later) – by race/ethnicity
  - Percent of people who are working and have health coverage – by race/ethnicity

⇒ All people will achieve comparable outcomes; there will not be disparities.
  - Percent of non-citizens and elderly who qualify for food support programs and actually receive food supports.

- Percent of county, DHS, and provider staff who have received Limited English Proficiency (LEP) training.
- Percent of newly arrived Minnesotans between the ages of 21 and 64 who access employment and training services.

More information on Department of Human Services measures and results is available on the web: http://www.departmentresults.state.mn.us/hs/index.html.

Activity Funding

Economic Support Operations is funded from appropriations from the General Fund and Health Care Access Fund and from federal funds.

Contact

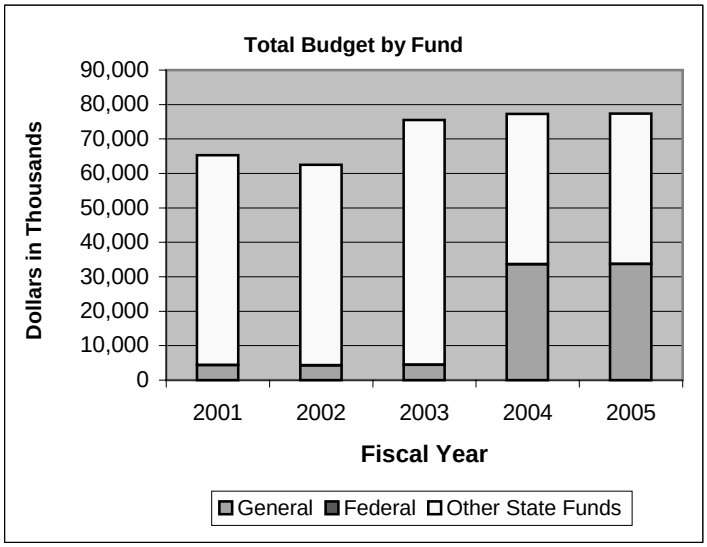
For more information on Economic Support Operations, contact:

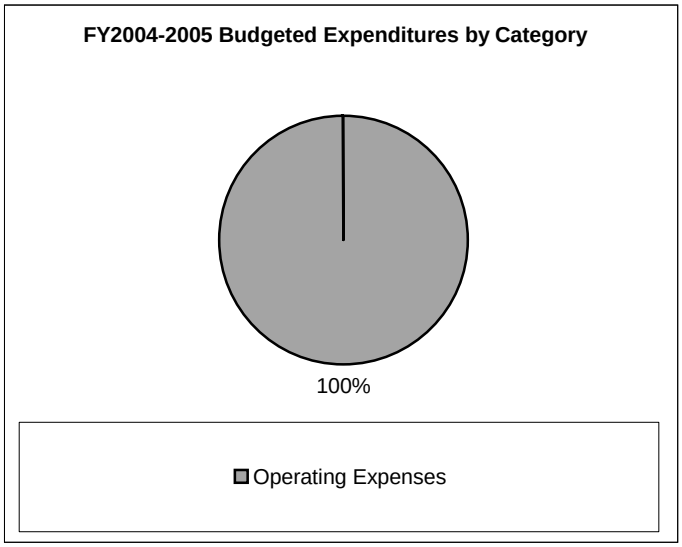
- Assistant Commissioner Maria Gomez, (651) 297-3209
- Child Support Enforcement Division Director Wayland Campbell (651) 297-8232
- MAXIS Division Director Kate Wulf (651) 297-1428

Information is also available on the DHS web site: http://www.dhs.state.mn.us.

HUMAN SERVICES DEPT
Program: ECONOMIC SUPPORT MANAGEMENT
Activity: ECONOMIC SUPPORT OPERATIONS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,308	4,266	4,490	33,668	33,716	67,384
Health Care Access	282	294	249	1,407	1,377	2,784
Statutory Appropriations						
General	21	0	0	0	0	0
Special Revenue	60,694	57,905	70,802	42,163	42,234	84,397
Total	**65,305**	**62,465**	**75,541**	**77,238**	**77,327**	**154,565**
Expenditures by Category						
Operating Expenses	65,305	62,465	75,541	77,238	77,327	154,565
Total	**65,305**	**62,465**	**75,541**	**77,238**	**77,327**	**154,565**
Full-Time Equivalents (FTE)	**408.8**	**409.9**	**398.0**	**398.0**	**398.0**	

Minnesota Department of **Human Services**

February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I am submitting the fiscal year 2004-05 budget for the Minnesota Department of Human Services. This budget consists of approximately $8.0 billion in direct appropriated funds for the biennium. Containing savings of nearly $1.1 billion, the budget represents a 12 percent change from current projected spending levels.

Our proposals reduce spending in ways that allow us to preserve core services to the most vulnerable people, advance important reforms, and provide a solid foundation to build upon in the future.

While much of the attention of this budget process has been on reducing spending so we can preserve core services, it is also important to note that we begin or continue promising reforms:

- We are forwarding an exciting proposal that expands the community mental health system, eventually blending all state-operated adult mental health and nursing facility services into that system rather than state-run institutions.
- Our proposal for people with disabilities continues to emphasize community-based services over institutional care.
- We have launched the next generation of welfare reform, putting greater emphasis on work and personal responsibility.
- We remain committed to long-term care reform for the elderly — a framework put in place by the Legislature two years ago that will better serve our seniors and their families.

Developing a budget to meet the most critical needs while significantly reducing spending requires a careful balancing act. We worked to identify those people who are "most vulnerable" and services that are "most critical" to their well-being. Anything falling outside this definition was reduced or eliminated in order to preserve these core services. For example:

- We preserved publicly funded health care coverage for most families with children, the elderly, people with disabilities and legal immigrants. We reduced or eliminated coverage for people at higher eligibility levels, some adults without children, people who entered the country illegally and non-immigrants, such as tourists and students.

- We preserved the long-term care safety net. We reduced payment rates to providers of these services and growth in programs for people with disabilities.
- We continued key investments in children. We fully funded adoption assistance, which helps families adopt special needs children who are under state guardianship. We also expanded or improved some children's mental health services because of the great need for a cost-effective delivery system. We consolidated 20 separate children's grants and provided flexibility in service delivery with a focus on outcomes; however, we reduced the total amount of funding available for the services provided through these grants.
- We preserved food, cash and emergency assistance for the most vulnerable: the elderly, people with disabilities and families with children. We placed caps on emergency assistance and reduced cash grants for some families.

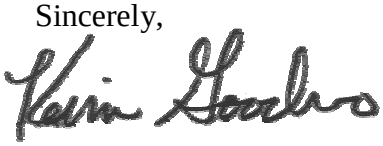
While I believe we did an excellent job of preserving core services, I also want to acknowledge that the services we are reducing benefit people. By definition we are a safety net agency providing people in need with useful supports, many of which I authored or supported in the Legislature. It is important to remember, however, that even with the reductions in our budget proposal, human services spending will still be greater in '04-'05 than in the previous biennium. We recognize that our proposals create challenges for our partners. Counties will have to make similar judgments about priorities at the local level.

When we reduce services to the people we serve we need to achieve administrative cost savings as well. We have proposed reducing Central Office General Fund operations spending and the number of full-time equivalent (FTE) positions in this area by 15 percent by the end of the biennium. We have constructed administrative reductions to recognize that it will take a considerable effort in fiscal year 2004 to implement the changes we have proposed on the program side.

The reforms, along with the care we took to preserve core services, will give us a solid foundation to build upon once this budget crisis is behind us. Minnesota has a strong tradition for caring for people in need. Together, we will continue to provide a critical safety net for the people of Minnesota.

I look forward to working with you in the coming weeks as these important issues unfold.

Sincerely,



Kevin Goodno
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	6,685,835	10,277,731	16,963,566
Biennial Appropriations	804	0	804
February Forecast Adjustment	-27,777	-14,281	-42,058
Forecast Caseload/Enrollment Changes	423,379	140,598	563,977
Legislatively Mandated Base	133,771	-5,412	128,359
New Programs To Agency Base	0	3,400	3,400
November Forecast Adjustment	575,391	17,126	592,517
One-Time Appropriations	0	-53,080	-53,080
Program/Agency Sunset	0	-43,860	-43,860
Transfers Between Agencies	-564	0	-564
Adjusted Base Funding	7,790,839	10,322,222	18,113,061
Change Items			
Adjust PDP Appropriation To Forecast	-6,019	0	-6,019
Adolescent Mental Health Crisis Facility	-1,283	0	-1,283
Adoption And Relative Custody Assistance	2,177	0	2,177
Alternative Care Program Changes	-22,009	0	-22,009
Apply Hard Edits For Pharmacy Claims	-2,891	0	-2,891
Apply MA/GAMC/Minnesotacare Co-pays	-29,714	-3,983	-33,697
Broker MA Non-emergency Transportation	-1,769	0	-1,769
Child Support Grant Reduction And Fees	-1,098	0	-1,098
Children's & Community Services Grant	-37,500	0	-37,500
Children's Mental Health MA Benefit	1,948	0	1,948
Children's Mental Health Screening	2,733	0	2,733
Comply With Federal Managed Care Regs	1,166	0	1,166
Consolidate GAMC And Minnesotacare	-208,395	-115,668	-324,063
Consolidated MFIP Support Services Grant	0	40,000	40,000
County Share On Large ICF/MR	-16,605	0	-16,605
Delay HCBS Service Improvements	-3,956	0	-3,956
Delay MA Fee For Service - Acute Care	-25,118	0	-25,118
Discontinue MA/GAMC/PDP Weight Loss Prod	-637	0	-637
Eliminate Access And Visitation Grants	-200	0	-200
Eliminate Automatic NF COLA	-24,642	0	-24,642
Eliminate Consumer Supp Grant Exceptions	-2,478	0	-2,478
Eliminate ICF/MR Occupancy Special Rate	-2,384	0	-2,384
Eliminate MA Hospital Pmt Rebasing	-3,327	0	-3,327
Eliminate MA NF Scholarships Program	-1,843	0	-1,843
Eliminate MA/GAMC For Undocumented	-50,122	0	-50,122
Eliminate Mandate For DT&H Services	-1,593	0	-1,593
Eliminate Some Continuing Care Grants	-25,769	0	-25,769
Emergency Assistance Programs	-4,929	-11,001	-15,930
Increased PDP Rebates	-1,768	0	-1,768
Limit MA Asset Sheltering	-2,942	0	-2,942
Limit MA/Mncare Auto Newborn Coverage	-7,241	-91	-7,332
MA Pmt Of Cost-effective Premiums	-383	0	-383
Manage TBI Waiver Caseload Growth	-4,921	0	-4,921
MFAP Shortfall	159	0	159
MFIP Budgeting & SSI	6	-29,942	-29,936
MFIP Education And Training	0	-7,591	-7,591
MFIP Exit Level - 115%	0	-8,068	-8,068
MFIP For Legal Non-citizens	0	11,248	11,248
MFIP Time Limit Policy	-30	2,143	2,113
MFIP-welfare Reform	0	-11,488	-11,488
Mncare Insurance Barrier Exemption	0	436	436
Modify MA-EPD	-3,901	0	-3,901
Modify Minnesotacare	0	-19,318	-19,318
Nursing Home Surcharge And IGT	48,425	0	48,425
Phase Out MA Day Treatment	-2,463	0	-2,463
Reduce Continuing Care Provider Rates	-81,711	0	-81,711

Reduce Gamc Medical Education Pmt	-6,734	0	-6,734
Reduce General Fund Operations By 15%	-12,109	0	-12,109
Reduce MA Children 170% To 150%	-3,060	248	-2,812
Reduce MA First 90-day NF Payment	-5,141	0	-5,141
Reduce MA NF Rates/capacity	-33,867	0	-33,867
Reduce MA Payment For NF Hold Days	-864	0	-864
Reduce MA Payment For NF Medical Co-pay	-9,033	0	-9,033
Reduce MA Pregnant Women 275% To 200%	-749	232	-517
Reduce MA/GAMC Hospital Pmt 5%	-26,108	0	-26,108
Reduce MA/GAMC Managed Care Pmt	-17,517	0	-17,517
Reduce MA/GAMC/PDP Pharmacy Reimb	-29,629	0	-29,629
Reduce MR/RC Waiver Growth	-12,938	0	-12,938
Reduce State Fset Grants	-2,642	0	-2,642
Reduce Subsidy Of County PMAP	-3,883	0	-3,883
Refinance Group Residential Housing	-10,795	0	-10,795
Repeal MA Coverage Of New Autism Service	-4,220	0	-4,220
Repeal MA Income Deductions	-1,268	0	-1,268
Repeal One-month Rolling MA Eligibility	-15,077	0	-15,077
Repeal PDP Expansion 135% To 120%	-6,001	0	-6,001
Require Authorization For Pharmacy DAW	-1,351	0	-1,351
Restructure Adult MH Treatment	-617	0	-617
Rollback Mncare Children Exceptions	0	-3,844	-3,844
Shift County Payment	-14,792	0	-14,792
SOS Refinancing Strategy	2,614	0	2,614
TANF Refinancing	-22,199	22,199	0
Governor's Recommendations	7,029,832	10,187,734	17,217,566
Biennial Change, 2002-03 to 2004-05	723,206	988,373	1,711,579
Percent Change	11%	11%	11%

Brief Explanation Of Budget Decisions

Base Funding Levels

Base funding level for this agency starts with 2003 appropriation level and is adjusted for increased expenditures based on obligations in current law. Given the timing of the budget release, this document reflects the impact of the November 2001, February 2002, November 2002, and February 2003 forecast. These adjustments are reflected above as “Forecast Caseload/Enrollment Changes” (November 2001 and February 2002), “November Forecast Adjustment” (November 2002), and “February Forecast Adjustment” (February 2003).

Legislatively mandated base changes further adjust base figures by recognizing legislative tracking of costs for FY 2004-05. Key increases include: the effects of delaying county social service payments; refinancing information systems (i.e., PRISM/SSIS/MAXIS); expansions to prescription drug coverage for the elderly and persons with disabilities; and maintaining service levels in the Alternative Care program.

The $804,000 biennial appropriation increase represents an adjustment to the State Operated Services account for special equipment. The $564,000 transfer between agencies reflects money moved to the Department of Corrections for inmate mental health discharge planning and medications.

Finally, several downward adjustments to Federal TANF spending levels for FY 2004-05 were made to account for one-time program appropriations and program sunsets in the economic support area.

Recommendations

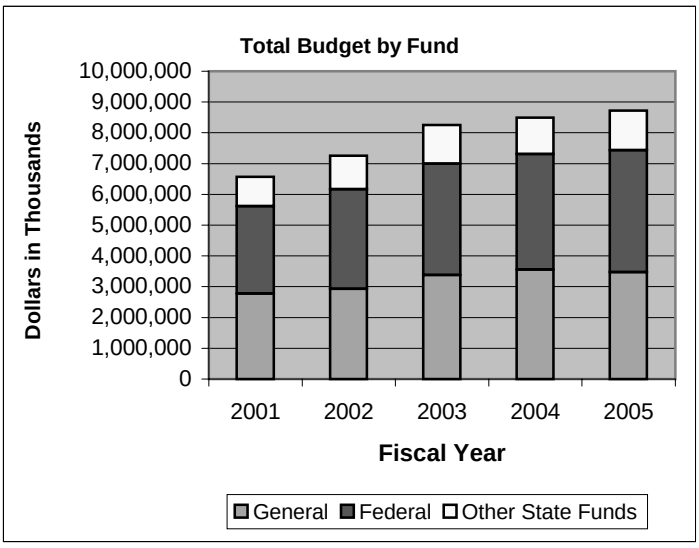
The Governor’s budget for the Department of Human Services contains savings of $1.07 billion and represents a change of 12 percent from projected funding levels for the 2004-2005 biennium. Savings are generated by a combination of expenditure reductions ($895 million) and additional revenues ($117 million).

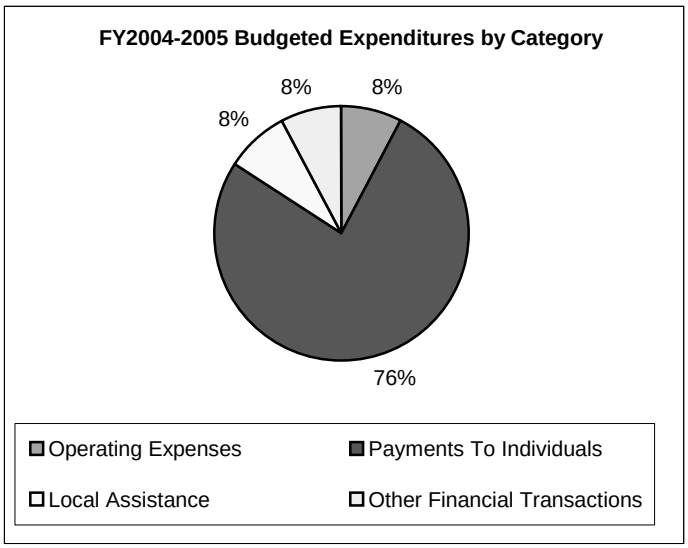
Expenditures:
Recommended reductions to the Department of Human Services' budget total $895 million for the FY2004-05 biennium, across all funds. Of this amount, $761 million in savings will come from the General Fund, and $134 million will come from other funds, namely the Health Care Access Fund.

After incorporating these reductions, the Department's General Fund budget will still grow by $725 million, or by 11%, for the upcoming biennium. Growth in this area of the budget, despite the significant reductions mentioned above, is due primarily to November 2002 and February 2003 forecasted caseload/spending adjustments, as well as other 2002 legislative session changes.

Revenues:
The Governor recommends increasing revenues to the General Fund by $177 million for the biennium. Several proposals would result in additional revenues, including: increasing state expenditures eligible for federal Medicaid funding; increasing medical provider surcharges and intergovernmental transfers used to match federal Medicaid funding; increasing state-operated services collections; and increasing fees that are charged by the Department for licensing activities.

	FY 2004-05 Revenues ($000s)		
	General Fund	**Other Funds**	**Total**
FY 2004-05 Current Law Revenues	595,864	539,743	1,135,607
Change Items			
Restructure Parental Fees	4,150		
Comply with Federal Managed Care Regs	428		
Reduce MA/GAMC Hospital Pmt 5%	2,563		
Repeal MA Coverage of New Autism Service	-79		
Broker MA Non-Emergency Transportation	872		
Maximize MA Estate Recovery	495		
Limit MA Asset Sheltering	75		
Nursing Home Surcharge and IGT	141,071		
Eliminate Some Continuing Care Grants	-1,532		
Restructure Adult MH Treatment	10,316		
Refinance Group Residential Housing	7,500		
Alternative Care Program Changes	52		
SOS Refinancing Strategy	12,119		
Increase License Fees	2,450		
S-CHIP for Undocumented Pregnant Women	4,000		
Reduce MA/GAMC Managed Care Pmt	80		
Reduce MA NF Rates/Capacity	-2,368		
Reduce General Fund Operations by 15%	-4,843		
FY 2004-05 Total Revenues	773,213	539,743	1,312,956
Biennial Change 2002-03 to 2004-05	161,301	-184,220	-22,919
Percent Change	26.3%	-25.4%	-1.7%





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	2,601,324	2,906,509	3,323,608	3,495,179	3,405,970	6,901,149
State Government Special Revenue	512	482	534	534	534	1,068
Health Care Access	156,511	209,608	271,422	263,014	333,106	596,120
Federal Tanf	292,205	305,896	351,015	261,482	261,161	522,643
Lottery Cash Flow	1,514	2,164	1,495	1,306	1,306	2,612
Open Appropriations						
Special Revenue	467	418	666	340	340	680
Statutory Appropriations						
General	175,238	23,084	53,425	62,462	66,221	128,683
State Government Special Revenue	1,290	0	0	0	0	0
Health Care Access	23,054	27,700	23,292	28,358	31,853	60,211
Special Revenue	172,427	217,194	262,237	156,514	143,520	300,034
Federal	2,542,785	2,924,666	3,267,077	3,492,018	3,697,516	7,189,534
Miscellaneous Agency	534,423	566,345	604,169	645,645	689,102	1,334,747
Gift	109	32	88	150	61	211
Endowment	153	5	3	0	0	0
Revenue Based State Oper Serv	46,119	50,270	57,733	57,733	57,733	115,466
Mn Neurorehab Hospital Brd	2,724	7,439	15,744	15,744	15,744	31,488
Dhs Chemical Dependency Servs	13,948	15,207	16,460	16,460	16,460	32,920
Total	**6,564,803**	**7,257,019**	**8,248,968**	**8,496,939**	**8,720,627**	**17,217,566**

Expenditures by Category						
Operating Expenses	582,192	607,739	699,717	679,193	643,060	1,322,253
Capital Outlay & Real Property	1,179	163	249	249	249	498
Payments To Individuals	4,546,804	5,342,157	6,213,443	6,461,102	6,702,264	13,163,366
Local Assistance	897,616	738,663	732,252	709,424	684,713	1,394,137
Other Financial Transactions	537,012	568,297	603,307	644,870	688,240	1,333,110
Transfers	0	0	0	2,101	2,101	4,202
Total	**6,564,803**	**7,257,019**	**8,248,968**	**8,496,939**	**8,720,627**	**17,217,566**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Program	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Agency Management	41,609	45,735	58,333	61,249	46,872	108,121
Revenue & Pass Through	930,781	942,950	996,495	996,093	1,040,906	2,036,999
Childrens Services Grants	132,942	146,350	156,214	198,428	188,503	386,931
Childrens Services Management	11,084	11,549	14,912	14,901	14,649	29,550
Basic Health Care Grants	2,197,355	2,512,662	3,122,610	3,430,388	3,645,120	7,075,508
Health Care Management	52,216	55,883	80,798	79,439	66,828	146,267
State Operated Services	288,975	287,276	312,460	295,806	287,484	583,290
Continuing Care Grants	2,291,679	2,578,647	2,829,265	2,779,652	2,805,751	5,585,403
Continuing Care Management	31,962	38,810	45,919	45,198	44,074	89,272
Economic Support Grants	513,005	566,281	547,526	511,568	495,994	1,007,562
Economic Support Management	73,195	70,876	84,436	84,217	84,446	168,663
Total	**6,564,803**	**7,257,019**	**8,248,968**	**8,496,939**	**8,720,627**	**17,217,566**

Revenue by Type and Fund						
Non Dedicated						
General	202,104	285,835	326,077	382,718	390,495	773,213
Health Care Access	2,298	4,548	3,175	2,549	2,549	5,098
Special Revenue	3	2	1	1	1	2
Cambridge Deposit Fund	58,119	0	0	0	0	0
Federal Tanf	300,488	321,847	394,256	267,482	267,161	534,643
Miscellaneous Agency	0	134	0	0	0	0
Subtotal Non Dedicated	563,012	612,366	723,509	652,750	660,206	1,312,956
Dedicated						
General	174,363	24,910	24,389	28,771	28,205	56,976
State Government Special Revenue	1,049	0	0	0	0	0
Health Care Access	22,838	27,724	23,292	28,358	31,853	60,211
Special Revenue	95,376	126,608	148,722	143,205	135,671	278,876
Federal	2,543,601	2,931,512	3,272,402	3,492,629	3,698,290	7,190,919
Miscellaneous Agency	532,917	566,828	603,996	645,566	689,023	1,334,589
Gift	107	45	75	51	47	98
Endowment	11	3	3	2	2	4
Revenue Based State Oper Serv	48,902	52,067	60,188	60,188	60,188	120,376
Mn Neurorehab Hospital Brd	4,398	11,082	16,269	16,264	16,264	32,528
Dhs Chemical Dependency Servs	12,362	15,671	18,177	18,177	18,177	36,354
Subtotal Dedicated	3,435,924	3,756,450	4,167,513	4,433,211	4,677,720	9,110,931
Total Revenue	**3,998,936**	**4,368,816**	**4,891,022**	**5,085,961**	**5,337,926**	**10,423,887**

Full-Time Equivalents (FTE)	**6,099.3**	**6,171.3**	**6,076.3**	**6,074.1**	**6,012.1**

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	($12,109)	($12,109)	($12,109)
Revenues	0	(4,843)	(4,843)	(4,843)
Net Fiscal Impact	0	($7,266)	($7,266)	($7,266)

Recommendation

The Governor recommends reducing General Fund operations and positions by 15% by June 30, 2005. The structural changes necessary to address these reductions will be implemented over the FY 2004-05 biennium. The department estimates that 107 positions will be eliminated by June 30, 2005.

Background

The Department of Human Service's FY 2003 General Fund operating budget totals $78.9 million. This figure includes amounts budgeted for central office administration, children's services management, health care management, continuing care management, and economic support management.

The Department is proposing to reduce operating expenditures and positions during FY 2004-05, as well as absorb any operating cost increases that result from the implementation of necessary program reductions.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	($14,792)	$14,792	0
Revenues	0	0	0	0
Net Fiscal Impact	0	($14,792)	$14,792	0

Recommendation

The governor recommends delaying payment to counties within calendar year 2005 for specific adult mental health and developmental disability grants. Calendar year 2005 county allocations for these grants are not affected by this proposal.

Background

Grants affected by this shift include: Rule 12 adult residential grants; adult mental health initiative/integrated fund grants; Rule 78 adult mental health grants; Semi-Independent Living Skills (SILS) grants; and Family Support Grants (FSG). Under the Governor's recommendation, total budgeted amounts for these grants in FY 2005 will be $40.9 million.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	$1,225	$1,225	$1,225	$1,225
Net Fiscal Impact	($1,225)	($1,225)	($1,225)	($1,225)

Recommendation

The Governor recommends increasing revenues by establishing and increasing licensure fees for DHS licensed facilities in state statute.

Background

License fees are established in Minnesota Rules, parts 9545.2000 to 9545.2040. The rule was adopted in September 1986 with the last scheduled fee increase 7-1-91. Because the rule was adopted in 1986, it does not address all the current types of services licensed. Thus, interpretations are made to establish fees for some services.

M.S. 16A.1283 requires legislative approval of a fee increase:

> **M.S. 16A.1283 Legislative approval required.** (a) Notwithstanding any law to the contrary, an executive branch state agency may not impose a new fee or increase an existing fee unless the new fee or increase is approved by law. For purposes of this section, a fee is any charge for goods, services, regulation, or licensure, and, notwithstanding paragraph; (b) clause (3) includes charges for admission to or for use of public facilities owned by the state.

Because the license fee schedule and the amount of the license fee will change, the governor is requesting that the legislature approve these proposed changes.

Currently, approximately $775,000 is collected each calendar year from the 3,800 licensed programs. Revenues are captured in the second quarter of the fiscal year (October – December) for the approaching calendar year. The amount varies greatly by type of program and the number of clients served:

- ⇒ Family systems programs (family child care, family foster care, and adult foster care) are exempt from license fees.
- ⇒ Child care centers pay a base rate of $27.50 plus $3 times the licensed capacity.
- ⇒ Residential programs pay a base rate of $55 plus $8 times the licensed capacity.
- ⇒ Developmental Disability waiver services are issued a county specific license and pay a base rate of $55 plus $8 times the number of clients served on July 1.
- ⇒ Outpatient chemical dependency programs pay a base rate of $55 plus 80 cents times the number of persons served in the previous year.
- ⇒ Child placing agencies pay a base rate of $55 plus 80 cents times the number of adoption decrees and foster homes supervised in the previous year.
- ⇒ Mental health clinics pay a certification fee of $875 for the first year and $437.50 for subsequent years. All license fees are prorated for the months remaining in the year. A new program licensed in July would pay one-half the annual fee.

Under this proposal,

- ⇒ Fees would be established in statute.
- ⇒ Applicants would pay an application fee ($500) that would include the first year license fee (would not be prorated).
- ⇒ Except for child care centers, license fees for nonresidential programs with a specific licensed capacity and for residential programs will be based on the program's capacity, according to the same fee schedule, and will range from $400 to $2,500.
- ⇒ License fees for nonresidential programs without a licensed capacity will be a flat rate fee of $400.

⇒ Child care centers have a separate fee schedule that continues to recognize the historically lower licensure fee for these services, and will range from $300 to $2,000.
⇒ State programs would be exempt from license fees.

To generate $1.225 million in additional revenue, the average license fee would be increased by approximately 250%. Specific programs could see increases of as much as 400-500%. Even with the increase in license fees, license fees are a small component of a program's overall operating costs. As such, except for programs serving extremely small numbers, the fee impact would not have a significant impact on operating costs. Further, competition in many areas would limit the ability to pass through increased operating costs to consumers.

Some programs could move from a higher capacity to a lower capacity especially if they are near a fee break point (for example, a child care center serving 75 children would pay $750 whereas a child care center serving 74 children would pay $600). However, the loss in revenue would be many times more than the license fee increase. For example, in a child care center charging $3 per hour per child (infants are much higher), one additional child would generate $6,000 per year ($3 per hour x 8 hours per day x 5 days per week x 50 weeks per year). While it is possible to build in more fee levels to smooth out the costs between the different capacities, a majority of the programs have a capacity of less than 25 (64%) with approximately 80% of the programs serving less than 50 clients. As shown in the preceding example, the licensed capacity of the program is not dictated by the license fee, but by other factors.

Relationship to Base Budget

This proposal does not replace General Fund expenditures related to DHS licensing activities (current budget is approximately $3.6 million). However, it does generate increased revenue to the General Fund for other purposes.

Minnesota Statutes, sec. 16A.1285, subd. 2, states that, unless otherwise provided by law, specific charges must be set at a level that neither significantly over recovers nor under recovers costs, including overhead costs, involved in providing the services.

The General Fund budget for licensing activities is approximately $3.6 million. The legislature has exempted certain activities from any fee – specifically, background studies and family systems programs. The background study and family systems costs are approximately $1.6 million. Excluding those costs from the budget requires that license fees generate approximately $2 million to fully recover costs.

Statutory Change: M. S. 245A.10.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	$2,075	$2,075	$2,075	$2,075
Net Fiscal Impact	($2,075)	($2,075)	($2,075)	($2,075)

Recommendation

The governor recommends a redesign of the parental fee schedule to a sliding fee payment structure comparable to other DHS premium-based healthcare programs.

Background

Currently, parental fees are assessed to parents of children on TEFRA , Home and Community-Based Services (HCBS) Waiver Options, and certain out of home placements.
The parental fee is determined by analyzing

- the family's adjusted gross income;
- family size, to determine parental income deduction;
- whether the child lives at home;
- whether the family carries private health care coverage; and
- whether child support payments are being made.

Under the current program families receive a parental income deduction which is equal to 150% of the federal poverty guideline for the applicable household size. In addition, the family receives a $200 per month reduction to the amount of the fee if the child resides in the home. Noncustodial parents receive a reduction in the amount of the fee equal to the amount of court-ordered child support that he or she pays for the child.

The parental income deduction and fee reductions are unique to the parental fee program. These deductions are not allowed in other premium-based programs administered by DHS such as MinnesotaCare and Medical Assistance for Employed Persons with Disabilities (MA-EPD).

The Parental Fee program was implemented at a time when the department had little experience with premium-based programs. However, with the creation of MA-EPD and MinnesotaCare, DHS is prepared to align the Parental Fee program with other premium-based health care programs.

Under the new Parental Fee payment structure, the $200 per month fee reduction would be replaced with a $200 per month income deduction if the child resides in the home. The child support fee reduction would also be replaced with an income deduction. The current parental income deduction would be eliminated (this deduction is currently equal to 150% of federal poverty guidelines). A payment schedule very similar to MA-EPD and MinnesotaCare will be implemented. Under the new payment schedule, the following steps would be used to calculate the fee:

⇒ Families with income below 100% of poverty will not pay a fee.
⇒ Families with income at or above 100% of poverty and below 175% of poverty will pay a $4 per month fee.
⇒ The sliding fee scale begins at 1% of income at 175% of poverty and increases to 7.5% of income for those with incomes at 375% of poverty.
⇒ For families with income above 375% of poverty and below 675% of poverty, the fee is 7.5% of adjusted gross income.
⇒ For families with income at or above 675% of poverty and below 975% of poverty, the fee is 10% of adjusted gross income.
⇒ For parents with income at or above 975% of poverty, the fee is 12.5% of adjusted gross income.

This proposal aligns the parental fee with premiums assessed to other health care program families, applies a principle of ability to pay in making decisions on what programs will be reduced and/or cut and generates additional revenue to the General Fund. The proposal also preserves a level of no fees for very low-income families and charges minimal fees for families with incomes below 175% of poverty.

For comparison: A family of four with monthly income of $3,018 or 200% of poverty would pay $54 per month under the new parental fee payment structure and $59 per month for a MinnesotaCare family covering one person. If the monthly income for this family of four was $4,149 or 275% of poverty, the parental fee would be $176 per month under the new fee structure and $121 per month under MinnesotaCare.

Relationship to Base Budget

The new parental fee payment structure is estimated to generate approximately $4.15 million to the General Fund over the biennium.

The automated system needs for this proposal are in place; however, some administrative implementation work is required. The department will notify current program participants by mail of the changes to the fee structure.

Statutory Change: M.S. 252.27.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($12,500)	($25,000)	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($12,500)	($25,000)	0	0

Recommendation

The governor recommends consolidation of a variety of existing programs to support counties in ensuring the safety, permanency, and well-being of children and young adults. The consolidated grant will increase county flexibility and provide financial incentives for performance and accountability for outcomes. This proposal also includes a time-limited funding reduction.

Background

This proposal combines funds from the following state grants and eliminates the specific programs

- Community Social Services (CSSA) Grants;
- Family Preservation Grants;
- Rule 78 Children's Mental Health Grant;
- Mental Health Adolescent Services;
- CMH Collaborative Wraparound Grant;
- Juvenile MH Screening;
- CMH Homeless Children Grants;
- Crisis Nursery Grants;
- Homeless Children Grants;
- Children with Substance Abusing Mothers Grants;
- Red Lake Grants to Beltrami and Clearwater counties.;
- Fetal Alcohol Intervention, Education and Advocacy Demonstrations;
- Children whose Mothers were Incarcerated Grants;
- Social Services Supplemental Grants;
- Hennepin County Social Services Grants for Group Residential Housing Recipients;
- Minority Placement Grants; and
- Training of Criminal Justice.

This proposal combines the following federal grants into consolidated grant allocations to counties

- Title XX Social Services Grants and
- Title XX Concurrent Permanency Planning (TANF) Grants.

CSSA and Title XX Social Services Block Grants are flexible state and federal grants to counties for social services. This proposal redirects these and other categorical grants and aids for social services to children and families into a performance-based fund dedicated to child and adolescent outcomes of safety, permanency, and well-being. Focusing on performance standards enables the state to leverage more purchasing power from its grant programs. The Social Services Information System currently collects much of the outcome data. Counties can review their status through this system on a regular basis throughout the year.

No new service mandates will be imposed on counties as part of this proposal and specific mandate reductions will be made. The Community Social Service Act process requirements under Minnesota Statutes, section 256E will be repealed and a new Children and Community Services Act will be instituted. To provide counties greater flexibility, maintenance of effort requirements that exist under the current programs will be eliminated along with those program's requirements.

Funds will be distributed to each county board as follows:

- ⇒ For 7-1-03 through 12-31-03, funds will be allocated to each county equal to that county's allocation for the former children's services and community service grants for calendar year 2003 less payments made on or before 6-30-03 for these allocations.
- ⇒ For calendar year 2004, available funds will be allocated to each county in proportion to that county's proportion of the calendar year 2003 allocations for the former children's services and community service grants allocation to the statewide total of calendar year 2003 allocations for the former children's services and community service grants.
- ⇒ For calendar year 2005 and each calendar year thereafter, 95% of available funds will be allocated to each county in proportion to that county's proportion of the previous calendar year's children and community service grant to the statewide total for the same period. Five percent of available funds will be used as incentive payments for counties based on actual county performance on several specific outcome measures.

Relationship to Base Budget

The existing base budgets for the grants listed above will be transferred for the purpose of creating a single combined grant allocation to counties. To support the overall state budget, one time reductions will occur in FY 2004 and 2005.

Key Measures

- ♦ Specific measures on child safety, permanency and well-being

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 245.4886; M.S. 245.496; M.S. 254A.17; M.S. 256E; M.S. 256F; M.S. 257.075; M.S. 257.81; M.S. 260.152; M.S. 626.562

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$0	$2,177	$6,818	$9,968
Revenues	0	0	0	0
Net Fiscal Impact	$0	$2,177	$6,818	$9,968

Recommendation

The governor recommends funding the non-federal share of the projected shortfall in adoption assistance (AA) and relative custody assistance (RCA) grants.

Background

Funding this shortfall will provide permanency for over 960 children with special needs in FY 2004 and an additional 960 in FY 2005 through adoption and assistance to relatives. These are children with special needs that the juvenile court determines cannot return to their parental home and who are now wards of the state. This request also supports the annualized cost of children who entered the program from the previous biennium and makes changes to facilitate the support of American Indian children through these programs.

In the previous biennium, the legislature did not fund projected growth for adoption assistance (AA) and relative custody assistance (RCA) for FY 2004 and FY 2005. Current forecasts for the programs suggest a biennial deficit in the RCA program for existing children who entered during the current biennium. This proposal requests funds to fill the RCA base deficit as well as cover growth projections in the following biennium. Minnesota was able to receive federal approval for a federal match on child care expenses by adoptive families in the AA program. As a result this program requires less base level funding for children currently on the program but needs additional funding to cover new children projected to enter the program in FY 2005 and on. A one-time federal fund balance in Adoption Assistance of $2 million reduces the FY 2004-05 General Fund request.

Adoption assistance and relative custody assistance address the governor's commitment to protecting vulnerable children. Adoptive parents and legal custodians assume parenting responsibility for children who have experienced serious neglect and often emotional or physical abuse. Many have additional neurological or medical issues. Commitment to parenting these children quite often requires psychological, medical, educational, and social services. Many parents adopting such children simply cannot meet their obligation to be good parents if they do not have the necessary financial and other supports to address the special needs. These children would continue to be wards of the state and counties would continue to pay their foster care costs if not for the efforts of new families willing to make these children one of their own. Close to 600 children per year experience a termination of parental rights and are in need of adoption. Another 400 children per year experience a transfer of permanent legal and physical custody to a relative or person significant to the child. These children have suffered significant neglect or abuse and have needs that prospective adoptive parents or prospective legal custodians cannot meet without additional financial support.

Adoption Assistance: The AA program provides financial assistance to purchase necessary ongoing services and reimbursements for specialized services integral to addressing the child's special needs. Caseload growth is primarily a function of the number of children with special needs committed to state guardianship and the state's and counties' success in finding and supporting adoptive families. For 80% of these children, federal Title IV-E funding covers half of the assistance.

Relative Custody Assistance: RCA is funded entirely with state dollars. It provides the same level of monthly financial assistance to the relative or person significant to the child accepting permanent legal and physical custody as the child would be eligible for under the adoption assistance program, except that the monthly payment is adjusted based on the relative custodian's gross family income. The juvenile court must first determine that it is in the child's best interests to transfer permanent legal and physical custody rather than terminate parental rights. Thus, there is little or no difference in the needs of children experiencing a transfer of permanent legal and physical custody versus those experiencing a termination of parental rights.

There is a high degree of interactivity among foster care, adoption assistance, and relative custody assistance. Children reside in foster care and other residential treatment facilities during family reunification efforts. The primary permanency options for children who cannot return home are adoption or transfer of permanent legal and physical custody.

In addition, this initiative allows otherwise eligible children committed to the guardianship of the child's Tribal Social Service agency to be eligible for state funded adoption assistance and allows otherwise eligible children, adopted through "Customary Tribal Adoption" who are not eligible for federal Title IV-E Adoption Assistance, to receive state-only funded AA grants.

Funding this proposal will prevent reductions in ongoing assistance to children in need of and receiving assistance. The ability to find permanent homes will be strengthened, thereby avoiding the higher overall costs associated with the foster care system.

Additional information on adoption assistance and relative custody assistance can be found at:
http://www.dhs.state.mn.us/childint/social_serv_manual/ssmpdf/xiv1000.pdf
http://www.dhs.state.mn.us/childint/social_serv_manual/ssmpdf/xvi9000.pdf

Relationship to Base Budget

Child foster care expenditures currently total $82 million a year ($50 million of local county dollars, $15 million of federal dollars, $7 million of Community Social Services Act dollars, and $10 million in miscellaneous fees) and averages about $8,500 per child per year. Counties will see direct local savings of approximately $5,000 per child per year as a result of placing a child from foster care into a family receiving adoption assistance. For every 500 children placed in a year, counties would lower their local costs by approximately $2.5 million.

Base level funding: Adoption Assistance $20,460,000; RCA $4,746,000

Key Measures

- Children in out-of-home placements
- Adoptions of children under state guardianship

More information on key measures is available on the Web:
http://www.departmentalresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 259.67

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($429)	($854)	($849)	($841)
Revenues	0	0	0	0
Net Fiscal Impact	($429)	($854)	($849)	($841)

Recommendation
The governor recommends that Medical Assistance (MA) coverage be expanded to include a short-term sub-acute care facility when used as part of a mental health crisis response system for adolescents.

Background
The Minnesota Children's Mental Health Task Force (2002) determined that one of the key issues confronting the children's mental health system is the well-publicized shortage of acute care hospital capacity for adolescents in emotional or psychiatric crisis. The Attorney General, the Department of Human Services, and other state and local metropolitan agencies have been collaborating to address the problem by improving community-based crisis response services. A crisis response system developed in the city of Baltimore is being used as a model in these efforts. One important resource employed in the Baltimore system and absent in Minnesota is a small short-term sub-acute care facility. The facility will serve adolescents in crisis who do not need hospital level care and will also serve as a short-term transitional resource for adolescents stabilized in the hospital and awaiting the development of the community supports necessary to allow their safe return to the community.

This proposal allows the Medical Assistance program to reimburse per diem costs of care for MA eligible children in the facility under the psychiatric services for individuals under 21 provisions in federal Medicaid law.

Relationship to Base Budget
Currently, over $150 million in state, federal and county funds are expended each year to provide mental health services for children with emotional disturbances. Medical Assistance fee-for-service payments for acute care psychiatric services in community hospitals during calendar year 2001 were over $7.5 million dollars. Because of the inherently high cost of hospital care, the proposed model is a cost-effective approach to meeting the needs of adolescents in emotional or psychiatric crises.

Statutory Change: MS 256B

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$175	$1,773	$1,859	$1,947
Revenues	0	0	0	0
Net Fiscal Impact	$175	$1,773	$1,859	$1,947

Recommendation
The governor recommends improvements to the accessibility and effectiveness of community-based children's mental health services within the Medical Assistance (MA) program.

Background
This proposal draws on the findings and recommendations of the Children's Mental Health Task Force.

Minnesota's MA benefit set for community-based children's mental health rehabilitation services has been implemented piece by piece since the passage of the Children's Mental Health Act in 1989. As a result, the current benefit set is composed of a variety of categorical services constrained in ways that often limit consumer choice and the ability of service providers to fit the services delivered to the needs of the child and his or her family. The department proposes to accomplish this through the following steps:

⇒ Remove county contracting requirement from provider enrollment. This will allow more providers to offer services in a broader number of counties thereby improving access and increased choice of providers to Minnesota families.

⇒ Dismantle the current Family Community Support Services, Home-Based Mental Health Services, Day Treatment, and Therapeutic Support of Foster Care benefits into their component parts (primarily psychotherapy and skills training) and reconfigure the benefits through an individually-tailored assessment and authorization process. Children will then be able to access the services that best meet their needs where they need them.

⇒ Expand eligibility from children with severe emotional disturbance (SED) to children with emotional disturbance (ED) when warranted through the individualized authorization process. Children with emotional problems can receive services earlier, before problems become severe.

The Department proposes to remove the county contracting requirement effective 7-1-03 and to implement the remaining provisions a year later. The extra time is necessary in order to develop and train providers on the new individualized authorization process.

Relationship to Base Budget
Since original implementation, community-based children's mental health services within the MA benefit have been utilized at a rate well below that projected based on estimates of prevalence and service eligibility. Together, the changes proposed here are expected to increase utilization of community-based mental health rehabilitation services for MA eligible children by about 25%.

Key Measures
- Children in out-of-home placements
- Children who receive mental health services while on Minnesota Health Care Programs

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256B

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$0	$2,733	$3,827	$5,467
Revenues	0	0	0	0
Net Fiscal Impact	$0	$2,733	$3,827	$5,467

Recommendation
The governor recommends implementation of a state-wide mental health screening for the identification of untreated emotional disorders of adolescents and children in the juvenile justice and child welfare systems.

Background
The Minnesota Children's Mental Health Task Force (2002) determined that one of the key issues confronting the children's mental health system is the need for earlier identification and treatment of emotional disorders. Based on the Surgeon General's Report of the Conference in Children's Mental Health (2001), the task force estimated that while one in 10 children suffers from an emotional disorder, only 20% of those children receive treatment. Further, the task force studied literature demonstrating that children's emotional problems can be treated effectively by evidence-based practices, with best outcomes associated with early and intensive intervention.

While emotional disorders affect children in all social strata, some groups of children are at particularly high risk, especially those in the child welfare and juvenile justice systems. The task force recommended that first steps be taken to screen these children as early as possible.

Relationship to Base Budget
Currently, over $150 million in state, federal and county funds are expended each year to provide mental health services for children with emotional disturbances. Similarly, Minnesota school districts are expending over $130 million each year in special education funds for children with emotional-behavioral disorders (E/BD). An estimated 70% of children in the juvenile justice system have emotional problems that contribute to their criminal behavior. The total public cost of childhood mental health problems is significant. Given evidence that emotional problems can be treated effectively, with best outcomes associated with early and intensive intervention, this proposal should benefit a broad range of publicly funded programs.

With the identification of emotional disorders in children comes an obligation to assist the children and their families in overcoming these disorders. This proposal includes funds for the additional mental health assessments and services for children identified through the screening. The department also intends to help counties maximize existing private third-party insurance resources for the services.

Key Measures
- Children in out-of-home placements
- Children who receive mental health services while on Minnesota Health Care Programs

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html.

Statutory Change:
- M.S. 260B
- M.S. 260C
- M.S. 626

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$11	($25,129)	$25,129	0
Revenues	0	0	0	0
Net Fiscal Impact	$11	($25,129)	$25,129	0

Recommendation
The governor recommends that the last FY 2005 Medical Assistance and General Assistance Medical Care payments to providers for basic fee-for-service health care be delayed until FY 2006.

Background
Provider payments are made every two weeks. If the last payment of the fiscal year is delayed until the next fiscal year, then the costs for that payment are moved from one fiscal year to the next.

Relationship to Base Budget
The savings shown in this proposal are the estimated value of one fee-for-service payment for all providers, excluding managed care, nursing home, Intermediate Care Facilities for Mental Retardation, and waiver service providers. Modifications to the Medicaid Management Information System (MMIS) would be required in FY 2004.

Statutory Change: Not applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($13,716)	($12,392)	($11,758)	($12,948)
Revenues (DHS)	1,241	1,322	1,447	1,594
Revenues (MDH)	767	817	895	985
Net Fiscal Impact	($15,724)	($14,531)	($14,100)	($15,527)

Recommendation

The governor recommends decreasing Medical Assistance (MA) and General Assistance Medical Care (GAMC) payments 5% for inpatient and outpatient hospital services. The reduction excludes payments for inpatient mental health and Indian Health Services. General Fund revenues will also be increased through an associated intergovernmental transfer.

Background

A ratable reduction on payments has been used historically as a method of attaining budget savings. This proposal is limited to hospital services because they have had payment increases in recent years while most other service providers have not. For example, outpatient hospital services were increased 12% in 2000 due to the adoption of a prospective payment system. Inpatient hospital services were be increased 5.3% in 2003 due to rebasing the cost data forward two years. In addition, two hospitals were paid over $13 million in net gains from an intergovernmental transfer (IGT) in 2002. This IGT is expected to continue with net gains of $3 million per year.

This proposal also redirects the increased IGT net revenues generated by the ratable reduction to the General Fund. This is necessary to avoid an increase in payments to IGT hospitals, community clinics, and rural hospitals at the expense of other hospitals.

This proposal excludes inpatient hospital mental health services from the ratable reduction because of a current shortage of these services. Since mental health is 16% of inpatient payments, the 5% reduction is actually 4.3%. Facilities of the Indian Health Service are also excluded because those rates are based on a federal methodology and MA payments are 100% federally funded.

Relationship to Base Budget

With the past and anticipated increases in payments, hospitals will still see gains in payment levels. After the reduction, hospitals will still have payment levels that are somewhat higher than other provider groups.

The ratable reduction requires a change to the Medicaid Management Information System (MMIS). However, this will not prevent timely implementation.

Statutory Change: M.S. 256B.195; M.S. 256.929, subd. 3(a); M.S. 256B.32; M.S. 256B.75

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	($3,327)	($14,827)	($16,211)
Revenues	0	0	0	0
Net Fiscal Impact	0	($3,327)	($14,827)	($16,211)

Recommendation
The governor recommends that biennial rebasing of Medical Assistance (MA) inpatient hospital payment rates to more current cost data be discontinued.

Background
Current law requires the department to rebase each hospital's MA rates forward every two years based on the costs of each hospital. Essentially, this process incorporates hospital-specific inflation into the payment rates. Hospital rates were last rebased in 2003 which resulted in average rate increases of 5.7% under the MA program. No other provider has their own individual inflation automatically built into their rates.

This proposal eliminates the rebasing increase to hospital rates. To rebase rates could result in large increases for some hospitals at a time when other providers of medical services haven't had an increase in many years. In 2007, hospitals would then have rates based on costs that are moved forward four years. Rates would catch up to costs at that time.

In addition to individual cost-based rates, more than 30% of the hospitals are paid a disproportionate share add-on that ranges up to 54% of their base rate. Ninety-one hospitals are classified as small and rural for purposes of a payment add-on to their rates of either 15% or 20%.

A separate proposal would reduce hospital rates by 5%. It should be noted that this would result in less of a reduction in the 2003-2005 rates than the 2003 rebasing increased rates.

Relationship to Base Budget
After the elimination of rebasing, hospitals will not have decreased rates for two years, but will still be paid based on more current costs than other providers of medical services.

Statutory Change: M.S. 256.969, subd. 2b.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($4,294)	($2,440)	$0	$0
Revenues	0	0	0	0
Net Fiscal Impact	($4,294)	($2,440)	$0	$0

Recommendation
The governor recommends that medical education payments be eliminated from General Assistance Medical Care (GAMC) managed care payment rates.

Background
Managed care rates to health plans currently include payments for medical education. The amount, however, is transferred into the medical education trust fund for distribution. Payments to the trust fund from the managed care rates and intergovernmental transfers have increased over the past years from $26 million in FY 2002 to a projected $71 million in FY 2005.

Because the GAMC program would be consolidated with the MinnesotaCare program under the Governor's proposal, the reduction in GAMC contributions to the medical education fund would occur anyway, but just at a later time.

Relationship to Base Budget
After elimination of the medical education payments from the GAMC managed care rates and a 37% reduction in the MA managed care withhold, payments to the medical education trust fund will still exceed an estimated $55 million in FY 2004, not including the fee for service payments.

Statutory Change: M.S. 256B.69, subd. 5c.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($14,265)	($15,364)	($16,886)	($19,327)
Revenues	0	0	0	0
Net Fiscal Impact	($14,265)	($15,364)	($16,886)	($19,327)

Recommendation

The governor recommends that Medical Assistance (MA), General Assistance Medical Care (GAMC), and Prescription Drug Program (PDP) payment rates for pharmacy claims be reduced by using maximum allowable costs for more drugs and changing the average wholesale price discount applied.

Background

Federal and state statutes and regulations specify that the department is supposed to reimburse the actual acquisition cost (AAC) of a drug plus a "reasonable" dispensing fee. Where *AWP* represents average wholesale price, *AWP–14%* is a better estimate of AAC than *AWP–9%*. The Office of Inspector General (OIG) recently released a report indicating that the AAC ranges from *AWP–17.2%* to *AWP–72.1%*, depending on the type of drug. By changing to *AWP–14%* the department is complying with applicable federal and state requirements. The existing fee of $3.65, when added to the difference between AWP and AAC, constitutes a reasonable dispensing fee.

Prior to the 1999 session, the department had the authority to establish a maximum allowable cost (MAC) for any drug. DHS is now limited to establishing a MAC for only those drugs not already on the federal upper limit (FUL) list. Also, there must be two generic versions of a drug available before a MAC can be established. The use of MACs strongly encourages pharmacists to dispense generic drugs, which are usually far cheaper than the equivalent brand name products. This proposal will allow the department to establish MACs for more drugs than it does currently.

Therefore, the governor recommends changing the estimate of a drug's actual acquisition cost from *AWP-9%* to *AWP-14%*. The governor further recommends amending statute to allow for the establishment of maximum allowable costs for more drugs.

Relationship to Base Budget

This measure represents approximately 5.7% of the state share of fee-for-service expenditures for prescription drugs that are dispensed by a pharmacy. This proposal requires minimal administrative and system changes.

Statutory Change: M.S. 256B.0625, subd 13.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($402)	($949)	($1,073)	($1,230)
Revenues	0	0	0	0
Net Fiscal Impact	($402)	($949)	($1,073)	($1,203)

Recommendation
The govenor recommends increasing the use of drug authorizations for dispense-as-written (DAW) claims.

Background
Prescribers can currently indicate that a brand name drug should be dispensed by simply writing “DAW – brand medically necessary” on a prescription. It is usually considerably more expensive to pay for the brand name drug rather than the equally effective generically equivalent drug. DAW prescriptions are often written not because there is a medical necessity, but because the patient has demanded the brand name drug. By requiring prior authorization (PA) for DAW prescriptions, we can ensure that brand name drugs are dispensed only when use of the generic equivalent is truly not appropriate.

This proposal would allow DHS to require prior authorization when a prescriber indicates that a brand name drug is to be “dispensed as written”. This would apply in those cases where an AB-rated generic equivalent is available.

Relationship to Base Budget
This measure represents less than 1% of fee-for-service expenditures for prescription drugs that are dispensed by a pharmacy.

System changes will have to be made so that DAW prescriptions will require PA. In some cases, it really will be appropriate for a brand name to be used, so DHS will have to pay Care Delivery Management, Inc., for additional PA requests. However, we expect that most prescribers will authorize use of a generic rather than going through the PA process.

Statutory Change: M.S. 256B.0625, subd.13.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($550)	($2,341)	($2,649)	($3,032)
Revenues	0	0	0	0
Net Fiscal Impact	($550)	($2,341)	($2,649)	($3,032)

Recommendation
The governor recommends an increase in the use of hard edits in the Department of Human Services (DHS) pharmacy point-of-sale billing system for Medical Assistance (MA), General Assistance Medical Care (GAMC), and Prescription Drug program (PDP).

Background
By making some pharmacy point-of-sale claims processing edits "hard", DHS prohibits system overrides by pharmacists in order to get a claim paid. DHS does not need new legislative authority to do this. However, the legislature will need to appropriate money for additional staffing.

Currently, pharmacists can easily override the reject edits that the DHS billing system generates. A preliminary data query revealed that from 1-1-02 through 3-3-02, there were 39,256 claims with a 660 or 877 edit, indicating that the drug was being refilled too soon. DHS paid approximately $3.5 million for those claims. This would be approximately $14 million annualized. It would take a detailed analysis to determine how many of those claims are actually inappropriate. However, if only 25% of those claims prove to be inappropriate, savings could be $3.5 million annually.

DHS can greatly reduce this problem by making the edits "hard" (i.e., not allowing pharmacists to override rejects). However, there are sometimes valid reasons for overriding a claim (e.g., a change in dosage). Most private pharmacy benefit managers handle these valid overrides by having the pharmacist contact a help desk. The help desk can override the edit so that the pharmacist can instantly retransmit the claim and have it paid.

Relationship to Base Budget
When fully implemented in FY 2005, this will represent approximately 1% of fee-for-service expenditures for prescription drugs that are dispensed by a pharmacy.

Administrative considerations: Help Desk hours might have to be extended to evenings and weekends. System changes will have to be made to allow Help Desk or claims processing staff to override rejected but appropriate claims.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($493)	($1,275)	($1,565)	($1,892)
Revenues	0	0	0	0
Net Fiscal Impact	($493)	($1,275)	($1,565)	($1,892)

Recommendation
The governor recommends that collection of Prescription Drug Program (PDP) rebates from pharmaceutical manufacturers be increased.

Background
State law establishes that the rebates collected for the PDP "shall be equal to the basic rebate as defined for purposes of the federal rebate program in United State Code, title 42, section 1396r-8(c)(1). This basic rebate shall be applied to single-source and multiple-source drugs." This means that the rebates collected for brand name drugs are lower for the PDP than they are for Medical Assistance. The difference in rebate amounts makes administering the PDP rebate program slightly more difficult than it needs to be. Many other states collect rebates at the full Medicaid rate for their state-funded patient drug assistance programs.

Relationship to Base Budget
The additional rebates collected under this proposal amount to approximately 6.7% of the amount paid to pharmacies for PDP claims.

This change would take approximately six months to implement because manufacturers would have to sign amended rebate agreements. System changes would involve modifications in DRAMS, the rebate system used by the department to mange both Medicaid and PDP rebates.

Statutory Change: M.S. 256.01, subd. 2.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($5,652)	($11,865)	($12,915)	($13,544)
Revenues	40	40	0	0
Net Fiscal Impact	($5,692)	($11,905)	($12,915)	($13,544)

Recommendation
The governor recommends that Medical Assistance (MA) and General Assistance Medical Care (GAMC) managed care rates be reduced due to changes in those programs.

Background
This proposal reduces MA and GAMC payments to managed care organizations by approximately 1% beginning in October 2003 and an additional 1% beginning in January 2004. These amounts equate to the savings related to services provided by health plans that would result from program changes proposed elsewhere in the budget. These include making payment changes to providers that are consistent with the 5% reduction in hospital payments in the DHS proposal, reducing overall plan administrative costs allocated to public programs, and operational efficiencies gained due to the GAMC-MinnesotaCare consolidation.

New federal regulations require that the rates paid to Minnesota health plans for MA and MinnesotaCare be actuarially sound. Mandated rate changes must be based on operating changes that can be implemented by plans. Changes to rates must be reviewed and certified by an actuary and must be approved by the federal Center for Medicare and Medicaid Services (CMS) in order to maintain federal financial participation. Additional actuarial costs will be incurred to make these changes.

Relationship to Base Budget
DHS has already taken significant reductions in managed care over the last two years. June payments have been delayed one month each year since 2002. Rates were increased for the 2003 contract year by 4.6% on average. The 2003 contracts withhold 5% of payments for one year for performance incentives.

Statutory Change: M.S. 256B.69, subd 5h

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($1,783)	($2,100)	($2,100)	($2,100)
Revenues	0	0	0	0
Net Fiscal Impact	($1,783)	($2,100)	($2,100)	($2,100)

Recommendation

The governor recommends elimination of the state subsidy of the county share for Prepaid Medical Assistance Program (PMAP) administration for all counties where PMAP has been in place for more than twelve months.

Background

PMAP requires that each county provide certain functions that administratively support the program. These include education enrollment and advocacy for PMAP enrollees. Since the implementation of that program, the state has supported these county administrative functions by paying the county share of the Medical Assistance (MA) administrative funds. The counties then can draw down federal match for the MA administrative funds.

Beginning in FY 2004, this proposal would discontinue the state subsidy of the county share for PMAP administration for all counties where PMAP has been ongoing for more than 12 months. Under this proposal, the state would continue to provide funding only in areas where PMAP enrollment is being newly established. This proposal would fund counties for a period of 16 months (4 months prior to beginning of enrollment and the first 12 months of enrollment) at the conversion level of funding of $11.35 per enrollee based on average annual enrollment projections. This proposal would also support the enrollment into PMAP of American Indian recipients living on reservations by funding a tribal advocacy function up to a total of $120,000 per year ($160,000 for 16 months) to be shared across 9 reservation sites for a 16-month period in calendar years 2003-04. Tribes would be able to draw down federal match for MA administration.

Statutory Change: Not applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$6	($1,775)	($1,878)	($1,766)
Revenues	309	563	590	707
Net Fiscal Impact	($303)	($2,338)	($2,468)	($2,473)

Recommendation
The governor recommends the use of a broker/coordinator to manage non-emergency medical transportation (NEMT) for all Medical Assistance (MA) clients who reside within the seven-county metro area.

Background
From FY 1996 to FY 2001, metro transportation costs paid by MA increased from $12.9 million to $17.3 million in fee-for-service, even though the number of eligible recipients for special transportation decreased steadily during that time. The most expensive form of non-emergency medical transportation—special transportation services—accounted for 92% of all metro MA transportation expenditures in FY 2001. Fee-for-service transportation costs in the metro area are increasing while costs in the non-metro areas are decreasing, even though there are more public transportation options available in the metro area.

Non-emergency medical transportation currently consists of two different delivery systems. Counties administer the common carrier option for non-emergency medical transportation. Special Transportation Services are administered at the state level.

This proposal would have a broker/coordinator handle all aspects of service delivery, including telephone calls, verifying eligibility, screening for appropriate level of transportation, scheduling trips, recruiting providers, monitoring provider and client use, and maintaining outcome and performance data. Clients would have to call only one number to coordinate and secure rides simplifying a currently fragmented delivery system.

A broker system also improves the quality of service delivery. There are numerous concerns about the quality of current special transportation providers. These include such issues as not completed or inadequate background checks, insurance lapses, concerns about the types of vehicles being used, and drivers not completing required training. The broker would be in an excellent position to monitor driver and vehicle requirements, as well as monitor the service itself through the establishment and monitoring of pickup and delivery standards.

The use of a broker/coordinator for non-emergency transportation was a recommendation of a 1997 report on Medicaid transportation by the U.S. Office of Inspector General as well as a highly recommended option in Health Care Financing Administration sponsored reports. The Centers for Medicare and Medicaid Services also supports a broker approach. In the last 10 years, the number of states utilizing some form of a transportation broker/coordinator has increased from one to over 20.

In addition to improved quality and simplified client access, other states have experienced tangible cost savings by switching to transportation brokers.

Relationship to Base Budget
The transportation broker would be responsible for providing non-emergency transportation services for all fee-for-service and managed care enrollees in the seven county metro area. Full implementation of brokered transportation operations would occur by April 2004. This will allow a transition period for counties from the present system to the brokered one.

Statutory Change: M.S. 256B.0625, subd. 17.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($307)	($330)	($363)	($415)
Revenues	0	0	0	0
Net Fiscal Impact	($307)	($330)	($363)	($415)

Recommendation
The governor recommends reductions that Medical Assistance (MA) discontinue coverage of all weight loss products.

Background
Federal law allows state Medicaid programs to exclude from coverage drugs when used for "anorexia, weight loss, or weight gain." When the federal law was written, drugs used for weight loss were appetite suppressants (also known as anorectics or anorexiants). When state law was written, the word "anorectics" was used instead of the phrase contained in federal law. Since that time, a drug has been developed for weight loss that is not an appetite suppressant. Under current state law, we have to cover that drug. The long-term health benefits of the drug are questionable.

Relationship to Base Budget
The savings generated by this proposal represent less than 1% of the fee-for-service drug expenditures.

This proposal would require minimal system changes.

Statutory Change: M.S. 256B.0625, subd. 13.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($1,442)	($2,778)	($4,188)	($5,670)
Revenues	(30)	(49)	(67)	(85)
Net Fiscal Impact	($1,412)	($2,729)	($4,121)	($5,585)

Recommendation
The governor recommends the repeal of Medical Assistance (MA) coverage of the new autism program while continuing to cover treatment of children with autism spectrum disorder through currently covered services.

Background
The 2001 legislature enacted a MA program for children with autism. This new program was scheduled to begin 1-1-03. Children currently in the MA program with autism spectrum disorder are served through other MA coverage, including waivered services, children's mental health services, family-community supports, personal care attendant services, home-based mental health services, and/or behavior aide hours.

Relationship to Base Budget
Elimination of the new MA autism program will reduce current and future General Fund expenditures.

Statutory Change: M.S. 256B.0625, subd. 5a.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($12,535)	($17,179)	($16,630)	($18,408)
Revenues	0	0	0	0
Health Care Access Fund				
Expenditures	($1,452)	($2,531)	($2,870)	($3,199)
Revenues	0	0	0	0
Net Fiscal Impact	($13,987)	($19,710)	($19,500)	($21,607)

Recommendation

The governor recommends the application of copayments to Medical Assistance (MA), General Assistance Medical Care (GAMC), and MinnesotaCare. This proposal affects clients receiving services through fee-for-service or through contracted health plans.

Background

The proposal provides for copayments to be applied to the following services provided to adults age 21 and over, beginning 10-1-03:

- non-preventive office visits, $3;
- eyeglasses, $3;
- non-emergency visits to the emergency room, $6; and
- drugs, $1 co-payment for generic drugs, $3 co-payment for brand name drugs.

Copayments are not currently applied to Medical Assistance (MA) and General Assistance Medical Care (GAMC) enrollees. Adults in MinnesotaCare (except pregnant women) currently have a $3 co-pay on drugs and a $25 co-pay on eyeglasses. MinnesotaCare adults under 175% federal poverty guidelines have a 50% co-pay on restorative dental services. Some adults in MinnesotaCare have a 10% co-pay on inpatient hospital services.

Federal Medicaid law requires that co-pays not exceed $3 per service. Co-pays greater than $3 require the submission of a waiver to the Centers for Medicare and Medicaid Services (CMS). In recent years, CMS has approved state requests to charge $6 for non-emergency visits to the emergency room when the state certifies that enrollees have access to non-emergency services in other locations. Federal law prohibits the application of co-payments to children under 18; pregnant women for services that relate to pregnancy or to any other medical condition that may complicate the pregnancy; people residing more than 30 days in “medical institutions” which include hospitals, nursing homes, and ICFs/MR; or people receiving hospice care. In addition, co-pays cannot be charged for emergency services or family planning services.

The department would amend managed care contracts and rates, get actuarial certification for the amended capitation rates, and submit the amended contracts and rates for approval by the federal government. Health plans would have to amend their contracts with providers to require providers to collect the co-payments and would have to issue new certificates of coverage and member identification cards to members affected by the new co-payment requirements. Extensive MMIS systems changes will be needed to implement this proposal on the fee-for-service side.

Relationship to Base Budget

The addition of co-payments to non-emergency ER services, eyeglasses, non-preventive office visits, and drugs in the MA and GAMC programs will have the immediate and ongoing effect of lowering state expenditures.

Implementation would involve

- sending a notice to approximately 550,000 adult clients regarding the change;
- sending a Provider Update to all enrolled dental providers regarding the change;
- altering the MMIS system so that payment rates are adjusted to reflect co-pays;

- adjusting managed care rates and contracts to reflect the changes;
- seeking federal approval for amended rates and contracts; and
- coordinating with the health plans to ensure that the implementation occurs in a timely, smooth manner.

Federal compliance issues, such as the exclusion of co-payments for institutionalized people, have been factored into the costs of the proposal.

Statutory Change: M.S. 256B.03, subd. 4(e); M.S. 256L.03, subd. 5.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$656	$510	$510	$510
Revenues	224	204	204	204
Net Fiscal Impact	$432	$306	$306	$306

Recommendation
The governor recommends an increase in the General Fund budget to address administrative changes necessary to comply with federal Medicaid managed care requirements.

Background
New federal Medicaid managed care regulations require that the state's Medical Assistance (MA) managed care programs (Prepaid MA Program, Minnesota Senior Health Options, and Minnesota Disability Health Options) make changes. Changes which require additional funding include

- additional clerical staff and funding for changes to appeal database needed to ensure tracking and timely decisions for state fair hearings;
- funding needed for actuarial contracts, to assure CMS that rates and payments are actuarially sound;
- changes to enrollment system to meet federal requirements, including re-enrollments, and collecting and transmitting to the health plan the race, ethnicity, and language spoken of each individual;
- additional professional staff needed to
  - ⇒ oversee managed care credentialing process;
  - ⇒ manage implementation and performance measurement of clinical practice guidelines;
  - ⇒ develop health care education and managed care performance materials for clients;
  - ⇒ develop mechanisms for conveying language, ethnicity, and other data (e.g., special needs information) to health plans; and
  - ⇒ monitor development and provision of culturally competent care; assess and monitor health care access standards, including ongoing monitoring of health plan networks and timely access to services; and
- increases for printing and mailing additional materials to enrollees and potential enrollees.

Relationship to Base Budget
This proposal is crucial to the Medical Assistance (MA) program in that compliance with these federal regulations will assure that DHS continues to earn federal financial participation (FFP) for all of its MA services.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($7,449)	($7,628)	($4,443)	($4,805)
Revenues	0	0	0	0
Net Fiscal Impact	($7,449)	($7,628)	($4,443)	($4,805)

Recommendation
The governor recommends discontinuing one-month rolling eligibility for Medical Assistance (MA) recipients enrolled in the Prepaid MA Program (PMAP).

Background
Under current law, certain individuals who are late submitting income reports required to maintain eligibility are not terminated from managed care immediately. They have until the beginning of the next month to submit required paperwork. They remain enrolled in the health plan. This is known as "one-month rolling eligibility." This has resulted in increased continuity of care for many individuals and families as well as reducing administrative burden for health plans and counties. On average about 4,500 individuals per month fail to submit the required income reports. Approximately 75% of persons who do not initially submit their income reports in a timely manner do submit required materials and remain eligible for the programs in which they were enrolled. This proposal removes the one-month rolling eligibility period. Individuals who fail to submit required income reports would be disenrolled from managed care plans. Individuals who submit required information and who remain eligible will have eligibility restored and will be served under the fee-for-service program until the following month when they will re-enroll in managed care.

This proposal reflects the proposed consolidation of GAMC and MinnesotaCare.

Relationship to Base Budget
The savings shown in this proposal reflect the savings for the one-month rolling eligibility period for the 25% who do not remain eligible.

Statutory Change: M.S. 256B.69, subd. 2 (e)

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	($358)	($390)
Revenues	0	0	0	0
Health Care Access Fund				
Expenditures	0	0	($654)	($728)
Revenues	0	0	0	0
Net Fiscal Impact	0	0	($1,012)	($1,118)

Recommendation
The governor recommends the discontinuation of the approval of coverage before receipt of certain verifications for applicants for all health care programs and for MinnesotaCare enrollees whose annual renewals of eligibility are due.

Background
The Legislature implemented delayed verification for MinnesotaCare effective 1-1-99, as a way of reducing application processing time and avoiding coverage gaps. Under delayed verification, eligibility can be approved based on a completed application or renewal form showing that the household meets all eligibility requirements. Coverage then begins the month following the month in which the initial premium payment is received, conditioned upon the receipt of required verification within 30 days. Coverage ends if verification is not submitted or if the verification indicates ineligibility.

Delayed verification was extended the following year to Medical Assistance (MA) applicants whose completed applications showed income and liquid assets within 90% of the applicable limits and to General Assistance Medical Care (GAMC) applicants with reported income within 90% of the limit and liquid assets of no more than $700. Delayed verification is not used at the time of annual renewal for MA and GAMC.

Effective 7-1-05, or 4-1-05 if HealthMatch is operational, delayed verification would be eliminated in MA, GAMC and MinnesotaCare.

Although most people approved under delayed verification submit the verifications within the required time frames and remain eligible, a small proportion either fails to submit verification or is found ineligible based on the submitted information. Eliminating the delayed verification provisions would end short- term conditional coverage for all health care programs. Applicants to the health care programs would be required to submit verification before coverage is approved. MinnesotaCare enrollees would be required to submit timely verification to continue coverage at the 12-month renewal. This could result in lost or delayed coverage.

Relationship to Base Budget
Eliminating delayed verification would result in small program savings since it is a procedural requirement rather than an actual bar to eligibility. Some modifications to the MAXIS system would be required.

Key Measures
- Percent of Minnesotans who have health insurance

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256B.061, M.S. 256D.03, subd. 3, M.S. 256L.05, subd. 4.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($45,025)	($163,370)	($304,336)	($326,303)
Revenues	0	0	0	0
Health Care Access Fund				
Expenditures	(68,486)	(47,182)	41,585	34,661
Revenues	0	0	0	0
Net Fiscal Impact	($113,511)	($210,552)	($262,751)	($291,642)

Recommendation

The governor recommends that health care coverage for adults without children on General Assistance Medical Care (GAMC) and MinnesotaCare be consolidated and eligibility be reduced to those with incomes below 75% of the federal poverty guidelines (FPG), with a full-cost premium MinnesotaCare option for people with incomes between 75% and 175% FPG. The governor recommends that the Health Care Access Fund resources and liabilities be transferred to the General Fund at the close of FY 2005.

Background

GAMC currently serves the following citizens and legal non-citizens who meet all other eligibility criteria

- people automatically eligible for GAMC as recipients of General Assistance or Group Residential Housing;
- people ages 21-64 who do are not living with children under age 18, including some living in Institutions for Mental Diseases (IMDs);
- people who are ineligible for federally funded Medical Assistance (MA) solely because they are residing in an IMD;
- undocumented and non-immigrant people who are under age 18, meet the disability criteria of the Social Security Administration, or are age 65 and over; and
- people receiving services through a center for victims of torture who are otherwise ineligible for GAMC.

Emergency GAMC provides emergency care and services for the following groups who meet all other eligibility criteria

- undocumented and nonimmigrant adults ages 21-64 not otherwise eligible for GAMC and
- nonresidents of Minnesota suffering acute trauma from an accident in Minnesota.

Current law allows people on GAMC with incomes greater than 75% of FPG to spend down to achieve eligibility. Assets are limited to $1,000 per household.

MinnesotaCare currently enrolls citizen and lawfully residing non-citizen adults at incomes no greater than 175% of FPG who do not have children under age 21 living with them and do not have access to other insurance coverage. The asset limit is $15,000 for one person and $30,000 for a household of two or more. Under certain conditions, enrollees whose income exceeds 175% of FPG remain enrolled with the payment of a premium under the sliding fee scale until income reaches 275% of FPG, at which point they must pay a full-cost premium.

MinnesotaCare eligibility is currently established for a one-year period during which increases in household income do not impact eligibility or premium amount. MA and GAMC enrollees are currently subject to eligibility reviews at six-month intervals.

Effective10-1-03:

⇒ GAMC would end for all adults without children with gross incomes exceeding 75% of FPG.

⇒ Adults without children on MinnesotaCare with income over 75% FPG up to 175% FPG would be enrolled only with the payment of full-cost premiums.

- ⇒ GAMC would no longer provide retroactive coverage, currently allowed back to the first day of the month before the month of application; rather eligibility would begin with the date of application.
- ⇒ The MinnesotaCare asset limits ($15,000/$30,000) would be applied to GAMC.
- ⇒ GAMC would include a $10,000 cap on coverage for inpatient hospitalization benefits.
- ⇒ MA-eligible people residing in IMDs would be transferred to the state-funded MA program.
- ⇒ People receiving services in a center for victims of torture would be transferred to the state-funded MA program, which currently serves immigrants whose status precludes eligibility for federally-funded MA.
- ⇒ Coverage would be eliminated for undocumented and non-immigrant people under age 18, age 65 and over or who meet the disability criteria of the Social Security Administration unless they are receiving services from a center for victims of torture.
- ⇒ Emergency General Assistance Medical Care (EGAMC) would be eliminated.

Effective 10-1-04:
The GAMC program would be eliminated. Adult enrollees without children who meet all other MinnesotaCare eligibility requirements would be transferred to MinnesotaCare, which would be modified as follows:

- ⇒ All adults without children would be ineligible for MinnesotaCare if they have access to any employer-subsidized health insurance, regardless of the employer's contribution level.
- ⇒ Eligibility reviews would occur every six months. The policy would be phased in over the course of one year starting with households that have annual reviews due for 10-1-04. Households would be scheduled for a review six months after their annual renewal. Failure to return the form would result in the entire household being closed.
- ⇒ Adults without children with incomes no greater than 75% FPG would not have premiums or a 4-month waiting period during which they must be uninsured.

County agencies will continue to administer MinnesotaCare at their option. Enrollees who live in counties that administer MinnesotaCare may choose to receive services from the county agency or MinnesotaCare Operations.

Relationship to Base Budget

This proposal would achieve savings by the consolidation of the two programs and by limiting coverage to the neediest segment of this population. This proposal affects only groups who are currently 100% state funded. It shifts costs for GAMC adults without children from the General Fund to the Health Care Access Fund beginning 10-1-04. The groups transferred to state-funded MA will continue to be funded through the General Fund. In FY 2006, revenues and expenditures of the HCAF would be found in the General Fund.

Six-month eligibility reviews will result in savings due to the termination of households in which income increases over standards and termination of households that fail to return the review forms. Phasing in of this component means that full savings will not be realized until the entire caseload has had six-month reviews, 18 months from the date this is implemented. There would generally be a significant increase in the staff time needed to complete reviews beginning six months after implementation because workers will be reviewing cases due for annual reviews as well as the first round of six-month reviews. Postage and printing costs to issue reviews will also increase. Due to the future availability of HealthMatch, the department is not requesting additional administrative funding for staff at this time. This change will affect both the MAXIS and MMIS systems and will require lead-time to implement. Managed care rates for these groups will need to be renegotiated.

Key Measures

- ♦ Percent of Minnesotans who have health insurance

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256B, M.S. 256D, M.S. 256G, and M.S. 256L.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
Health Care Access Fund				
Expenditures	($3,461)	($15,857)	($25,642)	($34,961)
Revenues	0	0	0	0
Net Fiscal Impact	($3,461)	($15,857)	($25,642)	($34,961)

Recommendation

The governor recommends an increase to premium contributions by parents and pregnant MinnesotaCare enrollees and further modification to MinnesotaCare policy to simplify the administration of the program and align it with Medical Assistance (MA) and General Assistance Medical Care (GAMC).

Background

To enroll in MinnesotaCare, children, parents and pregnant women must have incomes at or below 275% of the federal poverty guidelines (FPG). Premiums are paid on a sliding scale with full cost premiums beginning when family income reaches or exceeds 275% FPG.

If family income exceeds 275% FPG at the time of annual review, the income is compared to the cost of the premium amount for a policy with a $500 deductible available through the Minnesota Comprehensive Health Association (MCHA). If 10% of the gross annual income is less than what the household's MCHA premium would be, eligibility continues. If 10% of the gross annual income is equal to or greater than the MCHA premium, the household is notified that their eligibility will end in 18 months.

Currently, parents with children under age 21 can obtain MinnesotaCare coverage for their other children ages 21 through 24 who are living with them, are full-time students, and are financially dependent upon them. The children meeting these requirements are considered dependent siblings and are eligible if their families' income is equal to or less than 275% of poverty. Twenty-one to twenty-four year olds who do not meet the dependent sibling criteria may be eligible only as adults without children whose income must be equal to or less than 175% FPG. Children eligible as dependent siblings receive the same benefits as adults without children. There is no federal financial participation for dependent siblings.

MinnesotaCare eligibility is currently established for a one-year period during which increases in household income do not impact eligibility or premium amount. Medical Assistance and General Assistance Medical Care enrollees are currently subject to eligibility reviews at six-month intervals.

Effective 2-1-04:

⇒ Parents and pregnant women would be charged a full cost premium if income exceeds 200% FPG and eligibility would end for parents when family income exceeds 275% FPG.

⇒ The dependent sibling eligibility basis for MinnesotaCare would be eliminated. All applicants and enrollees over 21 would have to meet the income standard for adults without children, but their parents' income would not be counted toward that limit. The income standard for adults without children is assumed to be 75% FPG based on the proposal described in the budget page "Consolidate GAMC and MinnesotaCare." Some parents would lose parental status if the only child in the household had been eligible as a dependent sibling. These parents would also be treated as adults without children and would be subject to the 75% FPG standard.

⇒ The MCHA exemption would no longer apply to adults. It would continue to apply to children with family income over 275% FPG. If 10% of the child's family gross annual income were less than the MCHA premium amount, the children would remain eligible with a full-cost premium. If the amount were equal to or greater than the MCHA premium, the household would be notified that the child's eligibility would end in 12 months rather than 18.

⇒ All parents would be ineligible for MinnesotaCare if they had access to any employer-subsidized health insurance, regardless of the employer's contribution level.

Effective 10-1-04:

⇒ All MinnesotaCare households would become subject to review every six months to determine eligibility, premium amount, and benefit set. The policy would be phased in over the course of one year starting with households that have annual reviews due for 10-1-04. Households would be scheduled for a review six months after their annual renewal. Failure to return the form would result in the entire household being closed.

Relationship to Base Budget

Six-month eligibility reviews will increase revenue slightly by increasing MinnesotaCare premiums at an earlier date following an increase in family income. There would also be savings due to the termination of households earlier where income increases over standards and termination of households that fail to return the review forms. Phasing in of this component means that full savings will not be realized until the entire caseload has had six-month reviews, 18 months from the date this is implemented. There would generally be a significant increase in the staff time needed to complete reviews beginning six months after implementation because workers will be reviewing cases due for annual reviews as well as the first round of six month reviews. Postage and printing costs to issue reviews will also increase. Due to the future availability of HealthMatch, the department is not requesting additional administrative funding for staff at this time.

This proposal will require federal approval of an amendment to the MinnesotaCare waiver, which is anticipated to be received by the proposed effective dates.

Key Measures

- Percent of Minnesotans who have health insurance

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256L.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
Health Care Access Fund				
Expenditures	($1,440)	($2,404)	($2,584)	($2,778)
Revenues	0	0	0	0
Net Fiscal Impact	($1,440)	($2,404)	($2,584)	($2,778)

Recommendation
The governor recommends that the 7-1-03 expansion of minimum premiums and exemptions from insurance barriers to additional low-income children on MinnesotaCare be repealed.

Background
The 2002 legislature adopted a provision that would increase the income level at which children under 21 in MinnesotaCare pay a minimum $4 monthly premium and are exempt from most insurance barriers. The level is scheduled to increase from 150% of the federal poverty guidelines (FPG) to 175% FPG effective 7-1-03.

Effective 7-1-03, this proposal would retain the current income level of 150% FPG at which childrenunder 21 pay a $4 premium and are exempt from most insurance barriers.

Relationship to Base Budget
This proposal would achieve savings by not implementing the expansion in MinnesotaCare. This change will not require any system modifications as it has not yet been implemented.

Key Measures
- Percent of Minnesotans who have health insurance.

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256L.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
Health Care Access Fund				
Expenditures	$97	$339	$518	$562
Revenues	0	0	0	0
Net Fiscal Impact	$97	$339	$518	$562

Recommendation
The Governor recommends an increase in expenditures to treat private cost-effective insurance held by former MA recipients transitioning to MinnesotaCare as exempt from the four-month MinnesotaCare insurance barrier.

Background
Minnesota's MA program requires that private insurance held by a recipient be maintained if it is considered cost effective insurance. As required by federal law, the ongoing premiums are then paid for by MA as a covered service. The private insurance coverage pays for covered health services; MA pays the deductibles, co-insurance, co-pays, and for any services not covered by the private plan but covered by MA.

MinnesotaCare law has never considered MA to be insurance for purposes of the MinnesotaCare insurance barriers. However, in 1999, state law was amended to provide that if a former MA recipient had any other health insurance while on MA, all insurance barriers would apply to that person when the person applied for MinnesotaCare. The legislature intended to treat all MinnesotaCare applicants who had private insurance in the same manner to prevent private market erosion. The MinnesotaCare demonstration waiver protocol was amended to reflect this change.

This proposal would change MinnesotaCare law to exempt former MA enrollees who had private cost effective insurance while enrolled in MA who transition to MinnesotaCare, from the four-month insurance barrier.

Relationship to Base Budget
This proposal would result in some increased eligibility for MinnesotaCare. Minor changes to systems to coordinate with Benefit Recovery may also be required.

Alternatives Considered
Alternatively, a separate program could be created to pay the premiums of private cost-effective insurance for people in higher MinnesotaCare income brackets as part of a larger plan under development to encourage the maintenance of private health insurance.

Statutory Change: M. S. 256L

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($22,944)	($27,178)	($30,524)	($34,621)
Revenues	0	0	0	0
Net Fiscal Impact	($22,944)	($27,178)	($30,524)	($34,621)

Recommendation
The governor recommends the repeal of Medical Assistance (MA) and General Assistance Medical Care (GAMC) eligibility to eliminate eligibility for undocumented or nonimmigrant persons.

Background
Undocumented persons are those immigrants who reside in the United States without legal authorization. Nonimmigrants are persons who have legal authorization to enter the United States for a temporary purpose, such as tourists or students. Currently, undocumented and nonimmigrant persons may be eligible for GAMC if they are under age 18, meet the disability criteria of the Social Security Administration (SSA), or are age 65 and over. Others between the ages of 21 and 65 may be eligible for GAMC only for the coverage of emergency services. In addition, pregnant women may be eligible for MA without federal financial participation for care and services through the period of pregnancy, and 60 days postpartum except for labor and delivery. People who are undocumented or nonimmigrant who have a MA basis of eligibility (i.e. children under 21, parents of children under 18, people age 65 and over, people who are disabled per SSA criteria, and pregnant women) are eligible for emergency services through federally funded Emergency MA (EMA) as mandated by federal law. Emergency services includes the costs of labor and delivery.

Effective 7-1-03, this proposal would eliminate eligibility for all undocumented and nonimmigrant people for GAMC, including coverage of emergency services, and MA without federal financial participation. Such persons would be eligible for EMA, provided they have a basis of eligibility for MA.

Relationship to Base Budget
This proposal would achieve savings by eliminating medical coverage that is currently 100% state funded.

Key Measures
- Percent of Minnesotans who have health insurance

More information on key measures is available on the Web: http://www.mnplan.state.mn.us/mm/goal.html. http://www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256B; M.S. 256D.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	$4,000	0	0	0
Net Fiscal Impact	($4,000)	0	0	0

Recommendation
The governor recommends that federal State-Children's Health Insurance Program (S-CHIP) funding be claimed for prenatal services for undocumented women.

Background
Recent instructions from the federal government informed states that they could claim federal S-CHIP match for prenatal services for undocumented women. Minnesota will claim $4 million in additional S-CHIP funds to pay for services provided to undocumented pregnant women during FY 2003.

Relationship to Base Budget
This is a one-time claim for S-CHIP dollars for undocumented pregnant women. It will have no impact on future budgets.

Statutory Change: Not applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($71)	($678)	($1,075)	($1,214)
Revenues	0	0	0	0
Health Care Access Fund				
Expenditures	21	211	341	384
Revenues	0	0	0	0
Net Fiscal Impact	($50)	($467)	($734)	($830)

Recommendation
The governor recommends limiting eligibility for pregnant women on Medical Assistance (MA) by reducing eligibility from 275% of the federal poverty guidelines (FPG) to 200% FPG.

Background
To become eligible for MA, countable income must be at or below established income limits. Currently, for pregnant women, the income standard is 275% FPG.

Effective 2-1-04, this proposal would lower the income standard for pregnant women applying for MA to 200% FPG. Current enrollees would retain eligibility through the end of their 60-day post-partum period. Some of the pregnant women who would now be ineligible for MA may be able to move to MinnesotaCare if their gross household income is at or below 275% FPG, they are uninsured, and they do not have access to employer subsidized insurance. These women would have to pay full cost for MinnesotaCare.

Relationship to Base Budget
There will be modest program savings as a result of this proposal.

Key Measures
- Percent of Minnesotans who have health insurance

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256B.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($906)	($2,154)	($2,501)	($2,864)
Revenues	0	0	0	0
Health Care Access Fund				
Expenditures	74	174	211	229
Revenues	0	0	0	0
Net Fiscal Impact	($832)	($1,980)	($2,290)	($2,635)

Recommendation
The governor recommends lowering the Medical Assistance (MA) income limit for children ages 2-18 to 150% of federal poverty guidelines (FPG) and reinstating the $90 work expense deduction.

Background
The 2001 legislature expanded MA eligibility for families and children, effective 7-1-02, by increasing income and asset limits for these groups. Effective 10-1-03, this proposal would modify the 2001 expansion by lowering the income level to 150% of federal poverty guidelines for children ages 2-18 and reinstate the $90 work expense deduction.

Relationship to Base Budget
This proposal would achieve savings by reducing coverage of children in MA. Some will move to MinnesotaCare due to loss of eligibility for MA. This change will affect the MAXIS system and will require 3 months' lead time to implement.

Key Measures
- Percent of Minnesotans who have health insurance.

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256B.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($407)	($861)	($943)	($1,033)
Revenues	0	0	0	0
Net Fiscal Impact	($407)	($861)	($943)	($1,033)

Recommendation
The governor recommends the elimination of certain income disregards and deductions used when calculating Medical Assistance (MA) eligibility for pregnant women, infants under two, and some children.

Background
To become eligible for MA, countable income must be at or below established income limits. In some circumstances, when calculating an applicant's countable income, certain income is either disregarded for a set time period or deducted from countable income. When the 2001 legislature increased the income limit for children to 170% of the federal poverty guidelines (FPG), it also replaced an existing earned income disregard method with a 21%, four-month time limited, earned income disregard for children ages two through five. This disregard was applied because it was believed to be required for federal compliance.

Currently, an extra earned income deduction based on family size is allowed when determining the MA eligibility of pregnant women and infants under two who do not meet their income limits (275% FPG for pregnant women and 280% FPG for infants). If this deduction reduces their income below their income limit, they are eligible. If not, they can only become eligible by the spend down method, meaning that their incurred medical expenses must equal the difference between their income and 100% FPG for their family size. This extra deduction was adopted at the time the income limit was increased for pregnant women and infants under two because it was believed to be required for federal compliance.

The department has since clarified with the federal agency, the Centers for Medicare and Medicaid (CMS), that the earned income disregards and extra earned income deductions are not required for federal compliance for these groups.

Effective 7-1-03, this proposal would eliminate the 21% earned income disregard for children ages two through five who use the 170% FPG standard and the extra earned income deduction for pregnant women and infants under two.

Relationship to Base Budget
This proposal will result in small savings because there will be some loss of eligibility for higher income enrollees.

Key Measures
- Percent of Minnesotans who have health insurance
- Children in Minnesota Health Care Programs who received preventive health care service, ages 0-20

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256B.056 and M.S. 256B.057.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($1,651)	($5,590)	($6,309)	($7,122)
Revenues	0	0	0	0
HCAF Fund				
Expenditures	(31)	(60)	(34)	(13)
Revenues	0	0	0	0
Net Fiscal Impact	($1,682)	($5,650)	($6,343)	($7,135)

Recommendation
The governor recommends that automatic eligibility for newborns on Medical Assistance (MA) and MinnesotaCare be reduced from two years to one.

Background
Currently, children whose mothers are on MA or MinnesotaCare at the time of their birth are automatically eligible for two years without regard to income.

Effective 7-1-03, this proposal would reduce the period of automatic coverage for newborns on MA or MinnesotaCare to one year. From age one-two, the child would remain eligible for MA if family income was at or below 280% of the federal poverty guidelines (FPG) and eligible for MinnesotaCare if family income was at or below 275% FPG.

Minnesota receives enhanced federal match through the State Children's Health Insurance Program (SCHIP) for infants enrolled in Medical Assistance who have income greater than 275 and at or below 280% of the FPG. This expanded income standard is required and must be maintained to continue Minnesota's overall SCHIP enhanced funding. Minnesota also receives enhanced federal match through SCHIP for MinnesotaCare parents with income above 100 and at or below 200% of the FPG, through a section 1115 waiver of Title XXI. That waiver expressly requires Minnesota to maintain the income standard for those infants for whom we receive enhanced SCHIP funding. Reducing the income level for infants below 280% of the FPG would nullify the waiver and result in the loss of all enhanced federal match through SCHIP.

Relationship to Base Budget
This proposal would achieve savings by reducing coverage of children ages one-two in MA and MinnesotaCare.

Key Measures
- Percent of Minnesotans who have health insurance

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256B

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($1,475)	($2,426)	($2,426)	($2,426)
Revenues	0	0	0	0
Net Fiscal Impact	($1,475)	($2,426)	($2,426)	($2,426)

Recommendation

The governor recommends that the Medical Assistance for Employed Persons with Disabilities (MA-EPD) option be modified and contributions from enrollees be increased.

Background

People with disabilities have identified the loss of Medical Assistance (MA) coverage as one of the major obstacles that they face as they seek to become employed. Private sector health insurance generally does not cover personal care services and other long-term supports needed by people with disabilities and Medicare does not cover long-term supports or prescription drugs.

In 1999, the Minnesota Legislature adopted MA-EPD - an optional Medicaid eligibility group - as a work incentive for people with disabilities who are employed. This group is allowed a higher income and asset limit than standard MA to encourage disabled individuals to move toward self-sufficiency through employment. Enrollees are required to pay a premium based on a calculation that was approved in the last legislative session.

Proposed changes to the program are designed to support MA-EPD as a work incentive that will lead to greater self-sufficiency. Currently, enrollees are required to pay a premium based on the individual's gross income, family size, and a sliding scale that begins with 1% of income at 100% of poverty and increases to 7.5% of income at or above 300% of poverty. People must enroll in Medicare (Part A and B) as a condition of eligibility for MA-EPD. Medicare premiums are reimbursed either through the Qualified Medicare Beneficiary (QMB) program, Service Limited Medicare Beneficiary program (SLMB), or, if the enrollee is not eligible for QMB or SLMB, Medicare premiums are paid using 100% state dollars. MA-EPD applicants and enrollees are allowed to enroll if they are receiving any type of earnings. Loss of earnings results in disenrollment the month following a report of job loss (except if employment is interrupted due to medical reasons).

Effective 1-1-04, this proposal would:

⇒ Require all enrollees to pay an additional obligation (beyond the premium) of 5% of unearned income. This amount would be billed with the premium.

⇒ Create an additional charge to the current premium structure to offset state expenditures in reimbursing Medicare Part B premium payments. The Medicare sliding scale payment offset charge would be targeted only to those enrollees with income that exceeds the SLMB income limit of 120% ($906 per month for individual, $1,214 per month for a family of two).

⇒ Require an individual to have earned income above the $65 disregard level in order to qualify for MA-EPD. This disregard is currently applied to earned income of disabled individuals in regular MA. All current MA-EPD enrollees who do not meet this new eligibility requirement will be given a grace period of up to the next six-month review date, but not less than four months to meet the requirement.

⇒ Require for MA-EPD eligibility that earned income have withholding of Medicare, Social Security, and applicable state and federal income taxes. This will require documentation of earned income tax withholding. This will disqualify employees of an employer who has been granted an exemption from payment of taxes by the Internal Revenue Service due to the non-work effort associated and will disqualify casually employed individuals. All current enrollees who do not meet this new eligibility requirement will be given a grace period of up to the next six-month review date, but not less than four months to meet the requirement

⇒ Allow an enrollee up to four months without earnings to obtain new employment following job loss unrelated to work performance. Individuals would be able to request a four-month extension from the first day of the month after the job loss. All other eligibility requirements must be met and the enrollee must pay all

calculated premium costs for continued eligibility. The addition of a "safety net" for MA-EPD enrollees who lose their job through no fault of their own is an important strategy to achieve the long-term goal of self-sufficiency for disabled individuals.

⇒ Create a minimum (base) premium for MA-EPD enrollees of $35 per month. The current premium structure would remain in place, and if through the current calculation the minimum premium was not met, the minimum premium of $35 per month would be charged. The establishment of a minimum premium payment reflects a similar approach to private health care coverage. A minimum premium payment assumes that all enrollees are responsible for a share of their health care costs, not unlike workers who have private health insurance. The minimum payment would become effective for all new enrollees at the time of enrollment. For current enrollees the minimum premium would become effective at the next six-month review date.

Relationship to Base Budget

These proposals offset MA program expenditures either by increasing the MA-EPD premium charges or increasing MA spenddowns, without sacrificing the incentive to work inherent in assuring health coverage to disabled individuals.

Key Measures

- Minnesotans between the ages of 21 and 64 with a disability who are working and Minnesotans enrolled in MA-EPD

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256B.057, subd. 9.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($1,924)	($4,095)	$1,028	$7,052
Revenues	0	0	0	0
Net Fiscal Impact	($1,924)	($4,095)	$1,028	$7,052

Recommendation

The governor recommends reductions in the General Fund budget in FY 2004-05 by adjusting the base funding for the Prescription Drug Program (PDP) to February 2003 estimates.

Background

Seniors and people with disabilities meeting the income guidelines for PDP are eligible to enroll in the program. However, PDP is a non-entitlement grant program, so enrollment must be limited to available funding. Statute directs the commissioner of human services to cease new enrollment when the commissioner determines that the program costs will exceed appropriated funds and rebate proceeds. To manage this situation, the department projects PDP costs in November and February of each year, in conjunction with the forecast for entitlement grant programs (e.g., Medical Assistance). The legislature may then consider the PDP projections as it establishes appropriation law.

The 2002 legislature established the FY 2004 and FY 2005 base funding for PDP as the February 2001 forecast for these years (adjusted for 2002 session actions). The February 2003 forecast provides the opportunity to adjust PDP base funding to the latest estimates.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($1,936)	($4,065)	($5,633)	($7,599)
Revenues	0	0	0	0
Net Fiscal Impact	($1,936)	($4,065)	($5,633)	($7,599)

Recommendation
The governor recommends the repeal of the July 2003 planned expansion of the Prescription Drug Program (PDP) to the elderly with income of at least 120% of the federal poverty guidelines (FPG) but less than 135% FPG.

Background
Currently, elderly people, age 65 and over, with income up to 120% FPG and enrolled in the Qualified Medicare Beneficiary (QMB) or Service Limited Medicare Beneficiary (SLMB) Medicare Supplement Program, are eligible to enroll in the state-funded PDP.

Elderly with income above 100% FPG ($739/mo.) must spend their income down to 75% FPG ($554/mo.) to qualify for coverage under Medical Assistance (MA), which includes prescription drug coverage.

Effective 7-1-03, elderly people age 65 and over, with income no greater than 135% of FPG, enrolled in the Qualified Individual, Group 1 (QI-1) Medicare Supplement Program, are eligible to enroll in PDP. Originally, this group was to be added to PDP on 1-1-02. In 2002, the Governor's budget recommendations proposed the elimination of this expansion to help resolve the budget shortfall for the PDP. However, the 2002 Legislature instead amended statute to delay the expansion to 7-1-03.

This proposal would repeal the planned expansion of the PDP to the elderly with income of at least 120% of the FPG but less than 135% FPG.

Relationship to Base Budget
This proposal has is no fiscal impact to MMIS or MAXIS. There are no savings or costs to the DHS pharmacy program. There is a projected program savings.

Statutory Change: M.S. 256.955.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($133)	($250)	($300)	($300)
Revenues	0	0	0	0
Net Fiscal Impact	($133)	($250)	($300)	($300)

Recommendation
The governor recommends reductions in the General Fund budget in FY 2004 and FY 2005 by exempting clients with cost effective health insurance from enrollment in managed care.

Background
This proposal would provide payment for health insurance premiums for Medical Assistance (MA) clients if their private health plan is determined to be cost effective. These clients would be exempt from enrollment in managed care. Cost sharing amounts and medical care not covered by the private health plan benefit package will be covered under fee-for-service if it is provided in the MA benefit set.

Relationship to Base Budget
Administrative costs are needed for one full-time equivalent position to conduct an expanded review of private health insurance plans available to a person through employment to determine if it is more cost effective than payment of a monthly managed care capitation.

Statutory Change: M.S. 256B.69.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$0	$0	$0	$0
Revenues	175	320	420	500
Net Fiscal Impact	($175)	($320)	($420)	($500)

Recommendation
The governor recommends that the Department of Human Services be provided increased authority to recover from the estates of deceased enrollees of Minnesota Health Care Programs.

Background
This proposal would provide for increased recovery from the assets of Medical Assistance (MA) recipients upon their death by including them in the definition of the estate. MA liens on life estate property, property held in joint tenancy, and other property would secure the asset for recovery after their death. Federal law allows states to use an expanded definition of "estate" to recover from assets that pass by operation of death of the person and other assets not included in the probate definition of an estate.

Relationship to Base Budget
Administrative costs are needed for filing liens on additional property and recovery of MA expenditures from assets of deceased recipients.

Statutory Change: M.S. 256B.15.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($980)	($1,962)	($3,924)	($3,925)
Revenues	25	50	100	100
Net Fiscal Impact	($1,005)	($2,012)	($4,024)	($4,025)

Recommendation
The governor recommends further limitations to asset sheltering techniques used to establish or maintain eligibility for Medical Assistance (MA) long term care (LTC) services.

Background
Currently, individuals may apply for and receive MA-LTC and home and community based Elderly Waiver (EW) services in certain circumstances when they have given away assets that could have been used to pay for their own cost of care.

The proposal would clarify that the rebuttable presumption that an uncompensated transfer was made to obtain or retain MA eligibility applies equally to transfers by the community spouse of a LTC spouse since the assets of a couple always have the potential for becoming available to one another during the marriage.

The proposal would also start the period of ineligibility for making improper transfers at a later date in order to discourage improper transfers. Effective for applications or renewals pending or submitted on or after 7-1-03, the period of ineligibility would begin one month after the month of the improper transfer. In addition, this proposal requests authority to submit a demonstration waiver proposal to the Centers for Medicare and Medicaid to delay the start of the period of ineligibility until the first month of eligibility for long term care services. This would alter the current policy of beginning a period of ineligibility for LTC or EW in the month of transfer which does not discourage substantial transfers of assets made several months or years in advance of the MA-LTC application date, nor does it discourage the currently common practice of giving away a substantial amount of income or assets each month prior to application for long-term care.

This proposal would also allow lawsuits by the state or county in more circumstances where third parties receive property that has been improperly transferred. This proposal would permit a legal action to be brought by the state or county against a person who received property that was improperly transferred at any time the transfer is not timely reported. Current law permits a legal action by the state or the county against a person who receives the improperly transferred property only if the transfer was not reported at the time of MA application. The change would reach unreported transfers made after MA eligibility is established.

Finally, this proposal seeks authority to submit a demonstration waiver proposal to CMS to increase the lookback period. This period is the window of time during which an applicant's asset transfers are scrutinized. Currently, if a transfer is made more than 36 months before a person applies for MA-LTC, or more than 60 months before application for transfers made into a trust, it is not considered and no penalty is imposed, regardless of the size of the transfer. Transfers made within the lookback period may result in ineligibility for MA-LTC. This proposal would make a person ineligible for transfers made within 72 months (6 years) of MA-LTC application. It would increase the number of cases subject to penalty and thus result in cost savings.

Relationship to Base Budget
These changes would reduce state expenditures by ensuring that individuals with assets cover more of the cost of their own care.

Statutory Change: M.S. 256B.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$,1815	$799	$9,949	$6,592
Revenues	592	11,527	25,675	31,796
Net Fiscal Impact	$1,223	($10,728)	($15,726)	($25,204)

Recommendation
The governor recommends a refinancing of State Operated Services to manage the projected operating budget deficit and to redesign the mental health safety net and reduce reliance on large institutions.

Background
State Operated Services (SOS) is projecting a $41.6 million General Fund operating deficit for the FY 2004-2005 biennium. To manage this deficit, SOS will restructure Adult Mental Health and Nursing Home services into a community-based model that allows for the collection of payments through existing funding sources that are available to all vendors. By operating multiple smaller hospital units and community services, clients will be able to receive treatment near their homes and natural support systems, and SOS will be integrated into the community mental health care system.

Relationship to Base Budget
Approximately 85% of the SOS General Fund base funding is used to cover salary expense, of which 70% is related to direct care salaries. Cost-of-living adjustments are not included in the base level funding. Historically, cost-of-living adjustments are not sufficient to cover increases in insurance costs or bargaining unit agreements.

Key Measures
- Length of stay in publicly-funded mental health treatment beds
- Percentage of Minnesotans satisfied with the amount and quality of services they get from state and local government

More information on key measures is available on the Web:
http://www.mnplan.state.mn.us/mm/goal.html.
http://www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: Not applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($33,091)	($48,620)	($52,123)	($56,221)
Revenues	0	0	0	0
Net Fiscal Impact	($33,091)	($48,620)	($52,123)	($56,221)

Recommendation

The governor recommends a 4% rate reduction to FY 2003 funding levels of most Continuing Care programs. The rate reduction on personal care assistance (PCA), private duty nursing (PDN), and home health agency services will be 2%. Nursing facilities are not included in this proposal.

Background

Over 350,000 people who are elderly or disabled receive some type of assistance from Continuing Care (CC) providers. About two-thirds of these people receive assistance that is reimbursed with public funds, much of it includes a federal match through the Medicaid program.. These CC providers deliver safety net, chronic health care, long-term supportive care in people's homes, in their communities, and in residential settings. This proposal produces General Fund savings by reducing CC provider rates or allocation levels to county agencies by 4%.

During the 2001 legislative session, payment rates for CC providers were increased by 3%, as a cost of living adjustment (COLA) on 7-1-01 and again on 7-1-02. This resulted in a cumulative rate increase of 6.1%. The providers who received these COLAs included those that deliver

- home and community-based waivered services;
- home health agencies, personal care assistance, and private duty nursing services;
- alternative care services for elderly persons at risk of nursing home placement;
- semi-independent living skills services;
- adult and children's mental health grants;
- some community social services grants;
- deaf and hard of hearing grants; and
- group residential housing supplementary services rates.

Payment rates for intermediate care facilities for the mentally retarded (ICF's/MR) and day training and habilitation (DT&H) services were increased an additional 0.5% for a total of a 3.5% COLA each year of the FY 2002–03 biennium for a cumulative increase of 7.1%. The authorizing legislation required that at least two-thirds of the appropriated funds be used to increase direct care staff wages and benefits.

Some continuing care service providers impacted by other budget proposals, determined to be engaged in priority system change activities, or identified as vital state plan benefits have been excluded from this proposed provider rate reduction or received a lower percent of the ratable reduction.

Relationship to Base Budget

Grant funds used by Continuing Care providers comprise approximately 36% of the Department of Human Services budget. Not including nursing facilities, the annual reimbursement to Continuing Care providers is about $2.5 billion a year. About half of the total funding in this service area is made with federal funds through the Medicaid program. For every dollar of state General Fund reimbursement reduced, a corresponding reduction in federal financial participation occurs.

Continuing Care rate reductions will affect provider budgets for wages and benefits and may result in reductions to current employee compensation and work force levels, depending on providers' ability to adjust other expenses.

Some aspects of a Continuing Care rate reduction could be automated using the state Medicaid Management Information System (MMIS); others will require coordination with the county agencies. The county agencies will need to modify their provider contracts and the individual service agreements for each recipient to reflect the rate changes.

Key Measures

- Public spending and the number of people in community-based long-term care versus institutional care

More information on key measures is available on the Web: http://www.mnplan.state.mn.us/mm/goal.html

Statutory Change: M.S. 256B.5013

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($2,178)	($10,760)	($17,263)	($17,263)
Revenues	0	0	0	0
Net Fiscal Impact	($2,178)	($10,760)	($17,263)	($17,263)

Recommendation

The governor recommends reducing the growth in the home and community-based waiver for persons with mental retardation or a related condition (MR/RC waiver) by eliminating the new diversion caseload growth (300 per year) for both years of the FY 2004-05 biennium.

Background

The MR/RC waiver serves as an alternative to the Intermediate Care Facility for persons with Mental Retardation (ICF/MR) entitlement in the Medical Assistance (MA) state plan. The MR/RC waiver currently serves about 15,000 individuals. It is the largest home and community-based services waiver in Minnesota and has a significant impact on the MA forecast.

The caseload level within the MR/RC waiver is impacted by three mechanisms: 1) the use of conversion slots that are allocated to relocate a person when an institutional bed closes, 2) the reuse of slots that are vacated by waiver recipients; and 3) the addition of new caseload through the distribution of diversion slots. This proposal manages caseload growth at lower levels over the two-year budget period by not allocating additional diversions during the biennium.

Federal law establishes that ICF/MR services are an entitlement. Because there has been ongoing reduction in the state's use of ICFs/MR services, diversion allocations are used to meet the state's obligation to provide services to individuals newly identified as In need of services. Turnover within the system is used by either people converting from institutional services or people who are recently identified as in need of services (thus, they also enable the state to meet its entitlement obligations but are not counted as *new* caseload growth).

During the 1999 session, the legislature enacted a number of provisions to address concerns about people in waiting for the MR/RC waiver. One of the provisions required the forecast for the MR/RC waiver to be locked in across two biennia and any unspent portion of the appropriated budget in each fiscal year to serve new caseload above the forecasted caseload.

Due to underspending in the MR/RC waiver in 2001, enrollment was opened from March 15 through June 30, 2001. At that time, county agencies added persons with mental retardation or a related condition who had been waiting for the waiver and were in most need of services. During this three-and-one-half month period, over 5,500 people were added to the MR/RC waiver. This is the equivalent of 18 years of diversion growth and exceeded the requirements of the 1999 state law provisions to increase the number of waivered services slots to serve people on the waiting list.

Relationship to Base Budget

The MR/RC waiver is the largest home and community-based waiver administered by the state. The projected total annual spending in the program will reach $385 million during FY 2004. The MR/RC waiver has been instrumental in assisting the state to achieve public policy goals of reducing institutional service use and achieving budget savings. Over 7,000 institutional ICFs/MR beds have been closed over the past 20 years using the MR/RC waiver.

This proposal assures the state will continue to provide ICF/MR entitlement services to eligible recipients. County agencies will be able to refill vacated allocations or "slots" of persons leaving the waiver. Turnover in the MR/RC waiver program is about 450-500 people per year. Because the MR/RC waiver waiting list is expected to continue to grow, the proposal does not assume that the reduction in the growth of the diversion caseload will continue

beyond the FY 2004-05 biennium. At that point, turnover will not adequately accommodate need. This proposal does not require major system or waiver plan changes.

Key Measures

- Public spending and the number of people in community-based long-term care versus institutional care

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: Not applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($1,385)	($3,536)	($4,855)	($5,771)
Revenues	0	0	0	0
Net Fiscal Impact	($1,385)	($3,536)	($4,855)	($5,771)

Recommendation
The governor recommends limiting new caseload growth in the home and community-based waiver for persons with a traumatic brain injury to 150 slots per year.

Background
The Traumatic Brain Injury (TBI) Waiver serves as an alternative to the nursing facility (NF) or the neurobehavioral hospital entitlement in the Medical Assistance (MA) state plan. Persons who are eligible for the TBI Waiver have significant cognitive impairments and/or severe behavioral challenges. In addition to being at risk of institutionalization in an NF or neurobehavioral hospital, many TBI waiver recipients also face the possibility of being placed in a regional treatment center. Currently, the TBI Waiver serves 737 individuals; 564 who require the level of care provided in a NF and 173 who require a neurobehavioral hospital level of care

Over the past fiscal year, the TBI Waiver caseload has begun to increase significantly over projections. In SFY 2003, it is estimated that the caseload will increase by 50%. This growth in caseload has been influenced by: 1) 2001 legislation that expanded eligibility for the TBI Waiver to persons with degenerative brain injuries, 2) a shift of the responsibility to determine eligibility for the waiver to the county level, and 3) a significant increase in transfers from other waiver programs, particularly the CADI program.

This proposal manages caseload growth over the two-year budget period by limiting the allocation of slots to assure that the caseload increases do not exceed 150 in each year of the biennium. The allocation of slots will treat expected discharges from and avoidance of placements in institutions as a priority, but curtails transfers from other home and community-based programs.

Relationship to Base Budget
The TBI Waiver is a relatively small home and community-based waiver; by the end of the current fiscal year the program will serve about 740 recipients at a total cost of slightly less than $40 million. The TBI Waiver has been an important program in assisting the state to achieve past goals of reducing institutional service use and achieving budget savings. Federal 372 reports that compare the annual per capita Medicaid costs in Minnesota for the TBI Waiver population and a corresponding institutional population show that the TBI Waiver recipients cost $145,000 less per recipient per year for individuals needing a neurobehavioral level of care. The waiver serves individuals needing a nursing facility level of care at a per capita cost that is $14,300 per year less than the comparable institutional population.

This proposal attempts to assure the state continues to provide services to recipients who are in true need of the TBI waiver and who cannot be served by other home and community-based programs. It eliminates unnecessary shifts of recipients from other Home and Community-Based Services Waiver programs. This proposal does not require major system or waiver plan changes. It will affect counties and the state by requiring closer monitoring of the eligibility of persons for the TBI waiver to assure the program focuses on those recipients who cannot be served in other programs.

Key Measures
- Public spending and the number of people in community-based long-term care versus institutional care

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: Not applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($1,809)	($2,147)	($209)	0
Revenues	0	0	0	0
Net Fiscal Impact	($1,809)	($2,147)	($209)	0

Recommendation

The governor recommends delaying, until 7-1-05, Medical Assistance (MA) coverage of targeted case management services for home care recipients and the home and community-based services (HCBS) common waiver menu.

Background

Minnesota has a strong commitment to providing home and community-based support options for people with disabilities. Our state's experience over the past two decades has demonstrated that most individuals who are currently institutionalized can be served appropriately and cost-effectively in home and community-based settings. The 2001 legislature authorized DHS to establish an initiative to relocate and divert Minnesotans with disabilities under the age of 65 from nursing facilities.

DHS established the "OPTIONS Initiative" to introduce program and administrative changes that result in increased access to community services and supports for Minnesotans with disabilities and special health care needs. A review of the current state policies and practices determined that persons with disabilities often do not have the necessary information, planning assistance, or access to program accommodations to that support the relocation and diversion of people from institutional settings. Addressing these variables, along with increasing program flexibility, were determined to increase the likelihood of persons with disabilities residing in the community instead of institutions.

Case management services are not routinely available to people who only receive MA home care services. This is despite some of the recipient population having high medical needs and many professionals involved in their care. As a result, the support and care these recipients receive can be fragmented, piecemeal, and sometimes duplicative. This is despite some of the recipient population having high medical needs and many professionals involved in their care. The Home Care-Targeted Case Management (HC-TCM) benefit was created to assist persons navigate an often fragmented service delivery system and to assure persons receive the information, support, advocacy, and assistance needed to access community-based supports.

The state administers five HCBS waiver programs that have been found to be complex, fragmented categorical programs that consist of varying eligibility requirements, screening processes, care plan elements, provider qualifications, service menus, and rates. Each HCBS waiver is targeted to assist persons to live in the community that meet a specified institutional level of care. In an effort to simplify program administration at the state and local level and to improve program accessibility for consumers, the 2001 legislature endorsed the creation of a standardized and simplified menu of HCBS waiver services and rates.

Relationship to Base Budget

The state administers five HCBS waivers that have been instrumental in assisting the state to achieve past goals of reducing institutional service use. This proposal maintains the current HCBS waiver programs and delays some desired improvements. Delaying implementation of these desired changes until 7-1-05 decreases the General Fund budget $5.4 million during the FY 2004-05 biennium. Current efforts to introduce consumer directed benefits to all the HCBS waivers to some degree mitigate the negative effects of the delay in the implementation of the common service menu.

This proposal does not require major information system changes.

Key Measures

- Public spending and the number of people in community-based long-term care versus institutional care

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: Not applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($1,192)	($1,192)	($1,192)	($1,192)
Revenues	0	0	0	0
Net Fiscal Impact	($1,192)	($1,192)	($1,192)	($1,192)

Recommendation
The governor recommends suspension of the commissioner's authority to adjust the rates of an Intermediate Care Facility for Persons with Mental Retardation (ICFs/MR) to cover the cost of a vacant bed until it is filled.

Background
ICFs/MR provide 24-hour care, habitation, training, and supervision to persons with mental retardation or related conditions. Most ICFs/MR are less medically oriented than nursing facilities and focus on teaching independent living skills. A majority of the ICF/MR providers are small, having fewer than 10 beds. As such, vacancies affest funding levels for these providers significantly.

The 2000 legislature approved a number of ICF/MR special rate provisions. One rate provision allowed the Department of Human Services to grant a rate adjustment for ICF/MR providers to help defray the costs associated with a client leaving a facility or passing away. The provision allowed the daily base rate of the vacant ICF/MR bed to be spread amongst the occupied beds for a maximum period of 90 days.

As ICF/MR program expenditures began to rise more than projected, the 2002 legislative session took actions to reduce the special rate provisions. One of the changes enacted was to lower the number of days a facility would be eligible for the vacancy adjustment from 90 days to 75 days. This proposal would eliminate vacancy rate adjustments altogether.

Relationship to Base Budget
There are 249 MA-certified ICFs/MR. Last fiscal year, ICFs/MR served an average of 2,508 recipients per month. The monthly average payment was $5,404 per resident. In FY 2002, 23 ICFs/MR were closed and 244 additional beds were decertified.

Key Measures
- Public spending and the number of people in community-based long-term care versus institutional care

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: Not applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($820)	($773)	($724)	($698)
Revenues	0	0	0	0
Net Fiscal Impact	($820)	($773)	($724)	($698)

Recommendation

The governor recommends eliminating the statutory authority requiring persons with mental retardation or a related condition to attend Day Training and Habilitation (DT&H). Savings associated with this proposal are specific to changes anticipated for persons residing in Intermediate Care Facilities for Persons with Mental Retardation (ICFs/MR).

Background

This proposal is designed to reduce state spending, provide consumers and families with choice and control, and allow county agencies more flexibility in assisting consumers with needed supports. It includes provisions that

- eliminate the existing mandate for DT&H services;
- redefine services during the day to include a variety of choices such as supported work, support for adult education, community volunteer opportunities, day activities, adult day care, personal supports for community integration and inclusion activities, recreational supports, and traditional DT&H services; and
- allow for voluntary participation in county-wide or region-wide implementation of a model for services during the day which would also include more flexibility in reimbursement.

The DT&H service system that now provides services during the day to people with developmental disabilities has not been substantially changed since the early 1980s. In many communities, consumers are not being given a choice to buy support services that enable them to be fully integrated in their communities. These options may include such things as attending adult education classes, offering volunteer services as part of their own community activism, working in local businesses with some training and support being provided, or attending community activities with people of their own age and interests. The existing DT&H mandate and method of reimbursement does not provide sufficient flexibility to meet the new interests and expectations of consumers for alternative services during the day. This is especially true for ICFs/MR residents. In practice, DT&H is currently the only day service option unless a person is retired.

ICFs/MR provide 24-hour care, habitation, training, and supervision to persons with mental retardation or related conditions. The Centers for Medicare & Medicaid Services (CMS) recognize the ICFs/MR as responsible for providing 24-hour active treatment. Since the 1980s, the state has mandated DT & H services as the accepted day service for federally-mandated active treatment plans for ICF/MR residents. Twenty years ago, the only option to provide services was the DT & H. Over recent years a diversification in day services has begun to be offered to home and community-based services waiver recipients and persons utilizing consumer–directed support options. The elimination of mandated DT & H services would treat ICF-MR residents more like persons who receive home and community based waiver services.

Relationship to Base Budget

There are currently about 13,000 individual with developmental disabilities currently receiving DT&H services. Three funding streams are used to reimburse DT&H providers – the MR/RC waiver, MA payments for ICF/MR recipients, and county CSSA funds. Total investments in this service using county, state, and federal funding is approximately $120 million per year.

Approximately 2,200 persons who attend DT&H reside in ICFs/MR. The average monthly payment for DT&H services is $1,458 per resident; these costs include transportation-related expenses. This proposal enables ICF/MR residents currently receiving DT & H services to have other options. It assumes that given an option, 20% of the ICF/MR recipients now attending DT&H services would choose an alternative. The cost of the alternatives is projected to be 75% of the cost of the DT & H service option. The elimination of the DT&H mandate will also

provide county agencies the latitude to provide the most appropriate services during the day within the local funding that is available.

Statutory Change: M.S. 252.41, M.S. 252.44, M.S. 252.64, M.S. 256B.501, M.S. 256B.5015, M.S. 256B.0625, and M.S. 256E.081.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($5,064)	($11,541)	($10,788)	($10,052)
Revenues	0	0	0	0
Net Fiscal Impact	($5,064)	($11,541)	($10,788)	($10,052)

Recommendation

The governor recommends establishing a 10% county share on the total cost of long-term placements of individuals in Intermediate Care Facilities for Persons with Mental Retardation or Related Conditions (ICFs/MR) that have seven or more beds. This proposal does not affect the smaller and more homelike ICFs/MR of six beds or fewer.

Background

Minnesota has a strong commitment to providing home and community-based support options for people with disabilities and to moving individuals with disabilities from institutional to community settings. In 1982, Minnesota had 9,200 ICFs/MR beds in state regional centers and community facilities. In 1984, the legislature placed a moratorium on the development of additional ICFs/MR beds and began offering services through the home and community-based services waiver program. Since that time, over 7,000 ICFs/MR beds have been closed in the state. ICFs/MR utilization continues to decline by about 200 beds per year as residents relocate to home and community-based services.

Our state's experience over the past two decades has demonstrated that most of the individuals who are currently institutionalized can be served appropriately in home and community based settings at a cost that is reasonable to the state. Numerous state and national studies have documented the benefits of community-based services for persons with disabilities. Recent federal 372 reports that compare the annual per capita Medicaid costs in Minnesota for the MR/RC Waiver population and the corresponding institutional population show that on a per capita basis MR/RC Waiver recipients cost $21,545 less per year than the ICFs/MR recipients.

In 1999, the United States Supreme Court ruled in Olmsted vs L.C. that states have an obligation to insure that people with disabilities are not forced to remain institutionalized when a more integrated setting is appropriate and the affected individuals do not object to the community placement. The court further indicated that states should have comprehensive, effectively working plans for placing qualified persons in less restrictive settings. This ruling has prompted states, including Minnesota, to review their current policies and practices and to determine whether they most effectively support the relocation and diversion of people from institutional settings.

During the 2001 1st Special Session, the legislature took important steps to improve access to and utilization of existing home and community-based service options for individuals with disabilities who are in, or are at risk of going into, institutions. With open enrollment, the waiting lists for ICF/MR services have virtually disappeared. Closure of ICFs/MR increased with many of those persons moving into community settings.

Relationship to Base Budget

In FY 2003, approximately 2,275 individuals with mental retardation or a related condition resided in an ICFs/MR. Total expenditures for that period are projected to be slightly over $155 million per year. This proposal also affects day training and habilitation costs that pass through the ICF/MR rate and ICF/MR reimbursement at the Minnesota Extended Treatment Options (METO). The ICF/MR caseload continues to decline at a rate of about 7.5% each fiscal year. Establishing a significant county share will decrease state General Fund expenditures. This change item is proposed for implementation 1-1-04.

Key Measures

- Public spending and the number of people in community-based long-term care versus institutional care

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html

Statutory Change: M.S, 256.19, subd. 1

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$1,168	($1,785)	($1,999)	($1,999)
Revenues	4,512	5,804	3,475	2,176
Net Fiscal Impact	($3,344)	($7,589)	($5,474)	($4,175)

Recommendation

The governor recommends restructuring and refinancing the delivery of adult mental health residential services.

Proposal Overview: This proposal restructures public funding and rules for mental health (MH) residential services by

- working with counties and providers so treatment is provided in the most integrated, culturally competent, and appropriate setting;
- expanding the housing options available to people with mental illness;
- obtaining federal Medicaid (MA) funding for mental health and ancillary medical services when possible;
- increasing the county share for use of Institutions for Mental Diseases (IMDs)
- promoting the use of evidence-based approaches to improve service outcomes; and
- eliminating regulatory barriers that inhibit effective treatment for persons experiencing co-occurring disorders such as mental illness and chemical dependency.

Background

During the past four years, Minnesota has begun to make progress to expand the range of community-based mental health services and maximize federal reimbursement for adults with serious mental illness. However, adults with mental illness continue to experience access problems when they require intensive sub-acute residential treatment and crisis stabilization services. Communication and language access problems are compounded for those consumers who are deaf, deafblind, or hard of hearing. Additionally, consumers' inability to maintain and access permanent housing options leads to less than effective use of existing resources. It is estimated that 20-30% of the current inpatient capacity is used by people who could be served in less intensive settings if appropriate housing and support services were available.

The current service delivery system and reimbursement mechanisms are not adequate to provide the required staffing and treatment to serve an acutely ill population with specialized needs. The proposal seeks to support regional approaches that restructure adult residential treatment to create more intensive, specialized MH residential settings, flexible mental health community services to meet individual needs, and additional options to maintain and establish permanent housing.

There are currently 71 residential treatment facilities (licensed under Rule 36) that provide services and supports to people needing residential mental health treatment. Of these 71 facilities, 67 have 16 beds and four have 16 or more beds. The size of the facility has significance because federal law classifies the larger facilities as IMDs and makes the residents under the age of 65 ineligible for Medical Assistance (MA) as long as they reside in the facility. The ancillary medical services for these recipients are paid for with 100% state funds through General Assistance Medical Care (GAMC). The costs for care and treatment in these larger facilities are paid almost entirely by Group Residential Housing (GRH), which is also 100% state funds. In the smaller facilities, residents can access MA for services outside the facility if they meet the MA eligibility criteria, while Supplemental Security Income and GRH fund room and board, and General Fund MH grants pay for care and treatment.

This proposal includes a 20% county share for the non-federal share of GRH payments to IMDs and an increase in the county share for RTCs from 10% to 20%, effective 1-1-04. This provision is necessary to incent counties to expand their use of MA reimbursed services and housing options for this population.

Relationship to Base Budget

Current state appropriations include about $6 million in GRH for nursing home/IMDs and about $19 million in MH grants for community-based residential treatment facilities. This proposal will increase flexibility to use these funds in the manner that will be most effective for the clients and most cost effective for the state and the counties.

The proposed restructuring of adult mental health residential treatment will require at least 12 months after legislative approval before the programmatic and fiscal benefits are realized. Specific activities needing to occur will include amending the state MA plan to allow MA reimbursement of adult MH residential treatment, enrolling providers for MA reimbursement, working with counties and providers to promote changes that are consistent with state policy directions and evidence-based practices, and reviewing and approving county-negotiated per diems for adult MH residential facilities.

Key Measures

- Public spending and the number of people in community-based long-term care versus institutional care

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 246.54, M.S. 256B.0623, and M.S. 256I

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($904)	($1,559)	($3,144)	($3,773)
Revenues	0	0	0	0
Net Fiscal Impact	($904)	($1,559)	($3,144)	($3,773)

Recommendation

The governor recommends phasing out Medical Assistance (MA) coverage for adult mental health day treatment by 7-1-05 and allowing more cost-effective individualized mental health services to be delivered through adult mental health rehabilitative services (ARMHS) and/or partial hospitalization services.

Proposal Overview: This proposal phases out MA reimbursement for adult mental health day treatment services by

- lowering the prior authorization thresholds during FY 2004-05 to ensure that the amount of service provided is in fact medically necessary;
- allowing clients to switch to more individualized services such as ARMHS and partial hospitalization; and
- eliminating MA coverage for adult day treatment effective 7/1/05.

Background

Mental health day treatment has been an MA covered service in Minnesota for over 20 years. It is typically provided in group settings as a structured program of 3 hours per day, 5 days per week. This is an older model of service, which is gradually being replaced by a more individualized service model that began to be covered under MA in 2002 as adult mental health rehabilitative services (ARMHS). Currently adult mental health day treatment is allowed up to 390 hours per year without prior authorization. Under this proposal, requests for day treatment will be reviewed more closely and efforts will be implemented to assist local agencies to support people to receive service alternatives more focussed on individualized rehabilitation.

For some people day treatment has been used as a support following their hospitalization for an acute mental health condition. This proposal assures continued recipient access for this type of support through funding of partial hospitalization services. From a policy perspective, partial hospitalization can provide a more intensive, though shorter term, rehabilitative service as people transition back into their communities.

Relationship to Base Budget

During FY 2002, 4,000 adults received adult mental health day treatment reimbursed by MA at a total cost of $10.8 million. This included 331 people who received more than 390 hours of service per person per year.

The annual costs of the alternative services resulting from the implementation of this proposal are projected to be half of the current cost of adult MH day treatment.

Statutory Change: M.S. 256B.0625, subd. 23

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($1,166)	($1,312)	($1,328)	($1,346)
Revenues	0	0	0	0
Net Fiscal Impact	($1,166)	($1,312)	($1,328)	($1,346)

Recommendation
The governor recommends elimination of the Consumer Support Grant (CSG) program exceptions.

Background
The Consumer Support Grant program was a 1995 legislative initiative that enables consumers to directly receive funding for home care services they were eligible to receive through the traditional Medical Assistance (MA) state plan. It allows recipients of MA home care to directly receive a grant in the amount of the state share of the cost of their services. The CSG program allows consumers to be more in control of buying the services and supports they need without many of the administrative requirements associated with receiving Medical Assistance funded services. The program is administered by county agencies; however their participation is not mandatory. Existing law requires that the commissioner initiate efforts to make the alternative available on a statewide basis either through the counties or private entities as of 7-1-02.

Prior to 2001, county agencies determined the maximum allowable grant levels for consumer support grant recipients. This resulted in discrepancies in the maximum allowable amount of the grants from county to county, even when the assessed needs of the consumers were comparable. The 2001 legislature made statutory clarifications that provided a standard method by which consumer support grant amounts were to be calculated. These improvements provided for comparable benefits for consumer support grant recipients regardless of the county of residence and assured that state spending on the CSG grants was not greater than the amount the state would spend in the traditional MA program. The grant amounts for about 200 CSG recipients exceeded the amount that was allowed under the new methodology. Exceptions in the 2001 law allowed these recipients to be "grandfathered" in at the higher levels and required the commissioner to authorize up to 200 exceptions if any of these recipients exited the program. This proposal discontinues the "grandfathering" of exception grant levels, so that all CSG recipients are treated equitably.

Administration Issues and Implementation
Removing exceptions from the consumer support grants will simplify the grant program for counties and consumers. About 200 consumers will have their grant levels reduced by this proposal.

Relationship to Base Budget
This proposal saves $1.2 million in General Fund expenditures during FY 2004 and about $1.3 million in General Fund expenditures thereafter. Enactment of this proposal assures the maximum CSG state grant levels do not exceed the state funding that would otherwise be spent in the Medical Assistance home care programs.

Statutory Change: M.S. 256.476

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($12,892)	($12,877)	($12,877)	($12,877)
Revenues	(766)	(766)	(766)	(766)
Net Fiscal Impact	($12,126)	($12,111)	($12,111)	($12,111)

Recommendation

The governor recommends elimination of some Continuing Care (CC) non-entitlement grant programs.

Background

This initiative proposes to eliminate the following state aging grants:

⇒ Block Nurse Administration. A grant to the statewide Technical Assistance Center to provide oversight and management of local living at home/block nurse projects.

⇒ SAIL Grants. Grants to counties, area agencies and non-profit organizations to integrate, coordinate, and enhance informal, quasi-formal, and formal services for services for seniors.

⇒ Epilepsy Grants. A grant made to a non-profit organization for independent living skills training to adults with intractable epilepsy.

⇒ Senior Nutrition Support, Home Delivered Meals, and Senior Nutrition Program Grants**:** In FY 03, Minnesotans receive congregate dining services and home delivered meals paid for with $7.5 million in federal funding, $2.8 million in USDA reimbursements, $10 million in client donations, and state grants. This proposal eliminates the state grants. Federal funding, USDA reimbursements (allocated based on number of meals served) and client donations will continue to support the activity.

⇒ Foster Grandparents Program. These grants are awarded to non-profit organizations. The funding allows low-income seniors to provide services to special needs children. $1.9 million in federal funding remains available for this program.

⇒ RSVP. These are grants for counties and non-profit organizations to provide volunteer opportunities for seniors in a variety of community service areas. $1.3 million in federal funding remains available for this program.

⇒ Senior Companion Program Grants. Grants to non-profit organizations that supplement federal funding to allow low-income seniors to provide services to other seniors. $875,000 in federal funding remains available to support this activity.

⇒ Home Share. These are grants made to non-profit organizations to assist homeowners to stay in their homes longer by pairing them with home seekers willing to share the rent or provide services in exchange for sharing the home.

⇒ Health Insurance Counseling. These are grants to Area Agencies on Aging and non-profit organizations to provide information and counseling about Medicare bills and payments and supplemental insurance options. $365,000 in federal funding remains available for this program.

⇒ Home Care Ombudsman Grant. Grant to a non-profit organization to provide ombudsman services regarding in home health care services.

⇒ Regional Planning Grants. Grants to counties and Area Agencies on Aging to conduct gaps analysis for long-term care reform.

As part of this proposal, funding for the following aging grants will be pooled into a single, consolidated fund: Community Service Grants, Community Service Development Grants, Caregiver Support, and Living at Home Block Nurse. About $6.3 million will be available for this grant fund in FY 2004 and $7 million in FY 2005. All grantees will participate in a competitive request for proposals (RFP) process to be awarded future funding. Grantees whose funding was eliminated and persons with new proposals are also eligible to participate in future RFPs.

The initiative also proposes to eliminate the following chemical health grants:

⇒ Women's Ancillary Support Programs award competitive grants to counties, American Indian tribes, and community agencies to support women with children and pregnant women who are seeking chemical dependency treatment. Vendors provide services to increase rates of treatment completion such as prenatal care, fetal alcohol prevention counseling, child care, housing assistance, transportation, and parenting education. Federal funds received through the state's Substance Abuse Prevention and Treatment grants also partially support this activity. These grants served approximately 1,050 people in FY 2002.

⇒ CCDTF Tier II placements. State general funds are transferred to the Consolidated CD Treatment Fund to reimburse providers for the provision of chemical dependency treatment services to persons whose income is above the Medical Assistance (MA) standards but below 215% of Federal Poverty Guidelines. Approximately 3,500 Tier II recipients were served in FY 2002. About 40% of CCDTF Tier II placements are court ordered – these individuals will need to receive CD treatment funded by local resources.

⇒ Juvenile assessment and detox transportation grants. These grant funds reimburse counties for a portion of the cost they incur for providing these services. Approximately 40% of the county Juvenile Assessment costs and 35% of the detox transportation costs are reimbursed each year.

Grant funding reduced in the area of disability services include the Region 10 Quality Assurance Project and the Public Guardianship Initiative. The Region 10 Quality Assurance Project is a regional effort in southeastern Minnesota to implement an alternative system of evaluating and licensing services. The Public Guardianship Initiative was authorized by the legislature in 2001 to decrease the number of individuals under state public guardianship. Funds are allocated to counties to support local efforts to pursue private alternatives to public guardianship. These programs, while beneficial, are not viewed as vital as other state investments that provide direct services to the most vulnerable people or that can receive a federal match.

Relationship to Base Budget

The CD non-entitlement grants proposed for elimination comprise about 6.5% of the state and federal funds allocated for chemical health services. Aging grants proposed for elimination comprise about 20% of the state and federal grant funds allocated for aging services.

Key Measures

- Public spending and the number of people in community-based long-term care versus institutional care
- Consumers directing their own publicly funded home and community-based services

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: Repeals Minnesota Statutes 256.973; 256B.0928; 256.9752; 256.9753; 256.976; 256.977; 256.9772; 256B.0917; 2001 Laws of MN, 1st special session, Chapter 9, Article 13, Sec 24; 256B.095; and 254A. Amends 256B.437, subd. 2; 256.9754; and Laws 1988, chapter 689.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$4	($10,799)	($12,959)	($14,255)
Revenues	2,500	5,000	5,000	5,000
Net Fiscal Impact	($2,496)	($15,799)	($17,959)	($19,255)

Recommendation

The governor recommends eliminating the Group Residential Housing (GRH) program supplemental room and board rate, transferring eligible costs to home and community-based services waiver programs, and establishing a federally-recognized room and board rate as the base GRH rate. This proposal also obtains reimbursement from the U.S. Department of Agriculture, Food and Nutrition Services (FNS), for GRH board payments on behalf of GRH recipients who are eligible for food stamps.

This proposal modifies the GRH program to capture federal financial participation for service and food costs, establishes a base room and board rate that is linked to the federal poverty guideline (FPG), and simplifies the program's administration on both the state and local levels. Specific components include

- eliminating the supplemental room and board element of GRH payments;
- establishing that the GRH rate for a community living setting is to be consistent with federal income standards used in related programs;
- amending the Medicaid home and community-based services (HCBS) waivers to permit expenses in the community above the basic room and board level standard to be paid for by the waiver; and
- establishing an agreement with FNS to invoice for reimbursement to GRH for the food portion of the GRH rate paid on behalf of persons eligible for food stamps.

This proposal provides time to seek approval for the waiver changes from the federal government and for county staff to renegotiate service agreements based on the waiver program for clients in adult foster care settings. Expected savings from the transfer of GRH services to waivers would occur in FY 2005. As a result, the changes to the GRH base rate would then become available in FY 2006. Savings as a result of FNS reimbursement would occur upon approval by the Department of Agriculture.

Background

GRH payments are made to providers for room and board and other related housing services for individuals whose illness or disability prevents them from living independently. A setting must be licensed as an adult foster home, a board and lodging establishment, a supervised living facility, a boarding care home, or, in some cases, registered as a housing with services establishment to receive a GRH payment. GRH-funded settings serve a variety of dependent persons, including persons with mental retardation, mental illness, chemical dependency, physical disabilities, advanced age, or brain injuries.

The GRH program currently consists of three different rates.

- ⇒ Rate 1 (the base rate) is used to supplement a person's income from social security resources or General Assistance in order to live in a licensed or registered setting. It does not have a direct relationship to the costs of room and board in the community nor is it currently tied to the costs incurred by the provider of room and board who is receiving the GRH base rate.
- ⇒ Rate 2 is a supplemental service rate, which is provided in situations where a person is ineligible for other service funds. Rate 2 can pay for basic support services, such as oversight and supervision, medication reminders, and appointment arrangement.
- ⇒ Rate 3 (a supplemental GRH room and board rate) is available only to corporate adult foster care settings. It covers additional costs of serving the disabled and elderly in small settings. These provisions were established to assist the state in its efforts to downsize or close institutional settings and to assure the level of care and quality of life afforded by these smaller settings. Other types of settings have not been able to access additional GRH funds for their clients.

Waiver. This proposal assumes that supplemental room and board costs above the GRH base rate are associated with essential services needed by the HCBS waiver recipient to live in the community. As such, the department has determined that these costs are appropriate for HCBS waiver reimbursement. Because GRH rates are funded through the state General Fund and waiver payments, which cover service costs, include 50% federal financial participation, transferring eligible costs to HCBS waiver programs will result in additional federal financial participation and a net savings to the state General Fund.

The simplified base rate to be used for community living in the GRH program is not significantly less than the current FPG, which is a well-understood standard use in federal housing programs and the state Medical Assistance program. By providing the same level of support for housing costs for all GRH housing and service settings, the proposal seeks to eliminate inconsistencies between them.

Food Stamps. In 1995-96, the department investigated the possibility of obtaining direct federal reimbursement for the cost of food for eligible GRH recipients. The Department of Agriculture did not approve the proposal. Several amendments to the 2002 federal Farm Bill significantly improve the possibility for approval of a renewed proposal.

Food Stamp criteria state that Supplemental Security Income (SSI) recipients are eligible, as are General Assistance (GA) recipients and both SSI and GA are a basis of eligibility for GRH. The GRH room and board payment is based on the MSA Equivalent Rate, which is composed of SSI, Minnesota Supplemental Aid, and the food stamp allotment for an individual in the community. Currently through GRH, state money is used to pay for food that would otherwise be paid for by food stamps. By certifying food stamp eligibility of eligible GRH recipients to the FNS, a proposal will be made to the Department of Agriculture to allow the state to invoice for reimbursement to GRH for the costs of food support provided in the room and board rate. Data available through the DHS MAXIS payment system will ensure that the request for reimbursement is based on accurate determinations of the period of eligibility and the amount of support the GRH recipient is eligible to receive.

Relationship to Base Budget

By FY 2005, the two components of this proposal will provide savings and additional revenue equal to 15% of the GRH budget. GRH expenditures for supplemental room and board costs in adult foster care settings are projected to be $18 million for FY 2004. Currently these payments are projected to increase by more than 10% each year. They represent the only growth in GRH besides the annual increase in the number of eligible people served. Past efforts to reduce the growth of GRH supplemental room and board rates established a system of county averages that increased the complexity of administration for this program. This proposal will eliminate the need to impose these averages.

Key Measures

- Public spending and the number of people in community-based long-term care versus institutional care

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256I.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($10,216)	($11,793)	($13,443)	($13,149)
Revenues	0	52	151	251
Net Fiscal Impact	($10,216)	($11,845)	($13,594)	($13,400)

Recommendation

The governor recommends changing Alternative Care (AC) eligibility, restructuring the premium payment criteria, and delaying changes in rates that were planned as part of a common service menu. This proposal also provides funding to meet projected increases in caseload in the next biennium.

Background

This proposal

- eliminates AC eligibility for some persons who are eligible for the Elderly Waiver (EW);
- increases revenues through premium collections and thereby decrease projected AC expenditures to help address the projected budget shortfall;
- implements estate recovery in the AC program (and liens against real property) similar to the current practice for Medical Assistance recovery;
- delays implementation of a common service menu between AC, home care, and other home and community-based waivers until 7-1-05;
- funds projected AC case load growth in the 2004-05 biennium; and
- makes technical changes to the AC statute and to several cross-referenced statutes.

Changes to Eligibility. To receive community-based services, persons with incomes below 120% of federal poverty guidelines (FPG) and assets of $3,000 or less will be required to receive their long-term care services through EW and pay a waiver obligation (personal contribution toward the cost of their long-term care). This change will eliminate the option for some people to choose the program from which they receive services (AC or EW). Because EW is a program in which the federal government pays a share of the cost, it is more affordable for the state to use EW to pay for services for this group of people.

Changes to Premiums. For people who remain eligible for AC, criteria for premium payments will be simplified and restructured to increase personal contributions.

⇒ Currently, AC recipients whose income is greater than 150% of FPG or whose assets are greater than $10,000 are assessed a monthly premium based on the costs of their services. This group will continue to pay a 25% premium toward their cost of care.

⇒ Persons with incomes below 150% of FPG and whose assets are $10,000 or less will be required to pay a 10% premium.

The method for calculating premiums will be simplified. Premiums will be a flat 10% or 25% of the total cost of services. The total cost of services upon which premiums are based will no longer exclude case management. However, policy changes will be implemented giving recipients greater choice in how they receive case management services.

These changes will increase the number of people who must pay premiums. Some people will want to evaluate their own financial situations to decide whether it is more affordable to stay on AC or to spend their assets to qualify for EW.

Persons using the new “consumer-directed” option would not make premium payments, but instead receive a service package that is implemented at a discount.

Estate Recovery. Currently, counties seek recovery of the cost of care from the estates of persons who received MA services. This proposal would implement the same recovery from estates of those who received AC-funded

services. This proposal will create fairness among available public programs, encouraging clients to choose a program based primarily on their medical and community-based needs instead of estate considerations.

Some persons who are making decisions about estate planning may choose to become MA eligible at the onset of need, instead of retaining some of their resources to qualify for the AC program. Those persons who choose to move directly to the MA program will incur MA basic benefit costs vs. participating in supplementary programs and retaining some financial responsibility for their own primary care needs. Others who primarily consider estate planning when making decisions about health and community care may choose not to participate in either MA/EW or AC and to go without services.

Delay of the Common Service Menu. Changes were to be implemented in the AC program effective 1-1-03 that would create a common service menu and rate structure between AC, MA Home Care, and home and community-based waivers. This proposal delays implementation of the common service menu until 7-1-05.

Full Funding for Case Load Growth. This proposal includes full funding to meet the anticipated demand for AC services during FY 2004-05.

Effect of Changes on People in Licensed and Congregate Service Settings. Settings, such as assisted living, are a rapidly growing service option. They are also generally the most expensive type of service. There is a concern that future use of assisted living and other congregate settings may grow faster than use of in-home services as people who could be served in their own homes opt to move to congregate service settings. This proposal will slow the growth in use of licensed and congregate settings, such as assisted living, through the proposed changes in the premium schedule.

Relationship to Base Budget

Changes to the AC program result in net expenditure savings of 14% by FY 2005. During FY 2004, there is a phase-in period that coincides with an individual's regular annual reassessment.

The proposed changes will marginally extend the existing duties of state and county personnel. Additionally, minor changes to MMIS, MAXIS, and the revenue tracking systems will be needed.

Key Measures

- Public spending and the number of people in community-based long-term care versus institutional care.
- Consumers directing their own publicly funded home and community-based services

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256B.0913; M.S. 256B.0915; M.S. 524.3-805; M.S. 256B.15; M.S. 514.990-514.994.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($8,055)	($16,587)	($17,280)	($17,417)
Revenues	0	0	0	0
Net Fiscal Impact	($8,055)	($16,587)	($17,280)	($17,417)

Recommendation
The governor recommends elimination of the automatic Medical Assistance (MA) rate adjustments for operating costs for nursing facilities (NF) under contract through the Alternative Payment System (APS) for FY 2004-05.

Background
The APS program was enacted in 1995. It permits nursing facilities to contract with the state for payment rather than using the rate setting process under Rule 50. Participation is voluntary. Currently, about 75% of all nursing facilities participate in APS.

A basic concept in APS is that contracted facilities no longer report costs. Instead they receive automatic inflation adjustments. However, as early as 1998, all facilities were provided the opportunity to receive additional or larger increases by an application to Department of Human Services (DHS) in which they committed to using the additional funds for costs related to the compensation of their workers. Since 1999 these larger rate adjustments have been in place of the automatic rate adjustments.

In 1999 and again in 2001, legislation was passed limiting the automatic inflation adjustment in APS to the property component of the rate.

The purpose of this proposal is to address the projected budget deficit. For the FY 2004–05 biennium, the budget does not include cost-of-living adjustments (COLAs) for nursing facilities reimbursed under Rule 50 or for any other continuing care providers. APS nursing facilities are the only continuing care providers that, by statute, receive automatic COLA increases. This proposal aligns treatment of APS providers' adjustments with that of other continuing care providers in regard to COLA adjustments.

Cost of living is increasing and real cost pressures will affect all continuing care providers, including APS facilities. To respond to these cost pressures, providers may reduce staffing levels, which may in turn reduce access and quality of care for residents.

Relationship to Base Budget
Within the overall scope of the nursing facility budget (state share of MA was $443 million in FY 2002), this proposal has an impact of about 1.7% in FY 2004 and about 3.6% in later years.

Statutory Change: M.S. 256B.434.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($15,729)	($18,138)	($17,806)	($17,188)
Revenues	(789)	(1,579)	(1,973)	(1,973)
Net Fiscal Impact	($14,940)	($16,559)	($15,833)	($15,215)

Recommendation
The governor recommends giving nursing facilities (NFs) a choice of either reducing the rates in effect on 6-30-03 by 4% or removing some of their licensed beds from service.

Background
The rate reduction associated with this proposal would be 4% of a facilitiy's total payment rate effective 7-1-03.

As an alternative to the rate reduction, NFs would be permitted to delicense beds, retaining 85% of the number that were occupied on 1-1-03. In order to meet the savings achieved by a 4% rate reduction, nursing facilities would need to delicense their vacant beds as of 1-1-03, plus 15% of their remaining beds. Nursing facilities would be required to phase in the bed delicensure and criteria would be developed for granting a limited number of extensions.

The purpose of this proposal is to address the projected budget deficit. The rate or capacity reduction may result in financial problems for certain nursing facilities and access or quality of care issues for residents.

It is projected that, rather than accept a rate or occupancy reduction, several NFs may choose to close. This proposal includes Alternative Care and Elderly Waiver costs associated with the diversion of residents from NFs that close, as well as receivership costs.

Relationship to Base Budget
The financial impact of this proposal to nursing facilities represents 4% of the state share of the nursing facility budget.

Statutory Change: M.S. 256B.431

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($894)	($949)	($945)	($951)
Revenues	0	0	0	0
Net Fiscal Impact	($894)	($949)	($945)	($951)

Recommendation
The governor recommends elimination of the per diem to nursing facilities (NFs) for the Scholarship Program.

Background
In 2001, the legislature authorized a rate adjustment of $0.25 per resident day to fund a Scholarship Program. These funds are to be used by NFs to enable their employees to pursue a degree or credential to advance their careers in long-term care. All employees are eligible under the program except the administrator, department supervisors, and registered nurses. The areas of study that qualified for the program include anything expected to lead to career advancement within the long-term care industry, medical care interpreter services, social work, and job-related training in English as a second language.

Under current law, the adjustment described above is to be included in rates until 6-30-03. Beginning 7-1-03, the per diem amount is to be the allowable expenses a NF incurred during the previous reporting year divided by resident days. Under this proposal, the 7-1-03 rate for scholarships will be eliminated.

Relationship to Base Budget
This is a relatively small portion of NF expenditures (state share of the reduction is approximately 0.2% of expenditures).

Statutory Change: M.S. 256B.431, subd. 36.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($417)	($447)	($446)	($449)
Revenues	0	0	0	0
Net Fiscal Impact	($417)	($447)	($446)	($449)

Recommendation
The governor recommends reducing the amount paid for nursing facility hold days from 79% of the usual rate to 60% of the usual rate.

Background
When a resident of a nursing facility (NF) is in need of hospitalization, the NF may charge the resident a fee to hold their bed. This is allowed when the NF's current occupancy is at least 93% of capacity. Medical Assistance (MA) will pay 79% of a resident's usual per diem for the first 18 days of hospitalization to hold that resident's bed. MA also pays up to 36 therapeutic leave days per year to hold the bed of an MA resident when they visit family or friends. If occupancy is below 93%, no bed hold payment will be made. Under this proposal, MA will reduce the amount paid for these leave days from 79% to 60% of the resident's usual rate.

Relationship to Base Budget
This is a relatively small portion of NF expenditures (state share of the reduction is less than 0.1%). There are systems costs identified with this change of approximately $4,000 (state share). These costs are incorporated in the savings shown above.

Statutory Change: M.S. Ch. 256B, sec. 431, subd. 2r.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($4,371)	($4,662)	($4,639)	($4,668)
Revenues	0	0	0	0
Net Fiscal Impact	($4,371)	($4,662)	($4,639)	($4,668)

Recommendation
The governor recommends reducing the Medicare coinsurance amount paid to nursing facilities by the state for Medical Assistance-qualified residents covered under a Medicare stay.

Background
Presently, the amount paid to nursing facilities (NFs) for Medicare coinsurance for days 21 to 100 of a Medicare stay for MA-qualified residents is an amount set each year by the federal Centers for Medicaid and Medicare Services (CMS). Under this proposal, the amount that will be paid to NFs will be the difference between the Medicare payment and the Medicaid rate (but never less than zero) rather than the Medicare coinsurance amount set by CMS. While this may present a cash-flow problem for nursing facilities, they will be able to claim the amount they were not paid in their Medicare settle-up as a bad debt and will be reimbursed this amount at a later date by Medicare. There are other states that have used this method. Currently, the federal government allows states to limit the amount they pay for MA residents covered under a Medicare stay to the Medicaid (state plan) rate.

Relationship to Base Budget
The financial impact of this proposal represents about 1% of the nursing facility budget.

This initiative will require systems work by DHS and training for nursing facilities as billing changes will be necessary.

Statutory Change: M.S. 256B.431, subd. 39.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($2,476)	($2,665)	($2,658)	($2,679)
Revenues	0	0	0	0
Net Fiscal Impact	($2,476)	($2,665)	($2,658)	($2,679)

Recommendation
The governor recommends reducing the number of days in which a rate enhancement may be paid for newly admitted nursing facility (NF) residents from 90 days to 30.

Background
When an NF admits a resident, the facility may charge a rate 20% higher than the usual rate for the first 30 paid days of their stay and 10% higher for the following 60 paid days. The difference between “paid days” and “days” means that unpaid leave days that occur within this window do not count as part of the 90 days. MA pays these amounts, as do private-pay residents. The rationale behind this provision, enacted in 2001, is that NFs incur more costs in the 90 days following admission because of care planning, assessments, and getting to know the person.

This proposal eliminates the 10% premium payments for the 60-day period and does not allow any premium payments at all when a resident transfers from one NF to another.

Relationship to Base Budget
This is a relatively small portion of NF expenditures (state share of the reduction is approximately 0.5%). There are systems costs identified with this change of approximately $6,000 (state share). These costs are incorporated in the savings shown above.

Statutory Change: M.S. 256B.431, subd 32.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$24,275	$24,150	$24,161	$24,178
Revenues	70,749	70,322	70,322	70,322
Net Fiscal Impact	($46,474)	($46,172)	($46,161)	($46,144)

Recommendation

The governor recommends increasing the nursing home surcharge and intergovernmental transfer (IGT) revenues.

Background

This is a proposal to increase both the surcharge and the IGT. The surcharge is currently less than the amount that would be permissible under federal Centers for Medicare and Medicaid Services (CMS, formerly HCFA) tests. A larger IGT is possible due to refinements in the method of calculating the Medicare upper payment limit test for Medical Assistance (MA or Medicaid) payment rates.

Nursing Facility Surcharge: The nursing home provider surcharge was first enacted in 1991 at $500 per bed annually. The surcharge has been increased incrementally over the years. In 2002 the surcharge was increased from $625 to $990 per licensed nursing home bed per year. In this proposal, the surcharge is increased by $1,710 to $2,700 per licensed nursing home bed per year. In addition, the rates paid to nursing facilities would increase by $5.21 per resident day.

The fiscal impact noted above assumes an effective date of 5-31-03. The rate adjustment would be effective 6-1-03., which means that nursing facilities would receive the MA payments and would start to pay the higher surcharge in July 2003. Therefore, there should not be a cash flow problem for the facilities.

The surcharge provides revenues to the general fund that can be used to match federal Medicaid funding from MA:

⇒ The nursing home pays the surcharge, in monthly installments, to the state.
⇒ These revenues are deposited in the General Fund.
⇒ At the same time, the MA rate is increased by an amount that, when annualized and applied to private pay residents, is roughly similar to the annual amount of the surcharge. The MA portion of the rate adjustment includes a 50% federal match.
⇒ Because the MA rate is higher, the rate charged to privately paying people is also higher.

Although CMS has tightened the laws regulating surcharges several times in the past decade, they have not eliminated this avenue for states to collect these revenues from providers. CMS regulates taxes and surcharges on nursing facilities; however this proposal falls within these standards.

To comply with federal law:

⇒ There cannot be a direct relationship between the surcharge applied to nursing homes and any increase in the MA payment rate for nursing homes. There also may not be any mechanism to pay back private-paying consumers.
⇒ A surcharge must be broad based. Minnesota's approved surcharge is assessed across all licensed nursing home beds.
⇒ States cannot pay more in MA rates to MA-certified nursing homes than what it estimates it would have paid using Medicare payment methodology for the same services to the same individuals. The state receives federal financial participation (FFP) for legitimate MA expenditures up to what Medicare would theoretically pay. The Department of Human Services completes an "upper limit calculation" annually to determine the difference between the MA rate and this "Medicare upper payment limit" (UPL).
⇒ The surcharge should not be in an amount that exceeds specific standards established under federal rules.

It is within this framework of laws and calculations that Minnesota currently collects surcharge revenues from nursing homes, and that additional revenues may be collected.

Several factors need to be considered to achieve the full benefits from this proposal in FY 2004:

⇒ Because this proposal involves a rate increase for nursing facilities, public notice is required, under federal law, to be given in such a manner as to allow input into the decision process. This is accomplished by publishing a notice of proposed change in nursing facility rate in the *State Register* at the start of session and then a notice of final rate change before it is implemented. A reasonable amount of time should be provided between these two notices, and the second notice must be published before the rate increase goes into effect.

⇒ A amendment to the state Medicaid Plan must be submitted to the federal government during or before the quarter during which a rate adjustment takes effect.

County Nursing Home IGTs: IGTs are only collected from counties that operate nursing homes. Like the surcharge, the money collected is deposited in the General Fund. Payments that are made from the General Fund through the MA program earn federal matching funds. Although some of the requirements that govern the surcharge do not apply to IGTs, the Medicare UPL does apply.

For analysis purposes, non-state government-owned nursing homes must be grouped separately when conducting the Medicare UPL test. The IGT, as structured under current state law, is the lesser of a specified amount or the amount available within the most recent UPL tests. Any changes in Medicare rates will affect the IGT either favorably or unfavorably. Additionally, any increase in the surcharge will affect the UPL calculations for government-owned nursing homes for purposes of the IGT. Both revenue enhancement mechanisms must be kept in balance so as not to exceed the Medicare UPL test, and current law provides sufficient authority to accomplish this. However, any substantial increase in Medicare rates or any legitimate improvement in the method of conducting the UPL test will provide an opportunity to increase either the surcharge, the IGT, or both.

Other states have over-utilized IGTs, exceeding the UPL calculation for that group. CMS is scrutinizing Minnesota's IGT and UPL calculations to ensure that Minnesota complies with all requirements. This proposal includes funding for an expert consultant to assist Minnesota in strengthening its UPL calculation methodology.

Relationship to Base Budget

Within the overall scope of the nursing facility budget (state share of MA was $443 million in FY 2002), this proposal has a substantial impact, about 10.4%. The proposal increases the surcharge from $990 per bed to $2,700 per bed; an increase of 173%.

Statutory Change: M.S. 256B.19, 256B.431, and 256.9657.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
TANF Fund				
Expenditures	($2,857)	($8,631)	($9,732)	($9,453)
Revenues	0	0	0	0
Net Fiscal Impact	($2,857)	($8,631)	($9,732)	($9,453)

Recommendation
The governor recommends reforms to strengthen the Minnesota Family Investment Program (MFIP) with a work-first focus and program improvements that reinforce personal responsibility.

Background
Proposals include:

Work-first Focus

- **Work-first**. When families first apply for assistance, they will meet with a job counselor and develop an intensive employment plan for four months before going onto MFIP. This is based on a successful pilot in Dakota County.
- **Work plans for all.** All participants will have an employment plan to build skills and stay connected to job opportunities. Currently, 12% of MFIP participants are exempt from having an employment plan (such as disabled parents, caregivers or those with a disabled child, or caregivers over 60).
- **Education.** MFIP participants who choose to attend school will be required to work 25 hours a week while receiving cash assistance. This requirement is similar to situations faced by working families pursuing an education.
- **Emphasis on employment.** Unsubsidized employment will be the first goal for all MFIP parents.

Program Improvements

- **Case close for noncompliance** (100% sanctions). Those who do not meet MFIP requirements within six months will lose cash assistance. This ensures that people make serious efforts to become self-sufficient and supports MFIP families who are doing their best to get back to work.
- **Family cap.** An MFIP family's grant will not increase if a parent has another child while the family is on assistance.

Key Measures
⇒ MFIP Self-Support Index (percent of adults working 30+ hours or off MFIP cash assistance three years later)
- By race/ethnicity
- MFIP work participation rate

Statutory Change: M.S. 256J.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
TANF Fund				
Expenditures	$15,000	$25,000	$25,000	$25,000
Revenues	0	0	0	0
Net Fiscal Impact	$15,000	$25,000	$25,000	$25,000

Recommendation
The governor recommends increased funding and the consolidation of Minnesota Family Investment Program (MFIP) self-sufficiency programs, including development of a continuum of services, to meet the needs of families in their transition to work, and improve program performance.

Background
TANF investments in various intervention programs will decline by $85.3 million from the 2002-03 biennium to the 2004-05 biennium. These investments have been a critical piece in helping Minnesota Family Investment Program (MFIP) participants and other low-income families become more self-sufficient. In FY 2003, 39 separate intervention programs spread among six different state agencies used TANF funds. Nineteen sunset at the end of SFY 2003 and one at the end of 2004.

The scheduled sunset of some of the employment-related TANF programs creates an opportunity to redesign the service structure to better meet the needs of families in a “steady-state” program and to provide the flexible funding counties and tribes will need to successfully implement the governor’s welfare reform initiatives. In exchange for this flexibility, counties would be held accountable for results by reporting on performance measures.

This proposal would consolidate funding for the following programs: county administration, current employment-related grants, Diversionary Assistance, Emergency Assistance, and Minor Parent Support Services. This consolidation is effective July 2003. Funding would be allocated to counties and tribes to administer self-sufficiency programs. Counties and tribes would be required to file a plan describing how they intend to allocate funds within the purposes specified by statute.

Of the consolidated funding, $3 million would be set aside to address specific self-sufficiency challenges as determined by the commissioner. The remainder would be allocated to counties and tribes, phased in over time based on historical spending and caseload. Five percent (5%) of the allocation formula will be based on performance.

Relationship to Base Budget
This proposal redirects TANF and General Fund appropriations for eleven programs and services to a single, consolidated fund. In FY 2004, General Fund appropriations totaling $8,630,000 and TANF appropriations totaling $101,060,000 will be redirected to the consolidated fund. In FY 2005, the redirected amounts are $8,642,000 in General Fund appropriations and $107,686,000 in TANF funds. Total funding available for the consolidated program is $109,690,000 in FY 2004 and $116,328,000 in FY 2005.

Key Measures
⇒ MFIP Self-Support Index
♦ race/ethnicity
⇒ MFIP Work Participation Rate

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html

Statutory Change: M.S. 256J.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
TANF Fund				
Expenditures	($2,586)	($5,005)	($5,281)	($5,435)
Revenues	0	0	0	0
Net Fiscal Impact	($2,586)	($5,005)	($5,281)	($5,435)

Recommendation
The governor recommends limiting Minnesota Family Investment Program (MFIP) participants to post-secondary education and training of 12 months, without exception.

Background
Prior to July 2001, MFIP participants who enrolled in post-secondary education programs as part of their employment plan were limited to programs that were 12 months in duration. Programs that lasted up to 24 months could only be approved on an exception basis. The 2001 legislature passed a provision that allowed MFIP participants to enroll in post-secondary education programs lasting up to 24 months.

Nationally, research findings and outcomes vary on the impact of education and training as a path to higher paid employment or whether a combination of education and work requirements results in higher income. This proposal should not have significant impact on outcomes for MFIP families – yet will create needed savings. Minnesota has received TANF high performance bonuses for its successful efforts at promoting job retention and wage advancement.

Individuals who have completed 12 months of post-secondary education generally have the skills and abilities needed to become gainfully employed in the labor force. This change would require a transition period during which current employment plans would be honored.

Relationship to Base Budget
Based on national research and department data, the average monthly MFIP caseload, excluding child-only cases, is about 1.7% higher (approximately 500 cases) due to the implementation of 24-month education plans in place of direct job search.

Key Measures
- MFIP (welfare-to-work) Self-Support Index

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html

Statutory Change: M.S. 256J.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$6	0	0	0
Revenues	0	0	0	0
TANF Fund				
Expenditures	($15,376)	($14,566)	($14,304)	($13,964)
Revenues	0	0	0	0
Net Fiscal Impact	($15,370)	($14,566)	($14,304)	($13,964)

Recommendation
The governor recommends reducing the Minnesota Family Investment Program (MFIP) cash grant up to $175 for each Supplemental Security Income (SSI) recipient in an MFIP household, unless the caregiver in the household is a relative caretaker.

Background
Some MFIP households include members who receive SSI. These members do not receive MFIP cash assistance. Under current policy, MFIP does not consider the income of an SSI recipient in determining the MFIP benefit amount. However, Retirement, Survivors, and Disability Insurance (RSDI) income is counted when calculating the MFIP grant. Receipt of SSI and RSDI is based on an individual's disability status and, therefore, should be treated more consistently for purposes of determining the MFIP benefit level.

This is a proposal to reduce the MFIP cash grant up to $175 for each SSI recipient in an MFIP household, effective 7-1-03. The proposal does not add SSI recipients to the MFIP assistance unit, but rather reduces the MFIP benefit up to $175 for each SSI recipient. The estimated savings assume that, when calculating the grant amount for MFIP cases, the grant standard would be reduced by $175 for each SSI recipient in the household, unless the caregiver in the household is a relative caretaker.

Relationship to Base Budget
Based on department data, in an average month about 17% of MFIP cases have an SSI recipient in the household.

Statutory Change: M.S. 256J.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
Federal TANF				
Expenditures	($3,519)	($4,549)	($4,810)	($4,812)
Revenues	0	0	0	0
Net Fiscal Impact	($3,519)	($4,549)	($4,810)	($4,812)

Recommendation
The governor recommends reducing the Minnesota Family Investment Program (MFIP) exit level from 120% of federal poverty guidelines (FPG) to 115% of FPG.

Background
In 2001, the legislature enacted a policy that indexes the earned income disregard so that a working MFIP family would exit MFIP at 120% of FPG. To reward work, MFIP disregards part of families' earned income when calculating the MFIP grant amount. In FY 2003, the earned income disregard is scheduled to increase from 38% to 39% to maintain the exit level at 120% of FPG.

This proposal would reduce the exit level from 120% of FPG to 115% of FPG and make annual adjustments in the earned income disregard to maintain the 115% of FPG exit level. Working families on MFIP will see their benefits decrease slightly when the disregard is decreased.

The effective date of this change would be 10-1-03, so that the earned income disregard is adjusted after the MFIP transitional standard is changed to reflect the food stamp cost of living adjustment. It is only after we know the new transitional standard that we know where to set the earned income disregard to meet the 115% of FPG exit level.

This proposal has a fiscal interaction with the SSI and MFIP Budgeting proposal. Savings associated with this proposal may change, should the SSI and MFIP Budgeting proposal be modified.

Relationship to Base Budget
During FY 2002, an average of 52.6% two-parent families and 29.1% one-parent families were employed.

Key Measures
⇒ MFIP Self-Support Index (percent of adults working 30+ hours or off MFIP cash assistance three years later)
- By race/ethnicity

Statutory Change: M.S. 256J.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	($30)	($36)	($41)
Revenues	0	0	0	0
TANF Fund				
Expenditures	0	2,143	2,623	3,113
Revenues	0	0	0	0
Net Fiscal Impact	0	$2,113	$2,587	$3,072

Recommendation
The governor recommends improving the Minnesota Family Investment Program (MFIP) 60-month time limit extension policy.

Background
The proposal

- repeals the sunset of the employed participant extension category;
- clarifies/refines extension policy related to two-parent families; and
- clarifies/refines extension sanction policies.

Extensions to the MFIP 60-month time limit were established by the 2001 legislature. In late 2001, an emergency rule was promulgated to clarify ambiguous language. In addition, two categories of extension were added in 2002. In July 2002, the first major group of participants reached the time limit. A number of policy issues have been identified in the process of implementing the extension policy for this first group of participants. This proposal addresses those issues.

Relationship to Base Budget
Based on department data, in an average month about 67% of the cases with at least 60 eligible months (approximately 2,400 cases in FY 2003) qualify for a hardship extension. Of these, about 14% qualify for a working extension.

Based on department data, the refinement of the extension policy related to two-parent families is expected to impact less than 10 cases in an average month.

Key Measures
- MFIP (welfare-to-work) Self-Support Index

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html.

Statutory Change: M.S. 256J.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
TANF Fund				
Expenditures	$5,107	$6,141	$7,251	$7,888
Revenues	0	0	0	0
Net Fiscal Impact	$5,107	$6,141	$7,251	$7,888

Recommendation
The governor recommends repealing the 6-30-03 sunset of Minnesota Family Investment Program (MFIP) cash and food assistance to legal non-citizen families.

Background
State funding was first authorized in 1997 following the enactment of Federal Welfare Reform, which eliminated federal funding for *some* legal non-citizens. It was funded with a sunset date because there was uncertainty about whether the restriction in federal funding would continue. This uncertainty exists because Congress has not yet reauthorized TANF and related programs.

Although modifications were made to federal food stamp policy, some legal non-citizens are still not eligible for the federal food stamp program that is used to fund the food portion of MFIP. If state MFIP funding ends for the legal immigrants who are not eligible for federal TANF, those families, who currently receive MFIP cash and a food portion, will no longer have a source of income or food.

If MFIP state funding for legal non-citizen families does not continue, there would be a fiscal impact to the Minnesota Food Assistance Program (MFAP) since some former MFIP participants could be eligible for MFAP.

Relationship to Base Budget
TANF funds identified in this proposal will be used for TANF-eligible persons while state funds currently in the MFIP base budget will be used to fund the eligible non-citizens for whom federal funding is not available.

Most state funds in the MFIP program are allocated to meet the TANF maintenance of effort (MOE) requirement. Currently there are more than enough state funds to meet this requirement.

Non-MOE expenses are estimated to be $1.9 million in FY 2004 and $2.1 million in FY 2005.

Key Measures
- MFIP (welfare-to-work) Self-Support Index

More information on key measures is available on the Web:
http://www.departmentresults.state.mn.us/hs/index.html

Statutory Change: Laws 2001, First Special Session, chapter 9, article 10, section 62.52.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$27	$132	$246	$367
Revenues	0	0	0	0
Net Fiscal Impact	$27	$132	$246	$367

Recommendation
The governor recommends increased funding to cover the projected demand for food support to legal non-citizens who do not qualify for federal food benefits because of their citizenship status.

Background
The Minnesota Food Assistance Program (MFAP) was established in 1998. MFAP provides state-funded food assistance for legal non-citizens who do not qualify for federal food benefits because of their citizenship status. The program uses all of the policies, procedures, benefit rates, and eligibility criteria as the federal food support program.

In 2002 the President signed into law provisions of the Farm Bill that restore federal food benefits to most MFAP recipients. Disabled legal non-citizens had their eligibility for federal food benefits restored on 10-1-02. Legal non-citizens in the U.S. for five or more years will have their eligibility restored on 4-1-03. Legal non-citizen children under age 18 will have benefits restored on 10-1-03. Even with the Farm Bill there will be approximately 287 average monthly cases in FY 2004 and 338 in FY 2005 will depend on MFAP for their food assistance. To cover the projected MFAP shortfall and provide service to the estimated number of eligible cases for the FY 2004-05 biennium, the associated cost is $159,544.

Relationship to Base Budget
Base funding for MFAP in FY 2004 is $417,000. MFAP operates on a fixed appropriation, so the budget for the program is not adjusted when the number of eligible participants increases.

If Minnesota Family Investment Program (MFIP) state funding for legal non-citizen families does not continue, there would be a fiscal impact to the MFAP since some former MFIP participants would be eligible for MFAP.

Statutory Change: M.S. 256D.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($1,321)	($1,321)	($1,321)	($1,321)
Revenues	0	0	0	0
Net Fiscal Impact	($1,321)	($1,321)	($1,321)	($1,321)

Recommendation
The governor recommends reduced state grant funding for Food Support Employment and Training (FSET).

Background
FSET provides employment and training services to help people prepare for work and become employed. Minnesota is required by federal law to operate an FSET program. Services to clients are funded with a 100% federal grant and state funds with federal matching funds. Reimbursement of necessary client expenses is required and must be paid with state funds.

This proposal will reduce the state financial participation in the FSET program. Able-bodied adults without dependents are eligible for three months of Food Support benefits and can “earn” additional months by participating in FSET or by working more than 80 hours/month. This proposal will reduce the number of Food Support recipients served by FSET by about 72% to approximately 2,000.

Relationship to Base Budget
State base funding for FSET is $1,347,000 per year. This proposal will reduce the state appropriation by $1,321,,000 per year and use $950,000 in annual FSET federal funds to serve as many able-bodied adults without dependents as is possible. A $1,321,000 reduction in the General Fund results in a corresponding loss of up to $1,321,000 in federal matching funds.

Statutory Change: M.S. 256D.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($2,338)	($2,591)	($2,812)	($3,192)
Revenues	0	0	0	0
TANF Fund				
Expenditures	(4,946)	(6,055)	(7,721)	(9,414)
Revenues	0	0	0	0
Net Fiscal Impact	($7,284)	($8,646)	($10,533)	($12,606)

Recommendation
The governor recommends limiting funding for Emergency Assistance (EA), Emergency General Assistance (EGA), and Emergency Minnesota Supplemental Aid (EMSA) at 100% of FY 2002 expenditures levels and restricts EGA and EMSA eligibility to once every 12 months.

Background
Most expenditures under these emergency programs are for shelter costs, such as housing, damage deposits, and utility shut-offs.

EA provides short-term assistance to families for such items as housing or utilities. To receive EA, the unit must include a child under the age of 21 who is living in the home or who has recently lived with the family or a pregnant woman. The assistance must be able to resolve the problem and is issued for one 30-day period in a consecutive 12-month period. In FY 2002, during an average month, 6,100 people received help from EA. This proposal will cap funding for EA at 100% of the FY 2002 expenditure level.

Savings associated with capping EA funding at the FY 2002 expenditure level are $4.9 million for FY 2004 and $6 million for FY 2005, for a total of $11 million for the biennium.

Annually, EGA provides benefits to about 13,500 adults and families (FY 2002) who are not eligible for EA or the Minnesota Family Investment Program (MFIP). There are no absolute income limits; eligibility is based on the existence of an emergency that threatens health or safety and that cannot be resolved with available income and resources.

Savings associated with capping EGA funding at the FY 2002 expenditure level are $2.2 million for FY 2004 and for FY 2005, for a total of $4.4 million for the biennium.

EMSA provides emergency benefits to over 3,130 aged, blind, or disabled adults (FY 2002) who are not eligible for EA or EGA. MSA recipients who have an emergency that threatens health or safety and that cannot be resolved with available income and resources are eligible for EMSA.

Savings associated with limiting use of EMSA to once every 12 months are $169,000 for FY 2004 and $354,000 for FY 2005, for a total of $523,000 for the biennium.

Relationship to Base Budget
The total forecast spending for Emergency Assistance for FY 2004-05 is $53.4 million.
The total forecast spending for Emergency General Assistance for FY 2004-05 is $20.2 million.
The total Emergency Minnesota Supplemental Aid forecast spending for FY 2004-05 is $2.7 million.

Counties may continue to use the MAXIS computer system to determine eligibility for emergency programs. MAXIS programming changes would be needed to add the once every 12 months limitation for EGA and EMSA and to track funding allocations by county.

Statutory Change: M.S. 256D and M.S. 256J

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($12,927)	($9,272)	0	0
Revenues	0	0	$10,274	$10,827
TANF Fund				
Expenditures	$12,927	$9,272	$10,274	$10,827
Revenues	0	0	0	0
Net Fiscal Impact	0	0	0	0

Recommendation
The governor recommends the refinancing of General Fund spending with TANF funds that have been made available through TANF program cuts to the Minnesota Family Investment Program (MFIP).

Background
This proposal decreases the General Fund budgets of MFIP in FY 2004 and of the Children and Community Services Grant in FY 2005 to assist in balancing the state's General Fund budget. This proposal includes corresponding increase in the Temporary Assistance to Needy Families (TANF) spending in FY 2004 and FY 2005 in the MFIP program and Children and Community Services Grant program, respectively.

The refinancing of the MFIP cash assistance program in FY 2004 is made possible by the presence of state spending in excess of the minimum necessary to meet federal maintenance of effort (MOE) requirements. The refinancing of the Children and Community Services Grant in FY 2005 will be accomplished through a transfer of TANF to the social services block grant (SSBG) to substitute for General Fund spending. This type of refinancing was last done in the 1999 session of the legislature when such a transfer provided savings from the Community Social Services Act (CSSA) block grant to counties. Under another governor's recommendation, the CSSA funds will be combined with other funds to create the Children and Community Services Grant program.

The proposal for the FY 2006-07 biennium is to authorize additional refinancing in FY 2006 and FY 2007 and provide that the commissioner designate which programs will provide the General Fund savings as part of the FY 2006-07 budget, subject to approval by the legislature.

There are two reasons for not designating the out-year refinancing targets in the FY 2004-05 budget.

⇒ First, significant changes are being proposed in the governor's budget or may be proposed by the legislature that will affect programs that are potential refinancing targets.

⇒ Second, amendments to the TANF program being discussed by Congress as part of TANF reauthorization would increase the state's capacity to refinance by increasing the TANF available for SSBG transfer or making it easier to spend TANF funds on child care, as well as open up other refinance options.

Program recipients, providers, and counties will not be affected by this change in financing.

Relationship to Base Budget
This proposal would create an ongoing General Fund savings relative to the base budget and ongoing TANF commitments.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($100)	($100)	($100)	($100)
Revenues	0	0	0	0
Net Fiscal Impact	($100)	($100)	($100)	($100)

Recommendation
The governor recommends the elimination of Access and Visitation grants.

Background
The primary recipient of Access and Visitation funds has been Cooperation for the Children, a custody and visitation mediation program operating in Ramsey and Stearns counties. An evaluation was recently completed from the pilot phase of these programs showing positive results, but low numbers of families served. An average of 170 mediations have been completed each year since the program began.

The state grant that is being eliminated has been coupled with an annual federal grant. Minnesota could continue to qualify for a federal grant if an alternative method of meeting the federal matching requirements is identified. The current legislative authority for use of this annual federal grant is limited to funding parent education and the Cooperation for the Children pilot programs in Ramsey and Stearns counties. Federal guidelines indicate that the grant money may be used for numerous activities, including mediation, counseling, parent education, development of parenting plans, family formation activities, and supervised visitation. A legislative change is necessary to allow the states to use the federal funds flexibly for other purposes and to benefit other counties in future applications for the federal grant.

Relationship to Base Budget
This state grant is currently $100,000 per year. This proposal would eliminate the state grant and Minnesota would also lose $100,000 in federal funds..

Statutory Change: Laws of Minnesota 1997, Ch. 245, Art. 2, Sec. 11.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($462)	($636)	($884)	($884)
Revenues	0	0	0	0
Net Fiscal Impact	($462)	($636)	($884)	($884)

Recommendation

The governor recommends refinancing state-funded child support incentive grants to counties with revenue from a new 1% child support services user fee charged to parents beginning in FY 2005. This proposal includes a one-time 15% reduction in grant funding to counties in FY 2004.

Background

This proposal would reduce state incentive grants to counties and establish a 1% cost recovery fee to offset the reduction. The offset from the cost recovery fee would help avoid federal sanctions, maintain the health of the incentive fund, and ensure that counties continue to meet program objectives. It also links the fees users pay to the services they receive.

The fee would be paid or charged to the parent who applies for child support services. Revenues raised by this fee would be paid into a special revenue fund dedicated to the child support program. Revenues would support the county incentive fund and also pay for the costs of implementing the fee required to support the fund.

If the parent who is owed child support (obligee) applies for services, the fee would be deducted from child support collections prior to disbursing them to the obligee. If the parent owing the child support (obligor) is the applicant, the fee would be charged in addition to the child support order amount. Current public assistance (PA) cases and recent PA cases (most recent receipt of public assistance benefits 24 months prior) would be exempt from this fee. Minnesota law would be clarified to allow parents to opt-out of the IV-D child support system.

Currently, applicants for child support services pay a one-time application fee of $25. The state share of this fee is retained by the county providing the services. The state would need to split revenues from this new cost recovery fee with the federal agency 66%/34%. This proposal will not result in any administrative savings for the department; however, there will be added administrative costs to implement and maintain the fee. Implementation of the fee would be effective on 7-1-04 allowing for system development programming and implementation.

The state grant funds complement the federal performance incentives for the state. In Minnesota's state supervised-county administered structure, county performance on program objectives determines the amount of federal incentives the state earns and whether or not the state avoids federal sanctions.

A state that fails to achieve performance standards established in federal regulations may be penalized through a reduction in its Temporary Assistance for Needy Families (TANF) block grant. On the first violation, the block grant could be reduced by between 1% and 2%. For the second and third violation, a 3% and 5% percent reduction could be made (see 45 CFR 305.61). Minnesota's TANF block grant is approximately $267 million. A 1% reduction in the grant would amount to a loss of $2.67 million for the State of Minnesota. A 2% reduction in the grant would amount to a loss of $5.34 million.

County performance incentives facilitate core program activities that provide support to families, paternity establishment, medical support order establishment, and collections. It is important to maintain program performance incentives for counties, especially in light of the multi-million dollar federal penalties against the state's TANF grant should the state fail to reach the federal performance target on paternity establishment.

The net savings to the general fund when fully implemented in FY 2006 will be $884,000. Counties would continue to receive $3,789,000 in incentive payments each year from a reduced General Fund appropriation and forecasted revenues generated by the cost recovery fee, except in FY 2004 during development and implementation of the fee.

Relationship to Base Budget
The state General Fund base for child support incentive grants to counties is $3,789,000 in FY 2004.

Statutory Change: M.S. 518.551

Agency Purpose

The Minnesota Humanities Commission (MHC) inspires people to learn, to grow, and to give to their communities by providing leadership, resources, and programs that advance the study of the humanities - the foundation of democracy, government, and civil life - and that enhance the work of schools, colleges, and cultural organizations throughout our state.

Core Functions

MHC fulfills its mission through three program areas.

⇒ **Humanities Foundations** provides family literacy programs, including *Motheread/Fatheread* and the *Hmong Translation Initiative*; training, research, and support for schools and teachers using the *Core Knowledge* curriculum; professional development seminars for teachers through *Teacher Institutes*; and support for subject-area organizations within the *Humanities Education Network*.

At A Glance

The MHC works to create strong schools and strong communities. In FY 2001, MHC programs reached people of all ages statewide.

- 296 service providers, serving 15,000 children and parents, attended 29 *Motheread/ Fatheread* training workshops
- 450 educators, serving 13,500 students, attended 15 *Core Knowledge* events
- 310 educators, serving 23,250 students, attended 13 *Teacher Institute* seminars
- 746 events funded in-part by the Humanities grants program reached 62,500 Minnesotans
- 630 events through the *Learning in Retirement Network* reached 17,430 retired adults in Minnesota

⇒ **Grants and Public Humanities Programs** provide grants to scholars and organizations that belong to networks such as the *Humanities Organization Network* and the *Ethnic and Cultural Heritage Ne*twork. It serves as the Minnesota agency for *Literature and the Professions*, *National Issues Forums*, and the *Minnesota Online Encyclopedia* project. MHC is home to the *Minnesota Center for the Book*, an affiliate of the Library of Congress.

⇒ **Learning in Retirement** promotes older adult learning in the humanities through the *Learning in Retirement Network*, a statewide association of senior learning organizations, and the *Elder Reading Initiative*, a reading-aloud program for frail and isolated elders.

Operations

MHC brings the humanities to Minnesotans of all ages throughout the state. The MHC's family literacy programs, such as *Motheread/Fatheread*, reach parents and children through educators and service providers trained by MHC staff. Kindergarten through 12th-grade teachers attend *Teacher Institute* professional development seminars through the Humanities Commission. Scholars and organizations receive funding from MHC's grants program. Retired adults from around the state participate in *Learning in Retirement Network* organizations, supported by MHC.

Key Measures

MHC considers evaluation essential to the continued development and success of its programs. Therefore, the commission evaluates its programs both qualitatively and quantitatively by these criteria: relevance of program, increased understanding/awareness of subject, general satisfaction of participants, increase of number of participants, and diversity of participants. Participants in Humanities Commission seminars and workshops complete evaluation forms. Comments and suggestions are reviewed and considered by MHC staff. Input is also solicited from audience members at MHC-supported events and from MHC board members. The Humanities Commission web site also offers a place for feedback.

Recent surveys and studies have indicated:

- 95% of *Teacher Institute* participants report increased understanding/awareness of subjects covered.
- 90% of *Teacher Institute* participants report that the programs achieve their stated goals.

- over 80% of parents who participated in the *Motheread/Fatheread* observed improvement in their child's understanding of what is read and their child's interest in asking questions about stories.
- 72% of parents who participated in *Motheread/Fatheread* noticed improvement in their own reading, and 93% noticed improvement in their child's reading.

Budget

MHC receives financial support from private donors, corporations and foundations, the Minnesota State Legislature, the National Endowment for the Humanities, and income earned through publication sales, training fees, and facility rentals.

The Humanities Commission's budget for FY 2002 (11-1-01 to 10-31-02) totals $3.01 million. The state of Minnesota funds 34% of MHC's budget; the National Endowment for the Humanities contributes 20%; corporate and private contributions equal approximately 32%; and earned income accounts for approximately 14%.

Resources are allocated to four areas: Humanities Foundations, 48%; Grants and Public Humanities Programs, 23%; Learning in Retirement, 4%; and management and fundraising, 25%. Twenty full-time staff and several part-time staff work at the Humanities Commission.

Contact

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Economic Development omnibus bill. These agencies collectively administer $130 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $17.5 million (17.8%) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to preserve Minnesota's rich history, support the state's art community, regulate professional licensees, and provide advice to the Governor and legislature on issues effecting the state's minority populations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

We have evaluated the role of government in a number of these agencies and are recommending the elimination of state funding. The reduction level for most of the other non-cabinet agencies in the economic development area ranges from 15-20%. Most agencies have focused on reducing their administrative areas of the budget in order to preserve the core functions of the agency.

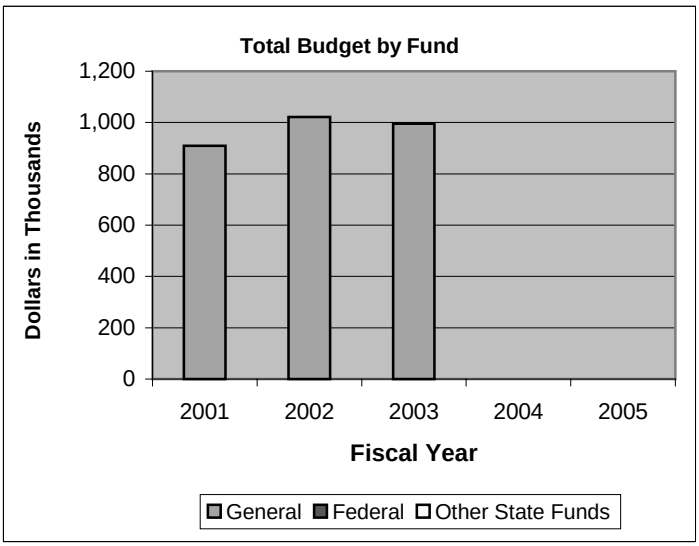
The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	1,990	0	1,990
Adjusted Base Funding	1,990	0	1,990
Change Items			
Operating Budget Reduction	-1,990	0	-1,990
Governor's Recommendations	0	0	0
Biennial Change, 2002-03 to 2004-05	-2,017	0	-2,017
Percent Change	-100%	n.m.	-100%



Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	909	1,022	995	0	0	0
Total	**909**	**1,022**	**995**	**0**	**0**	**0**
Expenditures by Category						
Local Assistance	909	1,022	995	0	0	0
Total	**909**	**1,022**	**995**	**0**	**0**	**0**
Expenditures by Program						
Humanities Commission	909	1,022	995	0	0	0
Total	**909**	**1,022**	**995**	**0**	**0**	**0**

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($995)	($995)	($995)	($995)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($995)	($995)	($995)	($995)

Recommendation
The Governor recommends a reduction of $995,000 per year in the General Fund appropriation to the Humanities Commission. This recommendation will eliminate state funding for the commission.

Background
The Humanities Commission is an important cultural institution, but it has been identified as an activity outside the core mission of state government that has other possibilities for funding their operations.

The Commission is a non-profit organization with approximately 20 FTEs and a biennial operating budget of $6,020,000. The state's General Fund appropriation represents 34% of that budget. The balance of the Commission's funding comes from corporate and private contributions (32%), National Endowment for the Humanities (20%) and earned income (14%).

Minnesota has been one of the few states in the Midwest to provide funding to its Humanities Commission. Michigan, Wisconsin, North Dakota, and South Dakota are examples of states that provide no direct funding to their Humanities organizations.

This proposal will likely impact all aspects of the Commission's activities.

Relationship to Base Budget
This change will leave the Humanities Commission with a $4,030,000 operating budget during FY 2004-05, which is $2,017,000 less than its budget during the last biennium.

Statutory Change: M.S. 138 and M.S. 354D.

Agency Purpose

The Minnesota Indian Affairs Council (MIAC) was established in 1963 (M.S. 3.922.) MIAC is the official liaison between the state of Minnesota and the 11 tribal governments within the state. The council provides a forum for and advises state government on issues of concern to urban Indian communities. The council administers four programs designed to enhance economic opportunities and protect cultural resources for the state's American Indian constituencies. The MIAC plays a central role in the development of state legislation. It monitors programs that affect the state's American Indian population and tribal governments. Minnesota was the first state in the nation to establish an Indian affairs agency that today still provides a model for other states to follow.

The mission of the MIAC is to protect the sovereignty of the 11 Minnesota tribes and ensure the well being of American Indian citizens throughout the state.

At A Glance

American Indian Population: 54,967

⇒ Employment
- U.S. Unemployment Rate: 5.5%
- Minnesota Unemployment Rate: 4.8%
- American Indian Males: 22%
- American Indian Females: 16%

⇒ Poverty levels:
- All Minnesota Children: 12%
- American Indian Children: 55%

Cultural Resources: 3,000 human remains attained in 1989 – 436 remain for reburial.

Indian Business Loan: lends an average of $650,000 per year to eligible American Indians.

The MIAC's vision is to strive for social, economic and political justice for all American Indian people living in the state of Minnesota, while embracing our traditional cultural and spiritual values.

Core Functions

The MIAC coordinates with the various state agencies appointed liaisons, other American Indians that do not reside within reservation boundaries, tribal and Indian programs to ensure that services are delivered by reviewing and analyzing data and trends and providing the findings to their respective agencies, tribes and other American Indian programs. Core functions include

- providing information and technical assistance to Indian Reservations in Minnesota through the administration of the Indian Economic Opportunity Program by interagency agreement with the Department of Health and Human Services;
- providing loans to eligible potential and existing American Indian business owners operating in the state through the Indian Business Loan Fund;
- monitoring and ensuring enforcement of federal and state laws to protect American Indian human remains and associated burial items through the Cultural Resource Program; and
- providing a vehicle for the urban Indian population through the Urban Indian Advisory Council to determine what the issues are which affecting their Indian populations.

Operations

The agency serves the 11 Minnesota tribes, its enrolled members, and all Indians residing in the state of Minnesota.

The **Indian Economic Opportunity Program** coordinates with the Department of Health and Human Services and the 11 reservations in grant planning among community service grants including Community Services Block Grant (CSBG), Minnesota Economic Opportunity Grant (MEOG), Emergency Shelter Grant Program (ESGP) and Rural Housing and Stability Program (RHASP). Management and technical assistance is provided to the reservations in the development of work plans, prioritized goals, objectives, and measurable outcomes, a coordination plan describing collaborative efforts with area service provider on how it will impact low income people and assist in progressing toward self-sufficiency.

Cultural Resources provides protection of American Indian human remains and associated burial items under the Minnesota Cemetery Act Statute 307.08 and the Native American Graves Protection and Repatriation Act, Public Act 101.601 by serving as a repository for human remains from state agencies, public museums, private individuals and institutions and processes said remains and associated items for proper disposition.

The **Indian Business Loan Fund** provides Minnesota-based Indians with a percentage of the financial resources needed to start or expand a business enterprise in Minnesota with emphasis on businesses located on a Minnesota Reservation to assist in the economic development of the reservation and the goal of self-sufficiency.

While participating in a number of separate programs as part of its overall mission, the Indian Affairs Council has come to be recognized, and utilized, as a clearing house for information and projects as they relate to Indians in Minnesota. As a database for information regarding Indians, the MIAC is called upon to participate and/or initiate a variety of activities and programs for the overall benefit of Indians in Minnesota. The MIAC acts as an incubator for these special projects by providing administration and financial services. Policy issues are monitored by the Indian Affairs Council to ensure the protection of the laws and rights of American Indian people and are the primary objective of the Indian Affairs Council.

Budget

The agencies FY 2002-03 budget totals $1.657 million. Department staff includes 8 full-time equivalent employees. Of the total budget for the biennium, $1.186 million comes from the state's General Fund, $60,000 comes from a federal grant for economic opportunity programming, and $348,000 from a special revenue fund of collected severed mineral rights tax dollars paid the counties to the state.

Contact

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Visit http://www.indians.state.mn.us for information on Minnesota tribes, treaties, resources and additional important links.

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

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The funding recommended for these agencies for FY 2004-05 represents a $17.5 million (17.8%) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to preserve Minnesota's rich history, support the state's art community, regulate professional licensees, and provide advice to the Governor and legislature on issues effecting the state's minority populations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

We have evaluated the role of government in a number of these agencies and are recommending the elimination of state funding. The reduction level for most of the other non-cabinet agencies in the economic development area ranges from 15-20%. Most agencies have focused on reducing their administrative areas of the budget in order to preserve the core functions of the agency.

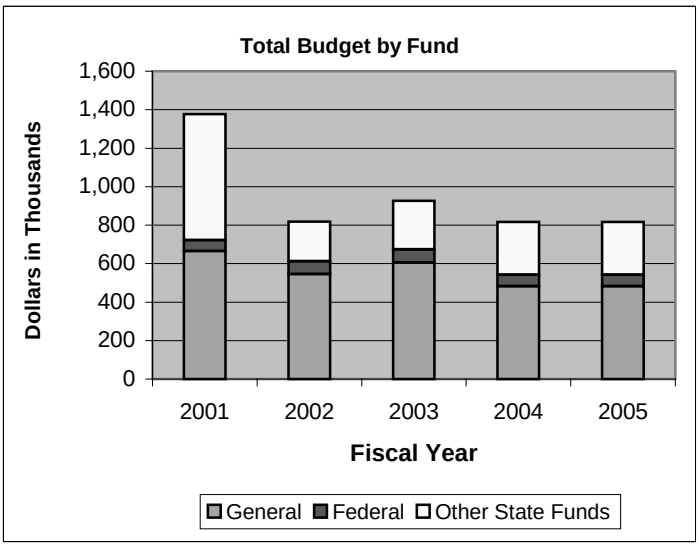
The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

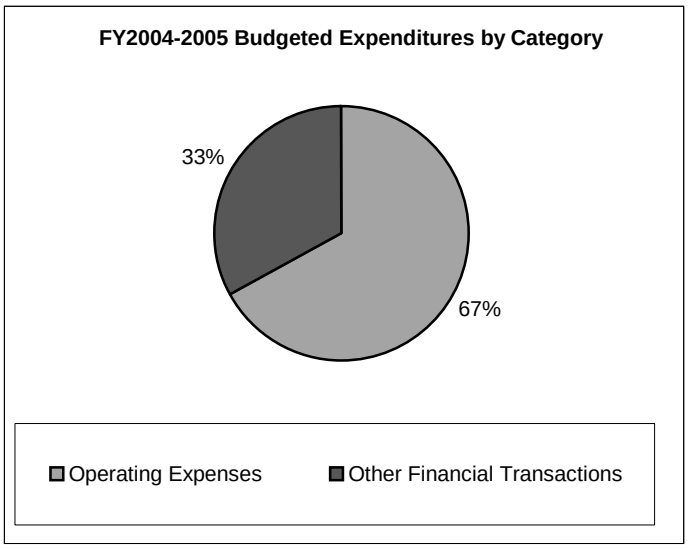
I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	1,204	668	1,872
Adjusted Base Funding	1,204	668	1,872
Change Items			
Budget Reduction	-240	0	-240
Governor's Recommendations	964	668	1,632
Biennial Change, 2002-03 to 2004-05	-187	74	-113
Percent Change	-16%	12%	-6%





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	665	545	606	482	482	964
Statutory Appropriations						
Special Revenue	655	206	253	274	274	548
Federal	57	67	68	60	60	120
Total	**1,377**	**818**	**927**	**816**	**816**	**1,632**
Expenditures by Category						
Operating Expenses	728	612	682	547	547	1,094
Other Financial Transactions	649	206	245	269	269	538
Total	**1,377**	**818**	**927**	**816**	**816**	**1,632**
Expenditures by Program						
Indian Affairs Council	1,377	818	927	816	816	1,632
Total	**1,377**	**818**	**927**	**816**	**816**	**1,632**
Revenue by Type and Fund						
Non Dedicated						
General	0	0	1	1	1	2
Subtotal Non Dedicated	0	0	1	1	1	2
Dedicated						
Special Revenue	281	243	274	274	274	548
Federal	64	60	60	60	60	120
Gift	0	0	1	1	1	2
Subtotal Dedicated	345	303	335	335	335	670
Total Revenue	**345**	**303**	**336**	**336**	**336**	**672**
Full-Time Equivalents (FTE)	**7.7**	**7.1**	**9.1**	**6.1**	**6.1**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($120)	($120)	($120)	($120)
Revenues	0	0	0	0
Other Fund				
Expenditures				
Revenues	0	0	0	0
Net Fiscal Impact	($120)	($120)	($120)	($120)

Recommendation
The Governor recommends a $120,000 per year reduction to the base budget. This cut will result in the loss of 2.85 FTE.

Background
The Indian Affairs Council serves as the liaison between the state of Minnesota and the 11 Tribal Governments. We advise the state on legislation, and provide a forum for issues of concern to urban Indian communities. The council administers four economic development programs designed to enhance American Indian constituencies and protect their cultural resources.

The majority of our operating budget is fixed costs; office space, telecommunications, computing, and travel, all essential to agency operations and service delivery. The Council will address it's reduction by:

- ⇒ Eliminating staff in our St. Paul office and relying on agency Indian Liaisons, consultants & tribal representation instead (1 FTE).
- ⇒ Reducing administrative support in our Bemidji headquarters (.60 FTE).
- ⇒ Eliminating the Cultural Resource position and contracting out for this service (1 FTE).
- ⇒ Reducing the Economic Opportunity position by .25 FTE's and shifting that cost to federal funding.
- ⇒ Closing the St. Paul office and sharing space with the Asian-Pacific Council on an as-needed basis (this may require a change to M.S. 3.922).
- ⇒ Canceling our Intertech service and buying more reliable and lower cost services from private vendors.
- ⇒ Providing an "800" number to take calls normally placed to the St. Paul office.
- ⇒ Seek out and secure other sources of funding to enable us to implement our strategic plan for outreach, education, and technology to reservations.

Relationship to Base Budget
The Council's base budget is $602,000. This reduction will negatively impact the current level of service. Contracting out Cultural Resource responsibilities will reduce response time in emergency recoveries and reburials of human remains.

Key Measures
These reductions will affect the Council's ability to respond to the public. It will take us longer to respond to inquiries, to assist other state agencies that deliver services to Indian communities, to provide services to the American Indian community, and to provide education and counsel to the general public, state employees, and the legislature.

Alternatives Considered – None

Statutory Change: M.S. 3.922, subd. 5.

Agency Purpose

The State Board of Investment (SBI) develops and implements investment policies and strategies for the state's retirement funds, trust funds, and cash accounts. The statutory mission of the SBI is "to establish standards which will insure that state and pension assets...will be responsibly invested to maximize the total rate of return without incurring undue risk." (*M.S.* Section 11A.01).

Core Functions

All activities of the board are governed by *M.S.* Chapter 11A and Chapter 356A. To meet the goals established therein, the SBI must:

- establish and periodically update the investment objectives, asset allocation, and investment management structure for each of the funds;
- seek and retain superior money managers to manage the assets of each fund;
- monitor and evaluate investment performance to insure investment objectives are met;
- assess developments in the broad financial markets and evaluate their potential impact on operations and policies; and
- communicate its investment policies to clients and constituents.

At A Glance

The SBI, composed of four constitutional officers, provides investment management for the Basic Retirement Funds, Post Retirement Fund, Permanent School Fund, Environmental Trust Fund, Assigned Risk Plan, Tobacco Settlement Pool, Supplemental Investment Fund, Invested Treasurer's Cash, and approximately 50 other state cash accounts. On 6-30-01, assets managed by the board totaled $49.0 billion.

The majority of the board's activity relates to investment of retirement funds (82%). Clients are the current and retired members of the three statewide retirement systems (PERA, TRA, MSRS). For cash accounts, the board's largest clients are the State Treasurer and the Department of Finance.

The board retains an executive director, an internal investment management staff, and external investment managers to execute its policies. In performing its duties, the board is assisted by the Investment Advisory Council (IAC), which is composed of 17 persons with investment and retirement fund expertise. With assistance from the IAC, SBI staff:

- recommends strategic planning alternatives to the board and council and executes board decisions;
- provides internal management for the Permanent School Fund, Environmental Trust Fund, Tobacco Settlement Pool, and State Cash accounts;
- monitors the performance of all external managers retained by the board; and
- reviews prospective investment vehicles for legislative consideration.

Operations

Investment activity is divided into two major areas; externally managed and internally managed funds. Each concentration requires different strategies and investment vehicles.

Externally Managed Funds

⇒ *The Basic Retirement Funds* invest the contributions of public employees and employers during the employees' years of public service. Approximately 256,000 employees in eight statewide retirement funds are in the Basic Funds. The goal is to act as a fiduciary, investing contributions to provide sufficient funds to finance promised benefits at retirement.

⇒ *The Post Retirement Fund* contains the assets of over 82,000 retired employees covered by the eight statewide retirement plans. Upon retirement, assets sufficient to finance fixed monthly annuities for the life of the retiree are transferred from the Basic Funds to the Post Fund. The SBI invests these assets to generate returns to maintain promised benefits and to generate additional returns that will provide benefit increases to retired public employees.

⇒ *The Supplemental Investment Fund* is a multi-purpose investment program that offers a range of investment options to state and local employees. It serves a wide range of participants and investment goals, and is, therefore, structured much like a family of mutual funds.

⇒ *The Assigned Risk Plan* is administered by the Department of Commerce to provide workers compensation insurance to companies unable to obtain private insurance. The goal is to match the projected liability stream while also maintaining adequate liquidity.

Internally Managed Funds

⇒ *The Permanent School Fund* is created by the Minnesota State Constitution and designated as a source of revenue for public schools. Income from the fund's assets is used to offset state school aid payments. The Permanent School Fund is invested in a balanced portfolio of common stocks and bonds.

⇒ *The Environmental Trust Fund* is created by the State Constitution and designed as a source of revenue for funding environmental projects. Currently the fund is invested in a portfolio with 70% common stocks and 30% fixed income.

⇒ *The Tobacco Prevention Fund and the Medical Education Fund* are governed by the constraints and goals for the funds as established by statute. Annual earnings up to 5% of the market value of the funds may be distributed for expenditure. Effective 7-1-00, the two endowment funds have an asset allocation of 50% equity and 50% fixed income securities.

⇒ *The Closed Landfill Investment Fund* was created to provide the Pollution Control Agency with funds to pay the long-term costs of maintaining the integrity of landfills in Minnesota once they have been closed. The assets of the fund are unavailable for expenditure until after FY 2020. The Closed Landfill Investment Fund is invested entirely in common stock.

⇒ *State Cash Accounts* represent the cash balances in more than 400 individual accounts that flow through the Minnesota State Treasury. These accounts range in size from $5,000 to over $400 million, and are invested by SBI staff through two commingled short-term investment pools. The objectives of these pooled funds are to preserve capital, to provide a high level of current income, and to meet the cash needs of state government without the forced sale of securities at a loss.

Key Measures

Statutes establish investment goals for the Basic and Post Retirement funds. In addition, the board has set more exacting standards for investment returns. Performance has generally exceeded both statutory requirements and the board's investment performance targets at the total fund level. Below, returns for the investment of retirement funds are presented net of management fees and investment expenses.

Summary of Investment Results for Retirement Funds

Period Ending 6/30/01	Millions	Annualized 1Year (%)	3Years (%)	Annualized 5Years (%)
Basic Funds:	$18,575	-7.4	4.5	11.2
Market composite		-8.4	4.5	10.7
Post Fund:	$19,396	-6.9	4.2	10.3
Market composite		-8.0	4.2	9.7
Benefit increase		11.1	10.3	9.8

Budget

By statute, the SBI charges the statewide retirement funds and non-general fund cash accounts for approximately 90% of its General Fund appropriation. These receipts are deposited in the General Fund as non-dedicated revenue. The General Fund appropriation not recovered by the bill-back provision (approximately 10%) represents the portion of the SBI's budget that is associated with the investment of the General Fund portion of the Invested Treasurer's Cash Fund.

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the Governor's FY 2004-05 budget proposals for the non-cabinet agencies in the state government omnibus bill. Under the Governor's recommended budget, these agencies would collectively spend $12.882 million in General Fund dollars for the FY 2004-05 biennium. The funding provided for these agencies will be used for the protection of public assets and resources, assurance of due process related to governmental rulemaking, the regulation of the gambling and racing industries, administration of campaign finance and disclosure laws, and support to small non-profit organizations that assist Minnesota veterans.

The FY 2004-05 funding recommended for these agencies represents a $6.695 million (34.2%) decrease from the FY 2002-03 biennium. The recommendations will also result in a net decrease in revenue to the General Fund of $954,000 for the biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing and reorganizing some functions. Therefore, for some of the agencies in this bill, the Governor recommends that funding and/or operations be consolidated with other related operations in the state in order to ensure cooperation and shared services to reduce costs.

In addition, the Governor recommends mitigating the impact of the state's deficit by spreading the cuts among more agencies rather than less, and by ensuring that the industries and parties that benefit from these services assist in paying for them. Therefore, for some of the agencies in this bill, the Governor recommends that dependence upon General Fund dollars be supplanted or offset with fees and user charges, and that where appropriate, some fees billed to governmental agencies be reduced.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium as well as the Governor's recommendations for state funding of pension systems.

My staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

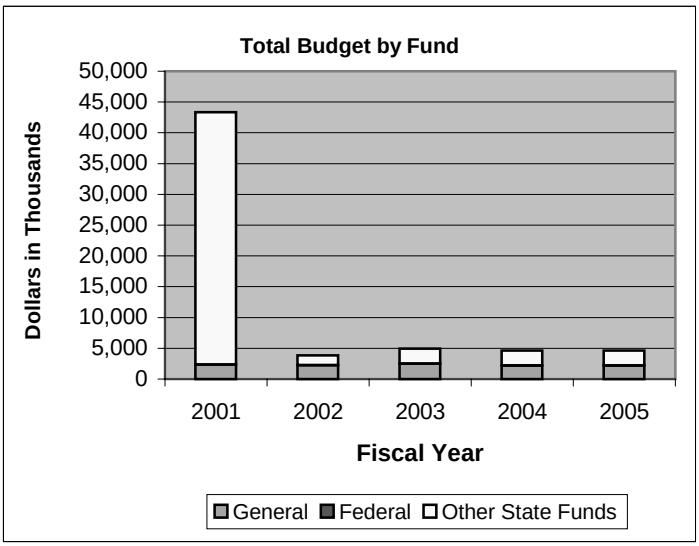
Dan McElroy
Commissioner

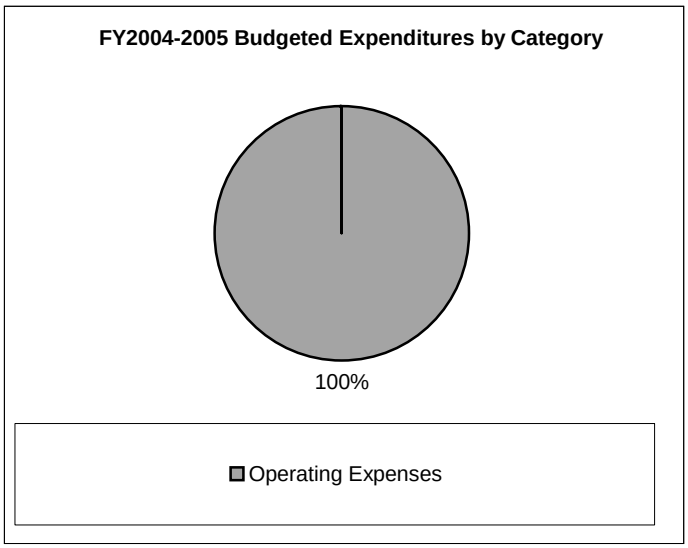
FY 2004-05 Expenditures ($000s)

	General Fund	Other Funds	Total
2003 Funding Level	4,816	4,880	9,696
Adjusted Base Funding	4,816	4,880	9,696
Change Items			
Operating Budget Reduction	-482	0	-482
Governor's Recommendations	4,334	4,880	9,214
Biennial Change, 2002-03 to 2004-05	-383	807	424
Percent Change	-8%	20%	5%

FY 2004-05 Revenues ($000s)

	General Fund	Other Funds	Total
FY 2004-05 Current Law Revenues	4,334	3,751,300	3,755,634
Change Items			
Operating Budget Reduction	(434)	0	(434)
FY 2004-05 Total Revenues	3,900	3,751,300	3,755,200
Biennial Change 2002-03 to 2004-05	(517)	(284,337)	(284,854)
Percent Change	(12%)	(7%)	(7%)





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	2,353	2,239	2,478	2,167	2,167	4,334
Open Appropriations						
Supplmntl Invest Invest Index	20	15	25	25	25	50
Supplemental Invest Suppl Bond	5	7	10	10	10	20
Supplemental Invest Invest Gic	110	114	100	100	100	200
Supplmntl Invest Moneymarket	4	5	5	5	5	10
Supplemental Investment Income	28	28	100	100	100	200
Supplemental Investment Growth	10	12	100	100	100	200
Post Retirement Investment	931	894	1,000	1,000	1,000	2,000
Invest Ext Money Managers#1	8,289	0	0	0	0	0
Invest Ext Money Managers #2	31,601	556	1,000	1,000	1,000	2,000
Supplemental Intl Equity	2	2	100	100	100	200
Total	**43,353**	**3,872**	**4,918**	**4,607**	**4,607**	**9,214**

Expenditures by Category						
Operating Expenses	43,353	3,872	4,918	4,607	4,607	9,214
Total	**43,353**	**3,872**	**4,918**	**4,607**	**4,607**	**9,214**

Expenditures by Program						
Investment Of Funds	2,353	2,239	2,478	2,167	2,167	4,334
Refunds/Retire Funds	41,000	1,633	2,440	2,440	2,440	4,880
Total	**43,353**	**3,872**	**4,918**	**4,607**	**4,607**	**9,214**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	2,271	2,250	2,167	1,950	1,950	3,900
Closed Landfill Investment	0	1	0	0	0	0
Supplmntl Invest Invest Index	648	329	500	500	500	1,000
Supplemental Invest Suppl Bond	42	619	300	300	300	600
Supplemental Invest Invest Gic	1,159	324	750	750	750	1,500
Tobacco Medical Ed Endowment	13,133	19,107	17,000	17,000	17,000	34,000
Tobacco Use Prevent Endowment	14,034	19,922	17,000	17,000	17,000	34,000
Supplmntl Invest Moneymarket	3,113	3,266	3,000	3,000	3,000	6,000
Supplemental Investment Income	4,386	3,056	3,800	3,800	3,800	7,600
Supplemental Investment Growth	2,551	1,027	1,800	1,800	1,800	3,600
Post Retirement Investment	1,905,538	2,085,244	1,800,000	1,800,000	1,800,000	3,600,000
Invest Ext Money Managers#1	10,928	0	0	0	0	0
Invest Ext Money Managers #2	45,376	556	1,000	1,000	1,000	2,000
Supplemental Intl Equity	413	569	500	500	500	1,000
Permanent School	27,969	25,967	30,000	30,000	30,000	60,000
Subtotal Non Dedicated	2,031,561	2,162,237	1,877,817	1,877,600	1,877,600	3,755,200
Total Revenue	**2,031,561**	**2,162,237**	**1,877,817**	**1,877,600**	**1,877,600**	**3,755,200**
Full-Time Equivalents (FTE)	**23.5**	**23.2**	**23.2**	**23.2**	**23.2**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($241)	($241)	($241)	($241)
Revenues	(217)	(217)	(217)	(217)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($24)	($24)	($24)	($24)

Recommendation

The Governor recommends a General Fund appropriation of $2,167,000 in FY 2004 and $2,167,000 in FY 2005. These amounts reflect an 8% expenditure reduction from FY 2002-03. As a tool, the State Board of Investment (SBI) should collaborate with other state agencies on ways to achieve these reductions through consolidation, co-location, or sharing of support services. Additionally, the Governor intends to provide as much flexibility as possible to the agency for the implementation of these reductions.

Background

The SBI currently receives a direct General Fund appropriation to pay for its internal operation costs. Approximately 10% of the SBI's internal operating costs are directly related to investment services provided within the state General Fund. The remaining operating costs, approximately 90%, are allocated and billed to non-General Fund organizations that receive SBI investment services. The receipts are deposited in the General Fund as non-dedicated revenue.

Relationship to Base Budget

This represents a $482,000 (10%) reduction in the FY 2004-05 biennial base budget for SBI.

Because of SBI's non-General Fund billing practices, the General Fund appropriation reduction will also reduce General Fund receipts by $434,000. Net General Fund savings will be $48,000.

SBI has not specifically determined where the reductions will occur. It is anticipated that this reduction will require a staff reduction of three to five people. All core services of SBI will be maintained; however levels of service provided to customers will be reduced as will billings to these customers.

Agency Purpose

The office of the commissioner of Iron Range Resources and Rehabilitation (IRRR) was created by the Minnesota Legislature in 1941 to rehabilitate the Iron Range area of northeastern Minnesota. Specifically, the Commissioner and staff serve the interests of the Taconite Tax Relief Area (TTRA), a geographical region encompassing approximately 13,000 square miles. While the methods of rehabilitation have varied over the years, the mission of the agency continues to be one of economic development and diversification. The agency is funded from taconite production taxes, which are levied against mining companies in lieu of property taxes. The agency is unique in that it receives no money from the General Fund.

At A Glance

Two-Year Budget:

- $24 million Taconite Tax Revenue
- $25 million Agency Generated Revenue

Economic Environment

- Primary mission is job creation and diversification of the economy of the TTRA.
- Bankruptcy & closure of LTV Steel Mining Co. January 2001, resulted in significant reduction of production tax revenue.
- A generally weak U.S. steel sector translates to reduced production tax revenue. National Steel Corporation has been unable to make its 2002 Production Tax payments due to Chapter 11 bankruptcy.

Job Creation

- Facilitated the creation of over 1,500 jobs in the TTRA since Fall 2001.

Core Functions

The agency's core functions support the enhancement of the economic vitality of the TTRA through value-driven, cost-effective projects and programs designed for the long-range benefit of the region. These core functions are:

⇒ Providing loans and grants to businesses and local governments.

⇒ Marketing the TTRA to a wide variety of potential businesses that might consider moving or expanding their operations to Minnesota's Iron Range.

⇒ Working to establish the TTRA as a leader in the use of information technology as a means of enhancing and diversifying the regional economy for the benefit of its businesses, communities and citizens.

⇒ Helping sustain and enhance the existing iron ore industry and promoting the development of minerals other than iron.

⇒ Increasing the impact of tourism in the region.

Operations

The agency serves the citizens of the TTRA. Services are delivered through the following programs:

⇒ **Economic Diversification** provides low cost loans, loan guarantees, subordinated loans, incentive grants, training assistance and equity investments in certain companies. The division also administers a community grant program to help provide infrastructure to job creation projects. Business Recruitment implements an aggressive marketing program and a comprehensive networking effort to identify and reach potential business recruitment candidates. The division's do I.T! program focuses on three major initiatives: Technology Centers, Technology-based Economic Development, and Community Technology Awareness.

⇒ **Mining, Energy and Minerals Development** administers two taconite production tax rebate programs that help recapitalize Minnesota iron mines. The division also funds research in value-added iron products, copper-nickel, platinum group minerals and titanium processing and a drilling incentive grant program that provides small grants to companies conducting exploratory drilling. Additionally, the agency participates in Minnesota Minerals 21st Century Fund value-added iron and non-ferrous mineral development projects through matching investments.

⇒ **Tourism** provides matching grants for tourism marketing projects to communities and organizations within the TTRA and works closely with the Northern Lights Tourism Alliance (NLTA), a citizen's advisory committee to the Commissioner on tourism issues. In addition, the agency owns and operates **Giants Ridge Golf and Ski Resort** near Biwabik and **Ironworld Discovery Center** in Chisholm.

Budget

Minnesota's six taconite companies pay taconite production taxes based on annual operating tonnage. The bankruptcy of LTV Steel Mining Company in December 2000 and subsequent closure significantly impacted agency financial resources. Additionally, the Chapter 11 bankruptcy filing in March 2002, of National Steel Corporation further eroded resources. The combined impact has required that the agency reduce its 2003 business plan by 30% from FY 2002 budget level, with further reduction required for FY 2004.

Allocation of agency resources, while currently in a dramatic state of flux, is based primarily on the agency's mission of economic development and diversification of the economy in the TTRA. Accordingly, job creation and economic diversification programs receive the greatest share of agency funds. Other program allocations are based on economic priorities determined by the Commissioner in cooperation with the IRRR Board.

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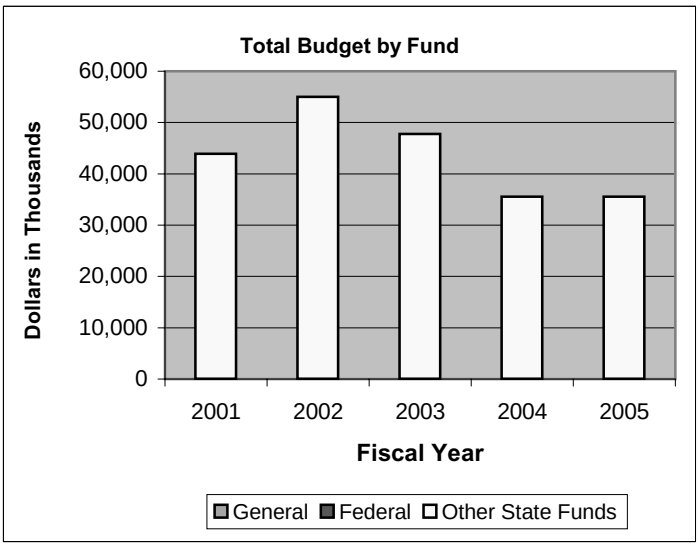

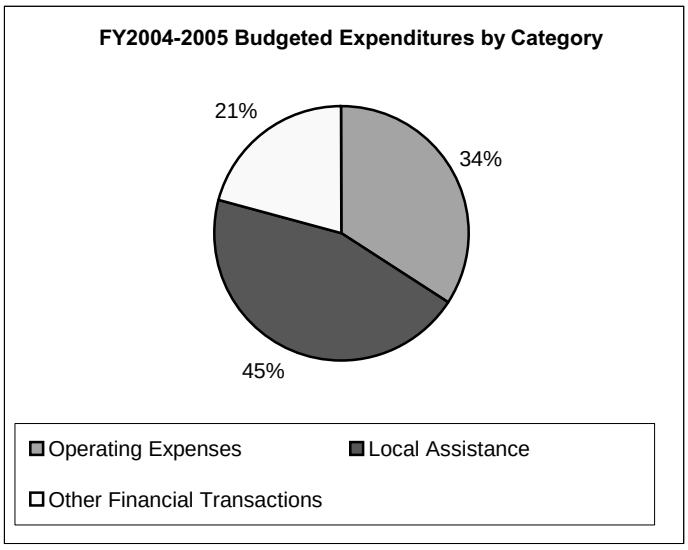

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Iron Range Resources & Rehab	34,916	29,086	28,706	24,083	25,583	49,666
Giants Ridge Golf & Ski Resort	0	4,436	5,993	5,754	5,754	11,508
Ne Mn Economic Protection	8,974	21,507	13,072	5,723	4,223	9,946
Total	**43,890**	**55,029**	**47,771**	**35,560**	**35,560**	**71,120**
Expenditures by Category						
Operating Expenses	14,693	13,281	14,296	12,149	12,149	24,298
Capital Outlay & Real Property	794	138	1,842	0	0	0
Payments To Individuals	500	0	0	0	0	0
Local Assistance	21,791	25,810	18,063	15,980	15,980	31,960
Other Financial Transactions	6,112	15,800	13,570	7,431	7,431	14,862
Total	**43,890**	**55,029**	**47,771**	**35,560**	**35,560**	**71,120**
Expenditures by Program						
Agency Administration	2,365	12,468	3,789	2,408	2,408	4,816
Facilities	8,152	7,592	9,422	8,877	8,877	17,754
Programs	15,242	15,592	12,638	12,396	12,396	24,792
Taconite Industry Rebate Funds	8,131	10,705	11,879	11,879	11,879	23,758
Agency Roll-Over	10,000	8,672	10,043	0	0	0
Total	**43,890**	**55,029**	**47,771**	**35,560**	**35,560**	**71,120**

IRON RANGE RESOURCES & REHAB

Fiscal Report

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	220	218	0	0	0	0
Subtotal Non Dedicated	220	218	0	0	0	0
Dedicated						
Iron Range Resources & Rehab	27,573	14,316	25,405	26,160	26,160	52,320
Giants Ridge Golf & Ski Resort	0	3,341	3,858	5,455	5,455	10,910
Ne Mn Economic Protection	8,891	6,979	6,628	6,620	6,620	13,240
Subtotal Dedicated	36,464	24,636	35,891	38,235	38,235	76,470
Total Revenue	**36,684**	**24,854**	**35,891**	**38,235**	**38,235**	**76,470**
Full-Time Equivalents (FTE)	**128.6**	**114.2**	**102.1**	**102.6**	**102.6**	

Program Description

The Administrative Services Division provides administrative support to the other divisions of the agency in terms of agency management, human resources and payroll, general accounting, accounts payable, accounts receivable, financial reporting, professional/technical contracting, procurement and information systems. Also, included in this division are legal services of the Office of Attorney General on-site staff.

Program at a Glance

- Senior Administration
- Agency Accounting, Procurement and Financial Reporting Services
- Professional /Technical Contracting
- Information Services
- Human Resources
- Attorney General Services

By supplying human and technical resources to all other agency activities and programs, this division enables the agency to better serve customers and clients. It procures supplies, materials, equipment and services from vendors and contractors. In addition, this division performs various financial research and planning functions for the agency. Cost efficiency and effectiveness receive priority attention during the biennium. Managerial plans have been developed for agency facilities to achieve increased revenues and decreased operational costs. The agency budget plan emphasizes economic development, in keeping with Iron Range Resources & Rehabilitation's (IRRR) primary mission. The agency is currently directing resources toward various forms of business development, including tourism, to achieve maximum possible job creation and economic diversification.

Population Served

IRRR Programs and Facilities; business clients and the general public.

Services Provided

Administrative direction, policymaking, strategic planning and interface with the public and the media; legal services and support; financial, accounting, and procurement support; information systems technical and administrative support.

Key Measures

⇒ Number and quality of new jobs created through business development during the biennium.

⇒ Improved operating margins at facilities

.

Program Funding

General Support per year - $1,767,516
Information Systems per year- $350,155
Human Resources per year - $290,000

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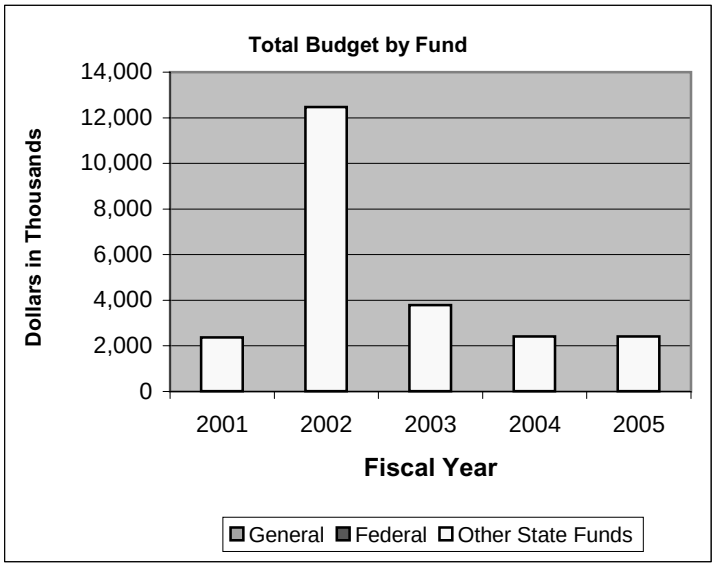

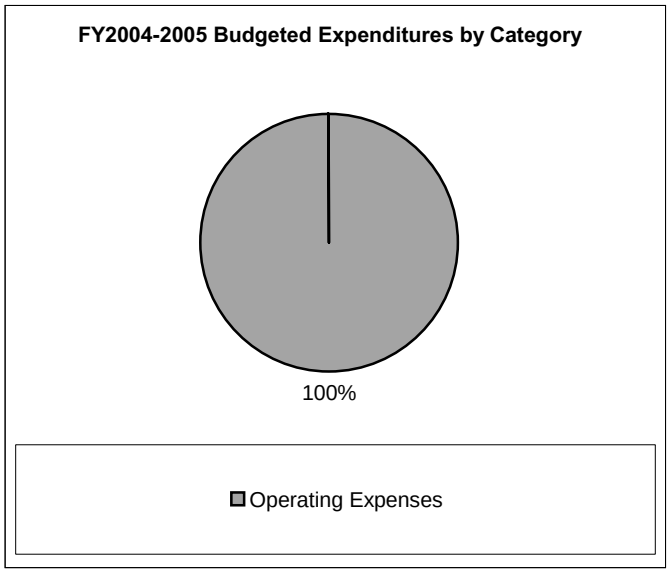

Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Statutory Appropriations						
Iron Range Resources & Rehab	2,151	4,726	3,789	2,408	2,408	4,816
Ne Mn Economic Protection	214	7,742	0	0	0	0
Total	**2,365**	**12,468**	**3,789**	**2,408**	**2,408**	**4,816**
Expenditures by Category						
Operating Expenses	2,365	2,436	3,789	2,408	2,408	4,816
Local Assistance	0	5,032	0	0	0	0
Other Financial Transactions	0	5,000	0	0	0	0
Total	**2,365**	**12,468**	**3,789**	**2,408**	**2,408**	**4,816**
Expenditures by Activity						
Agency Administration	2,365	12,468	3,789	2,408	2,408	4,816
Total	**2,365**	**12,468**	**3,789**	**2,408**	**2,408**	**4,816**
Revenue by Type and Fund						
Non Dedicated						
General	220	218	0	0	0	0
Subtotal Non Dedicated	220	218	0	0	0	0
Dedicated						
Iron Range Resources & Rehab	15,269	10,131	12,146	12,885	12,885	25,770
Ne Mn Economic Protection	8,891	6,979	6,628	6,620	6,620	13,240
Subtotal Dedicated	24,160	17,110	18,774	19,505	19,505	39,010
Total Revenue	**24,380**	**17,328**	**18,774**	**19,505**	**19,505**	**39,010**
Full-Time Equivalents (FTE)	**23.0**	**20.7**	**19.2**	**19.2**	**19.2**	

Program Description

Ironworld Discovery Center: The primary activities of this program are the development and promotion of tourism opportunities that will enhance the economic diversification of the Taconite Tax Relief Area (TTRA).

Giants Ridge Golf and Ski Resort: The primary activities of this program are the development and promotion of tourism opportunities that will enhance the economic diversification of the TTRA. Giants Ridge Golf & Ski Resort continues to serve as the Iron Range Resources and Rehabilitation (IRRR) tourism and economic development pinnacle and success story of northeastern Minnesota. Purchased in 1984 by IRRR, Giants Ridge has transformed from a ski hill attracting day visitors within a 50-mile radius, to a four-season resort destination attracting over 130,000 multiple-night guests each year from throughout Minnesota, the United States and Canada. The mission of Giants Ridge Golf & Ski Resort is to "provide first class recreational experiences to enhance economic development in Northeastern Minnesota." And, during the past two years, the resort has successfully operated with the primary goal of being the Midwest's best four-season destination resort.

Program at a Glance

Ironworld:
- Public Gate Attendance: 65,000
- Library Services: 12,000
- Private Events: 6,700
- Venue Events: 81,560

Giants Ridge Golf and Ski Resort:
- 105,000 annual skier visits
- 26,000 golf visits
- Quarry Course opens 2003

Mineland Reclamation:
- 150,000/year seedling production
- $10,000/year fish stocking
- Abandoned mine safety projects
- Restore wildlife habitats
- Environmental education

Maintenance & Shop:
- Heavy equipment maintenance and repair
- Maintenance of leased Travel Management vehicles
- Annual building and grounds maintenance cost per square foot = $3.24

Mineland Reclamation: This program provides for reclamation, restoration or reforestation of minelands not otherwise provided for by the state law for the purpose of reclaiming and enhancing those areas of northeastern Minnesota adversely affected by (the) mining (of) taconite and iron ore. Reclamation projects include eliminating dangerous areas, establishing vegetation and reforestation, repairing and preventing erosion and dust problems, creating recreational areas and restoring wildlife habitats on abandoned minelands. This division continues to form new partnerships between units of government and private industry to accomplish mutually beneficial programs to better serve the people of northeastern Minnesota. The new partnerships stretch dollars farther and also combine the skills and knowledge of staff. Mineland Reclamation projects continue to have a larger share of local participation and lever substantial funding from other sources.

Maintenance & Shop: This activity provides maintenance and repair support for all agency motorized vehicles and equipment. This work is either done in the field or in the Eveleth, Ironworld and Giants Ridge shops, depending on the extent of the work required and other circumstances. The Eveleth shop has a specially equipped field truck that mechanics stationed at Eveleth or other agency facilities use to decrease down time and repair costs for the Building Demolition program as well as other agency programs that use motorized vehicles and equipment. In-house expertise and updated equipment have been utilized to service and repair new technology that is a part of our equipment and vehicles.

Additionally, this activity is responsible for maintenance operations. Costs are controlled through use of a new computer maintenance program that will enable the agency to track all maintenance costs for equipment, vehicles and labor at a central location. This assists the staff in streamlining all maintenance activity and evaluating individual equipment performance and useful life.

Building maintenance operations at the Eveleth facility are also managed through this division. Cost control measures, such as acquisition of larger outdoor maintenance equipment allow maintenance of the complex by one full-time equivalent employee.

Population Served

Ironworld: Minnesota residents and school children, national and international tourists, scholars, historians and other researchers.

Giants Ridge Golf & Ski Resort: Customers of the resort and the people of the Iron Range, North Shore and Central Minnesota.

Mineland Reclamation: The people of northeastern Minnesota within the Taconite Tax Relief Area (TTRA) including the Cuyuna, Mesabi and Vermilion Iron Ranges.

Maintenance & Shop: All agency departments including Ironworld, Giants Ridge and Eveleth Administration Complex. Meeting space is made available to the public, specialized task forces, committees and boards.

Services Provided

Ironworld: The IRRR operates Ironworld Discovery Center in Chisholm. Ironworld is a museum and heritage attraction that preserves northeastern Minnesota's iron mining and immigration history. Also included at Ironworld are the Iron Range Research Center and the education program, "Beyond School Walls."

Giants Ridge Golf & Ski Resort: Minnesota's premier four-season resort offers many adventures year-round. Lodging facilities include your choice of a suite at The Lodge or a condominium at The Villas. There is a full service restaurant and lounge, indoor pool and spa, event and conference facilities all located at Giants Ridge Golf & Ski Resort. The Legend, an 18-hole championship golf course, continues to gain national attention each season as publications such as Golf Digest rate the course among the top in the nation. The Quarry, a second 18-hole championship course will be opening in Spring 2003. The Disc Golf Course leads players through a challenging series of 18 "holes" that are actually chest-high baskets designed to catch the Frisbee-like discs. There are outdoor equipment rentals so guests can enjoy the 70 miles of hiking/biking trails or canoeing and kayaking on Wynne Lake. During the winter months, Giants Ridge is home to 34 alpine ski runs; 70 kilometers of groomed cross Country ski trails; over 30 kilometers of snowshoe trails; easy access to 3,000 miles of groomed snowmobile trails; and a 3,000 foot terrain park complete with a 14-foot wall and 600 foot half pipe, a new quarter pipe, floater, rail slide, and a state-of-the-art sound system.

Mineland Reclamation: The Mineland Reclamation Division provides the necessary labor, supplies and materials to carry out legislatively mandated duties and responsibilities. These include: eliminating unsafe conditions, restoring wildlife habitats, fish stocking, creating recreational opportunities, environmental education, constructing sites for commercial and residential development, tree planting for reforestation of abandoned minelands; repair and prevention of erosion through seeding, fertilizing and mulching to stabilize the soils; and protection and maintenance of existing tree plantations and mineland reclamation projects throughout the TTRA.

Maintenance & Shop: The Maintenance and Shop program provides heavy equipment, travel management and IRRR vehicle services either in the field and/or shop. This department also maintains the building and grounds of the Eveleth Headquarters complex located south of Eveleth on State Highway #53. The complex includes a 44,000 square foot administration building and over two acres of adjacent parking lots and grounds. Personnel, supplies and equipment necessary to operate and maintain the complex as a safe work environment are included in the building. It provides space for IRRR employees as well as meeting facilities for outside organizations.

Key Measures:

Ironworld:

⇒ Prioritize resources to achieve the mission.
⇒ Move from past driven programs to future driven priorities.
⇒ Build internal capacity and effectiveness.
⇒ Preserve assets and diversify use.

Giants Ridge Golf & Ski Resort:

⇒ Ninety percent of resort visitors are from outside a 90-mile radius, which results in significant dollars pumping into the local economy via revenues collected in lodging, gas, restaurants, retail shopping and recreation.
⇒ For the second consecutive year, Golf Digest ranked the Legend golf course at Giants Ridge with a 4 1/2 star rating in its "Top Places to Play."
⇒ The Resort Development Office continues to market and sell The Woodlands at Giants Ridge, a premium single-family housing development with 19 lots located on holes 11, 12 and 18 of The Legend at Giants Ridge.
⇒ Giants Ridge was ranked Minnesota's Number One Ski area (2001 and 2002), Midwest's Top 5 (2001) and Top 3 (2002) Ski Area (2001).
⇒ Season pass sales have increased by 20% during the last two years.
⇒ Ranked in the Top 30 Summer Resorts in the Nation (2001).

Mineland Reclamation:

⇒ Reforestation, revegetation, education, recreation and safety.

Maintenance & Shop:

⇒ Full implementation of Atlas 2000, computerized equipment maintenance software.
⇒ Tracking of equipment maintenance costs as a means of maintenance expense management.

Program Funding:

Ironworld
Grants, Sponsorships, Earned Income,
Agency Funds
$1,886,505 per year

Mineland Reclamation
Operating per year - $436,086
Projects per year - $327,500

Giants Ridge Golf & Ski Resort
Resort Operations - $4,206,934 per year
Resort Debt Service - $1,296,193 per year
Resort Facility Improvement - $250,000 per year

Maintenance & Shop:
$472,579 per year

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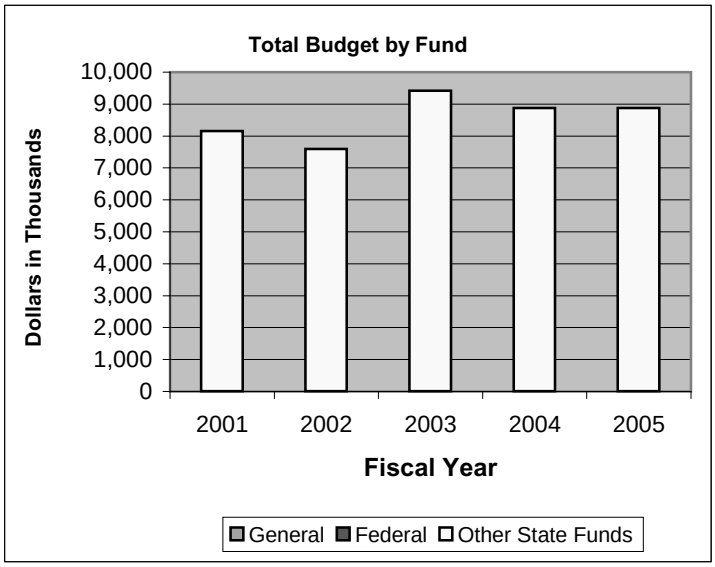

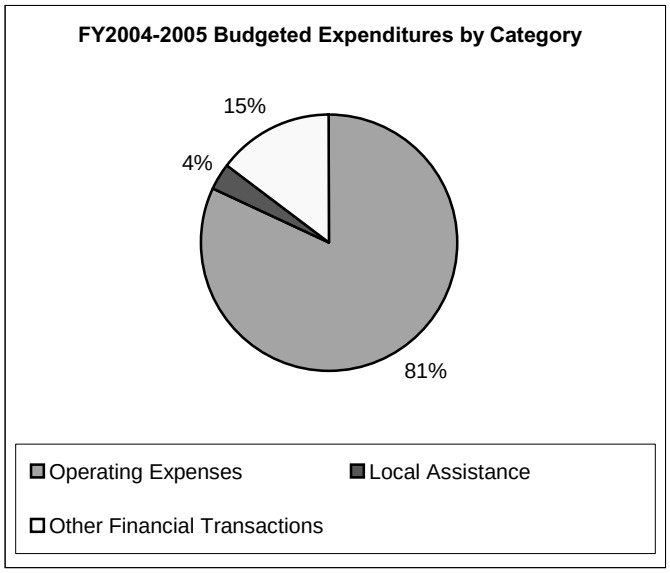

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Iron Range Resources & Rehab	8,152	3,156	3,433	3,123	3,123	6,246
Giants Ridge Golf & Ski Resort	0	4,436	5,989	5,754	5,754	11,508
Total	**8,152**	**7,592**	**9,422**	**8,877**	**8,877**	**17,754**
Expenditures by Category						
Operating Expenses	7,386	7,237	7,689	7,263	7,263	14,526
Capital Outlay & Real Property	84	17	0	0	0	0
Local Assistance	352	138	318	318	318	636
Other Financial Transactions	330	200	1,415	1,296	1,296	2,592
Total	**8,152**	**7,592**	**9,422**	**8,877**	**8,877**	**17,754**
Expenditures by Activity						
Facilities	8,152	7,592	9,422	8,877	8,877	17,754
Total	**8,152**	**7,592**	**9,422**	**8,877**	**8,877**	**17,754**
Revenue by Type and Fund						
Dedicated						
Iron Range Resources & Rehab	4,315	426	471	471	471	942
Giants Ridge Golf & Ski Resort	0	3,341	3,858	5,455	5,455	10,910
Subtotal Dedicated	4,315	3,767	4,329	5,926	5,926	11,852
Total Revenue	**4,315**	**3,767**	**4,329**	**5,926**	**5,926**	**11,852**
Full-Time Equivalents (FTE)	**72.6**	**66.7**	**58.1**	**58.1**	**58.1**	

Program Description

Business and Community Development: During the last biennium, the business and community development divisions consolidated, providing more resources and focus on the goal of assisting businesses and communities in creating jobs within the Taconite Tax Relief Area (TTRA). Project dollars have been combined and used primarily for projects that provide quality employment opportunities.

Business Recruitment: Efforts have been made to quantify the strengths and attributes of the region in order to provide focus to the agency's business recruitment strategy. These have led to a jointly funded partnership between the Iron Range Resources & Rehabiliation (IRRR) and the U.S. Department of Commerce's Economic Development Administration (EDA) to secure the services of Paragon Decision Resources, Inc., a national site locator firm, which, after considerable analysis, identified four target market sectors in which the TTRA is significantly competitive. They are: 1) upscale customer services centers, 2) metal fabrication and machinery manufacture, 3) high-end electronics assembly; and 4) value-added wood products.

Communications: The communications program continues to provide the publications of Rangeview, The Weekly Resourcer, and Biennial Report to the legislature. The division assists with the State Employees Combined Charities Campaign and a series of regional business forums.

Tourism and Trails: The Northern Lights Tourism Alliance (NLTA), a citizens' advisory group comprised of tourism professionals from across the TTRA, aids in this endeavor. The Tourism Planning and Development Division continues regional tourism marketing, while recreational opportunities and events offered by Giants Ridge Golf and Ski Resort and Ironworld Discovery Center continue to attract tourism and travel to the area. To help accomplish the Division goals, partnerships have been developed with other units of government at the local, state and federal level, economic development associations, tourism groups and statewide associations.

Mining, Energy and Minerals Development: The Mining, Energy and Minerals program guides the agency's involvement in the mining sector and energy initiatives. The taconite industry is a major contributor to Minnesota's economy and in particular to the economy of northeastern Minnesota. The agency is partially funded by taconite production taxes levied on mining operations in lieu of local property taxes. The agency receives no operational funding from the state General Fund. The production tax essentially replaces the local tax obligations that the taconite producers would otherwise have to local governments. The industry currently has 4,100 direct employees and other spin-off industries that do business with the taconite companies provide more than 14,000 jobs. Mining and Minerals Development manages the Taconite Economic Development Fund (TEDF) and Producer Grant Program (PGP). Through the TEDF, 30.1-cents of the $2.103 tax paid for each ton of taconite pellets produced is rebated back into northeastern Minnesota taconite plants for new equipment, facility improvements and research and development in new mining technologies. Under the PGP, 5-cents per ton is allocated for environmentally unique reclamation projects and facility improvements. In 2001, the agency began the Energy Initiative program to research and analyze opportunities in the energy field. Projects focus on new, clean coal technologies, biomass, hydroelectric, wind power, solar energy and fuel cells.

Program at a Glance

Business and Community Development
- Over 133 projects
- Over $45 million in projects
- Over 800 jobs created/retained in the last 18 months

Business Recruitment
- Ongoing marketing presence among business leaders in targeted industry groups through teleprospecting, site visits, trade show involvement, and business recruitment promotional activities including advertisements and informational mailing.

Communications
- Provides both internal and external communications for the agency.
- Tourism and Trails
- Increase the economic impact of tourism in the region.

Mining, Energy and Minerals Development
- Development of value-added iron products, non-ferrous minerals and alternative energy sources.

do I.T.
- Deployment of high speed connectivity
- Creation & recruitment of high tech businesses and jobs
- Training and education of constituents and businesses

Building Demolition
- Remove approximately 200 structures

do I.T.: For the past four years IRRR has been involved in the do I.T! private/ public partnership. The first year was devoted to development of the vision and mission for this unique initiative. The last three years has seen the implementation phase of the program take root and bear fruit for the region's information technology assets. The mission of the do I.T! program is to create an umbrella organization whose purpose is to strengthen the region's economy by providing focus and assistance to communities, businesses and institutions in awareness, understanding and utilization of advanced technology. The do I.T! initiative directs its attention to three areas of responsibility: the deployment of connectivity and infrastructure throughout the region; technology-based economic development expansion; and community technology awareness and education.

Building Demolition: This program assists local units of government and private citizens by removing unmarketable and decaying structures. Since 1972, the program has removed 6,550 abandoned and unwanted structures throughout the TTRA. Communities reimburse IRRR based on utilization of the service. Local property owners pay fees in accordance with individual community guidelines.

Population Served

Business and Community Development: Communities located within the TTRA and eligible businesses currently located within or locating to the TTRA.

Business Recruitment: The program serves the communities and working families of the TTRA.

Communications: This program serves the population of the IRRR service area and the general population of Minnesota through its function of public information about the work and projects of the agency.

Tourism and Trails: This program serves both the local population as well as the general population of Minnesota and the Midwest. Locally, this program supports destination lodging, dining, shopping, recreation and service sector businesses that depend on tourism, travel and local trail provider organizations.

Mining, Energy and Minerals Development: The Mining, Energy and Minerals program serves the interests of the Taconite Tax Relief Area, a geographical region encompassing approximately 13,000 square miles, including all or parts of Cook, Lake, St. Louis, Itasca, Aitkin and Crow Wing counties.

do I.T.: Residents, business and industry of the TTRA.

Building Demolition: Residents, business and industry of the TTRA.

Services Provided

Business and Community Development: The IRRR has become one of the largest and most active commercial lenders in northeastern Minnesota, with a loan portfolio in excess of $40 million. Business development throughout the region is achieved through the Bank Participation Loan Program, direct loans, employment incentive grants, training grants, key employee relocation grants, and venture capital investments. The current loan portfolio consists of 133 loans and over $41.5 million serviced by three loan officers. In excess of 1,000 jobs are expected to be created or retained as a result of these agency investments during the biennium.

Business Recruitment: For three years, the IRRR has maintained a full-time office in the World Trade Center in St. Paul. This effort has had a positive impact on business recruitment efforts by several measures. First, leads and inquiries from the Twin Cities metropolitan area and central and southern Minnesota can be immediately followed up and qualified. Second, it has provided the agency with an opportunity to become more actively involved in various metropolitan-based business organizations and networking opportunities such as the Minnesota High Tech Association and the Collaborative, which is a network of entrepreneurial companies and venture capital organizations. And, finally, it has provided the agency with an excellent opportunity to more effectively collaborate with the Department of Trade and Economic Development and the Minnesota World Trade Office on business development and recruitment opportunities.

Communications: This program provides media releases about the work and projects of the agency on an as needed basis. It provides both external and internal communications. In the 2004-05 biennium this program will also assume internal responsibilities for a number of graphics and communications projects that had previously been out-sourced through professional/technical contracts.

Tourism and Trails: In partnership with the NLTA, the division promotes the Wild North as a vacation destination through projects that complement and enhance the efforts of community organizations and the

Minnesota Office of Tourism, to optimize the economic impact of tourism in the region. The Trails program places emphasis on providing assistance to those volunteer organizations that provide basic trail infrastructure in our service area, with primary focus on motorized winter recreational trails.

Mining, Energy and Minerals Development: Through the Mining and Minerals Development program, several major contributions have been made to northeastern Minnesota's taconite industry. In 1994-95 through its Taconite Assistance Program, the agency awarded $2 million in grants to each of the taconite companies for new equipment and facility improvements. Special assistance has also been provided. A $6 million loan to National Steel Pellet Company was part of a $25 million incentive package provided by the state of Minnesota and other stakeholders that helped National's taconite plant reopen in 1994 following a one-year closure. In 2000, $4.25 million was awarded for mining projects to introduce new or better technology. The agency also administers the TEDF and PGP taconite production tax rebate programs. These rebate programs provide $10.7 million annually that help recapitalize Minnesota iron mines. Through these programs, the agency has invested approximately $116 million in Minnesota's taconite industry since 1993. These dollars have leveraged over $132 million from the producers to undertake projects exceeding $248 million. Under the Energy Initiative program, pre-feasibility financial assistance was provided to Excelsior Energy, Inc. to develop a coal gasification facility at the former LTV Mine site, now Cliffs-Erie. Funding has also been provided to the East Range Joint Powers Board to purchase and construct a wind-monitoring tower on the tailings basin at Cliffs-Erie. In addition, work currently is underway to locate wind farms along the Laurentian Divide and develop a wind component manufacturing facility in our region.

do I.T.: Northeastern Minnesota has excellent resources provided by numerous sources offering high speed broadband connectivity utilizing fiber optic cable, DSL and wireless technologies. do I.T! staff has worked closely with statewide and regional initiatives to encourage expansion of high-speed networks throughout the state. do I.T! is a major partner in the Northeast Wide Area Network (NEWAN), a high speed video, voice and data ATM (asynchronous transfer mode) network now in operation throughout the region. This venture consists of 29 area libraries, 31 K-12 school districts, 13 higher education institutions and seven operating or planned technology centers which are linked to the world with T1 broadband connectivity. The technology-based economic development initiative of do I.T! is working to bring high-tech businesses to the region through a program of equity investment in qualified existing or start-up companies willing to locate in the TTRA. The program fosters community technology awareness through a number of programs that promote use and understanding of information technology.

Building Demolition: During the past two fiscal years, 239 structures were removed. These dilapidated, unwanted and hazardous structures were removed for counties, cities, and townships in a safe, timely manner. Typically, a single-family dwelling is removed for approximately $1,800. The removal of these structures provides a cleaner and healthier environment, paves the way for new construction, economic development and strengthens the property tax base.

Key Measures

Business and Community Development:

⇒ Assist in the creation of 1,200 new jobs within the TTRA, paying over $10/hour plus benefits, by the end of FY 2005.

Business Recruitment:

⇒ Increase business awareness of the TTRA through participation in at least three regional and one national trade show.

⇒ Aggressively network with and pursue prospective business leads in targeted industrial sectors.

⇒ Send specialized mailings to targeted business sectors.

⇒ Attempt to secure ten quality site visits per year resulting in at least one serious candidate for a new TTRA facility.

Communications:

⇒ While increasing utilization of staff on graphics and communications projects, we will create a baseline of service provided internally.

Tourism and Trails:

⇒ Increase in the amount of gross revenues earned in the Wild North area of 7% per year.

Mining, Energy and Minerals Development:

⇒ Mining jobs created or retained in northeastern Minnesota.

⇒ Leverage of other funding sources for the Mining, Energy and Minerals program and projects.

⇒ Development of value-added iron products, non-ferrous minerals (copper, nickel, precious metals) and alternative energy sources for the region.

do I.T.:

⇒ Continued deployment of broadband connectivity throughout the TTRA, utilizing wireless, DSL and fiber optics cable.

⇒ Establishment of new and expansion of existing high-tech business and industry in the region providing high paying jobs.

⇒ Promotion of technology awareness in all segments of society with emphasis on business.

Building Demolition:

⇒ Economic Development that follows a demolition.

⇒ Increase to property tax base due to construction/building.

⇒ Removal of blight.

Program Funding

Business and Community Development
Operating per year - $752,288
Projects per year - $7,281,564

Business Recruitment
Operating per year - $545,657
Projects per year - $275,000

Communications
$244,151 per year

Tourism and Trails
Operating per year - $211,808
Projects per year - $200,000

Mining, Energy & Minerals
Operating per year - $247,631
Projects per year - $60,000

do I.T.
Operating per year - $152,251
Projects per year - $1,250,000

Building Demolition
Users fund this program
$175,000 per year

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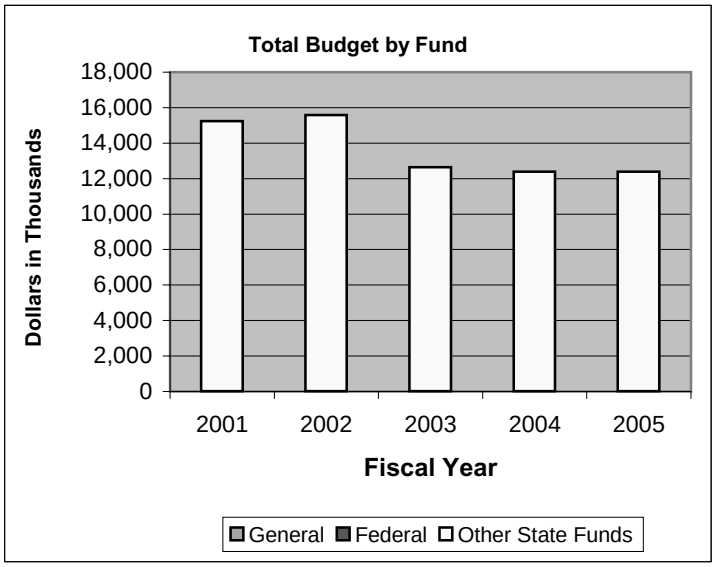

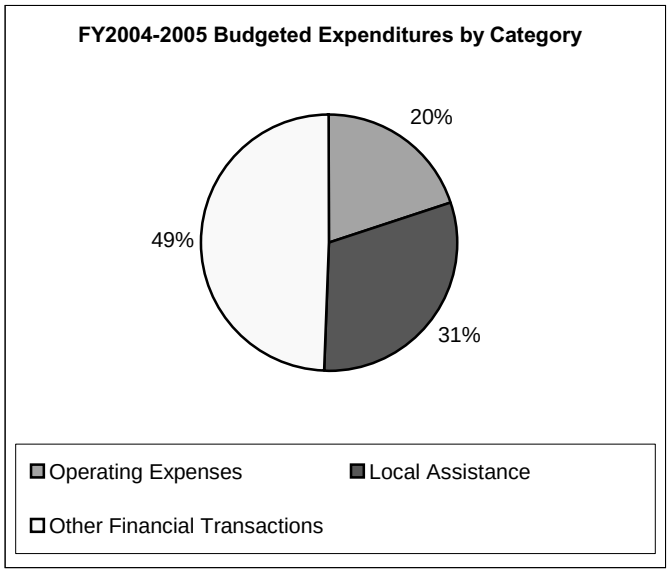

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Iron Range Resources & Rehab	9,762	8,977	6,386	6,673	8,173	14,846
Ne Mn Economic Protection	5,480	6,615	6,252	5,723	4,223	9,946
Total	**15,242**	**15,592**	**12,638**	**12,396**	**12,396**	**24,792**
Expenditures by Category						
Operating Expenses	3,993	2,952	2,700	2,478	2,478	4,956
Local Assistance	8,466	7,950	3,803	3,783	3,783	7,566
Other Financial Transactions	2,783	4,690	6,135	6,135	6,135	12,270
Total	**15,242**	**15,592**	**12,638**	**12,396**	**12,396**	**24,792**
Expenditures by Activity						
Programs	15,242	15,592	12,638	12,396	12,396	24,792
Total	**15,242**	**15,592**	**12,638**	**12,396**	**12,396**	**24,792**
Revenue by Type and Fund						
Dedicated						
Iron Range Resources & Rehab	112	-25	909	925	925	1,850
Subtotal Dedicated	112	-25	909	925	925	1,850
Total Revenue	**112**	**-25**	**909**	**925**	**925**	**1,850**
Full-Time Equivalents (FTE)	**33.0**	**26.8**	**24.8**	**25.3**	**25.3**	

Program Description

Program at a Glance

- Recapitalize Minnesota's taconite operations.

Mining and Minerals Development manages the Taconite Economic Development Fund (TEDF) and Producer Grant Program (PGP). Through the TEDF, 30.1-cents of the $2.103 tax paid for each ton of taconite pellets produced is rebated back into northeastern Minnesota taconite plants for new equipment, facility improvements and research and development in new mining technologies. Under the PGP, 5-cents per ton is allocated for environmentally unique reclamation projects and facility improvements. Together the 30.1-cent TEDF distribution and the 5-cent Producer Grant provide a 35.1-cent rebate or approximately 17% of the total production tax collected, for capital improvements in northeastern Minnesota taconite plants.

Population Served

The Mining, Energy and Minerals program serves the interests of the Taconite Tax Relief Area, a geographical region encompassing approximately 13,000 square miles, including all or parts of Cook, Lake, St. Louis, Itasca, Aitkin and Crow Wing counties.

Services Provided

The agency also administers the TEDF and PGP taconite production tax rebate programs. Under current law, these rebate programs provide $10.7 million annually that help recapitalize Minnesota iron mines. Through these programs, the agency has invested approximately $116 million in Minnesota's taconite industry since 1993. These dollars have leveraged over $132 million from the producers to undertake projects exceeding $248 million.

Key Measures

⇒ Leverage of other funding sources to introduce new or better technology to Minnesota's taconite industry.

Program Funding

10.7 million dollars annually.

Contact

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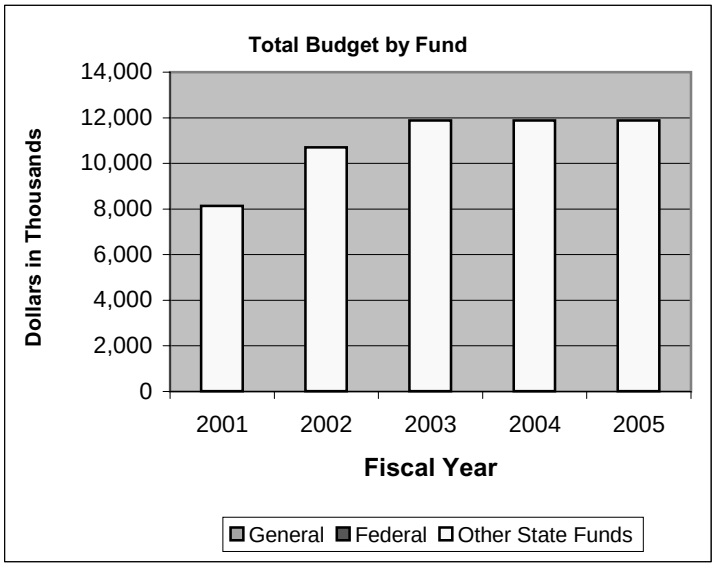

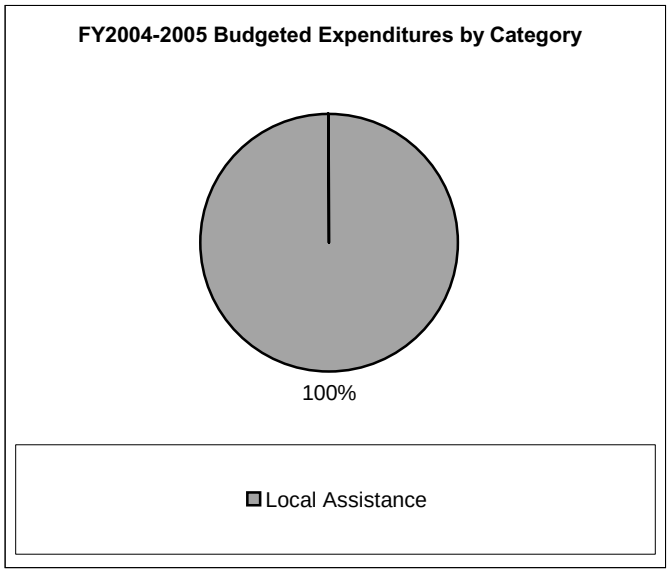

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Iron Range Resources & Rehab	8,131	10,705	11,879	11,879	11,879	23,758
Total	**8,131**	**10,705**	**11,879**	**11,879**	**11,879**	**23,758**
Expenditures by Category						
Local Assistance	8,131	10,705	11,879	11,879	11,879	23,758
Total	**8,131**	**10,705**	**11,879**	**11,879**	**11,879**	**23,758**
Expenditures by Activity						
Trust Activities	8,131	10,705	11,879	11,879	11,879	23,758
Total	**8,131**	**10,705**	**11,879**	**11,879**	**11,879**	**23,758**
Revenue by Type and Fund						
Dedicated						
Iron Range Resources & Rehab	7,829	3,784	11,879	11,879	11,879	23,758
Subtotal Dedicated	7,829	3,784	11,879	11,879	11,879	23,758
Total Revenue	**7,829**	**3,784**	**11,879**	**11,879**	**11,879**	**23,758**

Program Description

The agency roll-over consists of all agency budget activity that has been certified and reset into the current fiscal year. This account also includes projects that had not been processed by fiscal year end and therefore received commissioner approval to roll-forward into the current fiscal year.

Program at a Glance

- Agency roll-over balance 6-30-01 $19,513,945
- Agency roll-over balance 6-30-02 $11,904,598

Population Served

All agency divisions.

Key Measures

⇒ Reduce roll-over from prior period as a measure of better project planning i.e. projects are completed on time, within the fiscal budget period.

Contact

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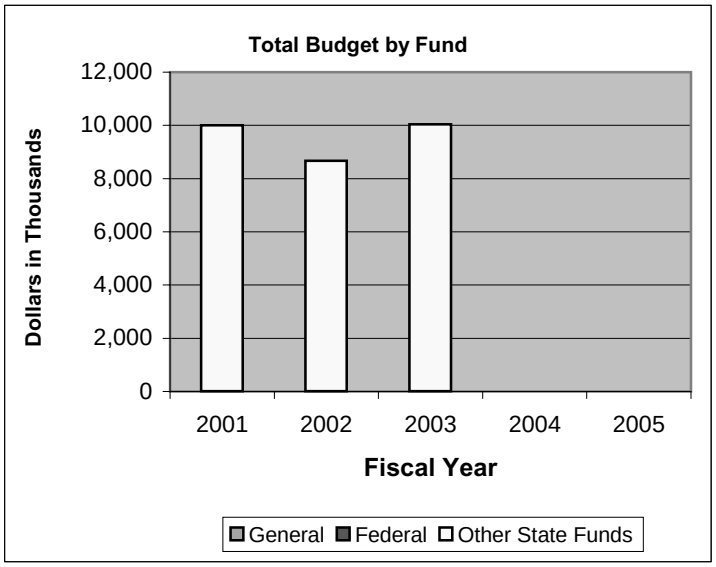

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Iron Range Resources & Rehab	6,720	1,522	3,219	0	0	0
Giants Ridge Golf & Ski Resort	0	0	4	0	0	0
Ne Mn Economic Protection	3,280	7,150	6,820	0	0	0
Total	**10,000**	**8,672**	**10,043**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	949	656	118	0	0	0
Capital Outlay & Real Property	710	121	1,842	0	0	0
Payments To Individuals	500	0	0	0	0	0
Local Assistance	4,842	1,985	2,063	0	0	0
Other Financial Transactions	2,999	5,910	6,020	0	0	0
Total	**10,000**	**8,672**	**10,043**	**0**	**0**	**0**
Expenditures by Activity						
Agency Roll-Over	10,000	8,672	10,043	0	0	0
Total	**10,000**	**8,672**	**10,043**	**0**	**0**	**0**
Revenue by Type and Fund						
Dedicated						
Iron Range Resources & Rehab	48	0	0	0	0	0
Subtotal Dedicated	48	0	0	0	0	0
Total Revenue	48	0	0	0	0	0

IRON RANGE
RESOURCES &
REHABILITATION
AGENCY

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February 18, 2003

The 2003 Minnesota Legislature:

Submitted for your review is the FY 2004-05 biennial budget of the Iron Range Resources & Rehabilitation (IRRR) Agency.

As many of you are aware, the IRRR Agency is not supported by the General Fund, however it has made significant budget reductions in the current biennium as the result of declining taconite tax revenues. Based on current forecast revenues, the Agency recommends an operating and program budget of roughly $48 million for the biennium, with additional, potential statutory expenditures of $24 million for taconite producer tax rebates through the Taconite Economic Development Fund and the Taconite Producer Grant Program. The operating and program budget of $48 million represents a proportional reduction of $2,170,000 (8.6%) in each year of the biennium from budgeted FY 2003 levels.

The core mission of the IRRR Agency is to diversify the economy of the Taconite Tax Relief Area (TTRA). It does this through business recruitment and business development programs. Job creation in fields other than iron mining is a key objective, with job retention in existing businesses also a priority. While budgets have been reduced in each of the last four fiscal years, a concerted effort has resulted in the Agency maintaining adequate program (project) dollars over the same period. Further erosion of revenues is a distinct possibility given recent events in consolidation of the U.S. steel industry. In that context, Agency managers have been asked to prepare plans for additional reductions as may be required by changes in actual revenues.

Business assistance programs take the form of bank participation loans, direct loans, loan guarantees, employment incentive grants, grants to provide infrastructure, training assistance, information technology infrastructure grants, equity investments, drilling incentive grants, value-added iron and non-ferrous research and/or development funds.

Budget reduction strategy has focused on the Agency's core mission of economic diversification, job creation and job retention in the TTRA. Discussion regarding program elimination or downsizing has centered on this priority. Some programs, such as grants to communities for infrastructure, continue, but new parameters require a direct link to projects which bring new jobs to the area. All departments have been required to reduce operating budgets and seek improvements in efficiency and productivity.

As the IRRR Agency confronts its revenue challenges, its budget strategy will continue to focus on its core mission. Program changes or elimination will be done in a manner that will allow the Agency to focus on its priority of economic diversification, job retention and job creation.

If you have any questions or would like additional information, please don't hesitate to contact me.

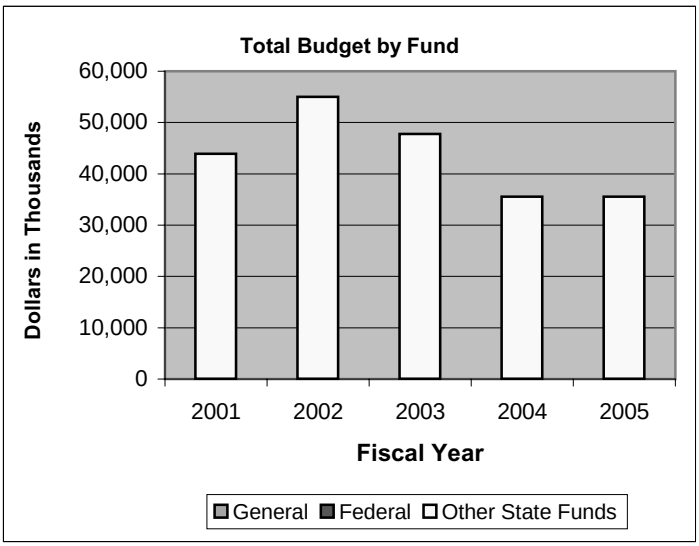
Sincerely,

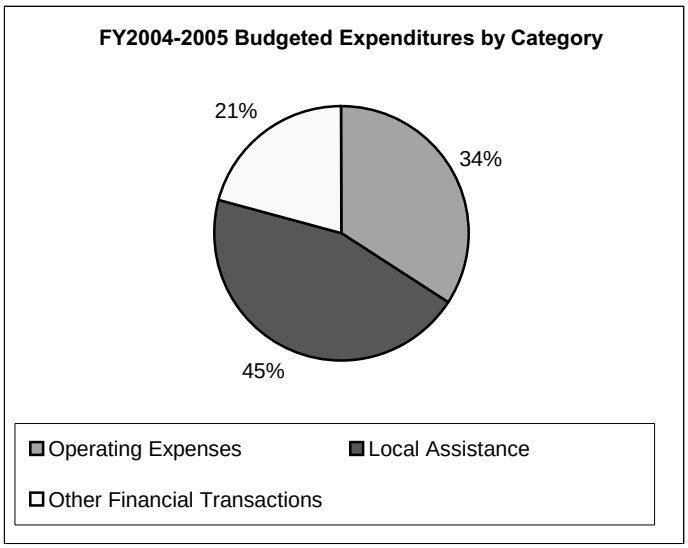
Brian Hiti
Acting Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	0	71,120	71,120
Adjusted Base Funding	0	71,120	71,120
Governor's Recommendations	0	71,120	71,120
Biennial Change, 2002-03 to 2004-05	0	-31,680	-31,680
Percent Change	n.m	-31%	-31%

Brief Explanation Of Budget Decisions:

The difficult economic realities facing the taconite mining industry, from which the agency derives its main source of revenue, have resulted in a need to reduce expenditures. The final figures for the FY 2002–03 budget already reflect the loss of $5 million in revenue due to the closure of LTV Steel Mining Co. Therefore, the revenue change from FY 2002-03 to FY 2004-05 does not appear to be that great; 3.4%. However, the $1.7million further reduction in FY 2004-05 when taken together with the previous $5 million reduction provides a more accurate picture of operational adjustments required by the agency. The agency will implement a ten percent reduction in departmental operating budgets in each fiscal period of the biennium compared to FY 2003. The Giants Ridge operating budget includes a ten percent net reduction in ski hill operations only, since a new golf course (the Quarry) will be coming online Spring 2003. Accordingly, golf operations reflect increased revenues and expenses.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Statutory Appropriations						
Iron Range Resources & Rehab	34,916	29,086	28,706	24,083	25,583	49,666
Giants Ridge Golf & Ski Resort	0	4,436	5,993	5,754	5,754	11,508
Ne Mn Economic Protection	8,974	21,507	13,072	5,723	4,223	9,946
Total	**43,890**	**55,029**	**47,771**	**35,560**	**35,560**	**71,120**
Expenditures by Category						
Operating Expenses	14,693	13,281	14,296	12,149	12,149	24,298
Capital Outlay & Real Property	794	138	1,842	0	0	0
Payments To Individuals	500	0	0	0	0	0
Local Assistance	21,791	25,810	18,063	15,980	15,980	31,960
Other Financial Transactions	6,112	15,800	13,570	7,431	7,431	14,862
Total	**43,890**	**55,029**	**47,771**	**35,560**	**35,560**	**71,120**
Expenditures by Program						
Agency Administration	2,365	12,468	3,789	2,408	2,408	4,816
Facilities	8,152	7,592	9,422	8,877	8,877	17,754
Programs	15,242	15,592	12,638	12,396	12,396	24,792
Taconite Industry Rebate Funds	8,131	10,705	11,879	11,879	11,879	23,758
Agency Roll-Over	10,000	8,672	10,043	0	0	0
Total	**43,890**	**55,029**	**47,771**	**35,560**	**35,560**	**71,120**

IRON RANGE RESOURCES & REHAB

Fiscal Report

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	220	218	0	0	0	0
Subtotal Non Dedicated	220	218	0	0	0	0
Dedicated						
Iron Range Resources & Rehab	27,573	14,316	25,405	26,160	26,160	52,320
Giants Ridge Golf & Ski Resort	0	3,341	3,858	5,455	5,455	10,910
Ne Mn Economic Protection	8,891	6,979	6,628	6,620	6,620	13,240
Subtotal Dedicated	36,464	24,636	35,891	38,235	38,235	76,470
Total Revenue	**36,684**	**24,854**	**35,891**	**38,235**	**38,235**	**76,470**
Full-Time Equivalents (FTE)	**128.6**	**114.2**	**102.1**	**102.6**	**102.6**	

Agency Purpose

Pursuant to M.S. 490.15, the purpose of the Board on Judicial Standards is:

- to promote appropriate judicial conduct and increase public confidence in the integrity and impartiality of the Minnesota judiciary;
- to ensure that all judicial officers employed by the judicial branch adhere to established standards of ethical conduct; and
- to provide a procedure to review and investigate allegations of judicial disability or misconduct and to provide a forum to discuss questions concerning appropriate judicial behavior.

At A Glance

Two Fiscal Year Budget: $497,000

Jurisdiction: 427
Judges and Referees
Retired Judges
Child Support Magistrates

Calendar Year 2001

1078 Total Agency Contacts
110 Complaints received

Discipline issued:
2 Public reprimands
7 Warnings
2 Imposed Conditions

211 Responses to Judge Inquiries
757 Responses to Public Inquires

Core Functions

The board has two basic responsibilities: 1) to educate and advise the public and judicial officers as to appropriate judicial conduct; and 2) to review and investigate the complaints received on judicial disability or alleged misconduct including behavior that interferes with the performance of judicial duties or conduct prejudicial to the administration of justice. In support of these functions, the board engages in the following activities:

- receives, reviews, and investigates complaints filed against judges and judicial officers for violations of the Code of Judicial Conduct and statutes;
- issues discipline to judges and judicial officers when appropriate, including private warnings and public reprimands;
- initiates, when necessary, public proceedings against judges and judicial officers and recommends a disciplinary disposition to the Minnesota Supreme Court, including retirement, censure or removal from office;
- reviews judges' compliance with M.S. 546.27 and takes appropriate disciplinary action, if necessary;
- responds to all inquiries concerning judicial ethics from the public, judges, attorneys, legislature and board members; and
- educates the public, judges and judicial officers on judicial ethics.

Operations

The agency serves a large statewide customer base. Since 1998, total agency contacts have increased by 68%. The board's primary activity is to serve the interests of the general public by determining and/or answering questions of proper judicial ethical behavior. Any person or entity may file a complaint against a judge.

Additionally, the staff educates and assists judges and judicial officers with questions concerning appropriate judicial behavior. The staff frequently conducts or otherwise participates in a variety of public and judicial seminars and workshops. Newly appointed judges and judicial candidates are provided information assuming the bench and running for office.

Key Measures

⇒ The agency strives to respond promptly to all inquires and to process complaints in a conscientious, thorough and timely manner.

⇒ The agency has improved the efficiency of its service to the public, judges and judicial officers, attorneys and the legislature, despite the increased number of individuals under the board's jurisdiction – new judgeships, child support magistrates, additional referees etc.

⇒ In calendar year 2001, 968 inquires by the public and judges were responded to by the staff within the same or next day and then an agency pamphlet was sent to each individual.

- ⇒ The board meets monthly and resolves matters within a 46-day average (where no additional inquiry or action is necessary). The time required to resolve a matter has been reduced by 23% in the last three years.
- ⇒ Agency estimates that 120 complaints will be received and processed in the next fiscal year and will respond to over 1,000 inquiries from the public, judges, attorneys, and legislators.

Budget

The agency received an appropriation $497,000 from the General Fund for FY 2002-03 budget. The budget consists primarily of salaries and basic operating expenses such as rent, supplies, and telecommunication costs. The FTE has remained constant at two since the creation of the board despite the increased jurisdiction of individuals, positions and increased educational scope and inquiries. If the board receives a complaint alleging serious misconduct, this greatly increases the expenditures of the agency for investigative costs, court reporters, and attorney services. If this situation arises, the funds allocated for this expenditure in each biennium is insufficient and always requires a request for additional funds for the agency to proceed with its statutory obligation.

Contact

Board on Judicial Standards
2025 Centre Pointe Boulevard
Suite 420
Mendota Heights, Minnesota 55120

World Wide Web Home Page: http://www.bjs.state.mn.us
E-mail: judicial.standards@state.mn.us
David Paull, Executive Secretary
Phone: (651) 296-3999
Fax: (651) 866-1865

State of Minnesota
Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 296-5900
Fax: (651) 296-8685
TTY: 1-800-627-3529

February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Criminal Justice omnibus bill. These agencies collectively administer $11.043 million (Gov's Rec, all funds) for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $2.426 million (18%percent) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to regulate peace officers and partially reimburse their training costs, provide tax court services and disciplinary oversight of judges, regulate private detectives, administer sentencing guidelines, and promote passage of uniform laws.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

The funding recommended for most of these agencies will be reduced by 15%. No funding reduction is recommended for the Board on Judicial Standards to maintain minimal operations. The Office of Ombudsman for Corrections is recommended for elimination. Additional FY 2003 funding of $35,000 is recommended for the Board on Judicial Standards to pay the anticipated costs of a public hearing regarding disciplinary actions against a judge.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

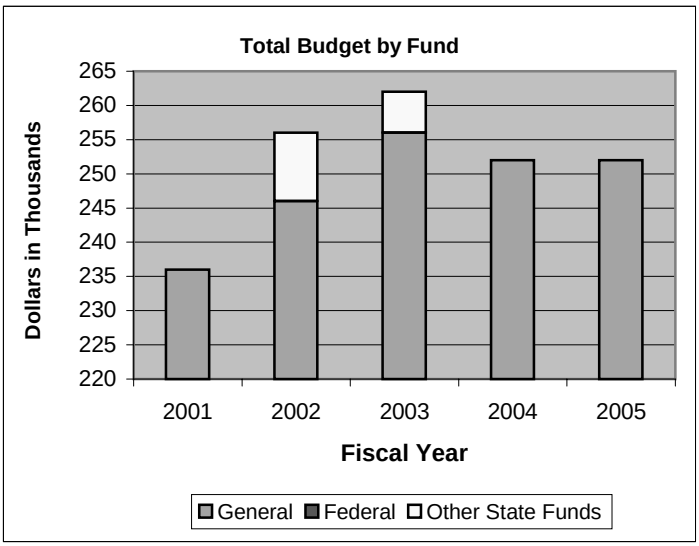
Sincerely,

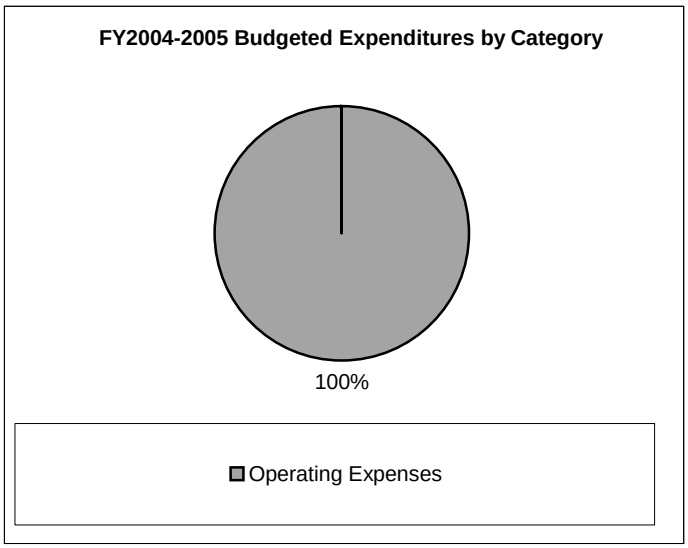
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	504	0	504
Adjusted Base Funding	504	0	504
Governor's Recommendations	504	0	504
Biennial Change, 2002-03 to 2004-05	2	-16	-14
Percent Change	0%	-100%	-3%

Brief Explanation Of Budget Decisions:

The Governor recommends a $35,000 deficiency appropriation for FY 2003 to pay the anticipated costs of a public hearing regarding disciplinary action against a judge. In addition, the Governor recommends no change in funding for the agency's FY 2004-05 budget.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	236	246	256	252	252	504
Special Revenue	0	10	6	0	0	0
Total	**236**	**256**	**262**	**252**	**252**	**504**
Expenditures by Category						
Operating Expenses	236	256	262	252	252	504
Total	**236**	**256**	**262**	**252**	**252**	**504**
Expenditures by Program						
Judicial Standards Board	236	256	262	252	252	504
Total	**236**	**256**	**262**	**252**	**252**	**504**
Revenue by Type and Fund						
Non Dedicated						
General	8	0	0	0	0	0
Subtotal Non Dedicated	8	0	0	0	0	0
Total Revenue	**8**	**0**	**0**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	

Fiscal Impact ($000s)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
General Fund					
Expenditures	35	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	35	0	0	0	0

Recommendation
The Governor recommends $35,000 for a deficiency request in FY 03 to pay for anticipated costs of a public hearing on disciplinary actions against a judge. The Governor also recommends no change in base funding for this agency for the FY 2004-2005 biennium.

Background
The board's regular appropriation covers staff and board expenses such as normal inquiries and resolution of complaints about judges' actions. Whenever there has been a case that involves a public hearing or significant investigation, the board has requested additional funds for those expenditures. In a current case the board has recommended public discipline of a judge. The judge has requested a full public hearing at public expense, as is allowed under Court rules. The director has estimated that the additional funding of the expenses for this hearing will be $35,000. This includes attorney fees, court reporter fees, courtroom rental, witness fees and copying fees. The Governor recommends that funds be made available for the costs of the public hearing.

Relationship to Base Budget
No change is proposed for the agency's base budget in FY 2004-05.

Alternatives Considered
No additional funding for the public hearing. This option would make it extremely difficult for the agency to fulfill its responsibilities under statutes and court rules.

Statutory Change: Not Applicable.

Agency Purpose

The Legislative Commission on Minnesota Resources (LCMR) was created in 1963 to provide the legislature with the background necessary to evaluate programs proposed to preserve, develop, and maintain Minnesota's natural resources.

M.S. 116P and an adopted strategic plan guide LCMR expenditure recommendations from the LCMR to the Minnesota Legislature for natural resource projects.

Recommendations are from four funding sources, the Environment and Natural Resources Trust Fund, the Minnesota Future Resources Fund, Oil Overcharge money and the Great Lakes Protection Account. Funding recommendations are for new, innovative or accelerated natural resource projects designed to help sustain, enhance and utilize Minnesota's natural resources.

Core Functions

Strategic Plan: Every two years, the Commission adopts a comprehensive strategic plan and issues a request for proposal (RFP) which is open to everyone. The RFP was adopted in February 2002.

Review Process: For the two-year funding beginning July 1, 2003, 261 proposals for over $296 million were received. The Commission evaluated them based on the criteria and priority funding strategies set forth in the RFP. In addition, the Citizens Advisory Committee advised the Commission regarding allocations from the Environment and Natural Resource Trust Fund.

After an initial review of all proposals, the Commission selected 99 proposals that best fit the priority funding strategies and criteria. The project managers for the selected proposals were invited to present their proposals before Commission members at a series of public hearings during 8 days in June 2002.

Recommendations: For the biennium beginning July 1, 2003, the Commission is recommending 46 projects for a total of $48.5 million to the 2003 Legislature from the four funding sources.

Operations

The LCMR is comprised of 20 members consisting of the chairs of the house and senate committees on environment and natural resources (or designees appointed for the terms of the chairs), the chairs of the house and senate committees on environment and natural resources finance (or designees appointed for the terms of the chairs), the chairs of the house Ways and Means and senate Finance Committees (or designees appointed for the terms of the chairs), seven members of the senate appointed by the Subcommittee on Committees of the Committee on Rules and Administration and seven members of the house appointed by the Speaker. At least three members from the senate and three members from the house must be from the minority caucus. The members elect their officers, rotating the chair from the senate to the house every two years. The LCMR employs a full-time professional and support staff of five full-time employees. In 2004-2005 there also is an allocation of $150,000 to the Department of Natural Resources to administer the contracts of all the pass through non-state agency appropriations.

The Commission uses a number of approaches to assess the status of the state's natural resources and identify important issues and needs. These approaches include: site visits to public and private sector natural resource projects, regional forums at which citizens advise Commission members of their concerns regarding natural resources, and a web survey soliciting input from citizens. In addition to these activities, the Commission is advised by a Citizens Advisory Committee (appointed by the governor) regarding priorities for expenditures from the Environment and Natural Resources Trust Fund.

Additionally, all proposed research projects selected for funding recommendations undergo a scientific peer review. The Commission oversees and evaluates project progress and completion through work program review.

Budget

Environment and Natural Resources Trust Fund	$30,100,000
MN Future Resources Fund	$15,370,000
LAWCON Receipts per 116P.14	$ 2,500,500
Great Lakes Protection Account	$ 56,000
Oil Overcharge Money	$ 519,000
TOTAL for FY 2004-05	$48,545,000

All appropriation for funded projects are made through state agencies; for both direct agency spending and agreements with others (nonprofits, local government, etc.)

Contact

FY 2004-05 Project Funding Recommendations, the 2003 RFP and abstracts of funded projects since 1991 are available on the LCMR web site.
http://www.lcmr.leg.mn

Contact: John Velin, Director
Legislative Commission on Minnesota Resources
Room 65 State Office Building
St. Paul, Minnesota 55155
(651) 296-2406

Agency Purpose

The Minnesota Supreme Court exercising its inherent constitutional authority regulates the practice of law in Minnesota.

The Supreme Court exercises its regulatory authority so that within the state the public is well served by admitting to practice competent attorneys who continuously revitalize their knowledge of the law by attending continuing education programs, by appropriately disciplining after careful investigation those who have been found to have violated the Minnesota Rules of Professional Conduct, and by reimbursing clients under specified circumstances who have lost funds because of attorney misfeasance. The court has implemented a statewide lawyer assistance program to direct lawyers to appropriate and necessary counseling.

Core Functions

The Supreme Court has established regulatory boards to assist in key areas of the regulation of the practices of law.

⇒ The Continuing Legal Education Board certifies 6,000 programs annually in a wide variety of legal subjects to promote professional growth for the state's 23,000 attorneys and monitors each attorney's compliance with continuing education regulations.

⇒ The Lawyers Professional Responsibility Board, working in conjunction with district ethics committees throughout the state, investigates complaints of unprofessional conduct against lawyers and recommends discipline where appropriate.

⇒ The Legal Certification Board certifies agencies, which certify lawyers having specified experience and training as specialists.

⇒ The Client Security Board reviews claims from clients who have experienced monetary loss because of attorney dishonesty and, where the claim meets criteria established by the board, reimburses the client for the loss up to $150,000.

⇒ The Board of Law Examiners reviews the credentials of applicants for admission to the practice of law in Minnesota and administers the bar examination.

⇒ A lawyer assistance program directs lawyers who are suffering from chemical and substance abuse emotional distress to appropriate treatment.

At A Glance

Anticipated Revenue – FY 2003/04

- Continuing Legal Education Board: $775,942.
- Lawyers Professional Responsibility Board: $4,193,737.
- Legal Certification Board: $92,600.
- Client Security Board: $926,893.
- Board of Law Examiners: $1,528,312.

Business Functions:

⇒ The Board of Law Examiners tests approximately 900 applicants to the bar annually and recommends for admission to the bar those persons who establish legal competence and good character.

⇒ The Board of Continuing Legal Education accredits 6,000 legal education courses annually and monitors 23,000 Minnesota-Licensed attorneys' completion of continuing legal education.

⇒ The Board of Legal Certification has accredited five legal organizations which certify a total of 859 attorneys as specialist in nine defined specialty fields of law.

Operations

The boards, consisting of lawyers and lay members, are appointed by the Supreme Court to carry out the functions identified above within the rules for each board promulgated by the Supreme Court. Each board is authorized to hire staff. The Client Security Board contracts with the Board of Professional Responsibility for legal services to examine claims and pursue subrogation claims. The Board of Law Examiners, Continuing Legal Education, and Legal Certification have a single director and share staff.

Budget

Dedicated revenue fully funds the activities of the boards. No General Fund monies support the operations of these boards. The Supreme Court assesses each lawyer admitted to practice law in Minnesota an annual registration fee which funds these activities. The registration fee revenue is divided among the boards as determined by the Court after public hearing. The Board of Law Examiners assesses a bar examination fee to each applicant for the bar examination. The boards of Continuing Legal Education and Legal Certification assess various administrative fees. The fees for those boards are included in the Department Earnings Report.

The boards have 47.26 FTEs.

Contact

Minnesota Supreme Court
Minnesota Judicial Center
25 Constitution Avenue
St. Paul, Minnesota 55155

Sue Dosal
State Court Administrator
Phone: (651) 296-2474
Fax: (651) 297-5636

Home page: http://www.courts.state.mn.us

State of Minnesota
Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 296-5900
Fax: (651) 296-8685
TTY: 1-800-627-3529

February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

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The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

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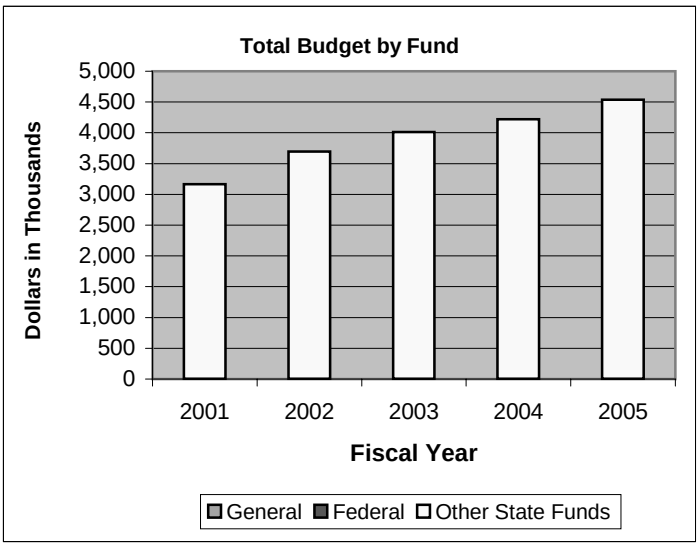
Sincerely,

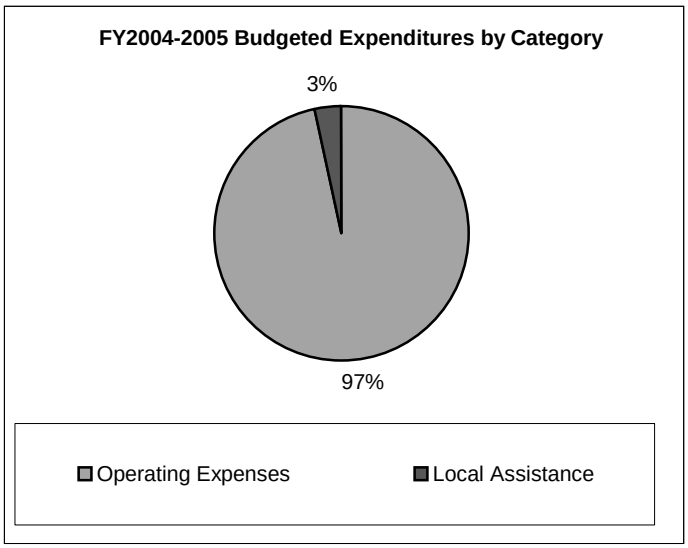
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	0	8,753	8,753
Adjusted Base Funding	0	8,753	8,753
Governor's Recommendations	0	8,753	8,753
Biennial Change, 2002-03 to 2004-05	0	1,049	1,049
Percent Change	n.m	14%	14%

Brief Explanation Of Budget Decisions:

The Legal Profession Boards are fully funded by fees collected under court rules, so no further actions are required on their budgets.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Statutory Appropriations						
Special Revenue	3,167	3,694	4,010	4,218	4,535	8,753
Total	**3,167**	**3,694**	**4,010**	**4,218**	**4,535**	**8,753**
Expenditures by Category						
Operating Expenses	3,167	3,586	3,890	4,078	4,375	8,453
Local Assistance	0	108	120	140	160	300
Total	**3,167**	**3,694**	**4,010**	**4,218**	**4,535**	**8,753**
Expenditures by Program						
Continuing Legal Education Bd	287	298	356	319	340	659
Professional Responsibility Bd	1,907	2,089	2,364	2,506	2,725	5,231
Legal Certification Board	43	45	51	53	57	110
Client Security Board	161	388	300	350	360	710
Law Examiners Board	769	874	939	990	1,053	2,043
Total	**3,167**	**3,694**	**4,010**	**4,218**	**4,535**	**8,753**
Revenue by Type and Fund						
Dedicated						
Special Revenue	3,827	3,818	3,909	4,202	4,254	8,456
Subtotal Dedicated	3,827	3,818	3,909	4,202	4,254	8,456
Total Revenue	**3,827**	**3,818**	**3,909**	**4,202**	**4,254**	**8,456**
Full-Time Equivalents (FTE)	**35.7**	**36.0**	**49.2**	**49.2**	**49.2**	

Agency Purpose

The legislature is one of the three principal branches of state government (the others are the executive and judicial branches), created by the Constitution of the state of Minnesota. The legislative branch is responsible for the enactment and revision of state laws, establishing a state budget and tax policy, electing regents of the University of Minnesota, overseeing the work of state government, as well as proposing amendments to the state Constitution. The Minnesota Legislature consists of two bodies: the house of representatives and the senate. In addition, the house and the senate have jointly created various commissions and joint offices that serve specific purposes described more fully below.

At A Glance

- 67 senators and 134 representatives compose the Minnesota Legislature.
- Senators serve four-year terms, and representatives serve two-year terms.
- The Constitution provides that the legislature may meet for up to 120 days during a two-year period. (A legislative day is counted when a quorum of either the house or senate is present to conduct business as a body.)
- In 2001, 2,600 bills were introduced in the house, and 2,221 bills were introduced in the senate. Of those, 231 bills and three resolutions were sent to the governor for signature.

Operations

The house and senate employ separate staff to serve the separate bodies and maintain the structural checks and balances of the bicameral system. As provided by M.S. Chapter 3.305, the legislature has also authorized a number of joint offices and commissions. The various commissions and offices are generally chaired by legislators and are charged with doing in-depth analysis on specific issues and policy areas as well as reviewing related laws, rules, and finances. They serve as advisory groups to the legislature and may employ staff.

House of Representatives

House of representatives staff works in one of six non-partisan departments or in one of the caucus departments.

The **GOP Caucus** and the **DFL Caucus** departments each provide legislative services to their respective members. Services provided include legislative management, member administrative support, committee administration and support services, constituent and communication/media services, and caucus research services (Staffing: 165 permanent, 22 session only)

The **Chief Clerk's Office** provides assistance and advice to the speaker and members of the house of representatives in meeting the legal and parliamentary requirements of the lawmaking process and to record the history of that process in a clear, unbiased, and accurate manner. The chief clerk, first and second assistant clerks, index clerk, and chaplain are elected officers of the house. (Staffing: 28 permanent, four session only)

The **House Research Department** provides research and legal services to the house and its members and committees. The work of House Research focuses on legislative decision-making: helping house members and committees develop and evaluate government policies and laws. The department is an agency of the house of representatives as a whole, rather than a committee or caucus. House Research is non-partisan: Its services are available to all members of the house without regard to partisan affiliation or legislative position. The department strives to be politically neutral and impartial on the issues. Its staff does not advocate, endorse, promote, or oppose legislation or legislative decision. (Staffing: 36.4 permanent, three session only)

The **Fiscal Analysis Department** provides professional, nonpartisan, and confidential services for all members of the house of representatives, as well as providing assistance to the house finance and tax committees on state budgetary and fiscal legislation. Department staff analyze spending requests, aid committees in developing and analyzing budgetary options, draft legislation to implement budget decisions, track legislative decisions, and provide analysis for legislative oversight of enacted budgets. Fiscal analysts respond to requests from individual members needing analyses or information on state budgetary issues or government finances. The Fiscal Analysis Department researches, prepares, and distributes publications providing information on state budget issues and government finances. (Staffing: 12 permanent)

The **House Television Services and Public Information Department** is a contact point to help the public connect to the legislature. The mission of this department is to inform the general public of legislative actions, to educate the public about the legislative process, and to encourage public participation in the Minnesota Legislature. It produces numerous publications and provides televised access to the legislative process. In conjunction with Senate Media Services, it produces live and taped coverage of house floor sessions and some committee hearings, and provides that programming to the public. Some services offered are television broadcasts and computer delivery of live and taped proceedings of house floor session and committee meetings, pool feeds of legislative meetings to media outlets, and VHS dubs of house floor sessions and committee hearings. Legislative broadcasts of house and senate proceedings can be seen weekdays from 8:00 a.m. to 5:00 p.m. in the Minneapolis/St. Paul metro area on KTCI, Channel 17, beginning with the start of each legislative session. Programming is delivered via satellite to cable systems throughout Greater Minnesota.

The office produces and distributes "Session Weekly," committee schedules, committee rosters, lists of members and staff, full legislative directories, "New Laws" and various publications that explain the state's symbols, governmental structure, and lawmaking process. (Staffing: 13 permanent, seven session only)

The **House Administrative Services Department** is the official accounting, budgeting, and financial payment location for the house. All house member and staff paychecks, expense reimbursements, and invoices for house operations are processed here. This department also manages the human resources, purchasing, supply, telephone services, facilities management, and house information systems functions. (Staffing: 16 permanent, one session only)

The **Sergeant-At-Arms Office** provides temporary support staff (pages), parking, transportation, security, post office, duplication and printing, and educational program services for members, staff, and the public. The speaker appoints the chief sergeant. The assistant sergeants, postmaster, and assistant postmaster are elected by house members to serve with the chief sergeant as officers of the house. Pages serve as support staff for all house and conference committee hearings and aid all departments in accomplishing their duties. (Staffing: nine permanent, 42 session only)

Senate
In addition to the functions listed under Agency Purpose, the senate also has the responsibility to advise and consent to governor's appointments.

Joint Offices
The **Legislative Coordinating Commission (LCC) – General Support,** established in 1973, coordinates certain activities of the senate and house of representatives and serves as an umbrella organization over joint agencies and legislative commissions. It determines the employee benefits for all staff of the legislature, and health benefits for legislators. The commission reviews budget requests and establishes staffing levels for all commissions and joint agencies under its jurisdiction. The LCC also sets the compensation for all employees under its jurisdiction. The president of the senate and the speaker of the house alternately serve as chairperson on an annual basis. The commission provides staff support for the Compensation Council, the Regent Candidate Advisory Council, the Board of Trustees Candidate Advisory Council, and the Joint House-Senate Subcommittee on Claims. The LCC coordinates the provision of sign language interpreters at legislative hearings and meetings for citizens who are deaf or hard of hearing. The LCC Office of International Affairs serves as the main point of contact in scheduling meetings and arranging itineraries for visiting delegations seeking to learn more about the legislative process in Minnesota. The commission employs 6.5 full-time equivalent (FTE) staff members.

The **Legislative Reference Library (LRL),** established in 1969, collects, indexes, and makes available public policy information to members and staff of the legislature. The library's main clientele are legislators and legislative staff. LRL also serves executive agencies and the public. State law requires six copies of all publications of state agencies, boards, commissions, etc., and one copy of all state-funded consultants' reports to be deposited with LRL. Rules of the house and senate assign the director a custodial role with respect to the floor and committee tape recordings and accompanying minutes and logs. Public access to these materials is also required by rule. The LRL employs 18 FTEs.

The **Revisor of Statutes** is a nonpartisan, professional joint legislative office providing drafting, editing, and publication services to the legislature, executive departments, and to the governor and other constitutional officers. Drafting services consist primarily of bills and administrative rules. Publications consist of Laws of Minnesota, Minnesota Statutes, Minnesota Rules, and miscellaneous minor publications. The computer system supports the drafting, editing, and publishing work of the legislature. The office has been under the jurisdiction of the LCC since 1973, and has 52 permanent and nine seasonal employees.

The **Mississippi River Parkway Commission** promotes development of the Great Lakes basin, plans water resource development, makes maximum possible use of navigational aids and other public works, and secures balanced use of the basin. The compact was signed by Illinois, Indiana, Michigan, Minnesota, New York, Ohio, Pennsylvania, Wisconsin, and Ontario.

The **Legislative Commission on Planning and Fiscal Policy** was established in 1987 to study and evaluate the actual and projected expenditures by state government, the actual and projected sources of revenue that support these expenditures, and the various options available to meet the state's future fiscal needs. In 1988, the duties were expanded requiring study and review of particular items and requiring recommendations to the legislature. In addition to projected state revenue, expenditures, and tax expenditures, other subjects include economic and fiscal policy, mix of revenue sources for programs, investigation of state building needs, and other related matters. There is currently no staff employed specifically for the commission.

The **LCC Geographic Information System Office** is responsible for providing the resources for the legislature, (including hardware, software, and staff) to support development of redistricting plans, as well as the development and maintenance of spatial databases and the production and distribution of map data and internet map server applications. The office provides staff support for LCC's computer network and web pages. The office currently employs three FTEs.

The **Legislative Commission on Pensions and Retirement** was established in 1955 to study and investigate on an ongoing basis the various public retirement systems applicable to nonfederal government employees in the state and to make recommendations to establish and maintain sound public employee pension legislation. The commission currently employs 3.5 FTE.

The **Great Lakes Commission** promotes the orderly, integrated, and comprehensive development, use, and conservation of the water resources of the Great Lakes Basin, which consists of eight Great Lakes states, Canada, and all water interconnections between them. There is currently no staff funded for the commission.

The **LCC Subcommittee on Employee Relations** was originally established in 1979 and now exists as a subcommittee of the LCC. It assists the legislature by monitoring the collective bargaining process between the state and its employees, and providing interim approval of negotiated agreements and arbitrated awards. The commission also reviews and approves the Commissioner's Plan, Managerial Plan, MnSCU Personnel Plan for Administrators, and HESO Unclassified Compensation Plan for unrepresented employees of the state. In addition, the governor's salary proposal for agency heads is reviewed for ratification. Other duties include the monitoring of the state civil service system, conducting research as directed, and performing other functions as delegated by the legislature. The subcommittee has a budget for one FTE.

The **Legislative Commission on the Economic Status of Women (LCESW)** was established in 1976 to study all matters relating to the economic status of women in Minnesota, including: the economic security of homemakers and women in the labor force; opportunities for education and vocational training; employment opportunities; contributions of women to the economy; access to state-provided benefits and services; laws and business practices that constitute barriers to full participation in the economy; and the adequacy of programs and services for families, including single parent families. The commission employs three FTEs.

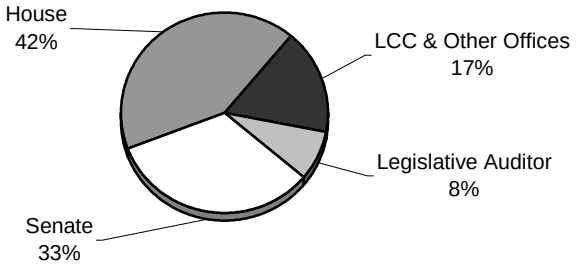
The **Electric Energy Task Force** was established under M.S. 216C.051 to make recommendations to the legislature regarding an environmentally and economically sustainable and advantageous electric energy supply. It consists of ten members of the senate and ten members of the house of representatives. Under M.S.216C.051, Sub. 9, the Electric Energy Task Force expires 6-30-2005.

The **Electronic Real Estate Recording Task Force** was established under 2000 Session Law, Chapter 391, to make recommendations to the legislature regarding implementation of a system for electronic filing and recording of real estate documents. The task force consists of representatives of county recorders, other county government officials, real estate attorneys, title and mortgage companies, legislators, and other stakeholders.

The mission of the **Office of the Legislative Auditor** and **Legislative Audit Commission** is to strengthen accountability in state government. The office completes 50 to 60 financial audit reports and six to eight program evaluation reports each year with a staff of 79. The office is nonpartisan, and its chief goal is to produce audit and evaluation reports that are accurate and objective. The legislative auditor, who is appointed for a six-year term by the Legislative Audit Commission, directs the office. The bipartisan commission consists of 16 legislators (eight representatives and eight senators).

The **Legislative Commission on Minnesota Resources (LCMR)** advises the legislature on the allocations for four dedicated funding sources for projects that will preserve, protect, develop, and maintain the state's natural resources. The commission consists of ten representatives and ten senators. The governing statute is M.S. Chapter 116P. Complete information and the funding for LCMR is provided within the Environment and Natural Resources budget.

Legislature
Fy 2002-03 Biennial Budget
(Total: $141.1 million)



Budget

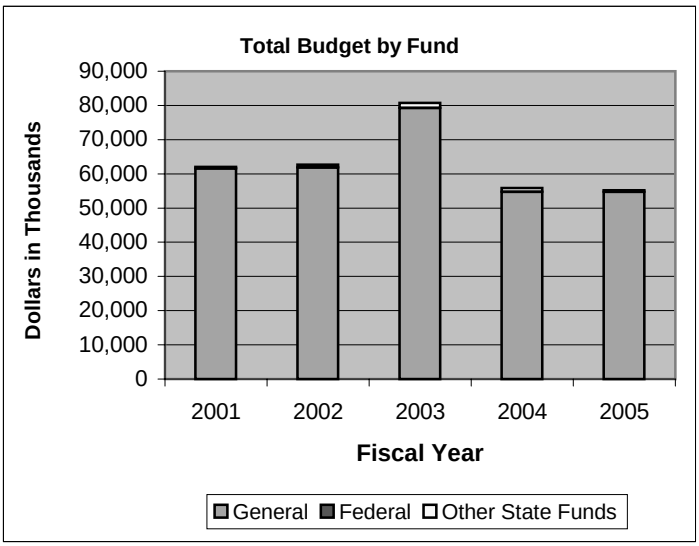
The state legislature receives its funding as direct appropriations from the General Fund.

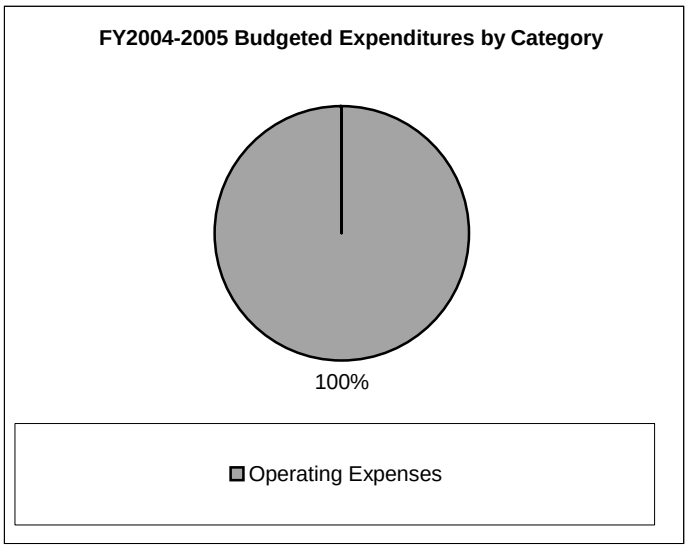
Contact

Minnesota House of Representatives
Paul Schweizer, Controller
198 State Office Building, St. Paul, Minnesota 55155
Phone: (651) 296-6648
Web site: http://www.house.mn/

Minnesota Senate
Pat Flahaven, Secretary of the Senate
231 State Capitol, St. Paul, Minnesota 55155
Phone: (651) 296-2344
Web site: http://www.senate.mn/

Legislative Coordinating Commission
Greg Hubinger, Director
85 State Office Building, St. Paul, Minnesota 55155
Phone: (651) 296-9002
Web site: http://www.commissions.leg.mn/



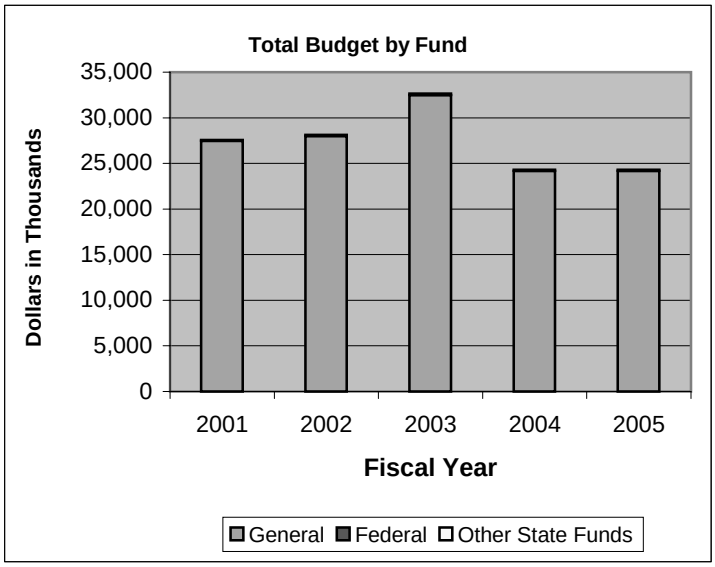


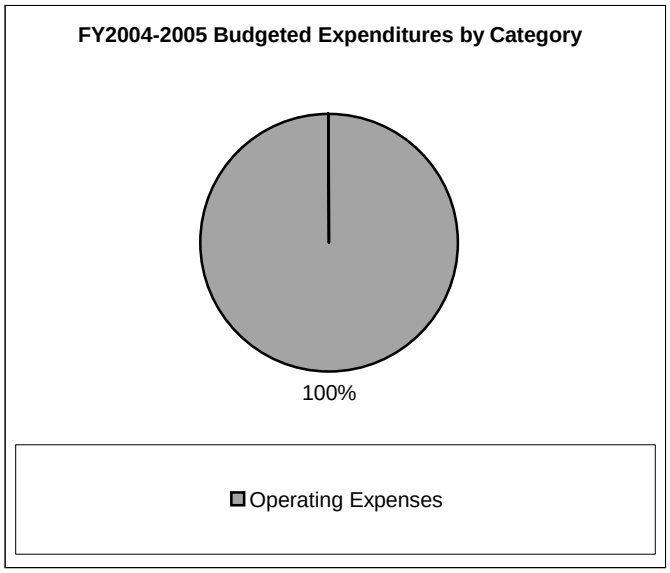
Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Carry Forward						
General	0	0	0	18	11	29
Direct Appropriations						
General	61,544	61,811	79,228	54,719	54,719	109,438
Health Care Access	154	150	150	128	128	256
Gift	8	37	59	0	0	0
Statutory Appropriations						
Special Revenue	0	354	892	566	0	566
Federal	0	8	17	0	0	0
Miscellaneous Agency	306	327	376	375	375	750
Total	**62,012**	**62,687**	**80,722**	**55,806**	**55,233**	**111,039**

Expenditures by Category						
Operating Expenses	62,012	62,687	80,722	55,806	55,233	111,039
Total	**62,012**	**62,687**	**80,722**	**55,806**	**55,233**	**111,039**

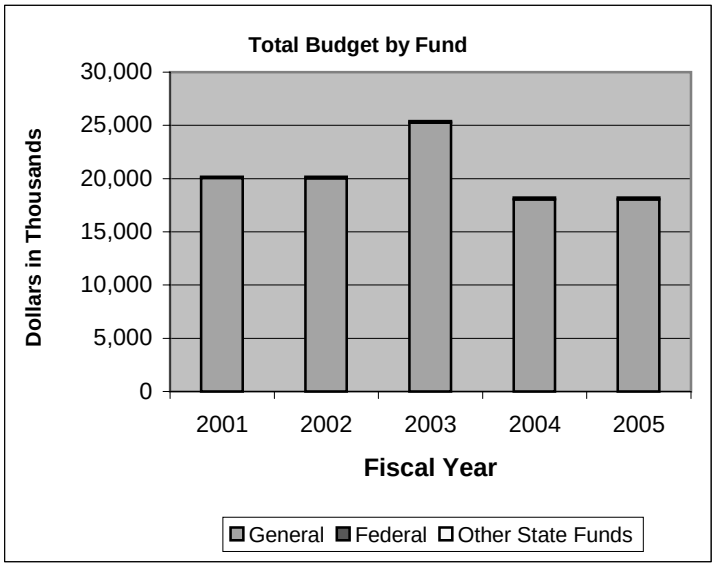
Expenditures by Program						
House Of Representatives	27,582	28,116	32,635	24,309	24,309	48,618
Senate	20,177	20,164	25,397	18,204	18,204	36,408
Legislative Coordinating Cmsn	8,522	8,729	16,366	8,761	8,188	16,949
Legislative Audit Comm	5,731	5,678	6,324	4,532	4,532	9,064
Total	**62,012**	**62,687**	**80,722**	**55,806**	**55,233**	**111,039**

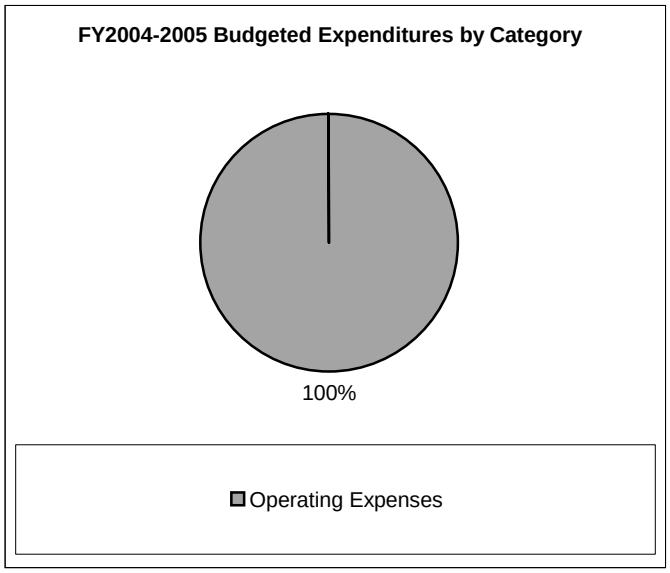
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	75	489	605	78	78	156
Subtotal Non Dedicated	75	489	605	78	78	156
Dedicated						
General	480	350	325	0	0	0
Special Revenue	0	45	0	0	0	0
Federal	0	8	17	0	0	0
Miscellaneous Agency	324	342	375	375	375	750
Gift	100	4	0	0	0	0
Subtotal Dedicated	904	749	717	375	375	750
Total Revenue	**979**	**1,238**	**1,322**	**453**	**453**	**906**
Full-Time Equivalents (FTE)	**75.2**	**74.6**	**74.6**	**74.6**	**74.6**	



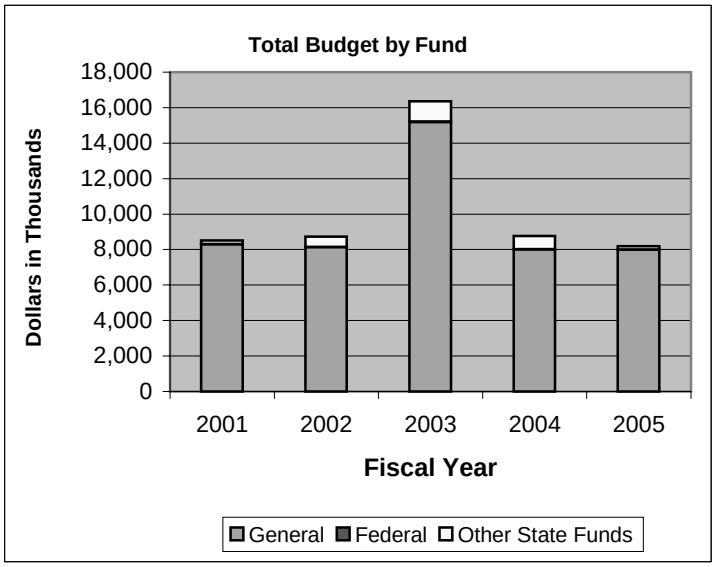


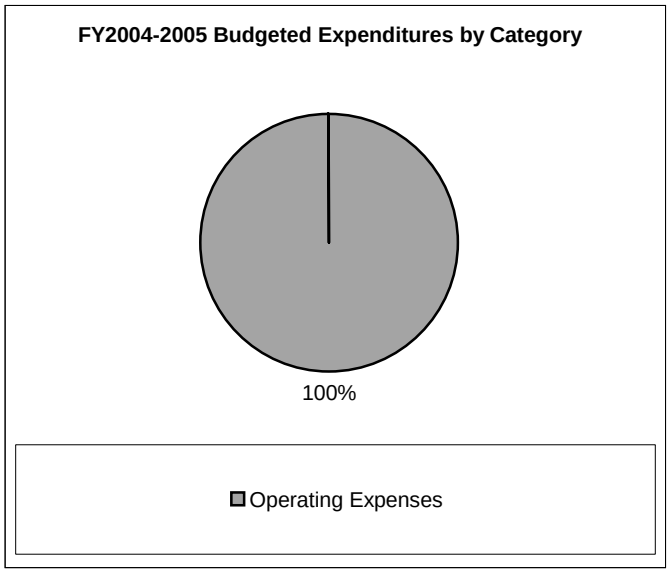
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	27,464	27,969	32,484	24,158	24,158	48,316
Statutory Appropriations						
Miscellaneous Agency	118	147	151	151	151	302
Total	**27,582**	**28,116**	**32,635**	**24,309**	**24,309**	**48,618**
Expenditures by Category						
Operating Expenses	27,582	28,116	32,635	24,309	24,309	48,618
Total	**27,582**	**28,116**	**32,635**	**24,309**	**24,309**	**48,618**
Expenditures by Activity						
House Of Representatives	27,582	28,116	32,635	24,309	24,309	48,618
Total	**27,582**	**28,116**	**32,635**	**24,309**	**24,309**	**48,618**
Revenue by Type and Fund						
Non Dedicated						
General	0	7	2	0	0	0
Subtotal Non Dedicated	0	7	2	0	0	0
Dedicated						
Miscellaneous Agency	125	151	151	151	151	302
Subtotal Dedicated	125	151	151	151	151	302
Total Revenue	**125**	**158**	**153**	**151**	**151**	**302**





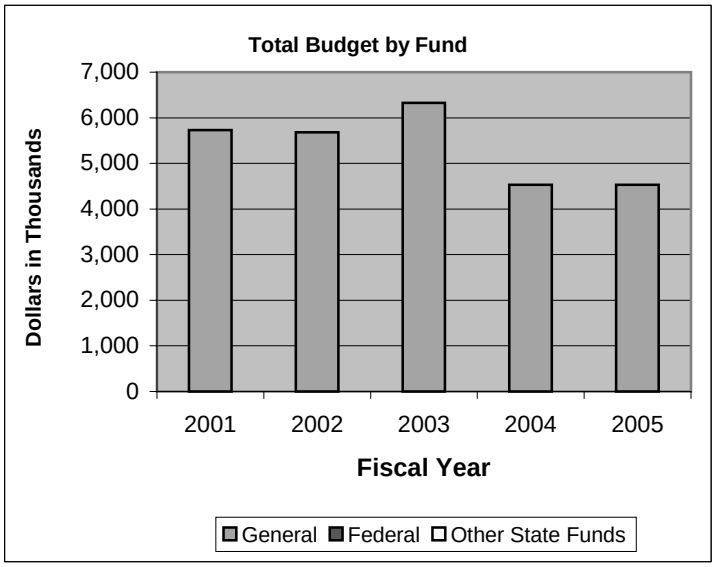
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	20,046	20,035	25,236	18,043	18,043	36,086
Statutory Appropriations						
Miscellaneous Agency	131	129	161	161	161	322
Total	**20,177**	**20,164**	**25,397**	**18,204**	**18,204**	**36,408**
Expenditures by Category						
Operating Expenses	20,177	20,164	25,397	18,204	18,204	36,408
Total	**20,177**	**20,164**	**25,397**	**18,204**	**18,204**	**36,408**
Expenditures by Activity						
Senate	20,177	20,164	25,397	18,204	18,204	36,408
Total	**20,177**	**20,164**	**25,397**	**18,204**	**18,204**	**36,408**
Revenue by Type and Fund						
Dedicated						
Miscellaneous Agency	140	140	161	161	161	322
Subtotal Dedicated	140	140	161	161	161	322
Total Revenue	**140**	**140**	**161**	**161**	**161**	**322**

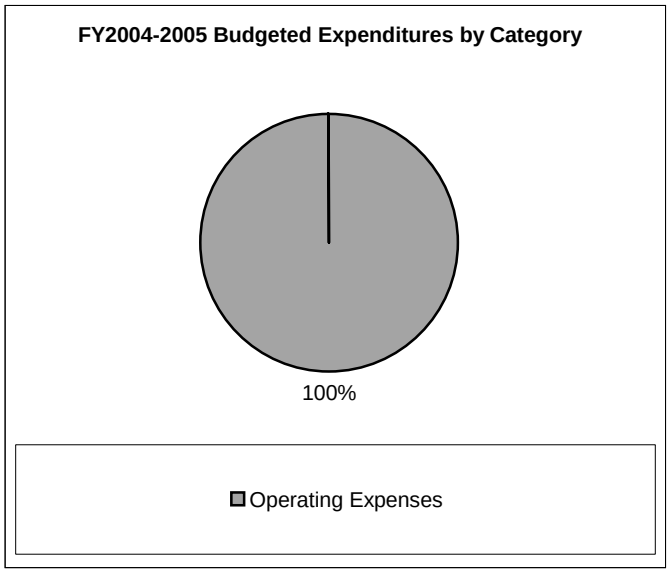




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Carry Forward						
General	0	0	0	18	11	29
Direct Appropriations						
General	8,303	8,129	15,184	7,986	7,986	15,972
Health Care Access	154	150	150	128	128	256
Gift	8	37	59	0	0	0
Statutory Appropriations						
Special Revenue	0	354	892	566	0	566
Federal	0	8	17	0	0	0
Miscellaneous Agency	57	51	64	63	63	126
Total	**8,522**	**8,729**	**16,366**	**8,761**	**8,188**	**16,949**
Expenditures by Category						
Operating Expenses	8,522	8,729	16,366	8,761	8,188	16,949
Total	**8,522**	**8,729**	**16,366**	**8,761**	**8,188**	**16,949**
Expenditures by Activity						
Lcc-Leg Reference Library	1,233	1,242	1,418	1,045	1,045	2,090
Lcc-Revisors Office	5,014	4,888	10,539	4,925	4,925	9,850
Lcc-Miss River Pkwy Cmsn	39	55	91	36	36	72
Lcc-Fiscal Agents	263	302	680	493	493	986
Lcc-Geographic Information Sys	459	307	343	306	306	612
Lcc-Pensions & Retirements	498	513	640	545	545	1,090
Lcc-Great Lakes Cmsn	49	50	64	61	61	122
Lcc-Employee Relations	88	73	86	73	73	146
Lcc-Commission Operations	649	716	1,359	452	452	904
Lcc-Economic Status Of Women	227	229	275	241	241	482
Lcc-Electric Energy Task	3	11	13	18	11	29
Lcc-Elect Real Estate Record	0	343	858	566	0	566
Total	**8,522**	**8,729**	**16,366**	**8,761**	**8,188**	**16,949**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	0	396	525	0	0	0
Subtotal Non Dedicated	0	396	525	0	0	0
Dedicated						
Special Revenue	0	45	0	0	0	0
Federal	0	8	17	0	0	0
Miscellaneous Agency	59	51	63	63	63	126
Gift	100	4	0	0	0	0
Subtotal Dedicated	159	108	80	63	63	126
Total Revenue	**159**	**504**	**605**	**63**	**63**	**126**





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	5,731	5,678	6,324	4,532	4,532	9,064
Total	**5,731**	**5,678**	**6,324**	**4,532**	**4,532**	**9,064**
Expenditures by Category						
Operating Expenses	5,731	5,678	6,324	4,532	4,532	9,064
Total	**5,731**	**5,678**	**6,324**	**4,532**	**4,532**	**9,064**
Expenditures by Activity						
Legislative Audit Comm	2	12	17	15	15	30
Legislative Auditor	5,729	5,666	6,307	4,517	4,517	9,034
Total	**5,731**	**5,678**	**6,324**	**4,532**	**4,532**	**9,064**
Revenue by Type and Fund						
Non Dedicated						
General	75	86	78	78	78	156
Subtotal Non Dedicated	75	86	78	78	78	156
Dedicated						
General	480	350	325	0	0	0
Subtotal Dedicated	480	350	325	0	0	0
Total Revenue	**555**	**436**	**403**	**78**	**78**	**156**
Full-Time Equivalents (FTE)	**75.2**	**74.6**	**74.6**	**74.6**	**74.6**	

State of Minnesota
Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 296-5900
Fax: (651) 296-8685
TTY: 1-800-627-3529

February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the Governor's FY 2004-05 budget proposal for the Legislature. The Governor respects the separation of powers and the desire of officials in the judicial and legislative branches and other constitutional officers 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's general recommendations for the legislature and constitutional offices reflect both his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions examine and redesign their operations to increase efficiencies while minimizing the disruption to public services as much as possible. They should also consider collaboration with other agencies to consolidate operations, co-locate facilities, or otherwise share services in order to reduce costs.

For the Legislature, the Governor's recommendation is $109.467 million in General Fund appropriations for the FY 2004-05 biennium, which reflects a 15 percent reduction from the agency's forecast budget. This is consistent with the recommendations for other constitutional officers and the legislature. The Governor makes no recommendation regarding the specific initiatives put forward by the Legislature and other constitutional officers.

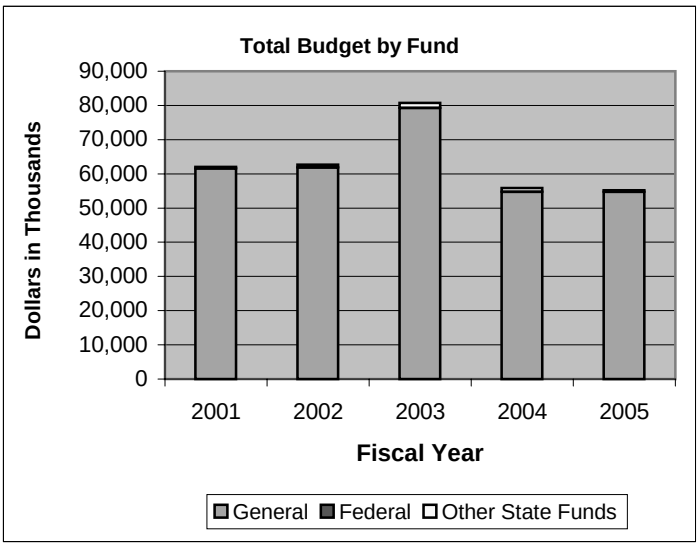
Sincerely,

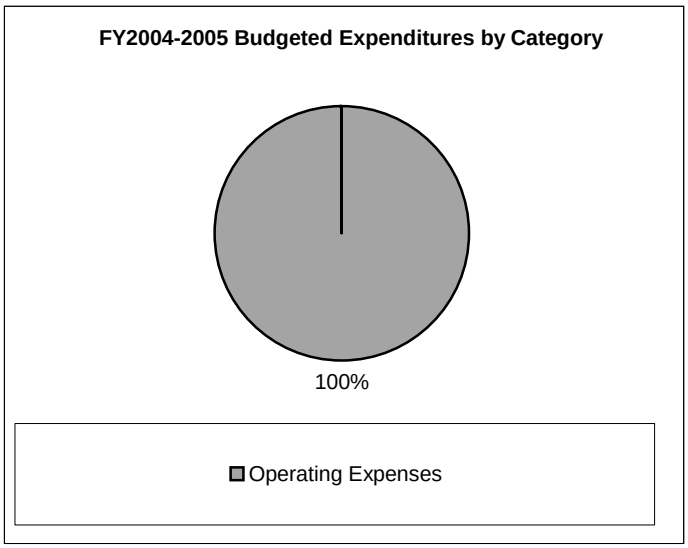
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	128,785	1,616	130,401
Adjusted Base Funding	128,785	1,616	130,401
Change Items			
Operating Budget Reduction	-19,318	0	-19,318
Reduce HCAF Appropriation	0	-44	-44
Governor's Recommendations	109,467	1,572	111,039
Biennial Change, 2002-03 to 2004-05	-31,572	-798	-32,370
Percent Change	-22%	-34%	-23%

Brief Description of Budget Changes:

The legislature's base budget will be increased by $18,000 in FY 2004 and $11,000 in FY 2005 for expenses related to the LCC Electric Energy Task Force.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Carry Forward						
General	0	0	0	18	11	29
Direct Appropriations						
General	61,544	61,811	79,228	54,719	54,719	109,438
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Statutory Appropriations						
Special Revenue	0	354	892	566	0	566
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Miscellaneous Agency	306	327	376	375	375	750
Total	**62,012**	**62,687**	**80,722**	**55,806**	**55,233**	**111,039**
Expenditures by Category						
Operating Expenses	62,012	62,687	80,722	55,806	55,233	111,039
Total	**62,012**	**62,687**	**80,722**	**55,806**	**55,233**	**111,039**
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Legislative Audit Comm	5,731	5,678	6,324	4,532	4,532	9,064
Total	**62,012**	**62,687**	**80,722**	**55,806**	**55,233**	**111,039**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	75	489	605	78	78	156
Subtotal Non Dedicated	75	489	605	78	78	156
Dedicated						
General	480	350	325	0	0	0
Special Revenue	0	45	0	0	0	0
Federal	0	8	17	0	0	0
Miscellaneous Agency	324	342	375	375	375	750
Gift	100	4	0	0	0	0
Subtotal Dedicated	904	749	717	375	375	750
Total Revenue	**979**	**1,238**	**1,322**	**453**	**453**	**906**
Full-Time Equivalents (FTE)	**75.2**	**74.6**	**74.6**	**74.6**	**74.6**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($9,659)	($9,659)	($9,659)	($9,659)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($9,659)	($9,659)	($9,659)	($9,659)

Recommendation
The Governor recommends a $9,659,000 reduction in both FY 2004 and FY 2005 in the General Fund appropriation to the legislature.

Background
The Governor respects the separation of powers and the desire of officials in the judicial and legislative branches and other constitutional officers 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 balanced budget.

The legislature's reductions were distributed proportionately based on the percentage of funds allocated to each unit in FY 2003, but the Governor expects that the Legislative Coordinating Commission (LCC) would decide how to distribute the reductions.

Relationship to Base Budget
This change will provide the Legislature with a $109,467,000 General Fund appropriation during FY 2004-05, which is $31,572,000 less than its appropriation in the last biennium.

Statutory Change: Not applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	(22)	(22)	(22)	(22)
Revenues	0	0	0	0
Net Fiscal Impact	(22)	(22)	(22)	(22)

Recommendation
The Governor recommends $128,000 in FY 2004 and $128,000 in FY 2005 from the Health Care Access fund to the Legislature, a reduction of $22,000 a year from current funding.

Background
Administered by the Department of Human Services, the Health Care Access Fund (HCAF) funds MinnesotaCare and various other health-related activities. The fund has a projected operating deficit of $89.5 million in FY 2003. In order to help address this deficiency, the Governor recommends that agencies receiving appropriations from the HCAF take a 15 percent reduction in funding.

Relationship to Base Budget
This change is a 15 percent reduction from FY 2002-03.

Statutory Change: Not Applicable.

Agency Purpose

The Minnesota State Lottery exists to provide revenue for state programs as identified by the Minnesota Constitution and the legislature. The Lottery does so by offering games of chance to Minnesota adults in accordance with M.S. Chapter 349A.

Core Functions

To accomplish this purpose, the Lottery must:

- design, distribute, and promote games that will appeal to the general public in a manner consistent with statutory guidelines and the dignity of the state;
- maintain security procedures that ensure the integrity of the games will not be compromised;
- manage a large network of private sector retailers who sell lottery products; and
- accurately process numerous financial transactions, including payment of prizes to winners, commissions to retailers, proceeds to the state, and the purchase of goods and services necessary for lottery operations.

At A Glance

- In FY 2001, the Minnesota State Lottery generated $81.7 million for state programs from sales of $366.2 million.
- More than two out of three Minnesota adults have purchased a lottery ticket.
- Prizes in FY 2001 exceeded $218 million.
- Scratch games account for 68% of lottery sales. Powerball accounts for another 20%.
- Since inception, Minnesotans have purchased over $4 billion in lottery tickets, returning more than $1 billion to the state.
- Factors such as weather, gasoline prices, local and state economies, and competition for discretionary dollars can all affect lottery sales and proceeds.

Operations

Lottery tickets are sold through a network of over 3,200 retailers located in more than 600 Minnesota cities. These retailers earn a commission on every ticket sold and can earn additional income by redeeming winning tickets and participating in various incentive programs. Each retailer has a computer terminal that is connected to central lottery computers through a secure telecommunications network. Retailers are the primary contact for the ticket-buying public. More than two out of every three Minnesota adults have purchased a lottery ticket.

The Lottery is managed by a director appointed by the governor with the advice and consent of the senate. The director must have experience and training in the operation of a lottery.

The Lottery is organized into five divisions:

⇒ **Administration** provides accounting and budget services, purchasing, office services, and human resources services.

⇒ **Executive** includes legal services, public and legislative relations, and research and planning.

⇒ **Marketing** is responsible for retailer service, promotions, advertising, and customer relations.

⇒ **Operations** provides computer and telecommunications services, conducts drawings, and is responsible for product design and distribution.

⇒ **Security** protects against internal and external lottery fraud and prevents compromise of the games.

Key Measures

Lottery success is primarily measured by the revenue returned to the state for the designated beneficiaries. In seeking to maximize revenue, the Lottery must also consider security, integrity, and the broader policy concerns of the state. Other measures include administrative efficiency and player participation and satisfaction.

Budget

The Lottery may not spend more than 15% of gross revenue on operations. It is not subject to the legislative appropriation process and operates outside the state treasury.

Major administrative expenses include salaries and benefits, payments to the online ticket vendor, advertising and promotions, scratch ticket printing, telecommunications, and computer maintenance. The Lottery has approximately 197 full-time permanent employees located at its headquarters in Roseville and its five regional offices statewide.

Contact

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2645 Long Lake Road
Roseville, Minnesota 55113

http://www.mnlottery.com

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andege@winternet.com

State of Minnesota
Department of Finance

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the Governor's FY 2004-05 budget proposals for the non-cabinet agencies in the state government omnibus bill. Under the Governor's recommended budget, these agencies would collectively spend $12.882 million in General Fund dollars for the FY 2004-05 biennium. The funding provided for these agencies will be used for the protection of public assets and resources, assurance of due process related to governmental rulemaking, the regulation of the gambling and racing industries, administration of campaign finance and disclosure laws, and support to small non-profit organizations that assist Minnesota veterans.

The FY 2004-05 funding recommended for these agencies represents a $6.695 million (34.2%) decrease from the FY 2002-03 biennium. The recommendations will also result in a net decrease in revenue to the General Fund of $954,000 for the biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing and reorganizing some functions. Therefore, for some of the agencies in this bill, the Governor recommends that funding and/or operations be consolidated with other related operations in the state in order to ensure cooperation and shared services to reduce costs.

In addition, the Governor recommends mitigating the impact of the state's deficit by spreading the cuts among more agencies rather than less, and by ensuring that the industries and parties that benefit from these services assist in paying for them. Therefore, for some of the agencies in this bill, the Governor recommends that dependence upon General Fund dollars be supplanted or offset with fees and user charges, and that where appropriate, some fees billed to governmental agencies be reduced.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium as well as the Governor's recommendations for state funding of pension systems.

My staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

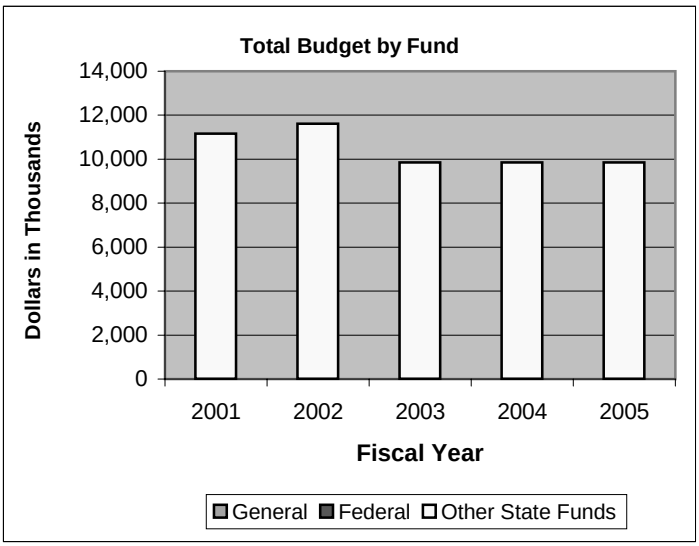
Sincerely,

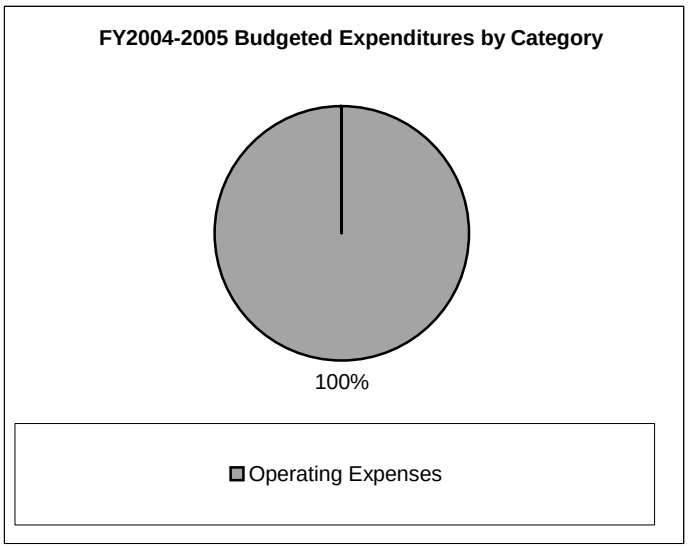
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	0	19,702	19,702
Adjusted Base Funding	0	19,702	19,702
Governor's Recommendations	0	19,702	19,702
Biennial Change, 2002-03 to 2004-05	0	-1,763	-1,763
Percent Change	n.m	-8%	-8%

	FY 2004-05 Revenues ($000s)		
	General Fund	**Other Funds**	**Total**
FY 2004-05 Current Law Revenues	64,292	43,000	107,292
Change Items			
Redirect Unclaimed Prizes to General Fund	9,214	0 [1]	9,214
FY 2004-05 Total Revenues	73,506	43,000	116,506

[1] Because of special accounting treatments, the revenue change for the environmental trust fund and the future prize pool is not recognized in the Other Funds section of the Agency Fiscal Report or the table above.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Open Appropriations						
Lottery Cash Flow	11,160	11,614	9,851	9,851	9,851	19,702
Total	**11,160**	**11,614**	**9,851**	**9,851**	**9,851**	**19,702**
Expenditures by Category						
Operating Expenses	11,160	11,614	9,851	9,851	9,851	19,702
Total	**11,160**	**11,614**	**9,851**	**9,851**	**9,851**	**19,702**
Expenditures by Program						
State Lottery	11,160	11,614	9,851	9,851	9,851	19,702
Total	**11,160**	**11,614**	**9,851**	**9,851**	**9,851**	**19,702**
Revenue by Type and Fund						
Non Dedicated						
General	3,457	34,126	32,146	36,753	36,753	73,506
Cambridge Deposit Fund	26,925	0	0	0	0	0
Lottery Cash Flow	6,247	17,894	21,500	21,500	21,500	43,000
Subtotal Non Dedicated	36,629	52,020	53,646	58,253	58,253	116,506
Total Revenue	**36,629**	**52,020**	**53,646**	**58,253**	**58,253**	**116,506**
Full-Time Equivalents (FTE)	**200.3**	**195.2**	**191.7**	**191.7**	**191.7**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	$4,607	$4,607	$4,607	$4,607
Other Fund				
Expenditures	0	0	0	0
Revenues				
Mn Environmental Trust Fund	(2,224)	(2,224)	(2,224)	(2,224)
Future game prize pool	(2,383)	(2,383)	(2,383)	(2,383)
Net Fiscal Impact	$ 0	$ 0	$ 0	$ 0

Recommendation
The Governor recommends that all unclaimed lottery prizes formerly directed to the future games prize pool and the Minnesota environmental trust fund now be redirected to the general fund.

Background
Upon initiating lottery games, a specific amount of money is set aside to pay prizes claimed against that game. People have one year from the final drawing or from the final day of game sales to redeem prizes. After that date, people lose their claim on the prize money. After the one-year has elapsed, these unclaimed funds are redistributed as follows:

⇒ 30% is returned to the basic prize pool of subsequent lottery games,
⇒ 28% is transferred to the Minnesota environment and natural resources trust fund.
⇒ 42% is transferred to the general fund.

Relationship to Base Budget
This change will not affect the operating budget of the Lottery. It will simply provide additional non-dedicated revenues to the general fund.

Statutory Change: MS 349A.08, Subd. 5.

Agency Purpose

Minnesota Statutes 148B.01, 148B.175 and 148B.29 and Minnesota Rules 5300.0100-0360 mandate the Minnesota Board of Marriage & Family Therapy the responsibility to act as the official licensure agency for marriage and family therapists.

Core Functions

The purpose of the board is to protect the public, by ensuring that licensed marriage and family therapists comply by the board's rules, and practice in a professional, legal, and ethical manner.

Their core functions are:

- granting licensure to individuals who meet the statutory education, employment, and ethical requirements and who pass both the national and oral examination as required by rule;
- establishing and implementing procedures designed to assure that licensed marriage and family therapists will comply with the board's rules;
- 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 therapists who fail to meet standards;
- studying and investigating the practice of marriage and family therapy within the state in order to improve the standards imposed for the licensing of marriage and family therapists and to improve the procedures and methods used for enforcement of the board's standards; and
- providing information and education about licensure requirements and standards of practice to the public and other interested parties.

At A Glance

Biennial Budget – FY 2002-03:

Total Expenses: $274,000

Total Revenues: $267,000

Staff: 1.60 Full-time equivalent employees

MN Licensed Marriage & Family Therapist Statistics
(As of June 30, 2002):

Total Licensed: 838

Operations

⇒ Licensure affects marriage and family therapists who are mental health professionals trained in psychotherapy and family systems, and licensed to diagnose and treat mental and emotional disorders within the context of marriage, couples, and family systems.

⇒ The board consists of seven members and normally meets on the third Friday of each month.

⇒ A newsletter regarding licensure matters and disciplinary actions is available on the board's web site.

Budget

The board's total direct and indirect expenses for FY 2002-03 biennium are $274,000. The board staff includes 1.60 full-time equivalent employees.

Of the total budget for the biennium, $267,000 is collected as non-dedicated revenue, which is deposited into the state government special revenue fund. The board collects fees charged to applicants, prospective applicants, licensees, and sponsors of continuing education programs approved by the board. The board is responsible to collect enough revenue to recover all direct and indirect costs.

The board is responsible for the costs of services received from the Attorney General's Office, Health Professional Services Program, and the Administrative Services Unit. A direct appropriation is given to each of these programs from the state government special revenue fund. The board must ensure that sufficient revenue is collected through its fees to fund their portion of these programs costs.

Contact

Board of Marriage & Family Therapy
2829 University Avenue Southeast,
Suite 330
Minneapolis, Minnesota 55414-3222

The website at: http://www.bmft.state.mn.us gives visitors easy access to useful information about marriage and family therapy. Types of information available through the website include: regulatory news and updates, rules and Minnesota statues, public notices, and forms.

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State of Minnesota
Department of Finance

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Health and Human Services omnibus bill. These agencies collectively administer $163.2 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $1 million (0.6%) increase from the FY 2002-03 biennium. The funding for these agencies will be used to provide health and supportive housing services for Minnesota Veterans, license and regulate health professionals, promote high standards for treatment of mental illness, promote the protection of children, and coordinate training and administration for eight independent EMS organizations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, eliminate duplication, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Agencies have focused reduction plans around administrative areas of the budget. In most cases this protects the core function of the agency, albeit at a reduced level. In some cases, reduced staff will have direct effects on citizens as they try to access government services.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

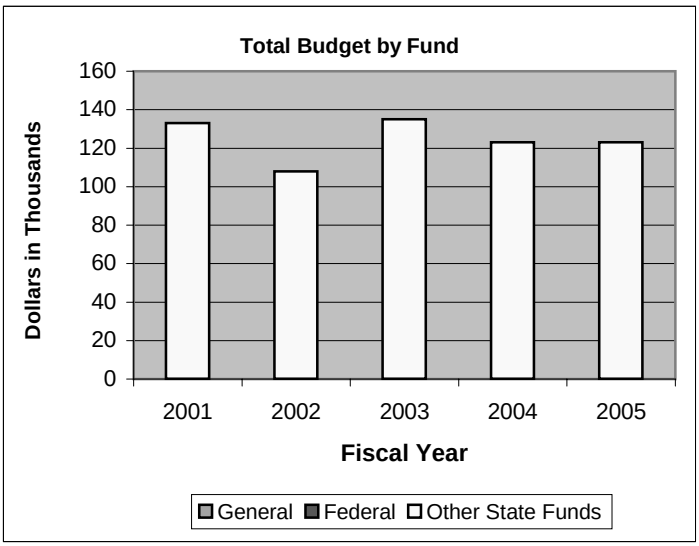
Sincerely,

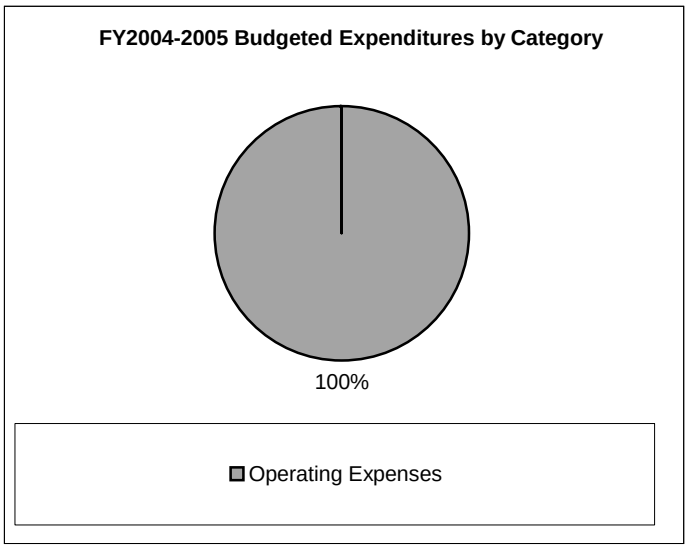
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	0	246	246
Adjusted Base Funding	0	246	246
Governor's Recommendations	0	246	246
Biennial Change, 2002-03 to 2004-05	0	3	3
Percent Change	n.m	1%	1%

Brief Explanation Of Budget Decisions:

The Marriage & Family Therapy Board is a fee-based organization that provides licensure and regulation services. Appropriations are made from the State Government Special Revenue (SGSR) fund and funding will continue at the FY 2003 level for both FY 2004 and FY 2005. A fund level transfer will move funds from the SGSR fund into the General fund to cover the budget reduction for the health-related boards. Program activity will not be affected by the change, but the health-related boards should continue to collaborate with each other on ways to achieve efficiencies through consolidation or sharing of support services.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
State Government Special Revenue	104	102	130	118	118	236
Open Appropriations						
State Government Special Revenue	9	6	5	5	5	10
Statutory Appropriations						
Special Revenue	20	0	0	0	0	0
Total	**133**	**108**	**135**	**123**	**123**	**246**
Expenditures by Category						
Operating Expenses	133	108	135	123	123	246
Total	**133**	**108**	**135**	**123**	**123**	**246**
Expenditures by Program						
Marriage And Family Therapy, B	133	108	135	123	123	246
Total	**133**	**108**	**135**	**123**	**123**	**246**
Revenue by Type and Fund						
Non Dedicated						
State Government Special Revenue	127	138	129	149	149	298
Subtotal Non Dedicated	127	138	129	149	149	298
Dedicated						
Special Revenue	20	0	0	0	0	0
Subtotal Dedicated	20	0	0	0	0	0
Total Revenue	**147**	**138**	**129**	**149**	**149**	**298**
Full-Time Equivalents (FTE)	**1.6**	**1.6**	**1.6**	**1.6**	**1.6**	

Agency Purpose

Mayo Foundation aspires to provide the highest quality, compassionate patient care at a reasonable cost through a physician-led team of diverse people working together in clinical practice, education and research in a unified multi-campus system.

Mayo aims to conduct its interdependent programs of medical care, research, and education in keeping with the highest standards of ethics and quality. Fundamental to this pledge is the need to combine the science and art of medicine and technology with personalized care. Excellence in all endeavors with respect for the individual - both patient and employee - is the primary goal.

At A Glance

The Mayo Foundation

- Patient Care - Physicians, scientists & allied health staff collaboratively providing excellent healthcare
- Medical education – one of the largest graduate education centers in the country, training physicians in more than 100 specialties
- Research – Strong biomedical research programs in both basic and patient oriented area
- Over half of the 1063 graduates of Mayo Medical School are Minnesotans, with approximately 40% of these students practicing in Minnesota
- The Mayo Family Practice Residency Program has graduated over 100 physicians. Consistently, over half of these doctors choose to practice in Minnesota

Core Functions

Mayo Foundation operates clinics and hospitals in three locations: Jacksonville, Florida; Rochester, Minnesota; and Scottsdale, Arizona. The Mayo Foundation actively engages in competitive, prioritized, coordinated research programs, which enhance the care of the patient and decrease the burden of disease. In addition to patient care and research activities, Mayo Foundation provides education in the medical sciences amidst a scholarly environment. Mayo Foundation's education of future physicians, medical scientists, and allied health staff contributes to the quality of healthcare at Mayo Clinic and in communities throughout the state of Minnesota and worldwide. The educational activities of Mayo Clinic staff are a key component of Mayo's continuing excellence.

Operations

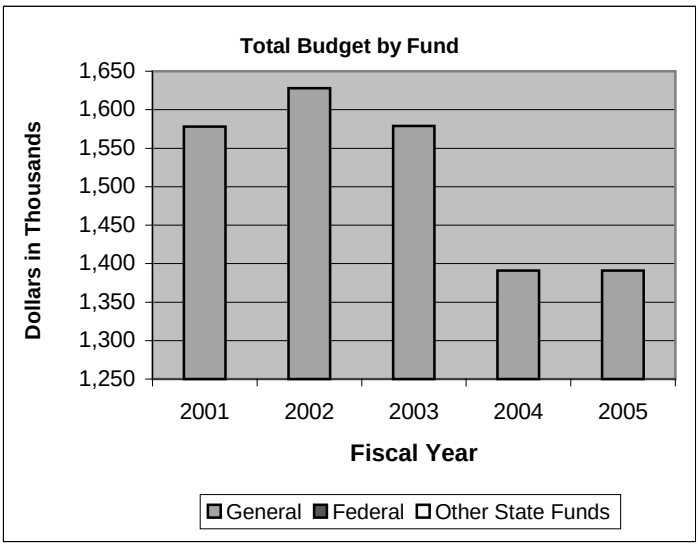
Mayo Foundation clinics and hospitals served more than a half-million patients in 2001. The state of Minnesota has provided Mayo Medical School capitation support for Minnesota students since the opening of the school in 1972. For the past several years, each Minnesota student has received $10,736 in state funding to reduce the cost of tuition. The Mayo Graduate School of Medicine Family Practice Program was established in 1978. The program prepares the prospective family physician for primary care practice in all setting with a special emphasis on rural and underserved communities. Funding provided by the state of Minnesota offsets by approximately $13,000 the cost of resident stipends that average $32,500 per year. Additionally, Mayo Foundation is a sponsor of the Family Practice Residency Program at the St. Cloud Hospital, where 10 – 12 residents have begun training each year since the start of the program in 1996.

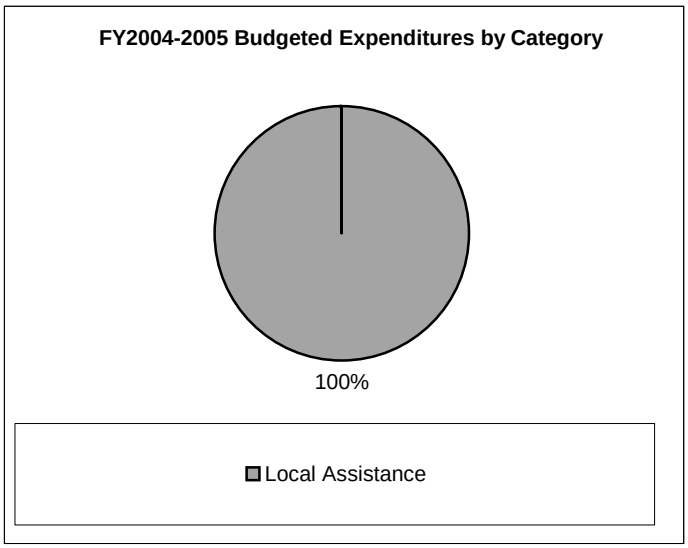
Budget

Income from current activities, the best indicator of Mayo Foundation's success in funding its overall mission, was $53.2 million in 2001. Mayo Foundation continues to invest in education and research. Total commitment to education increased to $140.0 million in 2001, with Mayo funds accounting for $104.3 million of this amount. Total expenditure on research reached $266.8 million in the same year. Mayo contributed $127.9 million to research endeavors.

Contact

Mayo Foundation for Medical Education and Research
200 First Street Southwest
Rochester, Minnesota 55906
(507) 284-2511
http://www.mayo.edu





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,578	1,628	1,579	1,391	1,391	2,782
Total	**1,578**	**1,628**	**1,579**	**1,391**	**1,391**	**2,782**
Expenditures by Category						
Local Assistance	1,578	1,628	1,579	1,391	1,391	2,782
Total	**1,578**	**1,628**	**1,579**	**1,391**	**1,391**	**2,782**
Expenditures by Program						
Mayo Medical School	591	663	547	514	514	1,028
Rochester Family Med Residency	580	558	625	531	531	1,062
St Cloud Hospital/Family Med	407	407	407	346	346	692
Total	**1,578**	**1,628**	**1,579**	**1,391**	**1,391**	**2,782**

Program Description

The mission of the Mayo Medical School is to enroll outstanding students and to offer them a curriculum designed to foster their individual strengths and talents and to take full advantage of the unique integrated research, education and practice resources of Mayo Foundation. The school seeks to provide access to a medical education to all students regardless of socioeconomic background. The school also strives to promote and eliminate barriers that may inhibit students from entering the historically lower paying primary care specialties. Finally, Mayo Medical School provides students the opportunity to obtain an excellent medical education that is delivered in a cost efficient manner and allows these students to graduate unencumbered by a large debt-load.

Program at a Glance

- Consistently 35% - 40% of the graduates of Mayo Medical School choose primary care specialties
- Through July 2002, 617 (63%) of the matriculants to Mayo Medical School were from the state of Minnesota
- 380 (35%) of the graduates of Mayo Medical School are practicing medicine in the state of Minnesota

Population Served

Graduates of undergraduate colleges and universities who are seeking a high quality, affordable medical education are served by this activity.

Services Provided

Mayo Medical School was founded in 1972. The small class size, 42 students per class, facilitates a personalized course of instruction characterized by extensive clinical interaction and the integration of basic and clinical sciences throughout all segments of the curriculum. A balance is sought to produce physicians interested in medical subspecialties as well as the primary care disciplines of general internal medicine, family medicine, pediatrics and obstetrics/gynecology. As part of their education, each Mayo Medical School student lives with a family practice physician who is in private practice in a rural Minnesota community to experience first-hand the challenges and rewards of primary care medicine.

Historical Perspective

Mayo Medical School has graduated 1,063 physicians since 1976 and of those, 380 (36%) currently practice medicine in Minnesota. Of the 617 graduates who were originally from Minnesota (and received capitation grants), 298 (76%) have stayed in practice in Minnesota. Since 1972, the legislature has provided grants to Minnesota residents. Capitation provided by the state is used to offset tuition paid by Minnesota medical school students. All state monies are directly given to Minnesota students to reduce their tuition payment. Tuition for 2002-2003 is $21,500. The FY 2001 state appropriation supports grants of $14,405 for up to 42 students.

Key Measures

⇒ As of July 2002, 617 (63%) of the total matriculants to Mayo Medical School were Minnesota residents.
⇒ 42% is the 5 year average for Mayo Medical School graduates entering primary care residency programs.
⇒ As of July 2002, 380 (36%) total graduates of Mayo Medical School are practicing medicine in Minnesota.

Number of Mayo Medical School Graduates Choosing Primary Care Residency Training Programs

Graduates of MMS 1998	Graduates of MMS 1999	Graduates of MMS 2000	Graduates of MMS 2001	Graduates of MMS 2002
24 for 49%	15 for 44%	14 for 39%	16 for 41%	14 for 36%

Class of	All MMS Grads	Minnesota Resident Matriculants	All MMS Grads in Practice or Residency in Minnesota	Minnesota Matriculants in Practice or Residency in Minnesota
1998	**49**	**8**	**19**	**5**
1999	**35**	**9**	**14**	**7**
2000	**40**	**8**	**17**	**5**
2001	**40**	**8**	**20**	**3**
2002	**40**	**10**	**11**	**6**

Program Funding

Mayo Medical School
State Capitation Funding Summary 1997 - 2003

1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
$452,927	$432,364	$567,600	$591,400	$662,630	$605,000

Contact

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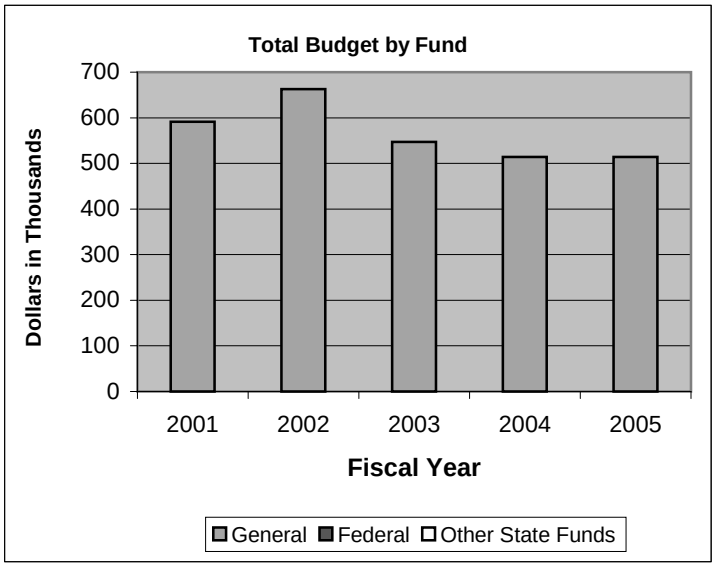
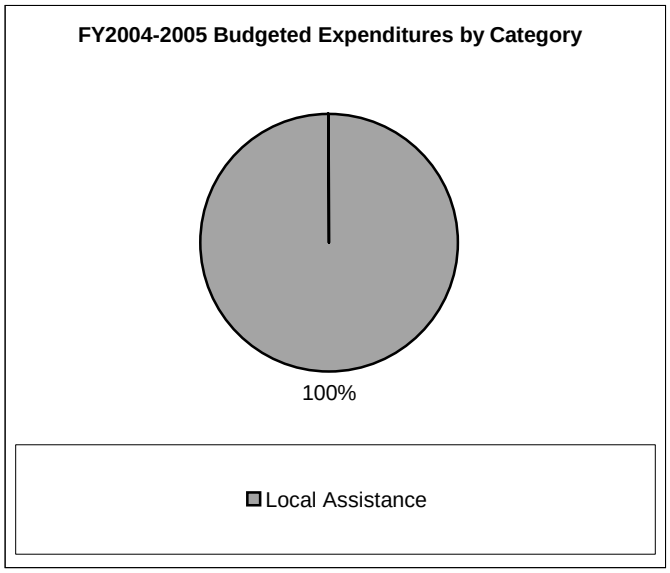
MAYO FOUNDATION

Program: MAYO MEDICAL SCHOOL

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	591	663	547	514	514	1,028
Total	**591**	**663**	**547**	**514**	**514**	**1,028**
Expenditures by Category						
Local Assistance	591	663	547	514	514	1,028
Total	**591**	**663**	**547**	**514**	**514**	**1,028**
Expenditures by Activity						
Mayo Medical School	591	663	547	514	514	1,028
Total	**591**	**663**	**547**	**514**	**514**	**1,028**

Program Description

The mission of the Mayo Rochester Family Medicine Residency Program is to train family physicians that will provide high quality, personal, and comprehensive care for persons of all ages, with a special emphasis on service in rural or smaller communities.

Population Served

The program has provided the largest consolidated service to the state of Minnesota, with 47% of all graduates practicing in communities throughout the state. Twenty-two percent of graduates serve rural areas of the state. The remaining program graduates serve other states in our country.

Program at a Glance

- All positions filled for the last 21 years.
- 47% of program graduates practicing in Minnesota.
- 22% primarily in rural areas in Minnesota.
- Residents have scored above average on board exams.
- 69% of graduates chose rural practice in the last three years.
- 30% have gone into medically underserved communities.

The program is located at the Kasson-Mayo Family Practice Clinic, in Kasson, Minnesota, a rural community in Dodge County serving a population area of close to 18,000.

Services Provided

The residency-training program prepares the prospective family physician for primary care medicine in all settings, with special emphasis on rural or smaller communities. The residents in training spend a major portion of their training providing ambulatory primary care, stressing prevention and continuity of care.

Historical Perspective

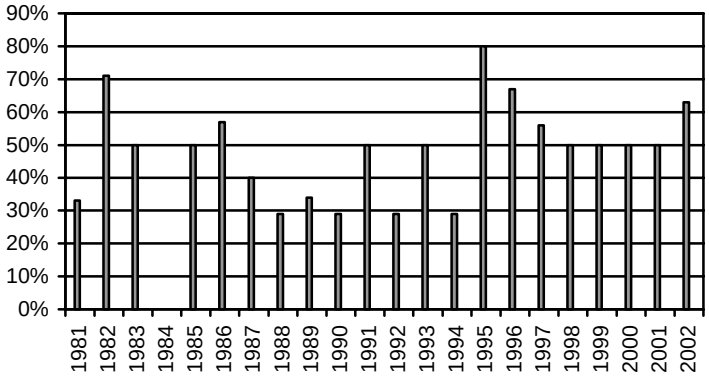
The three-year training program was established in 1978, beginning with four residents. It has included a maximum of 25 positions. Over time, it has grown in size and success, with all training positions being filled for the past 21 years. The program has graduated 108 family physicians and 107 remain in practice. The Minnesota capitation appropriation has supported residents' training stipends since 1978-79.

Key Measures

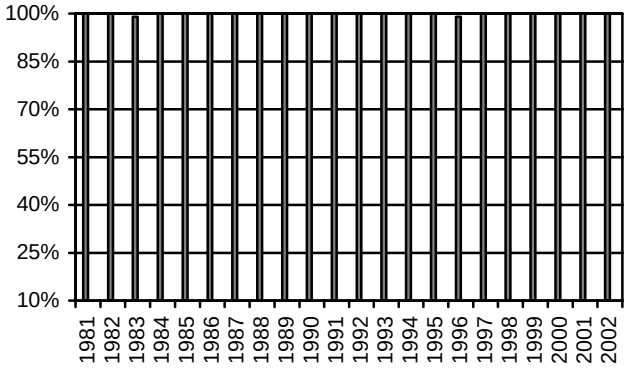
⇒ Percent of Family Medicine Graduates Practicing in Minnesota

⇒ Graduates Practicing in Family Medicine Since Program Beginning

Family Medicine Graduates Practicing in Minnesota



Graduates Practicing in Family Medicine Since the Beginning of the Program (1981)



Program Funding

The program's current operating budget is $1,514,112. Mayo Clinic supports 66% of the program. The state capitation grant supported 37% of the 2001/2002 program budget with $557,875. The appropriation for the 2002-2003 biennium is expected to be $513,199 with $22,313 for each of the 23 residents. This appropriation reflects approximately 34% of the total program budget.

Contact

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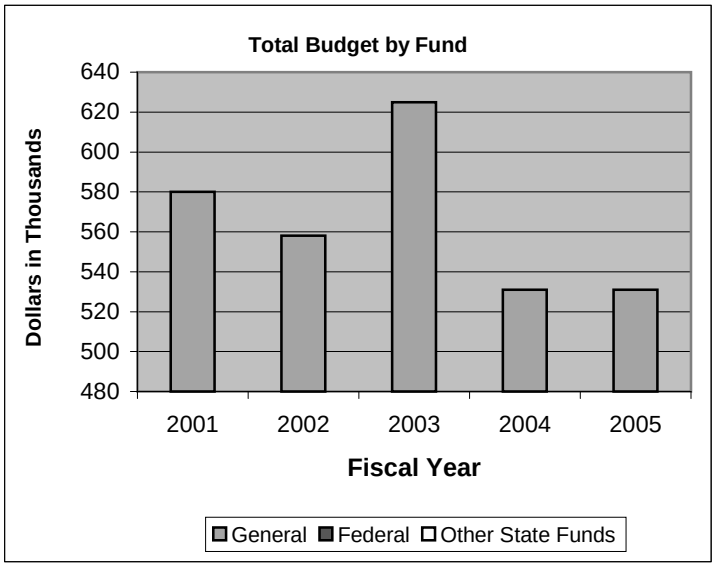
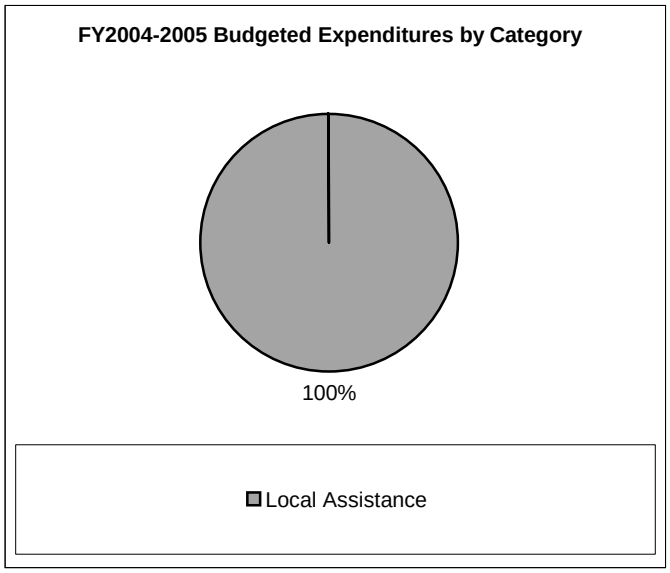
MAYO FOUNDATION

Program: ROCHESTER FAMILY MED RESIDENCY

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	580	558	625	531	531	1,062
Total	**580**	**558**	**625**	**531**	**531**	**1,062**
Expenditures by Category						
Local Assistance	580	558	625	531	531	1,062
Total	**580**	**558**	**625**	**531**	**531**	**1,062**
Expenditures by Activity						
Rochester Family Med Residency	580	558	625	531	531	1,062
Total	**580**	**558**	**625**	**531**	**531**	**1,062**

Program Description

Since 1996 the mission of the St. Cloud Hospital/Mayo Family Medicine Residency Program is to train competent, caring family physicians to practice in rural communities. This 4/4/4 (4 residents per year for 3 years) program is the only residency at St. Cloud Hospital (SCH) and the only residency in Central and Western Minnesota. The program has been fully accredited by the ACGME.

Program at a Glance

- First Class in 1996
- 4-4-4 residency
- Only residency in Central Minnesota
- 64% of program graduates practicing in Minnesota.
- Of those in Minnesota 71% practice in rural area.
- Residents have scored above average on board exams.

Population Served

The program is located at the Mid-Minnesota Family Practice Center, in St. Cloud and serves all patients regardless of their ability to pay. The residency clinic sees 20,000 visits each year and is the safety-net provider for all of central Minnesota. The clinic and faculty have been recognized in their dedication of medical services to the underserved by state and local government agencies.

In the short history of this residency, 64% of all graduates are practicing in a rural community and 64% of all graduates are practicing in Minnesota.

Services Provided

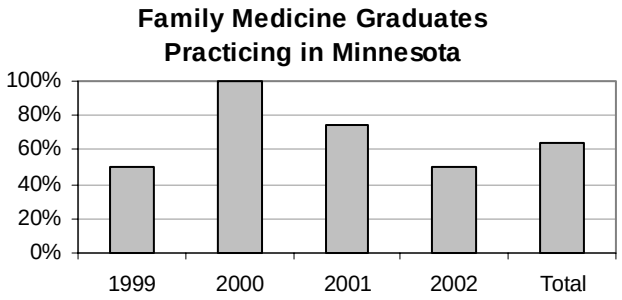
The residency program trains family physicians for primary care medicine in all settings, especially in small and rural communities. The residents train in hospitals and clinics in St. Cloud and throughout central Minnesota. Obstetrical care and procedures needed in smaller communities are emphasized.

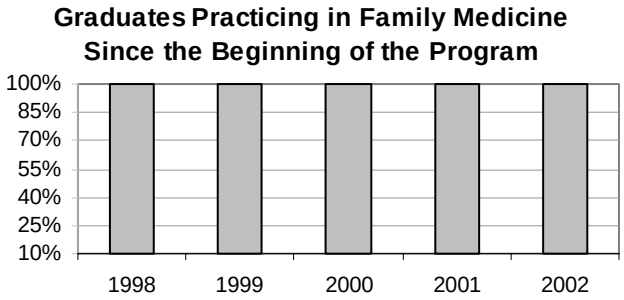
Historical Perspective

The program was launched with a $120,000 state appropriation in 1997. The legislature intends that “the program shall prepare doctors to practice primary care medicine in the rural areas of the state and will improve health care in rural communities, provide affordable access to appropriate medical care, and manage the treatment of patients in a more cost-effective manner.” The three-year training program has a maximum of 12 residents, with four in class. The program has graduated 11 family physicians and all remain in practice.

Key Measures

- Percent of Family Medicine Graduates Practicing in Minnesota
- Graduates Practicing in Family Medicine Since Program Beginning





Program Funding

The program’s current operating budget is $2,262,029. St. Cloud Hospital supports 72% of the program. The state capitation grant supported 19% of the 2001/2002 program budget with $418,807. The appropriation for the 2002-2003 biennium is expected to be $430,952 with $35,913 for each of the 12 residents.

Contact

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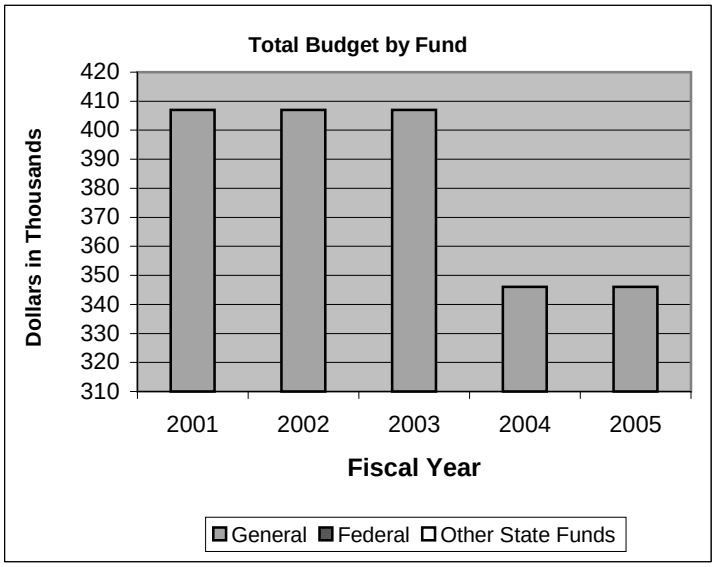
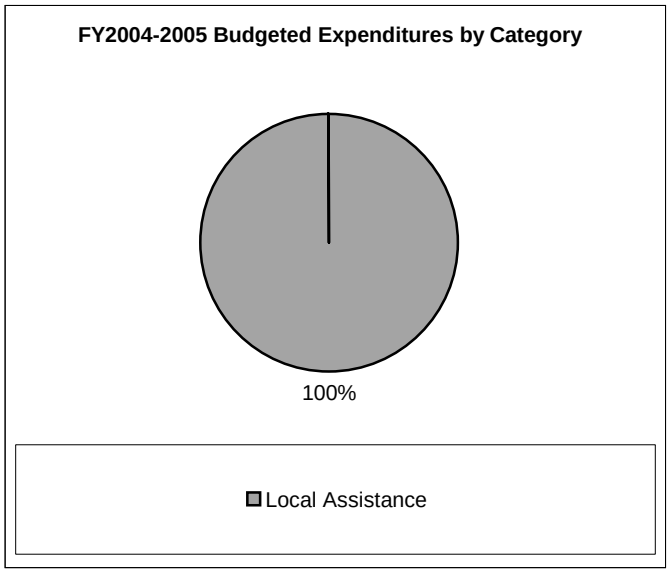
MAYO FOUNDATION

Program: ST CLOUD HOSPITAL/FAMILY MED

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	407	407	407	346	346	692
Total	**407**	**407**	**407**	**346**	**346**	**692**
Expenditures by Category						
Local Assistance	407	407	407	346	346	692
Total	**407**	**407**	**407**	**346**	**346**	**692**
Expenditures by Activity						
St Cloud Hospital/Family Med	407	407	407	346	346	692
Total	**407**	**407**	**407**	**346**	**346**	**692**

State of Minnesota
Department of Finance

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the Mayo Foundation and the Higher Education Facilities Authority in the Higher Education omnibus bill. These agencies collectively administer $3.258 million (all funds) for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a general fund reduction of $492,000 (13 percent) from the FY 2002-03 biennium. The Mayo Foundation receives state funds for grants to Minnesota students enrolled in the Mayo Medical School, the Mayo Rochester Family Medicine Residency Program, and the St. Cloud Hospital/Mayo Family Residency Program. The residency programs prepare doctors to practice primary care medicine in rural areas of the state. The Higher Education Facilities Authority (HEFA) assists Minnesota's nonprofit institutions of higher education finance capital construction projects by issuing tax-exempt revenue bonds. HEFA does not receive a state appropriation—its activities are financed through fees paid by participating institutions. HEFA's budget is $476,000 for FY 2004-05.

The recommended reductions to the funding for the Mayo Foundation are distributed proportionally across the three programs receiving state funds. The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

My staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

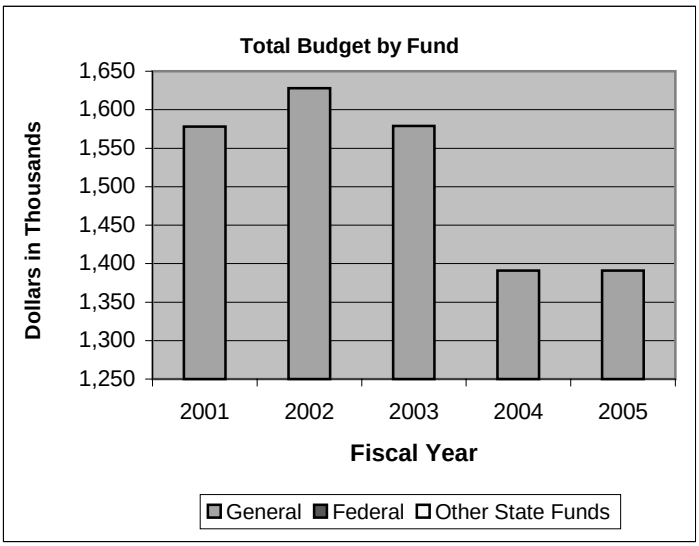
Sincerely,

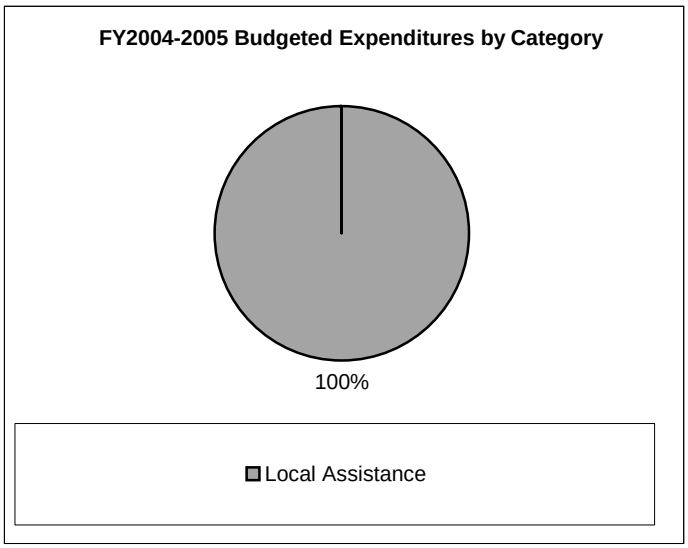
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	3,158	0	3,158
Biennial Appropriations	116	0	116
Adjusted Base Funding	3,274	0	3,274
Change Items			
Operating Budget Reductions	-492	0	-492
Governor's Recommendations	2,782	0	2,782
Biennial Change, 2002-03 to 2004-05	-425	0	-425
Percent Change	-13%	n.m.	-13%

Brief Explanation Of Budget Decisions:

The Mayo Foundation receives funding for Minnesota students in three programs: the Mayo Medical School, Mayo Family Residency in Rochester, and the Mayo Family Medicine/St. Cloud Hospital programs. The Mayo Foundation received a base adjustment of $116,000 to even the spending levels in the Mayo Medical School Program appropriation between years.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,578	1,628	1,579	1,391	1,391	2,782
Total	**1,578**	**1,628**	**1,579**	**1,391**	**1,391**	**2,782**
Expenditures by Category						
Local Assistance	1,578	1,628	1,579	1,391	1,391	2,782
Total	**1,578**	**1,628**	**1,579**	**1,391**	**1,391**	**2,782**
Expenditures by Program						
Mayo Medical School	591	663	547	514	514	1,028
Rochester Family Med Residency	580	558	625	531	531	1,062
St Cloud Hospital/Family Med	407	407	407	346	346	692
Total	**1,578**	**1,628**	**1,579**	**1,391**	**1,391**	**2,782**

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($246)	($246)	($246)	($246)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($246)	($246)	($246)	($246)

Recommendation
The Governor recommends $1.391 million for FY 2004 and $1.391 million for FY 2005. This change would reduce the appropriations to the three programs of the Mayo Foundation proportionately.

Background
The state of Minnesota provides supplemental funding to Minnesota residents in the Mayo Foundation's rural and family medicine programs, as well as for students in the Mayo Medical School.

This funding level provides $514,000 in both years for the Mayo Medical School; $531,000 in both years for the Mayo Family Practice and Graduate Residency Program; and $346,000 in both years for the Mayo Family Practice-St. Cloud Hospital Residency Program.

Relationship to Base Budget
This change reflects a 12.3% reduction from FY 2002-03 levels and would reduce the base level appropriations to the Mayo Foundation by $492,000.

Statutory Change: Not Applicable.

Agency Purpose

The mission of the Minnesota Bureau of Mediation Services (BMS) is to promote stable and constructive labor-management relations and the use of alternative dispute resolution and collaborative processes in areas other than labor-management (M.S. Chapters 179 and 179A).

At A Glance

Minnesota Public Sector Union Representation in 2001:

	Employees Represented By Unions	%Employees Represented By Unions
State	42,000	84
Local	65,000	57
U of M	7,000	29
K-12	85,000	71
Other	5,000	86
Total	**204,000**	**65**

Core Functions

⇒ Assisting parties in resolving collective bargaining disputes.
⇒ Resolving questions of labor union representation and bargaining unit structure.
⇒ Supporting, training and facilitating joint labor management committees.
⇒ Providing technical training.
⇒ Developing and maintaining a roster of labor arbitrators.
⇒ Promoting the use of alternative dispute resolution and mediation programs by state agencies for non-labor disputes.

Operations

The primary clientele of BMS includes labor organizations, employers (public, non-profit and private) and arbitrators. Agency services are delivered through:

- mediating collective bargaining disputes;
- determining bargaining units;
- conducting and certifying union representation elections;
- facilitating labor-management committees and awarding grants to area/industry labor-management councils;
- training practitioners in labor relations; and
- administering alternative dispute resolution programs in areas such as special education, vocational rehabilitation and workplace mediation.

Key Measures

	FY 2001
⇒ Percentage of collective bargaining contract and grievance disputes that are settled without strikes or arbitration.	79%
⇒ Percentage of bargaining unit and representation disputes requiring elections that are processed within 90 days.	89%
⇒ Number of joint labor-management councils and worksite committees developed and/or supported to increase cooperation.	Approx. 59

For updated information and a more complete list of the key measures by which BMS monitors its results, see http://www.departmentresults.state.mn.us/bms.

Budget

The department's primary source of funding is a direct appropriation from the General Fund. Current staff includes 19 full-time equivalent employees.

Contact

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1380 Energy Lane, Suite #2
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World Wide Web Home Page: http://www.BMS.state.mn.us

James Cunningham, Commissioner
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Fax: (651) 643-3013

BMS

BUREAU OF MEDIATION SERVICES

State of Minnesota

February 18, 2003

Members of the 2003 Legislature

Attached and submitted for your consideration are the Governor's budget recommendations for FY 2004-05 for the Bureau of Mediation Services. I'm providing an overview of this budget request below, along with a brief explanation of our expenditure plans and budget reduction strategy.

I. Total Biennial Appropriation Requested: $3,650,000- General Fund

II. Expenditures by Program:

The entire proposed appropriation would support the statutory and core functions of the Bureau of Mediation Services. These functions include labor dispute mediation, certifying bargaining unit structures and conducting elections, and labor-management cooperation support programs.

Because the staff of the Bureau work interchangeably in all of the above program areas, a definitive breakdown of expenditures by category is not feasible. Generally, the expenditures are as follows:

- Mediation: 50%
  Approximately 700 petitions for mediation per year.

- Representation: 35%
  Approximately 305 representation petitions per year.

- Labor-Management Cooperation: 15%
  Nine joint labor-management councils and approximately 60 joint labor-management worksite committees.

III. Budget Reductions. The proposed appropriation represents a cut of $904,000 from the 2002-03 biennial budget, or a 20% decrease. In determining how to absorb this reduction, we focused on the following criteria:

- Need to preserve the core mission of the Bureau of Mediation Services.

- Minimize the impact on the agency's strategic plan and established performance goals for resolving labor disputes, resolving union representation issues, and fostering joint labor-management cooperation.

- Reducing expenditures in administrative overhead, purchasing, and related personnel accounts to minimum required levels.

Of the reduction, $248,000 will be achieved by elimination of funding for a program devoted to non- labor dispute resolution. This particular program provides for a mediation alternative for disputes that occur in the workplace within the executive branch for which collective bargaining agreements and grievance procedures of the commissioner's/managerial plans are not applicable. This program has been supported by gubernatorial executive orders, but is not a statutory or core part of the Bureau's mission.

The balance of the reduction will come from salary and related accounts. Vacancies will not be filled and several currently filled positions may have to be eliminated.

Despite our best efforts, we anticipate there will be an impact on the Bureau's services as follows:

Some increase in the number of days to the first mediation meeting and the number of days to process representation petitions.

Possible suspension of the workplace mediation program

Possible reduction in number of joint labor-management councils and in worksite labor- management committees.

Possible transfer of private sector grievance mediation to the Federal Mediation and Conciliation Services.

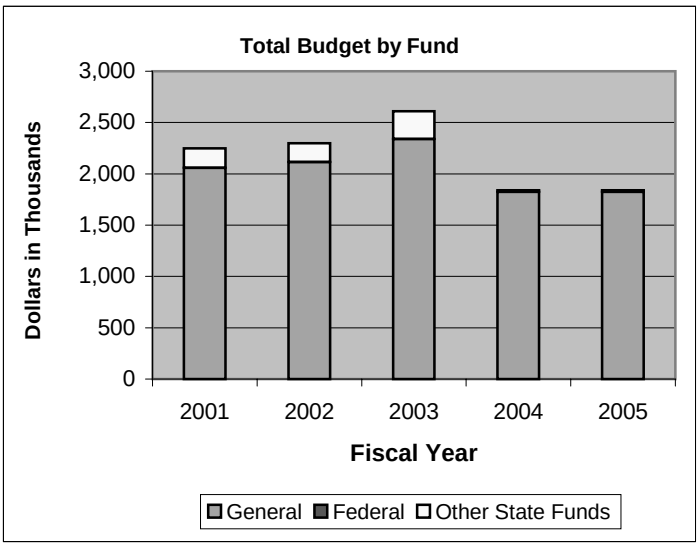
Reduction in technical support training for clients, for example, conflict management, grievance settlement, labor-management committee effectiveness training.

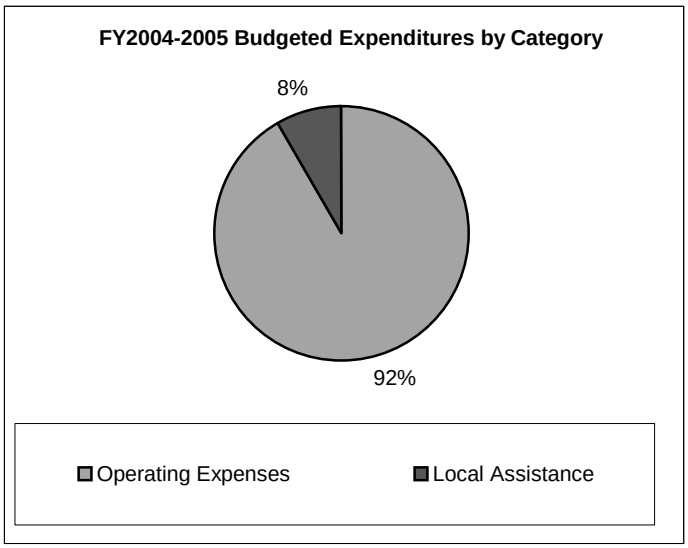
I would appreciate your support and consideration of this budget request. Please feel free to contact me if you have any questions or if there is any other information that you need.

Sincerely,

James A. Cunningham, Jr.
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	4,554	32	4,586
Legislatively Mandated Base	-40	0	-40
Transfers Between Agencies	40	0	40
Adjusted Base Funding	4,554	32	4,586
Change Items			
Budget Reduction	-460	0	-460
Eliminate Alternative Dispute Resolution	-244	0	-244
Labor Management Coop Grants	-200	0	-200
Governor's Recommendations	3,650	32	3,682
Biennial Change, 2002-03 to 2004-05	-805	-421	-1,226
Percent Change	-18%	-93%	-25%





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,057	2,115	2,340	1,825	1,825	3,650
Special Revenue	0	6	224	0	0	0
Statutory Appropriations						
Special Revenue	192	178	44	16	16	32
Gift	0	0	1	0	0	0
Total	**2,249**	**2,299**	**2,609**	**1,841**	**1,841**	**3,682**
Expenditures by Category						
Operating Expenses	2,098	2,027	2,337	1,689	1,689	3,378
Local Assistance	151	272	272	152	152	304
Total	**2,249**	**2,299**	**2,609**	**1,841**	**1,841**	**3,682**
Expenditures by Program						
Mediation Services	2,249	2,299	2,609	1,841	1,841	3,682
Total	**2,249**	**2,299**	**2,609**	**1,841**	**1,841**	**3,682**
Revenue by Type and Fund						
Non Dedicated						
General	0	1	1	1	1	2
Cambridge Deposit Fund	1	0	0	0	0	0
Subtotal Non Dedicated	1	1	1	1	1	2
Dedicated						
Special Revenue	216	132	32	16	16	32
Subtotal Dedicated	216	132	32	16	16	32
Total Revenue	**217**	**133**	**33**	**17**	**17**	**34**
Full-Time Equivalents (FTE)	**21.4**	**20.8**	**19.7**	**16.7**	**16.7**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($230)	($230)	($230)	($230)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($230)	($230)	($230)	($230)

Recommendation
The Governor recommends an operational reduction of $230,000 in FY 2004 and $230,000 in FY 2005.

Background
The budget as recommended would continue to support the statutory and core functions of the Bureau of Mediation Services. These functions include labor dispute mediation, certifying bargaining unit structures and conducting elections, and labor-management cooperation support programs. Overall, the Governor recommends a reduction of $904,000 for the biennium. In determining how to absorb this reduction, BMS focused on the following criteria:

- Need to preserve the core mission of the Bureau.
- Minimize the impact on the agency's strategic plan and established performance goals for resolving labor disputes, resolving union representation issues, and fostering joint labor-management cooperation.
- Reducing expenditures in administrative overhead, purchasing, and related personnel accounts to minimum required levels.

Relationship to Base Budget
This reduction is part of the overall biennial reduction of $904,000 which represents a 20% change to the Bureau's base funding.

Alternatives Considered
None.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($122)	($122)	($122)	($122)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($122)	($122)	($122)	($122)

Recommendation
The Governor recommends a reduction of $122,000 in FY 2004 and $122,000 in FY 2005 in the Alternative Dispute Resolution program.

Background
In determining how to absorb this reduction, BMS focused on the following criteria:

- need to preserve the core mission of the Bureau:
- minimize the impact on the agency's strategic plan and established performance goals for resolving labor disputes, resolving union representation issues, and fostering joint labor-management cooperation; and
- reducing expenditures in administrative overhead, purchasing, and related personnel accounts to minimum required levels.

Relationship to Base Budget
This reduction is part of the overall biennial reduction of $904,000 which represents a 20% change to the Bureau's base funding.

Alternatives Considered
None.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(100)	(100)	(100)	(100)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(100)	(100)	(100)	(100)

Recommendation
The Governor recommends a reduction of $100,000 in FY 2004 and $100,000 in FY 2005 in the labor management cooperation grants program.

Background
In determining how to absorb this reduction, BMS focused on the following criteria:

- Need to preserve the core mission of the Bureau.
- Minimize the impact on the agency's strategic plan and established performance goals for resolving labor disputes, resolving union representation issues, and fostering joint labor-management cooperation.
- Reducing expenditures in administrative overhead, purchasing, and related personnel accounts to minimum required levels.

Relationship to Base Budget
This reduction is part of the overall biennial reduction of $904,000 which represents a 20% change to the Bureau's base funding.

Alternatives Considered
None.

Statutory Change: Not Applicable.

Agency Purpose

Minnesota Statutes mandate that the Board of Medical Practice *protects the public.* In the interest of public health, safety, and welfare, and to protect the public from the unprofessional, improper, incompetent, and unlawful practice of medicine, it is necessary to provide laws and regulations to govern the granting and subsequent use of the license to practice medicine.

⇒ The board protects the public by granting qualified applicants the privilege to practice in Minnesota.

⇒ The board investigates complaints relating to the competency or behavior of individual licensees or registrants.

At A Glance

Biennial Budget – FY 2002-03:

Total Expenses: $7.312 million

Total Revenues: $8,159 million

Staff: 24.0 Full-time equivalent employees

Minnesota Board of Medical Practice License Statistics
(As of June 30, 2002)

Total Licensed: 19,336

Core Functions

The board enforces the Medical Practice Act by:

- ensuring that applicants for credentials have met all statutory requirements for license or registration;
- investigating and responding to public and agency inquiries, complaints, and reports regarding licensed and registered practitioners;
- implementing educational or disciplinary action with impaired or incompetent practitioners, thus ensuring that standards of care are met; 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 11 physicians and five public members, all of whom are appointed by the governor. The board also regulates acupuncturists, athletic trainers, physician assistants, respiratory care practitioners, midwives and professional firms.

Approximately 24 board staff are employed to process licensing and complaint information for the board's review and to handle administrative functions. Historically, the board has licensed or registered 2,100 new practitioners each year. On an average, the board receives 700 – 900 complaints per year, resulting in approximately 66 disciplinary orders or corrective action agreements during that time frame.

Budget

Total direct and indirect expenses for FY 2002-03 biennium are $7.312 million. The board staff includes 24.0 full-time equivalent employees.

Of the total budget for the FY 2002-03 biennium, $8.159 million is collected as non-dedicated revenue and $1,000 is collected as dedicated – special revenue, which is deposited, into the state government special revenue fund. The board collects fees charged to physicians, physician assistants, acupuncturists, athletic trainers, professional firms, midwives, and respiratory care practitioners. The dedicated revenue is from fees collected for seminars sponsored by the board. The board is responsible to collect enough revenue to recover all direct and indirect costs.

The board is responsible for the costs of services received from the Attorney General's Office, Health Professional Services Program, Department of Health HIV/HBV/HCV program and the Administrative Services Unit. Currently, the Board has a partnership agreement with the Attorney General's Office. Payments are made directly to the AGO on a quarterly basis. A direct appropriation is given to the Health Professional Services Program, HIV/HBV/HCV program, and the Administrative Services Unit from the state government special revenue fund. The board must ensure that sufficient revenue is collected through its fees to fund their portion of these programs costs.

Contact

Minnesota Board of Medical Practice
2829 University Avenue Southeast, Suite 400
Minneapolis, Minnesota 55414-3246

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

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State of Minnesota
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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Health and Human Services omnibus bill. These agencies collectively administer $163.2 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $1 million (0.6%) increase from the FY 2002-03 biennium. The funding for these agencies will be used to provide health and supportive housing services for Minnesota Veterans, license and regulate health professionals, promote high standards for treatment of mental illness, promote the protection of children, and coordinate training and administration for eight independent EMS organizations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, eliminate duplication, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Agencies have focused reduction plans around administrative areas of the budget. In most cases this protects the core function of the agency, albeit at a reduced level. In some cases, reduced staff will have direct effects on citizens as they try to access government services.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

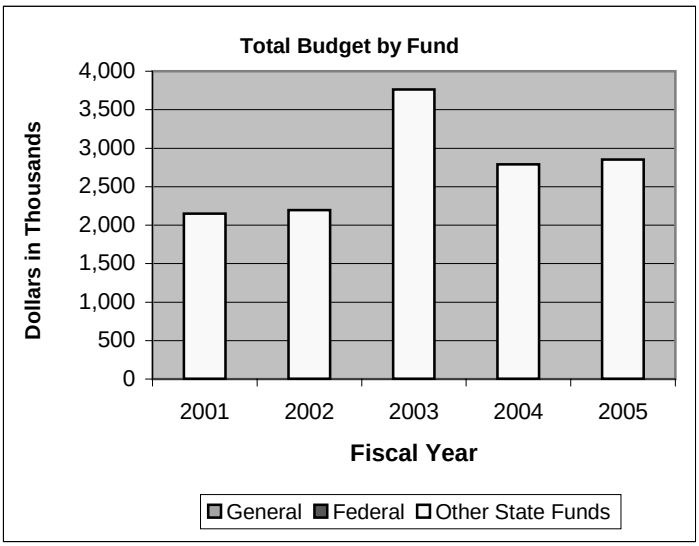
Sincerely,

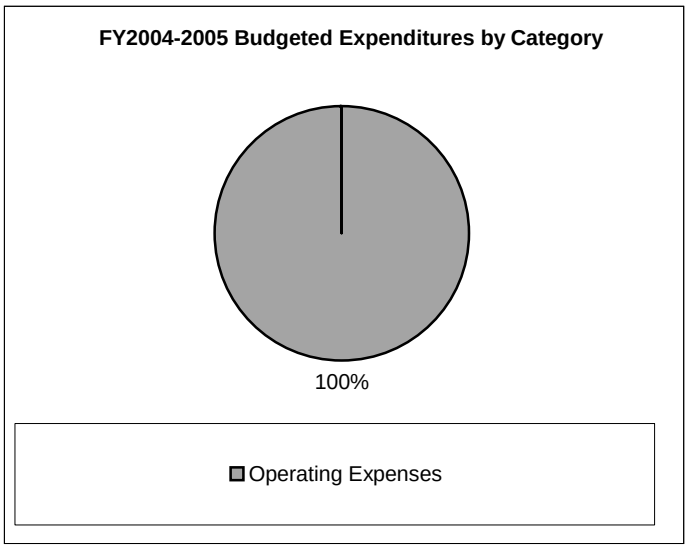
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	0	6,864	6,864
Legislatively Mandated Base	0	0	0
Transfers Between Agencies	0	-1,221	-1,221
Adjusted Base Funding	0	5,643	5,643
Governor's Recommendations	0	5,643	5,643
Biennial Change, 2002-03 to 2004-05	0	-316	-316
Percent Change	n.m	-5%	-5%

Brief Explanation Of Budget Decisions:

The Medical Practice Board is a fee-based organization that provides licensure and regulation services. Appropriations are made from the State Government Special Revenue (SGSR) fund and funding will continue at the FY 2003 level for both FY 2004 and FY 2005. The transfer indicated above moves funds to the Attorney General for legal services.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
State Government Special Revenue	2,071	2,174	3,734	2,764	2,823	5,587
Open Appropriations						
State Government Special Revenue	29	11	27	27	27	54
Statutory Appropriations						
Special Revenue	51	12	1	1	1	2
Total	**2,151**	**2,197**	**3,762**	**2,792**	**2,851**	**5,643**
Expenditures by Category						
Operating Expenses	2,151	2,197	3,762	3,526	3,526	7,052
Transfers	0	0	0	-734	-675	-1,409
Total	**2,151**	**2,197**	**3,762**	**2,792**	**2,851**	**5,643**
Expenditures by Program						
Medical Practice, Board Of	2,151	2,197	3,762	2,792	2,851	5,643
Total	**2,151**	**2,197**	**3,762**	**2,792**	**2,851**	**5,643**
Revenue by Type and Fund						
Non Dedicated						
State Government Special Revenue	3,801	4,112	4,046	4,132	4,199	8,331
Subtotal Non Dedicated	3,801	4,112	4,046	4,132	4,199	8,331
Dedicated						
Special Revenue	63	0	1	1	1	2
Subtotal Dedicated	63	0	1	1	1	2
Total Revenue	**3,864**	**4,112**	**4,047**	**4,133**	**4,200**	**8,333**
Full-Time Equivalents (FTE)	**22.2**	**22.6**	**22.5**	**22.5**	**22.5**	

Agency Purpose

The Metropolitan Council is a political subdivision of the state serving the seven county metropolitan area and governed by a chairperson and 16 Council members representing districts and appointed by the governor. The mission of the Metropolitan Council is to improve regional competitiveness in the global economy so the Minneapolis-St. Paul metropolitan region is one of the best places to live, work, raise a family and do business. The agency's duties include guiding land use and related development in the seven-county area by linking land use, transportation and environment through regional planning and providing essential regional services--wastewater collection and treatment, transit and rental assistance to low-income families in the region.

The seven-county metropolitan area is an economically stable region, with a growing population and an expected increase by 2030 of 930,000 people, 460,000 households and 550,000 jobs. In recent years, congestion levels have been growing in the region and are projected to continue to increase. Congestion is an important issue of concern to citizens and will influence the region's future economic competitiveness. The council is encouraging transit-oriented development in the region and partnering with local governments to find ways to address these issues in the future.

At A Glance

All Council Functions:

- 3,800 employees
- $380 million annual operating budget
- 300 million gallons of wastewater treated per day
- 5,000 families supported by Section 8 program
- 193 local government comprehensive plans reviewed

Transportation Function

- 2,740 employees
- $259 million annual operating budget
- $133.5 million biennial state General Fund appropriation
- $116.2 million annual projected revenue from state motor vehicle excise tax
- 75 million annual transit rides

This overview includes all council functions but provides additional detail for the transportation function which is substantially funded by state appropriations.

Core Functions

The council's main functions are:

- providing long-range comprehensive planning functions for transportation, airports, water, wastewater, housing and parks;
- operating the regional transit system;
- operating the regional wastewater treatment system; and
- operating a regional housing and redevelopment authority which provides assistance to low-income families in the region.

Operations

The state of Minnesota provides about 60% of the funding for the council's transportation function. The council also provides other services to the region which are funded with state appropriations. The council works to manage its services and infrastructure development to ensure a competitive and livable region in the future. The council also coordinates capital funding for regional parks including pass-through of some funds.

The **Transportation Function** is responsible for transportation planning within the seven-county metro area including aviation, highway, and transit systems as well as transit operations. This function is funded by state General Fund dollars, Motor Vehicle Excise Tax, Federal revenue and fares. The function:

⇒ Develops transportation policy for the metropolitan region and implements transportation policy through its own programs and through coordination with the federal, state, and local governments.

⇒ Develops and updates the five-year transit plan, the federal Transportation Improvement Program (TIP) for the metropolitan area.

⇒ Acts as the federally designated Metropolitan Planning Organization and manages the allocation of federal transportation funds.

⇒ Operates Metro Transit, the region's largest provider of regular-route transit service.

⇒ Operates Metro Mobility, the region's complementary paratransit service. Administers 36 different types of contracted transit services.

⇒ Promotes transit and other alternative modes of transportation through Metro Commuter Services programs and with travel demand management organizations.

The **Environmental Services Division** owns and maintains approximately 600 miles of regional sewers and treats up to 300 million gallons of wastewater daily at eight regional treatment plants for a total of 105.6 billion gallons treated in 2001. The division maintains a near-perfect compliance with clean water discharge permits. The Stillwater Treatment Plant tied for first place as "Best Medium Advanced Facility" in a national EPA competition. This division is fully fee supported.

The **Regional Administration Policy Alignment and Development Unit** includes functions such as Planning & Technical Assistance, Research, Regional Growth Strategy, Geographic Information Systems, the Metropolitan Housing and Redevelopment Authority, and Livable Communities. This unit is funded by property taxes and federal funds.

- coordinates Regional Parks capital program
- administers the livable communities grant programs which have provided $35 million for improving affordable housing in the region.

Key Measures

- provide a balanced solution to budget solution so that the impact on transit riders is minimized;
- preserve the integrity of the regional transit system while recognizing economic realities; and
- be ready to grow the system in better economic times.

Budget

The council adopts an annual budget for its operations. The 2002 adopted operating budget is $382 million. The organization's staff amounts to 3,800 full-time equivalents.

Of the total council budget $259 million is for transportation, $96 million for environmental services and $14 million for planning and administration.

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/.

February 18, 2003

Dear 2003 Minnesota Legislature:

This is the submission of the Governor's recommendation of the 2004-2005 biennial budget for the Metropolitan Council. The regional bus transit system proposed FY 2004-05 total budget of $578.1 million is funded through state General Fund appropriation (18.5%), Motor Vehicle Sales Tax (43%), Fares (26%), Federal (10%) and other (2.5%). Also included in this submission is a request for Light Rail operating costs. The $13.4 million Light Rail Transit (LRT) subsidy for 2004 -2005 is proposed to be funded 40% from a state General Fund appropriation and 60% from local units of government in the alignment of the rail line. The total state funds (general fund appropriation and Motor Vehicle Sales Tax) proposed for bus and LRT is $360.8 million for FY 2004-05.

The Council has developed a response to address funding reductions related to the 2004-2005 biennium. The Council has established principles to guide the development of the plan. These principles will ensure that our state appropriation remains targeted toward the Metropolitan Council's mission and strategic priorities. The principles are:

- provide a balanced solution to minimize the impact on transit riders;
- preserve the integrity of the regional transit system while recognizing economic realities;
- be ready to grow the system in better economic times; and
- all portions of the Council will share in the solution.

The Council's plan includes an $18.866 million state General Fund appropriation reduction for the regional bus transit system. The Council will address this reduction through fare increases, service reductions, reductions in the cost of service, one-time use of federal capital funds for operating purposes and reductions in administrative costs.

Fare Increases: These increases have been targeted to specific parts of the system to minimize the impact on the overall system and ridership. The proposed increases will require public hearings. Metro Mobility constituent leaders have provided input on various cost reductions scenarios and have expressed a preference for fare increases over substantial route reductions.

⇒ Increased express fares for commuters, decrease discounts for pass programs, expanding the afternoon peak period by 1/2 hour
⇒ Increase Metro Mobility fares

Service Reductions: Service reductions will impact current riders. The proposals will be discussed in public hearings.

⇒ Reduce regular route service by 70,000 hours (about 3%).
⇒ Reduce Metro Mobility hours to the ADA minimum and reduce funding for the Taxi Ticket Program
⇒ Eliminate state funding for Metro Commuter Services (80% federally funded)

Minnesota Legislature
February 18, 2003

Reduced Cost of Service:

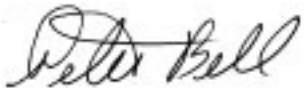
- Labor cost
- Restructure contracted transit
- Manage insurance costs

One time Use of Federal Capital funds for Operating purposes: Reduced funds available for capital funding could impact the quality of the transit infrastructure if the transfer became permanent.

Reduce Administrative Costs throughout the Council

The Council is committed to working with the Legislature to implement solutions to the budget challenge we all face. I look forward to working with you.

Sincerely,



Peter Bell
Chair

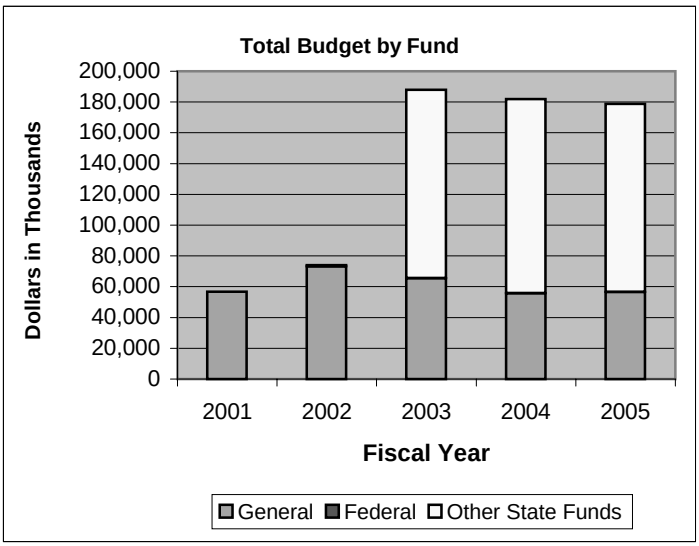
	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	130,772	248,543	379,315
Legislatively Mandated Base	-5,000	0	-5,000
Adjusted Base Funding	125,772	248,543	374,315
Change Items			
Rail Operations	5,360	0	5,360
Reduce Twin Cities Transit Funding	-18,866	0	-18,866
Governor's Recommendations	112,266	248,543	360,809
Biennial Change, 2002-03 to 2004-05	-26,221	124,891	98,670
Percent Change	-19%	101%	38%

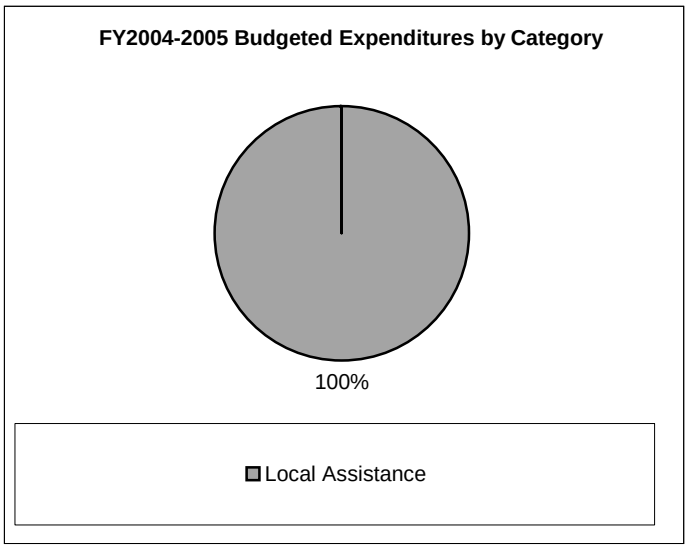
Brief Explanation Of Budget Decisions:

One-time funding of $2,500,000 per year is removed from the base for 2004-05, as directed by the legislature in the 2002-03 budget session law.

Other funds are the 20.5% dedication of Motor Vehicle Sales Tax to the Metropolitan Area Transit Fund, which began on July 1, 2002. Thus Other Funds for 2002-03 represent one year of dedication; Other Funds for 2004-05 represent two years of dedication.

	FY 2004-05 Revenues ($000s)		
	General Fund	**Other Funds**	**Total**
FY 2004-05 Current Law Revenues	0	248,543	248,543
FY 2004-05 Total Revenues	0	248,543	248,543
Biennial Change 2002-03 to 2004-05	0	0	0
Percent Change	0%	0%	0%





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	0	1,000	0	0	0	0
General	56,801	73,101	65,386	55,693	56,573	112,266
Statutory Appropriations						
Metro Area Transit	0	0	122,652	126,301	122,242	248,543
Total	**56,801**	**74,101**	**188,038**	**181,994**	**178,815**	**360,809**
Expenditures by Category						
Local Assistance	56,801	74,101	188,038	181,994	178,815	360,809
Total	**56,801**	**74,101**	**188,038**	**181,994**	**178,815**	**360,809**
Expenditures by Program						
Rail Operations	0	0	0	2,240	3,120	5,360
Met Council Transit	56,801	74,101	188,038	179,754	175,695	355,449
Total	**56,801**	**74,101**	**188,038**	**181,994**	**178,815**	**360,809**
Revenue by Type and Fund						
Dedicated						
Metro Area Transit	0	0	122,652	126,301	122,242	248,543
Subtotal Dedicated	0	0	122,652	126,301	122,242	248,543
Total Revenue	**0**	**0**	**122,652**	**126,301**	**122,242**	**248,543**

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$2,240	$3,120	$3,240	$4,240
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$2,240	$3,120	$3,240	$4,240

Recommendation

The Governor recommends direct General Fund appropriations of $2,240,000 in FY 2004 and $3,120,000 in FY 2005 to support the operations of the Hiawatha Light Rail line. The Governor also recommends funding of $3,240,000 in FY 2006 and $4,240,000 in FY 2007 to reflect the phase out of available federal CMAQ funds that can support the operations of the line for FY 2004-07.

The Governor's recommendation assumes that local funding in the amounts of $3,360,000 in FY 2004, $4,680,000 in FY 2005, $4,860,000 in FY 2006, and $6,360,000 in FY 2007 be provided by local units of government in the area benefited by the Hiawatha Light Rail line.

Background

This proposal is to provide funding to operate Minnesota's first light rail transit (LRT) line with 40% from the state General Fund and 60% from county and municipal local funds.

In 1998 and 1999, the legislature authorized $100 million as the direct state of Minnesota contribution to the capital costs of the Hiawatha Light Rail line. Local financial partners in the $675 million project are Hennepin County and the Metropolitan Airports Commission. Federal funds are provided through the Federal Transit Administration (FTA). The Minnesota Department of Transportation (MnDOT) is overseeing construction of the LRT line. The Metropolitan Council will be the owner and operator of the rail service.

The Metropolitan Council executed a Full Funding Grant Agreement with the FTA that calls for revenue operation for the entire corridor to begin by December 31, 2004. Minnesota's first light rail line continues moving forward on schedule and on budget. The Hiawatha LRT line will be fully operational from Warehouse District/Hennepin Avenue Station to Mall of America Station by that date. A first phase operation is scheduled to begin serving passengers in April 2004 from Warehouse District/Hennepin Avenue Station to Fort Snelling Station.

The line will be fully integrated with bus lines in the corridor and will connect major traffic generators in the region including downtown and south Minneapolis, VA Hospital, airport, Mall of America, and University of Minnesota. This line is the first link in a network of dedicated transit ways that will also include bus rapid transit and commuter rail lines throughout the region. The line is expected to attract significant development and investment around the stations in both Minneapolis and Bloomington.

Relationship to Base Budget

No base budget currently exists to finance the operation of rail service. The budget for rail operations includes a number of revenue sources as shown below.

Operating expenses begin as facilities are accepted from contractors and staff is hired and trained in preparation for revenue service commencing in April 2004. Three months of revenue service is reflected in the $9.5 million operating cost for FY 2004. For FY 2005, there will be six months operation for service from downtown Minneapolis to Fort Snelling and six months revenue operation for the full alignment from downtown to the Mall of America.

Fares are expected to cover about one-third of expenses, similar to the bus system. The current fare level of $1.75 during peak times and $1.25 during off-peak periods is assumed. Ridership projections indicate that

3.6 million passengers will board trains in FY 2005 as the service extends from Fort Snelling to the airport and Mall of America. The third source of revenue is a federal Congestion Mitigation Air Quality (CMAQ) grant for Hiawatha LRT. It is a $10 million grant to be spread over the first three calendar years of rail operation, covering portions of FY 2004-07. The remaining funding for rail operations presumes a cost-sharing ratio of 60% from new county and municipal funding and 40% from state funding.

FUNDING PLAN	FY 2004	FY 2005	FY 2006	FY 2007
Operating Expense	$9,500	$15,000	$16,900	$17,900
Operating Revenues				
Rail Activation	800			
Fares	800	4,300	5,600	5,700
CMAQ	2,300	2,900	3,200	1,600
Local Funding	3,360	4,680	4,860	6,360
State General Fund	2,240	3,120	3,240	4,240
Total Revenues	$9,500	$15,000	$16,900	$17,900

Key Measures

In the first year of full operation, the LRT line is expected to carry 19,300 passengers per day. About a third of those riders will be new to the transit system and will contribute to reducing congestion in the region.

Fiscal Impact ($000s)	FY2004	FY2005	FY2006	FY2007
General Fund Expenditures				
State Operations	($9,433)	($9,433)	($9,433)	($9,433)
Net Fiscal Impact ($000s)	(9,433)	(9,433)	(9,433)	(9,433)
Total Reductions	($9,433)	($9,433)	($9,433)	($9,433)

Recommendation:

The Governor recommends a direct General Fund appropriation for Metropolitan Council Transit of $53,453,000 each year for FY 2004-05. This appropriation represents a reduction of $9,433,000 per year from the base for 2004-05.

Strategies

Five strategies are proposed to address the reduction in direct General Fund state appropriations and to address cost pressures within the transit budget.

Fare increases:

- regular route fare increase, possibly including express route increases, extension of peak time and decrease in discounts; and
- increase fares for Metro Mobility

Service reductions:

- reduce regular route service by as much as 70,000 service hours per year (3%);
- estimated revenue loss due to ridership decline from service reductions;
- reduce Metro Mobility service hours to ADA minimums and reduce Taxi Ticket program by 40%; and
- eliminate all state funding for Metro Commuter Services.

Substituting Capital Funds for Operating Funds:

- shift $6.4 million of federal capital funding to operating.

Reductions in cost of service:

- improved labor productivity;
- restructure contracted transit services; and
- manage insurance costs.

Metropolitan Council administrative cost reduction:

- administrative cost reductions from the overall council budget.

If any of these strategies are not implemented as proposed, additional service cuts or fare increases may be necessary.

Relationship to Base Budget

The council is currently receiving $133.5 million for transit operations during the 2002-2003 biennium. This appropriation reflects a reduction of $2.715 million by the legislature in the 2002 session in each of FY 2003, FY 2004 and FY 2005. In addition, five million dollars was deemed one-time money, not included in the 2004-2005 base. These actions have changed the Met Council's original appropriation from $136.2 million in the 2002 - 2003 biennium to $125.8 million for the 2004 - 2005 biennium.

Key Measures and Impacts

Ridership: Between 1996 and 2001, transit ridership increased 20.3%. The changes in this proposal could reduce transit ridership by up to one million rides per year, and could threaten the ridership gains of the last four years.

Access to transportation: This proposal will reduce the availability of transportation for many people. Some areas of the region may have a reduced transit alternative, leading to increasing reliance on automobiles. It will also reduce the hours that persons with disabilities will be able to access Metro Mobility.

Capital funding: The proposed strategy would reduce funding for capital replacement and repair by over $3 million a year, or the equivalent of more than 10 buses each year. The result will be diminished service for transit riders as facility repair is delayed and the life of buses is extended beyond recommended limits.

Public reaction: Both service cuts and fare increases will require a public input process.

Fare affordability: Twin Cities transit users currently pay approximately one-third of the cost of a transit trip. Higher fares will limit transit usage, reduce the attractiveness of employer based transit programs, and impact regional mobility. These changes also raise fares for persons with disabilities, reducing their ability to get to jobs, doctor's appointments, and other life-sustaining needs

Business impacts: 80% of transit riders are going to and from work. Reduced transit service levels will make it harder for some persons to get to work. Businesses may have a harder time recruiting and retaining workers especially in locations like downtown Minneapolis where 40% of employees get to work using transit. There could be disincentives for employers to participate in programs to reduce congestion.

FTE Impact: Up to 110 positions could be eliminated among the Metropolitan Council and its various providers. It is anticipated that the majority of reductions may require layoffs.

Alternatives Considered

The proposed strategy provides a balanced response to this funding reduction. Some measured service cuts are proposed but balanced against measured revenue increases, cost efficiencies, and tradeoffs between capital and operating funds. It would be possible to provide all funding from service cuts or fare increases but it is proposed that a balanced approach is a better solution. If any of these strategies cannot be fully implemented, additional service reductions or fare increases may be necessary.

Statutory Change: None

Agency Purpose

The Minnesota Department of Military Affairs, also known as the Minnesota National Guard, "is comprised of and includes the military forces of the state, the office of the adjutant general, all military reservations, military installations, armories, air bases, and facilities owned or controlled by the state for military purposes, and civilians employed by the state for the administration of the military department." (M.S. Ch.190.05)

⇒ *Federal Mission*: As a federal entity, military members of the Minnesota National Guard serve as a reserve force for the United States Army and Air Force. They are subject to be called to federal active duty for extended periods of time by the President.

⇒ *State Mission*: As a state entity, the Minnesota National Guard provides support to local law enforcement agencies during natural disasters and other emergencies at the direction of the governor.

⇒ *Community Mission*: The Minnesota National Guard is also involved in community support projects throughout the state. These projects give our soldiers a chance to "give back to the community."

At A Glance

- There are currently 12,000 military members of the Minnesota National Guard.
- The Department of Military Affairs manages 2.3 million square feet (SF) of facilities within 1,424 buildings on 53,000 acres at Camp Ripley; 508,027 SF in 64 National Guard Training facilities; and 1.6 million SF in 63 National Guard Training and Community Centers (armories).
- The agency annually supports 2,800 National Guard men and women through its tuition reimbursement program.
- The department has overseen 21,551 National Guard man-days in response to state emergencies since July 2001.

The vision of the Department of Military Affairs is to provide leadership, resources, and support to the National Guard to assist in accomplishing these three missions.

Core Functions

The Department of Military Affairs provides the structure and resources to accomplish the four core programs that support the Minnesota National Guard:

- Maintenance of Training Facilities
- Enlistment Incentives
- Emergency Services
- Administrative Support

Operations

The department's customer base is the 12,000 members of the Minnesota Army and Air National Guard, the directors and managers responsible for the execution of the federal-state cooperative agreements, and the citizens of the state and nation during emergencies.

The **Facilities Management Office** is the primary staff section responsible for maintaining the state's facilities used to train and house the members of the Minnesota National Guard and to protect the state's investment in facilities. Each Air National Guard Base also has a Civil Engineering function that is responsible for the maintenance of the federal facilities that are supported with state dollars.

Incentives and Education Services is responsible for managing the department's enlistment incentives and tuition reimbursement programs. These programs provide incentives to the men and women who enlist and maintain their memberships in the Army and Air National Guard.

Emergency Services is managed by the Military Support directorate of the state staff. They provide the command and control services to the governor when the National Guard is activated in response to state emergencies.

State staff provides the general administrative, financial, accounting, budgeting, and human resource support necessary for the operation of the department.

Budget

Of the department's total budget, 77.3% comes from the federal government through cooperative agreements for facilities maintenance, telecommunications, security, firefighting, and the STARBASE educational program. The state General Fund accounts for 21.9%, and approximately 0.8% comes from other sources (local government, facility sales, housing operations, etc.).

The Department of Military Affairs is also responsible for an additional approximately $340 million, received from the federal government during the state's biennium. These funds come directly from the federal government, do not pass through the state treasury, and are paid to individuals and vendors for federal-related activities.

The department's staff includes 249 employees who approximate 229 full-time equivalents. Only 30 of these employees are 100% state-funded. The remainder are predominantly federally funded -- some at 100% and most others at 75%.

Contact

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World Wide Web Home Page:
http://www.dma.state.mn.us

Major General Eugene R. Andreotti,
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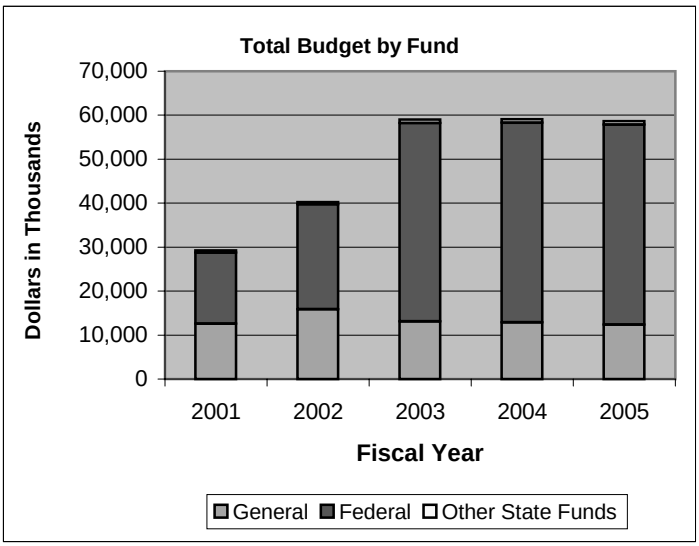
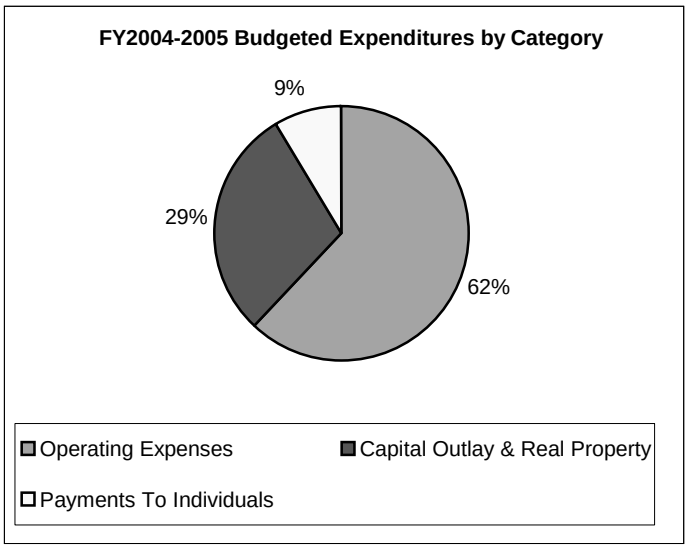
For information on how this agency measures whether it is meeting its statewide goals, please refer to http://www.departmentresults.state.mn.us/





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Carry Forward						
General	0	0	0	489	0	489
Direct Appropriations						
General	11,636	11,912	12,778	12,279	12,279	24,558
Open Appropriations						
General	935	3,825	210	0	0	0
Statutory Appropriations						
General	52	117	105	120	125	245
Special Revenue	491	560	796	798	798	1,596
Federal	16,112	23,859	45,104	45,400	45,456	90,856
Total	**29,226**	**40,273**	**58,993**	**59,086**	**58,658**	**117,744**

Expenditures by Category						
Operating Expenses	26,658	35,977	35,907	36,123	36,189	72,312
Capital Outlay & Real Property	119	38	17,150	17,150	17,150	34,300
Payments To Individuals	2,065	3,518	5,366	5,292	4,798	10,090
Local Assistance	384	740	570	521	521	1,042
Total	**29,226**	**40,273**	**58,993**	**59,086**	**58,658**	**117,744**

Expenditures by Program						
Maint-Training Facilities	23,734	30,257	50,752	51,273	51,334	102,607
General Support	2,349	2,464	2,506	2,392	2,392	4,784
Enlistment Incentives	2,129	3,578	5,524	5,346	4,857	10,203
Emergency Services	1,014	3,974	211	75	75	150
Total	**29,226**	**40,273**	**58,993**	**59,086**	**58,658**	**117,744**

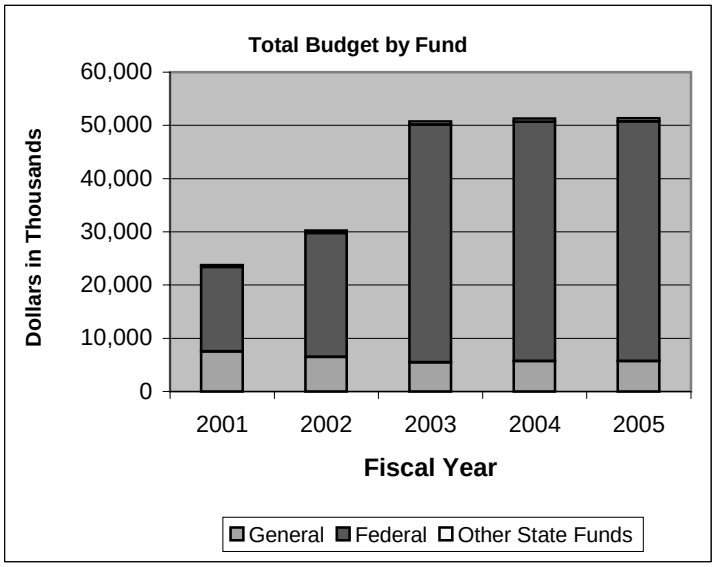
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	2	2	0	0	0	0
Subtotal Non Dedicated	2	2	0	0	0	0
Dedicated						
General	252	117	105	120	125	245
Special Revenue	491	560	796	798	798	1,596
Federal	16,387	24,131	45,104	45,400	45,456	90,856
Subtotal Dedicated	17,130	24,808	46,005	46,318	46,379	92,697
Total Revenue	**17,132**	**24,810**	**46,005**	**46,318**	**46,379**	**92,697**
Full-Time Equivalents (FTE)	**291.3**	**260.0**	**246.8**	**246.8**	**246.8**	

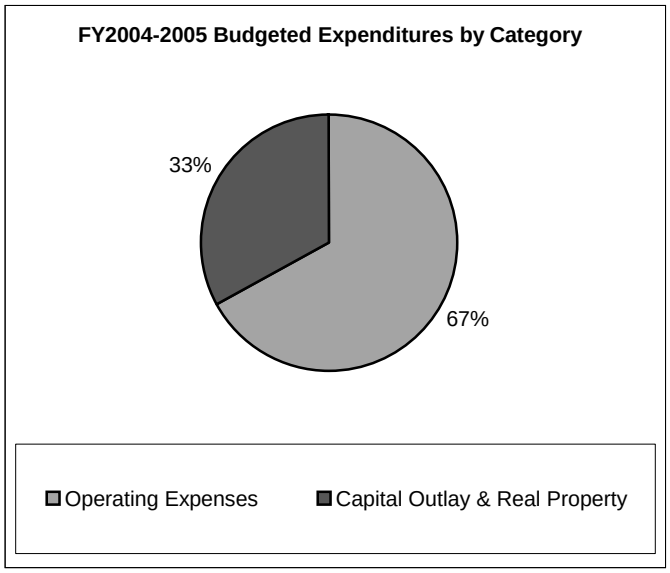
Program Description

The purpose of the Maintenance of Training Facilities program is to protect the state's investment in state owned facilities; provide for operating costs of both state and federally supported facilities; and to provide the resources necessary to construct training facilities in partnership with the federal government.

Budget Activities Included:

⇒ Camp Ripley/Holman
⇒ Armory Maintenance
⇒ Air Base Maintenance – Twin Cities
⇒ Air Base Maintenance – Duluth





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	7,473	6,390	5,367	5,611	5,611	11,222
Statutory Appropriations						
General	52	117	105	120	125	245
Special Revenue	359	507	616	617	617	1,234
Federal	15,850	23,243	44,664	44,925	44,981	89,906
Total	**23,734**	**30,257**	**50,752**	**51,273**	**51,334**	**102,607**
Expenditures by Category						
Operating Expenses	23,705	30,239	33,735	34,250	34,315	68,565
Capital Outlay & Real Property	0	0	17,000	17,000	17,000	34,000
Payments To Individuals	29	18	17	23	19	42
Total	**23,734**	**30,257**	**50,752**	**51,273**	**51,334**	**102,607**
Expenditures by Activity						
Camp Ripley/Holman	11,931	16,166	19,848	20,047	20,069	40,116
Armory Maintenance	7,176	9,806	24,835	25,140	25,181	50,321
Air Base Maint-Twin Cities	1,461	1,374	2,403	2,384	2,386	4,770
Air Base Maint-Duluth	3,166	2,911	3,666	3,702	3,698	7,400
Total	**23,734**	**30,257**	**50,752**	**51,273**	**51,334**	**102,607**
Revenue by Type and Fund						
Dedicated						
General	252	117	102	120	125	245
Federal	16,057	22,886	44,664	44,925	44,981	89,906
Subtotal Dedicated	16,309	23,003	44,766	45,045	45,106	90,151
Total Revenue	16,309	23,003	44,766	45,045	45,106	90,151
Full-Time Equivalents (FTE)	**269.2**	**240.1**	**228.3**	**228.3**	**228.3**	

Activity Description

This activity provides for the daily operation, maintenance, and repair of training facilities located at Camp Ripley, Arden Hills, Holman Field in St. Paul, and various other logistical facilities located in nine other communities around the state. Under the provisions of M.S. 190.11, the Adjutant General is charged with operation, care, and preservation of facilities and installations. The Adjutant General may also, under M.S. 190.16, cooperate with the federal government to construct and maintain facilities required for training and housing the military forces of the state.

This activity also provides the structure for acceptance of significant federal funding for construction, environmental programs, range operations, and base security. Some special funds (dedicated revenue) passes through this activity for operational leases of Camp Ripley facilities.

Activity at a Glance

Training Sites – Camp Ripley and Arden Hills
- 54,225 acres
- 2.4 million square feet of facilities
- 1,450 buildings

Logistical Facilities
- 64 Structures
- 588,200 total square feet; 147,050 state-supported square feet
- 20 acres
- $57.4 million investment in facilities

Population Served

This activity primarily serves the 12,000 members of the Minnesota Army and Air National Guard, providing training, maintenance, and housing facilities. It also serves members of other active and reserve military components, military members from other nations, and state employees from the departments of Natural Resources (DNR) and Public Safety – Camp Ripley is the home for the State Patrol's Rookie Camp and the DNR Enforcement Training. The Education Center is also used by many other state agencies for training.

Services Provided

This activity provides the state match required to pay for the operation, maintenance, and utility costs for a multitude of facilities. It also provides much of the staff required to construct and repair facilities throughout the state.

Historical Perspective

Since FY 2000, the Army National Guard has added 1,225 acres to our supported sites. This is predominantly the acquisition of additional training area space at Arden Hills. We have also added 20,044 square feet of state supported facilities. This is due to the replacement of the old Combined Support Maintenance Shop at Camp Ripley with a new, state of the art facility.

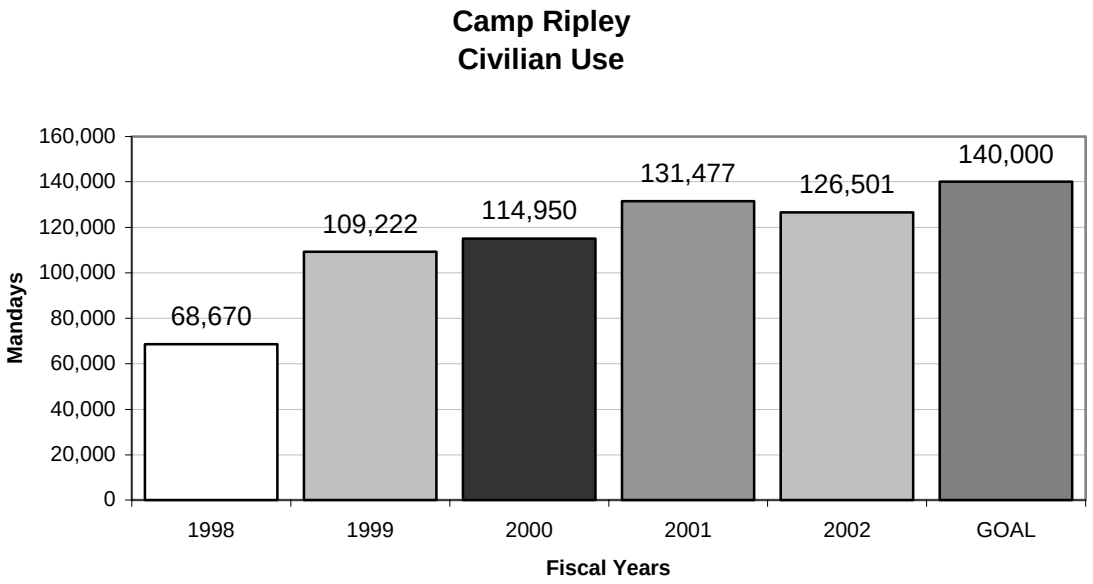
All these facilities support the training of soldiers and repair of equipment used by the Minnesota Army National Guard which directly affect the readiness posture of the Army National Guard.

Key Measures

We expect the state funds to be used efficiently to support the federal and state missions of the National Guard. We also expect a high standard of facility maintenance so that employees and military members can focus on accomplishing their work and so we can provide facilities for civilian use when not required for military use. In many ways, this activity is a pass-through which helps provide matching funding to support these facilities.

A pertinent measure is civilian use of the National Guard Training Facilities at Camp Ripley. Our ability to expand the use of facilities at Camp Ripley to state government, community agencies, schools, and civic organizations, reduces the need to build similar facilities in other locations, showcases the outstanding training and educational facilities, and provides another opportunity for the Minnesota National Guard to give back to the citizens of the state.

The goal for FY 2002 was 140,000 civilian days. The agency was not able to meet this goal primarily because of the security measures put in place in response to 9/11/01 that closed Camp Ripley to many civilian groups.



Activity Funding

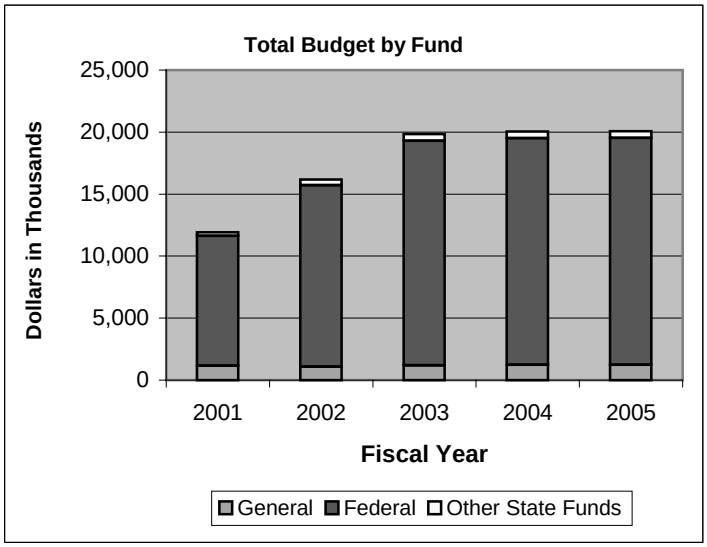
Most of the facilities at Camp Ripley are supported 100% with federal funds. Some of the other logistical facilities are funded at 75% by the federal government; the state is required to fund the remaining 25% of the operational costs. The state's portion receives a direct appropriation from the General Fund. Some special funds are also generated through the use of Camp Ripley.

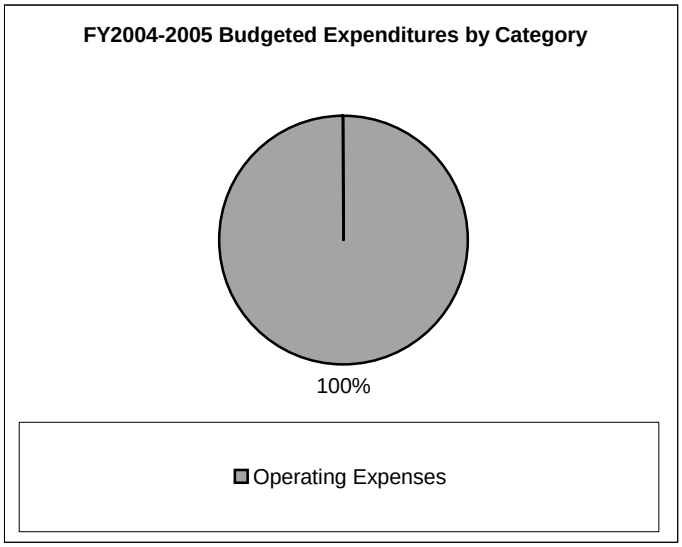
Contact

Additional information about this activity can be acquired from the Facilities Management Office, 15000 Highway 15, Little Falls, Minnesota 56345-4173. Phone: (320) 632-7314.

MILITARY AFFAIRS DEPT
Program: MAINT-TRAINING FACILITIES
Activity: CAMP RIPLEY/HOLMAN

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,113	960	1,094	1,110	1,112	2,222
Statutory Appropriations						
General	52	117	105	120	125	245
Special Revenue	303	452	547	547	547	1,094
Federal	10,463	14,637	18,102	18,270	18,285	36,555
Total	**11,931**	**16,166**	**19,848**	**20,047**	**20,069**	**40,116**
Expenditures by Category						
Operating Expenses	11,902	16,148	19,831	20,024	20,050	40,074
Payments To Individuals	29	18	17	23	19	42
Total	**11,931**	**16,166**	**19,848**	**20,047**	**20,069**	**40,116**
Revenue by Type and Fund						
Dedicated						
Federal	10,587	14,280	18,107	18,270	18,282	36,552
Subtotal Dedicated	10,587	14,280	18,107	18,270	18,282	36,552
Total Revenue	10,587	14,280	18,107	18,270	18,282	36,552
Full-Time Equivalents (FTE)	**127.0**	**123.9**	**123.7**	**123.7**	**123.7**	

Activity Description

This activity provides the funding for the daily operation, maintenance, and repair of armories located throughout the state. Under the provisions of M.S. 190.11, the Adjutant General is charged with operation, care, and preservation of facilities and installations. It also provides the structure for receipt of federal funds for construction, cooperative agreement funding for federal and community use of facilities, and federal funding for telecommunications costs.

Activity at a Glance

Support provided for operation of:

- 64 facilities;
- 1.7 million square feet of building space;
- 251 acres of supporting property; and
- $249.4 million of investment in facilities.

Population Served

The population served by this program is the Army and Air National Guard members, employees of the department, and to some extent, citizens of the communities where National Guard facilities are located.

Services Provided

Under this program, Military Affairs operates and maintains 64 National Guard Training and Community Centers (armories). This activity provides funding for utilities, maintenance and repair, and various inspections. It also provides funding for some essential facility maintenance equipment. We partner with local government in several locations to leverage resources to operate and maintain facilities.

These facilities provide space for administrative and logistical support and training for the 9,800 Army National Guard soldiers located in Minnesota, stationing and support of soldiers called to state active duty by the governor in response to emergencies, events and programs of government and community organizations, and individuals including the new Distance Learning programs. Armories also serve as emergency shelters during weather emergencies.

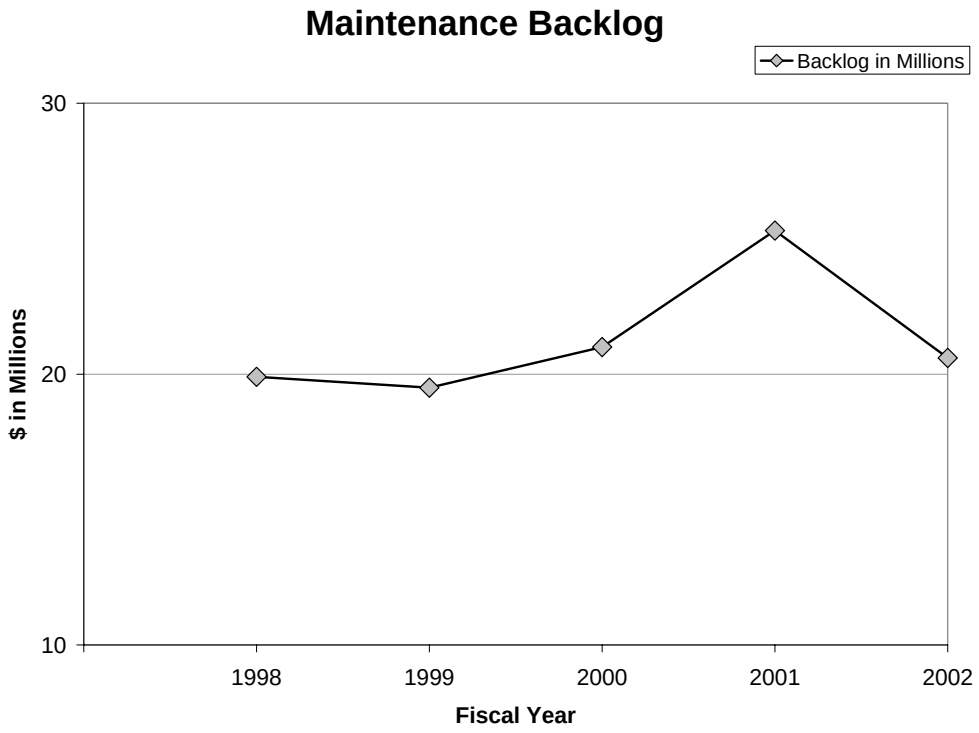
Historical Perspective

Due to budget constraints and loss of federally supported manning, the department closed 12 armories in 1991. Since that time, the National Guard's strength in Minnesota has increased significantly from a low of approximately 8,900 in 1991 to almost 10,000 today. Most recently, the department had to lay off its state-funded general maintenance worker staff, leaving most state owned facilities without custodial services.

The National Guard has been called upon to perform a greater role in the defense of the nation and state since 9-11-01. This has resulted in extremely high operations tempo in the military organizations throughout the state creating a greater burden on the facilities and personnel.

Key Measures

One of the measures of the effectiveness of our preventative maintenance program is the level of maintenance backlog. This measure is directly affected by the amount of money available for major repairs through the capital budget program, but an effective preventative maintenance program can prevent minor repairs becoming much more expensive major repairs. The following chart shows the actual backlog as measured on January 1 of each year.



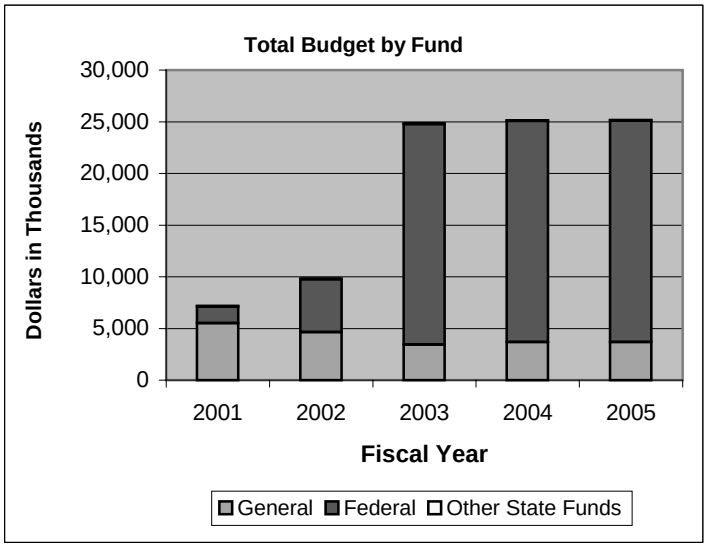
Activity Funding

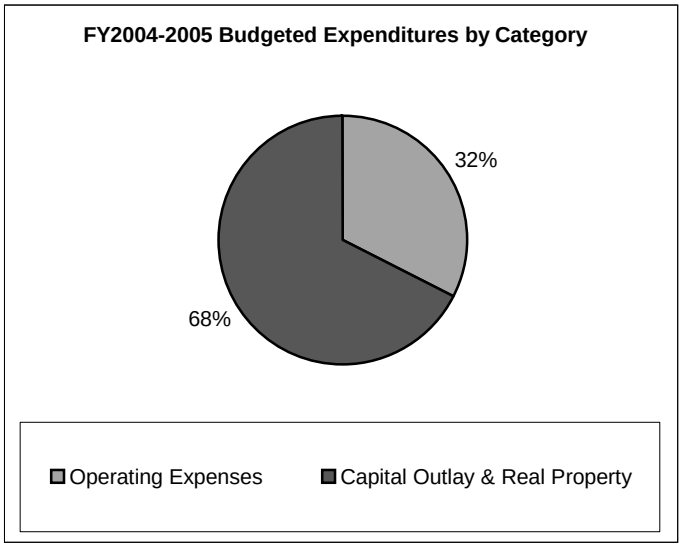
The state is responsible for maintenance, operation, and upkeep of armory facilities. Some funds are received from the federal government where we share with or lease space to other military organizations, and some local funds are provided where we partner with local government in the operation, maintenance, and use of facilities. We also receive federal funds under cooperative agreements whereby the federal government provides 75% of the basic costs of facility construction. The federal government pays 100% of the telecommunications costs for these facilities.

The state received increased federal funding in FY 2002 and FY 2003 related to completion of the Training and Community center in Mankato and anticipated projects including the design of a maintenance facility in Arden Hills. Prior to FY 2002, some federal construction dollars were tracked under a different accounting structure.

Contact

For further information, contact Division of Public Works, Facilities Management Office, 15000 Highway 115, Little Falls, Minnesota 56345-4173. Phone: (320) 632-7785.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	5,508	4,646	3,452	3,680	3,678	7,358
Statutory Appropriations						
Special Revenue	56	55	69	70	70	140
Federal	1,612	5,105	21,314	21,390	21,433	42,823
Total	**7,176**	**9,806**	**24,835**	**25,140**	**25,181**	**50,321**
Expenditures by Category						
Operating Expenses	7,176	9,806	7,835	8,140	8,181	16,321
Capital Outlay & Real Property	0	0	17,000	17,000	17,000	34,000
Total	**7,176**	**9,806**	**24,835**	**25,140**	**25,181**	**50,321**
Revenue by Type and Fund						
Dedicated						
General	252	117	102	120	125	245
Federal	1,695	5,105	21,309	21,390	21,436	42,826
Subtotal Dedicated	1,947	5,222	21,411	21,510	21,561	43,071
Total Revenue	1,947	5,222	21,411	21,510	21,561	43,071
Full-Time Equivalents (FTE)	**54.5**	**37.7**	**26.6**	**26.6**	**26.6**	

Activity Description

The Adjutant General may, under M.S. 190.16, cooperate with the federal government to construct and maintain facilities required for training and housing the military forces of the state. This activity provides for that cooperation in operating and maintaining the 133rd Air Wing, Minnesota Air National Guard base, located at the Minneapolis-St. Paul International Airport.

Activity at a Glance

Facilities supported represent:
- 414,361 square feet;
- 38 separate structures; and
- 128 acres.

These facilities support:
- 8 C-130H model transport airplanes; and
- 1400 air guard members.

Population Served

This activity predominantly serves the 1,400 members of the 133rd Air Wing, Minnesota Air National Guard. It also serves the citizens of the state when natural disasters strike and in times of national emergencies. The mission of the 133rd is to provide the nation with a wing of eight C-130H model transport aircraft, ready for immediate deployment for state, national, or international emergencies.

Services Provided

Through a series of cooperative agreements with the federal government, the state partners to provide for facility operational costs, maintenance and repair costs, and also base security and fire protection. Activities are regulated on the federal side and the budget and state human resource activities are monitored and approved by the state agency.

Historical Perspective

The 133rd participated in several missions during the statewide snow removal operations and floods of 1997, providing snow removal and water pumping equipment and personnel, and airlifting equipment and sandbags to those areas hit by the flood.

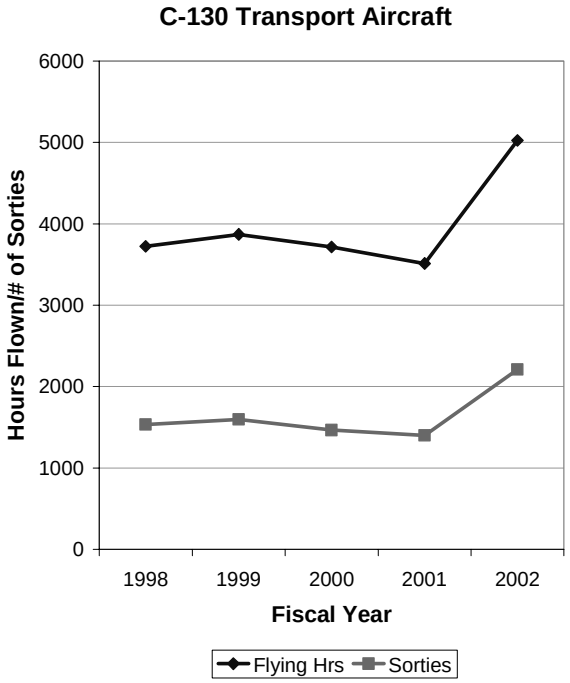
In the spring of 2001, the wing also provided assistance statewide for flood response. Most recently, the 133rd Airlift Wing activated hundreds of members to provide essential services to the residents of the state veteran's homes during the October 2001 state employee strike.

Since the 9-11-01 crisis, the operational tempo of the 133rd Airlift Wing has increased dramatically. The wing is currently providing in-theater airlift and is maintaining a "warm" mission beddown site at home station.

Key Measures

Funding constraints on the federal side drive the state's obligations. The federal employees of the air wing develop budgets and apply for federal funding under the terms and conditions established by the federal government. The key measure may be whether or not the state is able to provide the required 25% match and acquire the federal funding. For the last two biennia, we have been able to provide 100% funding for this activity.

Much of the federal funding is driven by the wing's flying hour program. As illustrated in the following chart, there was a substantial increase in flying hours and sorties (missions) in response to 9-11-01. Increased activities place a much greater strain on facilities.



Activity Funding

The costs for providing facility operations and maintenance are shared with the federal government. The federal government provides 75% of the costs for operations, maintenance, and airfield lease costs. The state must provide the other 25%. The federal government also pays 100% of the costs of base security and the operational costs for a C-130 regional flight simulator. Federal funding for base security and operations has increased since 9-11-01.

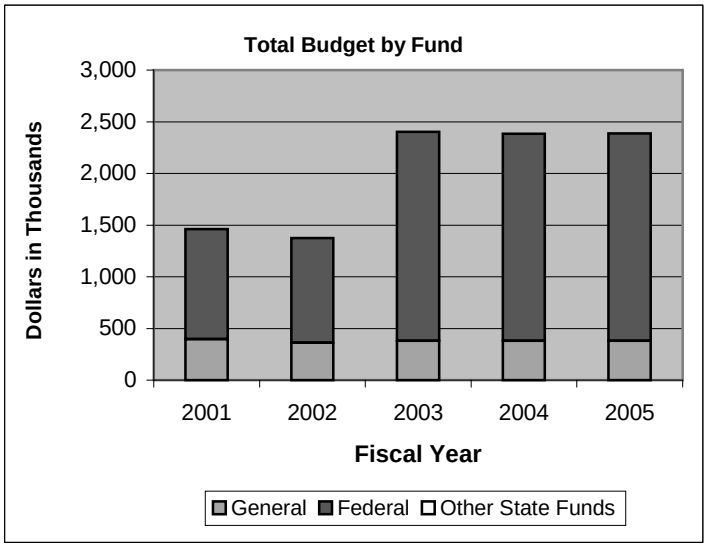
Contact

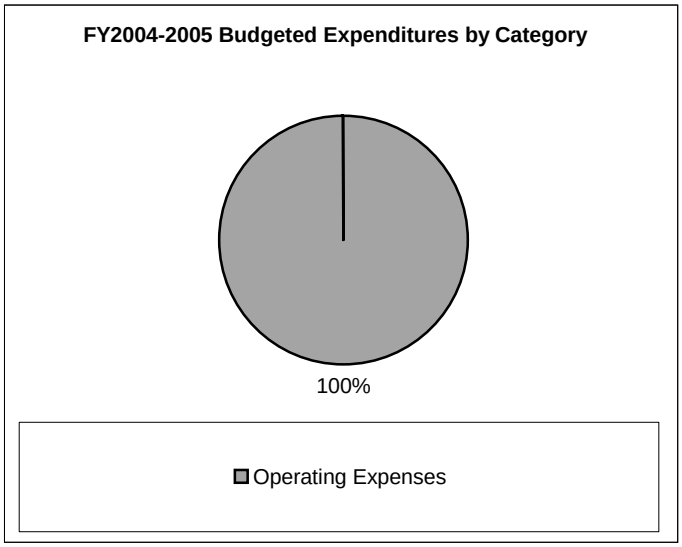
For further information on this activity, contact the Headquarters, Minnesota Air National Guard, Veterans Service Building, 20 West 12th Street, St. Paul, Minnesota 55155-2098 or Phone: (651) 282-4673.

You may also visit the 133rd's web site at http://www.dma.state.mn.us/airguard/main.htm

MILITARY AFFAIRS DEPT
Program: MAINT-TRAINING FACILITIES
Activity: AIR BASE MAINT-TWIN CITIES

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	397	363	382	382	382	764
Statutory Appropriations						
Federal	1,064	1,011	2,021	2,002	2,004	4,006
Total	**1,461**	**1,374**	**2,403**	**2,384**	**2,386**	**4,770**
Expenditures by Category						
Operating Expenses	1,461	1,374	2,403	2,384	2,386	4,770
Total	**1,461**	**1,374**	**2,403**	**2,384**	**2,386**	**4,770**
Revenue by Type and Fund						
Dedicated						
Federal	1,064	1,011	2,021	2,002	2,004	4,006
Subtotal Dedicated	1,064	1,011	2,021	2,002	2,004	4,006
Total Revenue	1,064	1,011	2,021	2,002	2,004	4,006
Full-Time Equivalents (FTE)	**27.0**	**23.5**	**23.0**	**23.0**	**23.0**	

Activity Description

The Adjutant General may, under M.S. 190.16, cooperate with the federal government to construct and maintain facilities required for training and housing the military forces of the state. This activity provides for that cooperation in operating and maintaining the 148th Fighter Wing, Minnesota Air National Guard base, located at the Duluth International Airport.

Activity at a Glance

Facilities supported represent:
- 474,414 square feet of facilities; in
- 63 separate structures.

That support:
- 1100 Air National Guard members; and
- 24 F-16A fighter jets.

Population Served

This activity predominantly serves the 1,100 members of the 148th Fighter Wing, Minnesota Air National Guard. It also serves the citizens of the state when natural disasters strike and in times of national emergencies. The mission of the 148th is to provide the nation with a wing of 24 F-16A model fighter aircraft, ready for immediate deployment for state, national, or international emergencies.

Services Provided

Through a series of cooperative agreements with the federal government, the state partners to provide for facility operational costs, maintenance and repair costs, and also base security and fire protection. Activities are regulated on the federal side, and the budget and state human resource activities are monitored and approved by the state agency.

Historical Perspective

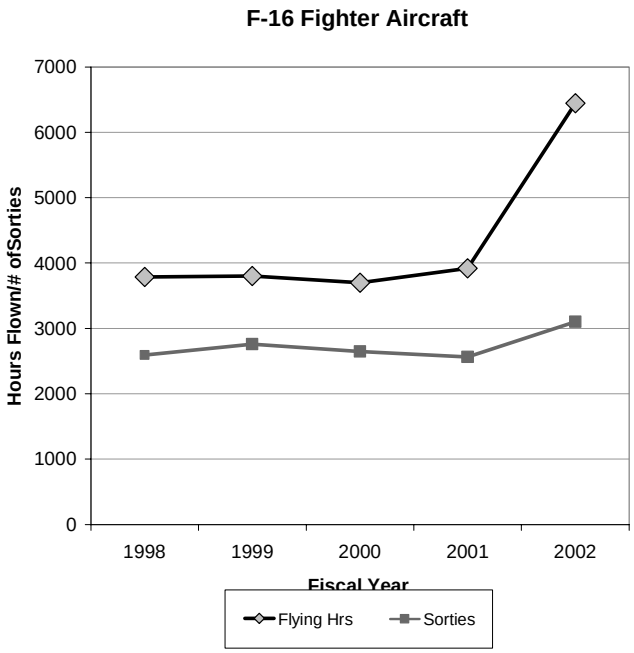
The wing has participated in many federal missions. It also provided security, medical, aircraft refueling and services support, as well as vehicle maintenance technicians and heavy equipment operators for state active duty call-ups.

Since the 9-11-01 crisis, the operational tempo of the 148th Fighter Wing has increased dramatically. The wing is currently providing air defense at numerous locations on an ongoing basis both here in Minnesota and at deployed locations around the nation.

Key Measures

Funding constraints on the federal side drive the state's obligations. The federal employees of the air wing develop budgets and apply for federal funding under the terms and conditions established by the federal government. The key measure may be whether or not the state is able to provide the required 25% match and acquire the federal funding. For the last two biennia, we have been able to provide 100% funding for this activity.

The flying hour program drives much of the federal funding the agency receives. The chart below illustrates the substantial increase in hours and sorties (missions) flown in response to 9-11-01. The hours flown in FY 2002 are a record for the 148th Fighter Wing. These activities put a strain on facilities due to much higher use.



Activity Funding

The costs for providing facility operations and maintenance are shared with the federal government. The federal government provides 75% of the costs for operations, maintenance, and airfield lease costs. The state must provide the other 25%. The federal government also pays 100% of the costs of a real property manager, base security, and airfield firefighting. Federal funding for security, firefighting, and operational costs have increased since 9-11-01.

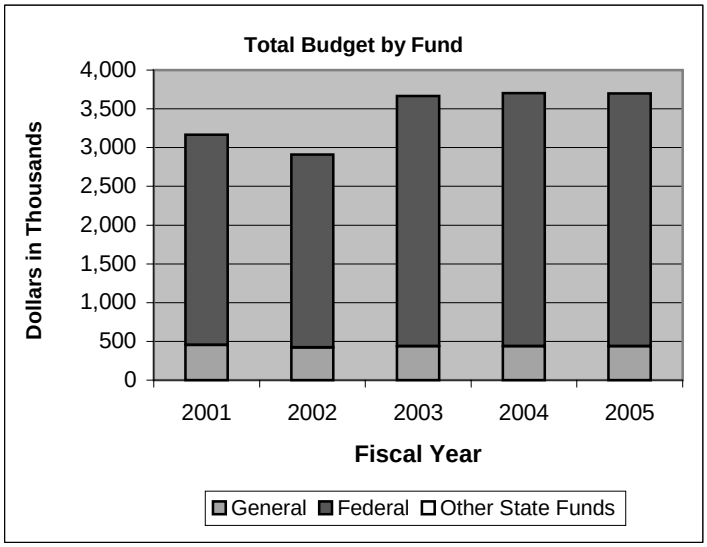
Contact

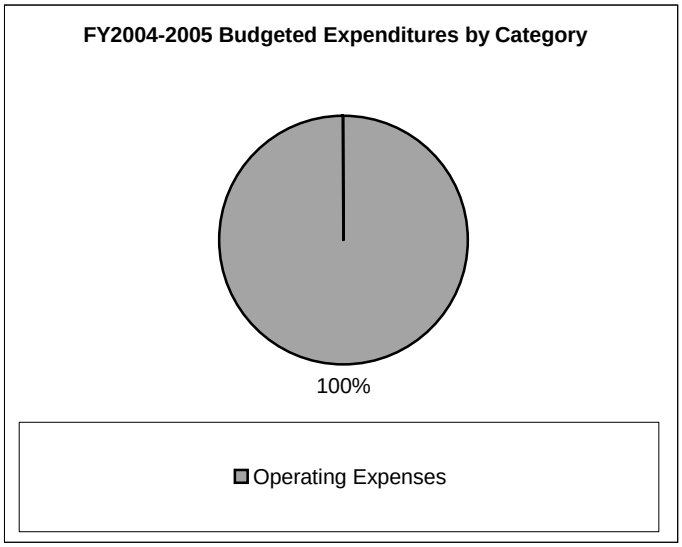
For further information on this activity, contact the Headquarters, Minnesota Air National Guard, Veterans Service Building, 20 West 12th Street, St. Paul, Minnesota 55155-2098 or Phone: (651) 282-4673.

You may also visit the 148th 's web site at http://www.dma.state.mn.us/airguard/main.htm

MILITARY AFFAIRS DEPT
Program: MAINT-TRAINING FACILITIES
Activity: AIR BASE MAINT-DULUTH

Fiscal Report





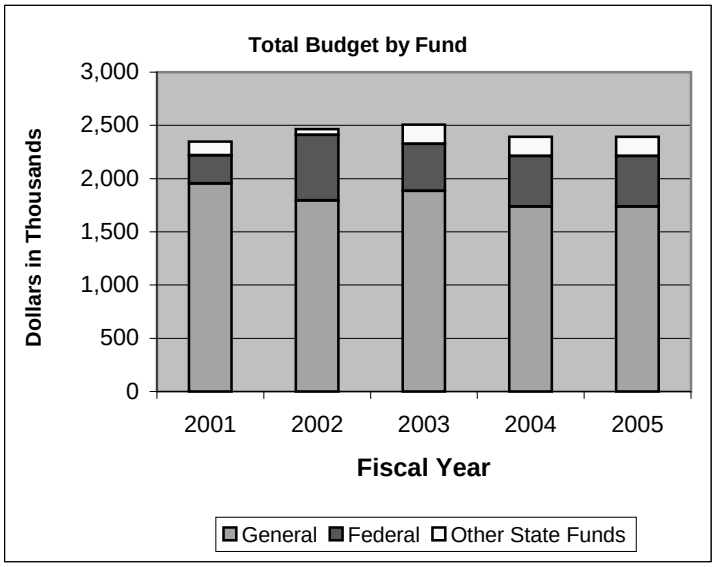
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	455	421	439	439	439	878
Statutory Appropriations						
Federal	2,711	2,490	3,227	3,263	3,259	6,522
Total	**3,166**	**2,911**	**3,666**	**3,702**	**3,698**	**7,400**
Expenditures by Category						
Operating Expenses	3,166	2,911	3,666	3,702	3,698	7,400
Total	**3,166**	**2,911**	**3,666**	**3,702**	**3,698**	**7,400**
Revenue by Type and Fund						
Dedicated						
Federal	2,711	2,490	3,227	3,263	3,259	6,522
Subtotal Dedicated	2,711	2,490	3,227	3,263	3,259	6,522
Total Revenue	**2,711**	**2,490**	**3,227**	**3,263**	**3,259**	**6,522**
Full-Time Equivalents (FTE)	**60.7**	**55.0**	**55.0**	**55.0**	**55.0**	

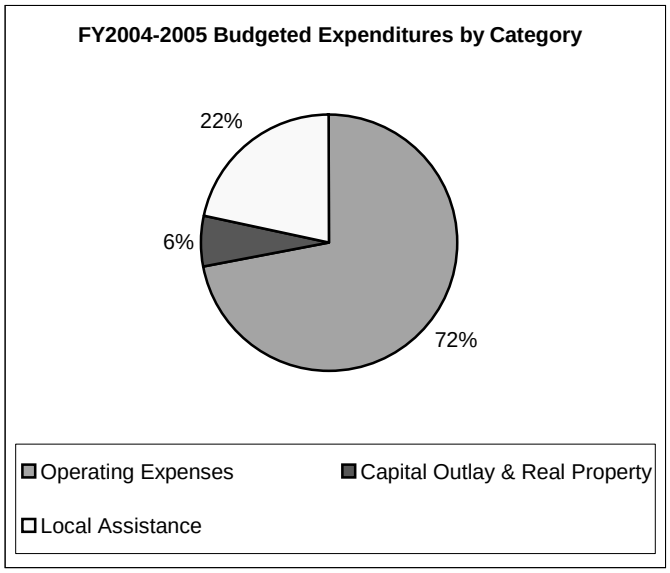
Program Description

The purpose of the General Support program is to provide the leadership, administrative, and technical support for the department. It also provides the support for members of the National Guard called to State Active Duty by the governor. It includes the operating costs for the department headquarters in St. Paul including rent for the Veterans Service Building.

Budget Activities Included:

⇒ Administrative Services
⇒ Auxiliary Services
⇒ STARBASE MN





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,955	1,795	1,886	1,736	1,736	3,472
Statutory Appropriations						
Special Revenue	132	53	180	181	181	362
Federal	262	616	440	475	475	950
Total	**2,349**	**2,464**	**2,506**	**2,392**	**2,392**	**4,784**
Expenditures by Category						
Operating Expenses	1,845	1,686	1,786	1,721	1,721	3,442
Capital Outlay & Real Property	119	38	150	150	150	300
Payments To Individuals	1	0	0	0	0	0
Local Assistance	384	740	570	521	521	1,042
Total	**2,349**	**2,464**	**2,506**	**2,392**	**2,392**	**4,784**
Expenditures by Activity						
Administrative Services	1,968	1,810	1,916	1,767	1,767	3,534
Auxiliary Services	119	38	150	150	150	300
Starbase Minnesota	262	616	440	475	475	950
Total	**2,349**	**2,464**	**2,506**	**2,392**	**2,392**	**4,784**
Revenue by Type and Fund						
Non Dedicated						
General	2	2	0	0	0	0
Subtotal Non Dedicated	2	2	0	0	0	0
Dedicated						
General	0	0	3	0	0	0
Special Revenue	491	560	796	798	798	1,596
Federal	330	1,245	440	475	475	950
Subtotal Dedicated	821	1,805	1,239	1,273	1,273	2,546
Total Revenue	**823**	**1,807**	**1,239**	**1,273**	**1,273**	**2,546**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Full-Time Equivalents (FTE)	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
	21.1	**18.9**	**17.5**	**17.5**	**17.5**	

Activity Description

The Adjutant General is the military chief of staff to the governor and is the department head. The assistant Adjutant General, and other key members of his staff, are charged with policy development, management, supervision, and support of the Minnesota Army and Air National Guard. This activity provides the leadership, technical, and administrative support for the state agency. It also provides the structure for one-time funding for some programs authorized by the legislature.

Activity at a Glance

This activity provides support to:
- 250 state employees; and
- 12,000 members of the Minnesota National Guard.

Population Served

The administrative services activity provides support to the Adjutant General's staff, the department directors responsible for the cooperative agreements with the federal government, the state employees of the department, and, in times of state declared emergencies, the members of the Minnesota Army and Air National Guard called to state active duty.

Services Provided

Areas of policy guidance and support include:
- strategic planning;
- administration and training;
- facility maintenance and management;
- acquisition of funding for new construction;
- personnel and recruiting; and
- military operational readiness.

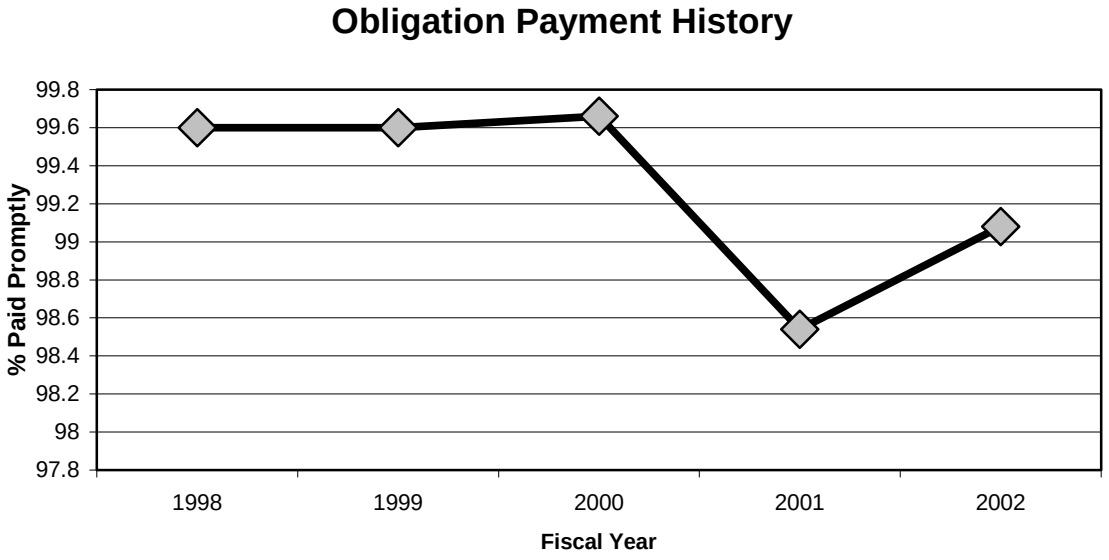
Some of the administrative and management services provided include:
- senior leadership and management;
- budget and accounting functions;
- fiscal management of the state/federal cooperative agreement;
- internal audit and management controls;
- payroll and logistical support to personnel called to state active duty;
- human resources support services for our 250 state employees; and
- processing payments for departmental operations.

Historical Perspective

The workload for this part of the agency has generally increased over the past few years, mostly in response to call-up of the Minnesota National Guard for state active duty and also due to increases in federal funding for specific programs.

Key Measures

One of the measures we use to evaluate our efficiency is the percentage of invoices that are paid promptly as defined by Minnesota statutes. If there is no early payment discount period, the invoice must be paid within 30 days following the receipt of the invoice, merchandise, or service, whichever is later. The data below shows that measure from FY 1998 through FY 2002. Factors that affect our performance include additional workloads caused by National Guard State Active duty callouts and employee illnesses.



Activity Funding

Funding for this activity is predominantly state General Fund. Some special revenue is recognized as part of an employee sharing agreement with the Minnesota State Armory Building Commission.

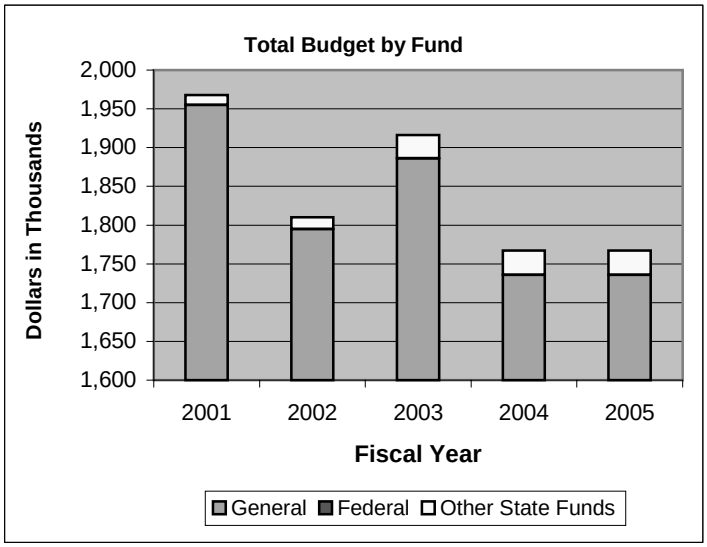
Contact

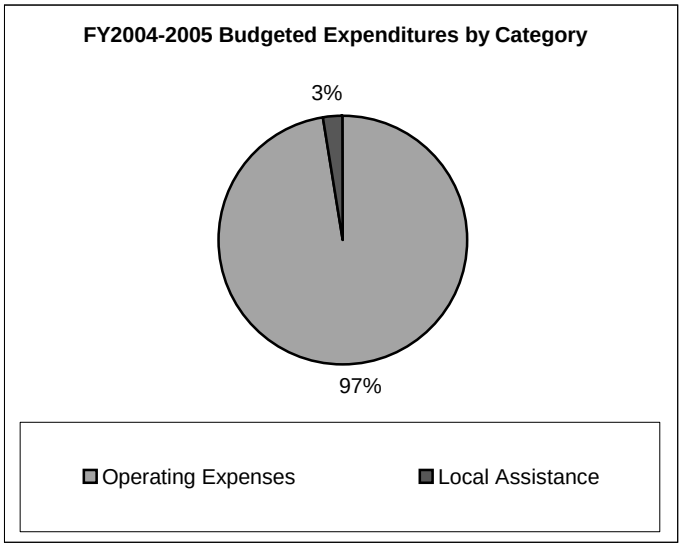
For further information, contact Comptroller, Department of Military Affairs, 20 West 12th Street, St. Paul, Minnesota 55155-2098 or call (651) 282-4678.

You may also visit the department's web site at http://www.dma.state.mn.us/.

MILITARY AFFAIRS DEPT
Program: GENERAL SUPPORT
Activity: ADMINISTRATIVE SERVICES

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,955	1,795	1,886	1,736	1,736	3,472
Statutory Appropriations						
Special Revenue	13	15	30	31	31	62
Total	**1,968**	**1,810**	**1,916**	**1,767**	**1,767**	**3,534**
Expenditures by Category						
Operating Expenses	1,845	1,686	1,786	1,721	1,721	3,442
Payments To Individuals	1	0	0	0	0	0
Local Assistance	122	124	130	46	46	92
Total	**1,968**	**1,810**	**1,916**	**1,767**	**1,767**	**3,534**
Revenue by Type and Fund						
Dedicated						
Special Revenue	372	522	646	648	648	1,296
Subtotal Dedicated	372	522	646	648	648	1,296
Total Revenue	**372**	**522**	**646**	**648**	**648**	**1,296**
Full-Time Equivalents (FTE)	**21.1**	**18.9**	**17.5**	**17.5**	**17.5**	

Activity Description
This activity provides the accounting and budgeting structure for receipts of payments for sale of closed armories under the provisions of M.S. 193.36.

Activity at a Glance

- Serves as "pass through" only for funds from sale of closed armories.

Population Served
The department and other local government entities.

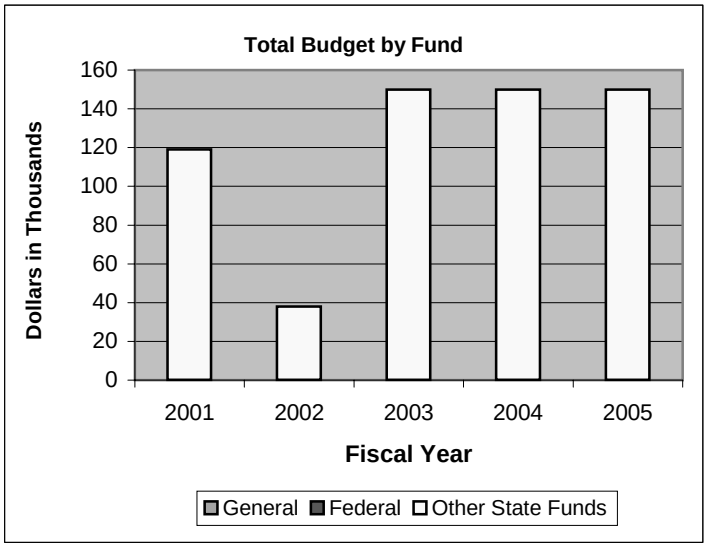
Services Provided
This activity serves as a pass through for the receipt and dispersal of proceeds from the sale of closed armories.

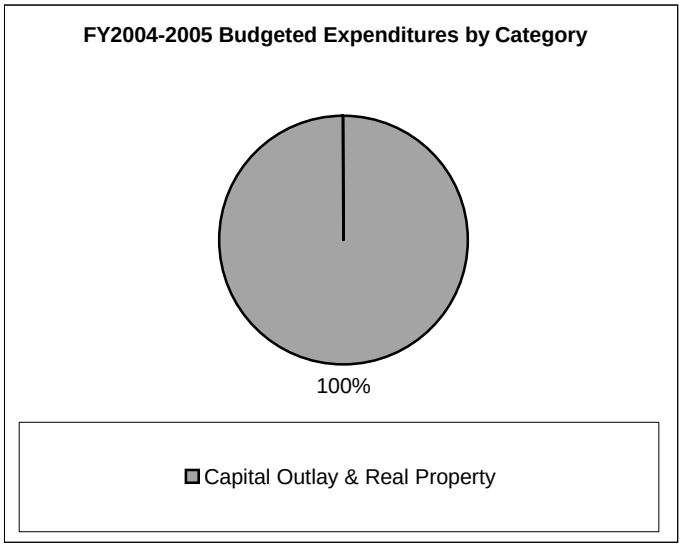
Key Measures
There are no measures associated with this activity. Occasionally, armories are replaced and the old facility is sold to help finance the construction of the new facility.

Activity Funding
FY 2001 revenue was from sale of unused parcels in Duluth and a contract for deed payment for the sale of the old Montevideo armory. FY 2002 revenue was from the final two contract for deed payments from the sale of the old Montevideo armory and the sale of an unused parcel in Dawson, MN.

Contact
For further information contact: Comptroller, Department of Military Affairs, 20 West 12th Street, St. Paul, Minnesota 55155 or call (651) 282-4678.

Additional information may also be accessed at the department's web site at www.dma.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Special Revenue	119	38	150	150	150	300
Total	**119**	**38**	**150**	**150**	**150**	**300**
Expenditures by Category						
Capital Outlay & Real Property	119	38	150	150	150	300
Total	**119**	**38**	**150**	**150**	**150**	**300**
Revenue by Type and Fund						
Non Dedicated						
General	2	2	0	0	0	0
Subtotal Non Dedicated	2	2	0	0	0	0
Dedicated						
Special Revenue	119	38	150	150	150	300
Federal	68	629	0	0	0	0
Subtotal Dedicated	187	667	150	150	150	300
Total Revenue	**189**	**669**	**150**	**150**	**150**	**300**

Activity Description
This activity exists to provide a "pass through" for federal funding for the STARBASE program. The acronym STARBASE stands for Science and Technology Academies Reinforcing Basic Aviation and Space Exploration.

Population Served
Each year, over 2,300 inner city students are brought to the "school house."

Activity at a Glance

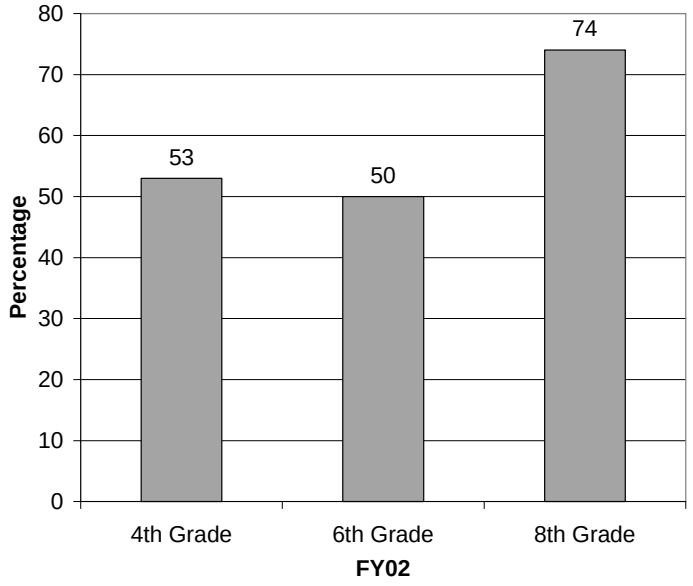
STARBASE is an accredited educational program providing;
- a 20-hour program serving; to
- over 2,300 inner city school students each year.

Services Provided
The goal of STARBASE is to increase the knowledge, skills, and interests of inner city youth in science, mathematics, and technology through aerospace education. By providing a mix of hands-on, real world learning activities, and scientific experimentation and exploration, students are inspired to learn from unique educational experiences rarely found in traditional classroom settings.

Historical Perspective
The STARBASE program was started in 1993 serving just under 1,000 students. The interest in STARBASE and the support of its programs has steadily increased. In FY 2002, almost 2,300 students were served and attendance in FY 2003 is now projected to be between 2,500 and 2,600 students.

Key Measures
STARBASE has begun a rigorous program of collecting results data. For the fiscal year ending 6-30-02, graduates of the program were shown to improve their knowledge and application of math and science skills by the following percentages:

Percentage Improvement by Grade Level



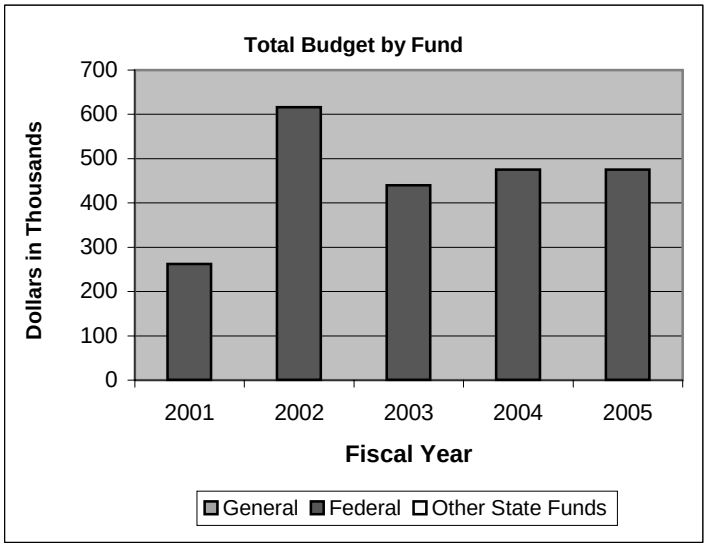
Activity Funding

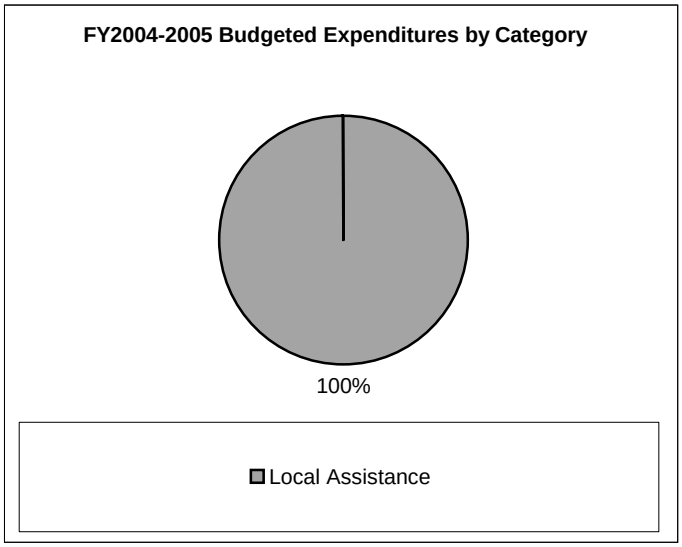
Annual funding for this activity is 100% federal.

Contact

For further information about STARBASE, contact Executive Director, STARBASE, 659 Mustang Avenue, St. Paul, Minnesota 55111-4128, or call (612) 713-2530.

You may also visit the organization's web site at http://www.starbasemn.org/.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Federal	262	616	440	475	475	950
Total	**262**	**616**	**440**	**475**	**475**	**950**
Expenditures by Category						
Local Assistance	262	616	440	475	475	950
Total	**262**	**616**	**440**	**475**	**475**	**950**
Revenue by Type and Fund						
Dedicated						
General	0	0	3	0	0	0
Federal	262	616	440	475	475	950
Subtotal Dedicated	262	616	443	475	475	950
Total Revenue	**262**	**616**	**443**	**475**	**475**	**950**

Program Description

Incentives for Minnesota citizens to join and remain in the National Guard are authorized by M.S. 192.501, enacted by the legislature in 1989 and amended by the legislature in 1993, 1996, and again in 2001.

Program at a Glance

This program provides enlistment incentives used in FY 2001 by:

- 2,564 (20%) of Minnesota National Guard Members.

Population Served

This activity provides the funding for the state's enlistment incentives program for 12,000 members of the Minnesota Army and Air National Guard.

Services Provided

The **tuition reimbursement** program has not only helped the Minnesota Army and Air National Guard enlist and retain members, it has provided educational opportunities to many members who may not otherwise be financially able to attend school. National Guard members must be prepared to perform a military mission if called, but more practically, they add more value to their state and community if they pursue post secondary education. In order to be reimbursed, students must maintain their membership by participating satisfactorily in the National Guard and must attain a minimum grade of C in their course(s).

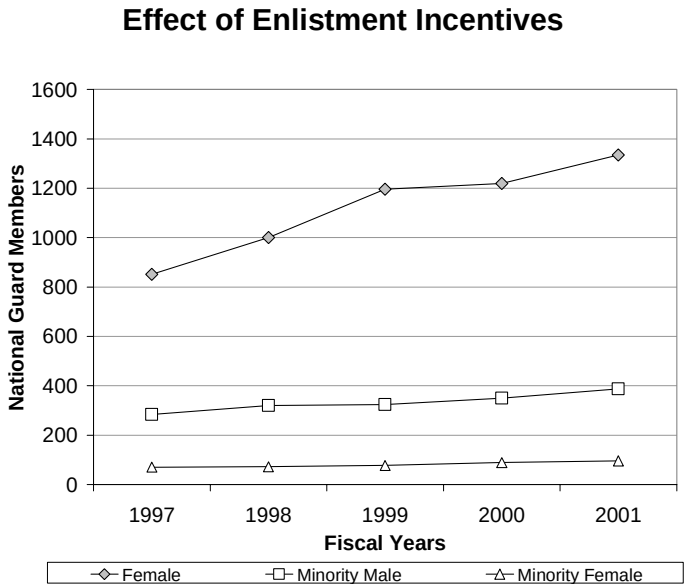
Commissioning Bonuses are also paid to some members. A commissioning bonus is designed to attract and encourage quality members of the Minnesota National Guard to become officers or warrant officers within the organization. The state offers a $1,000 bonus to enlisted members receiving a commission through Federal OCS (Officer Candidate School), State OCS, or Air Guard COTS (Commissioned Officer Training School). This program was previously suspended due to insufficient funding.

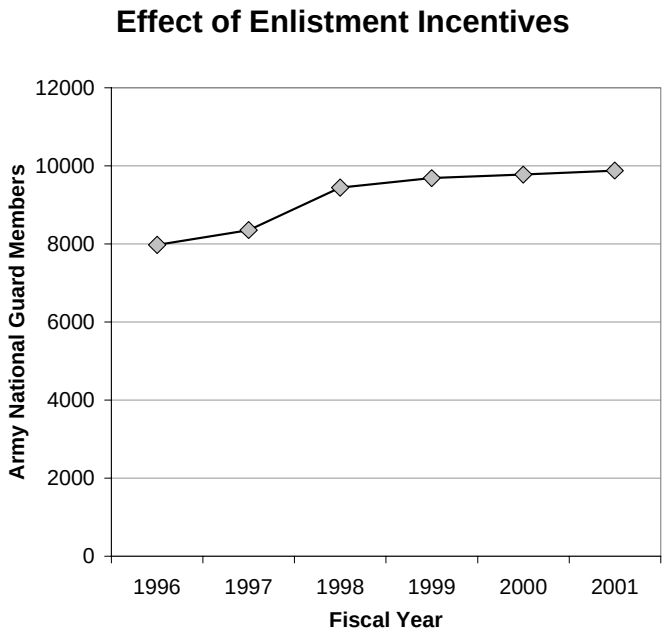
Historical Perspective

The keystone of the incentives program is the **tuition reimbursement** program**.** Prior to legislative amendment in 2001, the statutes allowed for up to 75% of the U of M undergraduate rate at the Twin Cities campus for tuition paid at public or private post-secondary educational institutions. The rate of reimbursement varied from year to year with a low of 50% in FY 2001. The 2001 amendment increased the maximum reimbursement to 80% and the program was funded to that level in FY 2002. During FY 2001 over 20% (2,564) of our total assigned National Guard members utilized tuition reimbursement.

Key Measures

The state tuition reimbursement has proven effective in attracting women and minorities. The following tables show the increase in minority and female membership in the Army National Guard and total personnel strengths of the Army National Guard over the past five years. The numbers show a positive correlation between the incentives program and the recruitment and retention of members in general and of females and minorities in particular.





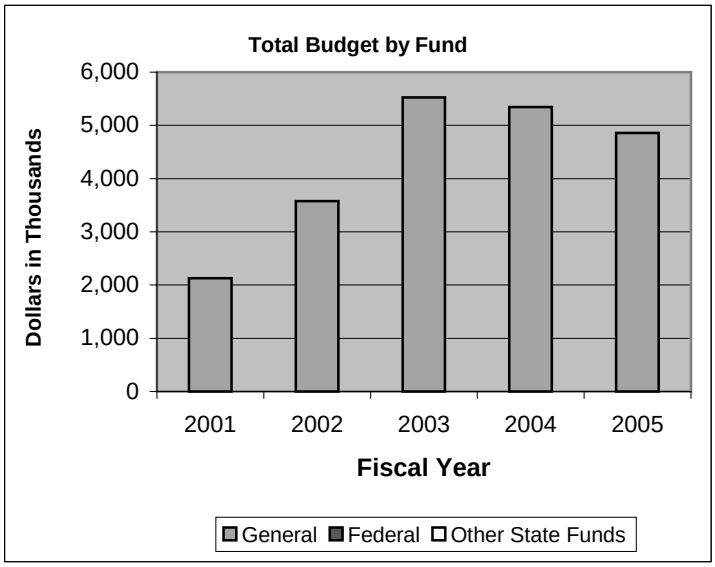
Activity Funding

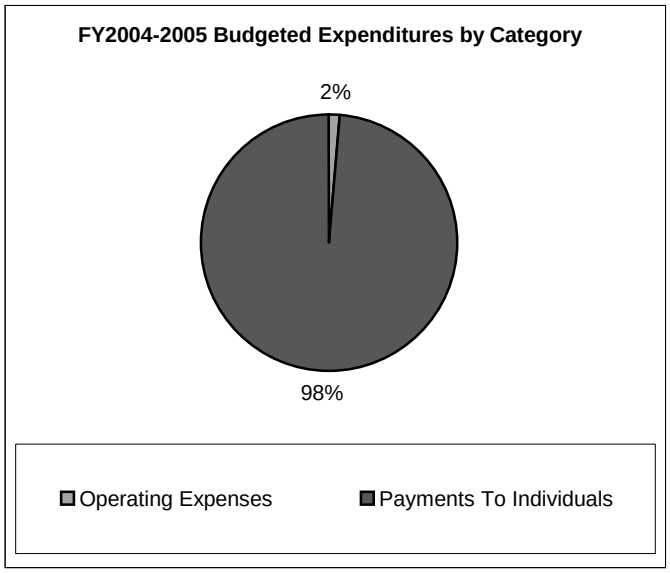
All of the funding for this program is provided from the state General Fund. 98% of the funding is spent on tuition reimbursement, 1% on bonuses, and 1% on overhead costs – primarily salary.

Contact

For further information, contact the Incentive and Educational Services Officer, Department of Military Affairs, 20 West 12th Street, St. Paul, Minnesota 55155-2098, or call (651) 282-4508

Additional information is also available at the department's web site at http://www.dma.state.mn.us/





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Carry Forward						
General	0	0	0	489	0	489
Direct Appropriations						
General	2,129	3,578	5,524	4,857	4,857	9,714
Total	**2,129**	**3,578**	**5,524**	**5,346**	**4,857**	**10,203**
Expenditures by Category						
Operating Expenses	94	78	175	77	78	155
Payments To Individuals	2,035	3,500	5,349	5,269	4,779	10,048
Total	**2,129**	**3,578**	**5,524**	**5,346**	**4,857**	**10,203**
Expenditures by Activity						
Enlistment Incentives	2,129	3,578	5,524	5,346	4,857	10,203
Total	**2,129**	**3,578**	**5,524**	**5,346**	**4,857**	**10,203**
Full-Time Equivalents (FTE)	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**	

Program Description

Statutes require that the National Guard be available for state active duty when the governor orders the Guard to support local law enforcement authorities in time of civil disorder, natural disaster, or other emergencies (M.S. 190.02).

Program at a Glance

Since FY 1998, the National Guard has responded to:

- 31 calls to state active duty; providing
- 59,475 man-days of support.

Population Served

This program serves the governor, the Department of Public Safety, local law enforcement agencies, and the citizens of the state in times of emergencies.

Services Provided

The department is able to partner with and leverage all of the resources of the Army and Air National Guard. The training and equipping of the National Guard is funded totally by federal dollars. Over $1 billion worth of federally owned military aircraft and other equipment is available to the governor to support the state in times of emergency. There is no expense to the state for this equipment except for operating costs, and repair or replacement if damaged during emergency operations.

Typical services provided include rescue, security, transport of supplies and equipment, and some work to limit further destruction of public and personal property.

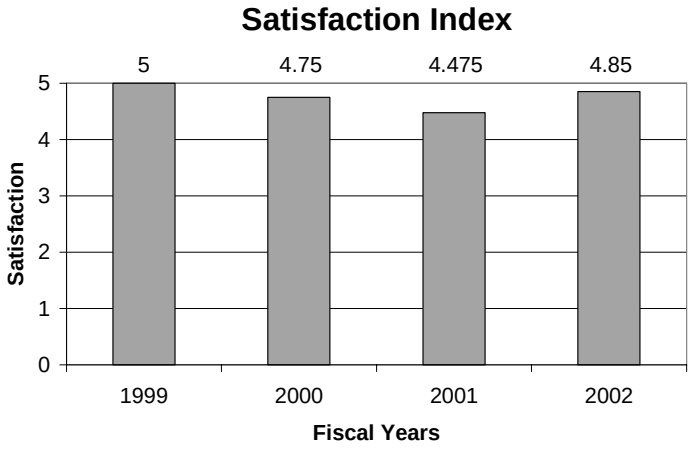
Historical Perspective

Over the last several years, the National Guard has been called to state active duty much more often than ever before for a variety of missions including: floods, missing person searches, storms/tornados, firefighting, and providing essential health and care services to residents of state regional treatment center, veterans' homes, and community-based residences.

	National Guard Support				
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Mandays	31,075	726	1,091	4,241	22,342

Key Measures

One of the measures of effective activity performance is the satisfaction survey that is filled out by supported organizations/agencies. On a scale of one to five (1 being poor and 5 being excellent), respondents are asked a series of questions which gauge their satisfaction with the response of the National Guard to the supported activities. The following chart shows the average of the responses for the last four federal fiscal years (ending September 30):



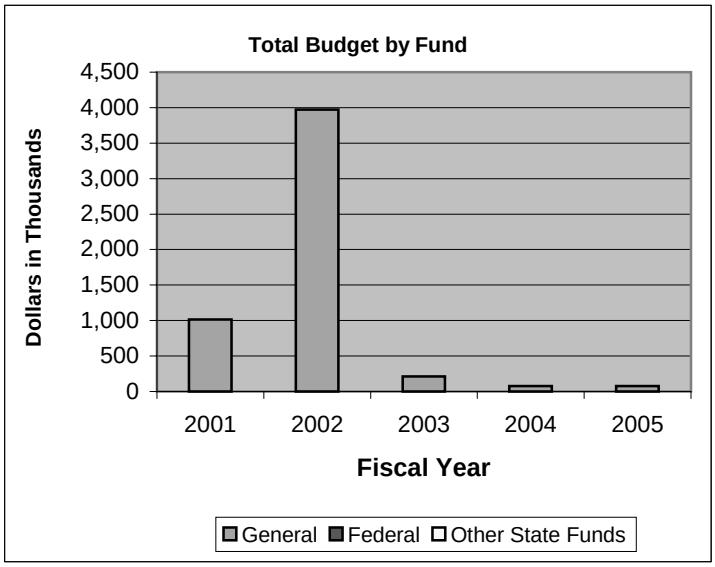
Activity Funding

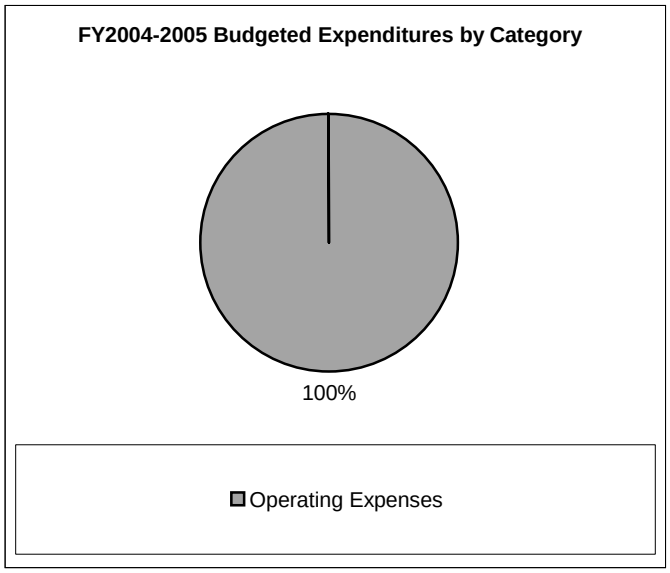
The Department of Military receives a biennial appropriation of $150,000. If these funds are exhausted, the department requests additional funds through an open appropriation under M.S. 192.52. When emergencies are declared federal disasters, the department applies for federal reimbursement on behalf of the state. Costs are then reimbursed at varying levels (75% to 100%) and when received are transferred to the state's General Fund.

Contact

For further information, contact Military Support Officer, Department of Military Affairs, 20 West 12th Street, St. Paul, Minnesota 55155-2098, or call (651) 282-4554.

Additional information may be accessed at the department's web site at http://www.dma.state.mn.us/.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	79	149	1	75	75	150
Open Appropriations						
General	935	3,825	210	0	0	0
Total	**1,014**	**3,974**	**211**	**75**	**75**	**150**
Expenditures by Category						
Operating Expenses	1,014	3,974	211	75	75	150
Total	**1,014**	**3,974**	**211**	**75**	**75**	**150**
Expenditures by Activity						
Emergency Services	1,014	3,974	211	75	75	150
Total	**1,014**	**3,974**	**211**	**75**	**75**	**150**

DEPARTMENT OF MILITARY AFFAIRS
MINNESOTA ARMY AND AIR NATIONAL GUARD
OFFICE OF THE ADJUTANT GENERAL
VETERANS SERVICE BUILDING
STATE OF MINNESOTA
20 WEST 12TH STREET
ST. PAUL, MINNESOTA 55155-2098

February 18, 2003

The 2003 Minnesota Legislature

On behalf of the 12,334 members of the Minnesota Army and Air National Guard and the department's 255 state employees, I am submitting the Department of Military Affairs budget request for fiscal years 2004 and 2005. This budget of approximately $118 million reflects anticipated federal funding of about $91 million and a request for $24 million in General Fund appropriations, and $1 million in dedicated receipts.

Approximately $10 million of the federal funding is for specific facility maintenance and support services at the state's two Air National Guard bases. Another $29 million is for operating and maintaining federally supported facilities at Camp Ripley. We expect $15 million for National Guard environmental programs and telecommunications support statewide. We also expect $900 thousand in funds for operation of the STARBASE educational program supported by the National Guard. The majority of the remainder of the federal funding is for anticipated construction programs.

This budget reflects reductions from our Fiscal Year 2002-2003 budget but maintains the department's core activities that provide the state's support to the Minnesota National Guard. The core activities of the department are related to: implementation and completion of a series of cooperative agreements with the federal government; operating, maintaining, and repairing state owned facilities used by the National Guard; and the use of the enlistment incentives programs to insure the state and nation have sufficient soldiers and airmen to respond to federal and state emergencies that may arise.

The cooperative agreements require human resources support for the 192 department employees whose salaries are partially reimbursed by the federal government, purchasing and contracting services to execute the $35 to $40 million dollars in federal funds received annually for construction and repair of supported facilities, and accounting and budgeting services. This budget maintains that support.

The budget also maintains our support for tuition reimbursement for the young men and women of the Minnesota National Guard with whom we have educational cost reimbursement contracts. The one-time budget cuts for FY 2003 and FY 2004 effectively eliminate the tuition reimbursement carry-forward from FY 2003. We anticipate future shortfalls, but should be able to provide funding for the next two years absent extraordinary tuition increases at the University of Minnesota. Overhead costs to support this program remain extremely low - just over 1% of the total appropriation is used for employee compensation and administrative support.

Finally, the proposed budget at least minimally provides the resources necessary to operate and maintain the facilities used to maintain the readiness of the soldiers and airmen of the Minnesota National Guard. We expect some shortfalls that will require reprioritizing facility support, but we expect to operate and maintain our facilities at a clean, safe, and functional level.

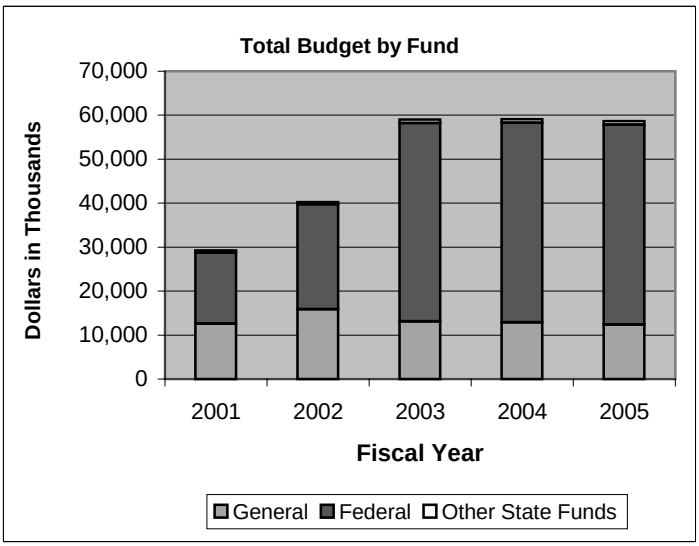
Eugene R. Andreotti
Major General, MN Air National Guard
The Adjutant General

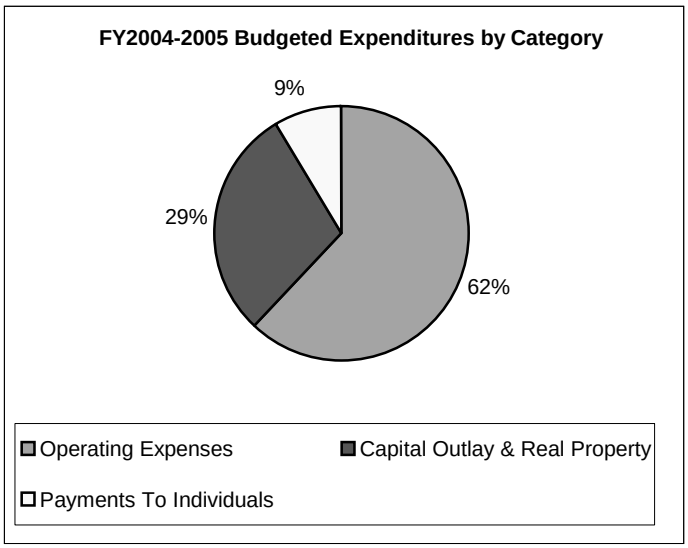
	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	24,622	92,452	117,074
Biennial Appropriations	150	0	150
Legislatively Mandated Base	1,406	0	1,406
Adjusted Base Funding	26,178	92,452	118,630
Change Items			
Budget Reductions	-886	0	-886
Governor's Recommendations	25,292	92,452	117,744
Biennial Change, 2002-03 to 2004-05	-3,655	22,133	18,478
Percent Change	-13%	31%	19%

Brief Explanation Of Budget Decisions:

The FY 2004-05 base budget for Military Affairs includes a restoration of $150,000 in the biennium for Emergency Services that were spent in the first year of the FY 2002-03 biennium as allowed by state statute, and an increase to the base funding level specified in Laws 2002, Chapter 220, Article 10, Section 17.

(Note: The table above includes estimated federal reimbursements of $245,000 in FY 2004-05 that are deposited into the General Fund and statutorily appropriated to the department under M.S. 190.32.)





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Carry Forward						
General	0	0	0	489	0	489
Direct Appropriations						
General	11,636	11,912	12,778	12,279	12,279	24,558
Open Appropriations						
General	935	3,825	210	0	0	0
Statutory Appropriations						
General	52	117	105	120	125	245
Special Revenue	491	560	796	798	798	1,596
Federal	16,112	23,859	45,104	45,400	45,456	90,856
Total	**29,226**	**40,273**	**58,993**	**59,086**	**58,658**	**117,744**

Expenditures by Category						
Operating Expenses	26,658	35,977	35,907	36,123	36,189	72,312
Capital Outlay & Real Property	119	38	17,150	17,150	17,150	34,300
Payments To Individuals	2,065	3,518	5,366	5,292	4,798	10,090
Local Assistance	384	740	570	521	521	1,042
Total	**29,226**	**40,273**	**58,993**	**59,086**	**58,658**	**117,744**

Expenditures by Program						
Maint-Training Facilities	23,734	30,257	50,752	51,273	51,334	102,607
General Support	2,349	2,464	2,506	2,392	2,392	4,784
Enlistment Incentives	2,129	3,578	5,524	5,346	4,857	10,203
Emergency Services	1,014	3,974	211	75	75	150
Total	**29,226**	**40,273**	**58,993**	**59,086**	**58,658**	**117,744**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	2	2	0	0	0	0
Subtotal Non Dedicated	2	2	0	0	0	0
Dedicated						
General	252	117	105	120	125	245
Special Revenue	491	560	796	798	798	1,596
Federal	16,387	24,131	45,104	45,400	45,456	90,856
Subtotal Dedicated	17,130	24,808	46,005	46,318	46,379	92,697
Total Revenue	**17,132**	**24,810**	**46,005**	**46,318**	**46,379**	**92,697**
Full-Time Equivalents (FTE)	**291.3**	**260.0**	**246.8**	**246.8**	**246.8**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($693)	($193)	($193)	($193)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($693)	($193)	($193)	($193)

Recommendation

The Governor recommends a direct appropriation of $12.279 million each year from the General Fund to the Department of Military Affairs for the FY 2004-05 biennium. The funding includes a one-time reduction of $500,000 in FY 2004 and an annual base reduction of only 1.5% to ensure that the state and nation have sufficient soldiers and airmen to respond to federal and state emergencies that may arise.

Background

The Department of Military Affairs is composed of the Army National Guard, the Air National Guard, and the state agency operations. Approximately 95% of the total department budget comes from the federal government. Only 17% ($45 million) of the $263 million federal funds received go through the state's accounting system. The other 83% ($223 million) are paid directly to military members, federal employees, and a variety of vendors. This amounts to over $21,000 of federal funding for each of the 12,334 military members of the Army and Air National Guard.

The National Guard is truly a partnership between the state and federal governments. The federal government provides equipment and pays for the salaries and training of soldiers and technicians who support the units and pays for maintenance of federal equipment. The federal government also pays 75% of the construction cost of armories and 100% of the construction costs of Air National Guard facilities and Army National Guard logistical facilities (vehicle and aircraft maintenance facilities). The state's responsibility is to pay 25% of the cost of constructing armory space for housing soldiers and equipment. The state must also pay for 100% of the operational costs of these armories and maintain them in a clean, safe, and functional manner. The state must pay for 25% of the cost of operating and maintaining Army National Guard logistical facilities and Air National Guard facilities.

The state must also provide the infrastructure and personnel necessary to provide the accounting, budgeting, and human resources support for the receipt and distribution of the federal dollars. Personnel are also required in contracting, purchasing, and environmental protection areas. Of the 255 state employees in the department, only 32 are 100% state funded. Another 39 are 25% state funded - the federal government pays the other 75% of those 39 employees' compensation. If we lay off any of these employees, we only save 25% of the cost and lose the 75% federal share. The federal government pays the total cost of another 150 employees and three with varying degrees of federal reimbursement. Local government and other activities pay for thirty-one employees. This budget reduction protects those services.

With this recommendation, Military Affairs would avoid reducing those areas of the budget where the department can receive matching federal funds and where funds are needed for facility maintenance. These are primarily in the Maintenance of Training Facility appropriation. It also would avoid reducing the budget for maintenance and repair of state facilities – reducing the base budget by only 3%. The agency would expect these cuts to increase maintenance backlog slightly, and might expect changes to the functionality of its facilities.

Additionally, the Minnesota State Armory Building Commission has refinanced one of its outstanding bonds, in turn reducing the amount required for lease payments by the state. One other lease has expired, for a total savings of $152,000 for the biennium. The department recommends reducing the biennial budget for safety programs by $16,000. This would decrease the amount available to support the safety programs for state employees to $1,000 per year, and defer education for our Safety and Health Officer, but would continue to provide for some training opportunities.

The agency recommends cuts of approximately 10% of the agency general support appropriation. This is primarily a $129,000 biennial reduction of military fund allowances provided to the 122 MN National Guard units, a minor ($3,000 biennial) reduction in funding for basic supplies, and an elimination ($44,000 biennial) of the land fund program for Camp Ripley. The land fund has enabled the Camp Ripley environmental managers to complete projects dealing with protecting the natural environment at Camp Ripley, including the planting of trees to replenish the natural habitat. While projects will be deferred, there would be minimal impact on department activities.

The budget reductions would maintain the state's support for tuition reimbursement for the young men and women of the Minnesota National Guard with whom we have educational cost reimbursement contracts. The one-time budget cuts for FY 2003 and FY 2004 would effectively eliminate the tuition reimbursement carry-forward from FY 2003. While the department anticipates some future shortfalls, it would be able to provide funding for the next two years absent extraordinary tuition increases at the University of Minnesota. Overhead costs to support this program remain extremely low – just over 1% of the total appropriation is used for employee compensation and administrative support.

Relationship to Base Budget

This recommendation would result in a base cut of less than 2% of the total General Fund budget for the Department of Military Affairs and includes a 10% reduction of the base budget for the agency's general support appropriation.

Statutory Change: Not Applicable

The department receives federal funds through the execution of cooperative agreements for construction of armories and logistical facilities. These funds are dedicated to specific projects.

Federal funds are also received under cooperative agreement appendices for operation and maintenance of federally supported logistical facilities. Most funding is received as a match to state funding under a 75% - 25% arrangement although environmental, security, telecommunications, and fire-fighting appendices are 100% federally funded. These funds are dedicated to specific programs supporting Army and Air National Guard activities.

The department's logistical facilities are used to maintain and support the operation of federally provided aircraft, vehicles, and other military equipment. Construction of these facilities is typically funded entirely by the federal government. We have recently completed Phase 2 of the Combined Support Maintenance Shop at Camp Ripley.

Nationwide, federal funding for military construction has been declining. These funds are used for construction of armory and logistical facilities. The lack of funding for construction has serious implications for the department's armory replacement program. Many of our older armories are difficult to maintain, have outlived their expected useful lives, and are functionally obsolete. The department has attempted to acquire federal funding to replace one facility per year but has not received major construction funding since 2000. This negatively impacts on our ability to attract, train, and retain National Guard members in sufficient numbers to accomplish federal, state, and community missions.

The state also receives funding for an educational program called STARBASE. The state is not required to provide any funding match for this program. The funds received are dedicated to this program.

State Benefits

These federal grants help to maintain the readiness posture of the Minnesota Army and Air National Guards. Readiness is the key measure of the ability of units to perform their federal and state missions. Federal missions include defense of the country and peace-keeping operations around the world. State missions are generally in response to natural disasters.

Providing facilities also ensures the state has sufficient infrastructure to house the units and equipment that the federal government provides.

In FY 2001, over $200 million in additional federal funds were paid to support National Guard operations in the state. These funds are paid directly to vendors, service members, and other entities and do not pass through the state's accounting system.

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
Armory Construction	$544	Training Facilities	$2,633	$14,301	$14,301	$14,301
Logistical Facility Construction	None	Veh/Equip Maintenance	0	$3,000	$3,000	$3,000
Minor Construction	None	Facilities	$2,393	$2,000	$2,000	$2,000
Air Base Duluth	$421	Ops, Sec, Firefighting	$2,490	$3,227	$3,263	$3,259
Air Base Minneapolis	$363	Ops, Security	$1,011	$2,021	$2,002	$2,004
Camp Ripley	$1,077	Ops, Security	$9,065	$9,645	$10,057	$10,062
Armory Operational Federal	None	SO	$1,175	$2,388	$2,430	$2,474
Environmental, Telecommunications	None	SO	$4,039	$7,543	$7,872	$7,881
STARBASE	None	Educational	$616	$440	$475	$475
Agency Total	$2,405		$23,422	$44,565	$45,400	$45,456

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

Agency Purpose

Minnesota Technology, Inc. (MTI) is the state's technology-based economic development organization. *The purpose of the corporation is to foster long-term economic growth and job creation by stimulating innovation and the development of new products, services, and production processes*. (M.S.116O.03 subd.1a).

MTI contributes to the growth of high wage jobs in the state, with a current focus on the greater Minnesota economy. With the continuing downturn in the farm economy and out migration, high wage jobs are critical to the long-term viability of greater Minnesota. MTI brings technology and industrial expertise to a region of the state that is lacking in these resources.

Core Functions

MTI helps create stable, high-wage jobs for Minnesotans by:

⇒ Providing technology extension services to companies, primarily in greater Minnesota, to identify and implement new technologies (including technology from federal labs and universities) that will improve their productivity and ability to compete.

⇒ Working with greater Minnesota communities to help them learn about and apply technology to create new high wage employment opportunities and diversify their economies.

⇒ Providing information and insight to public and private sector customers in Minnesota about technology trends and emerging technologies as well as the depth and breadth of Minnesota's technology economy.

At A Glance

Biennial State Budget:

- $11.46 million in state operating funds
- $925,000 in pass-through grants
- $4.0 million in federal funding
- $2.4 million in non-government operating funds (projected)

Business Functions:

- **MTI focuses its technology extension services** on supporting the growth and viability of the 3,000 manufacturing and technology companies that are the source of most of the highest paying jobs in greater Minnesota.
- A second focus is to **help communities in greater Minnesota develop and implement technology strategies** to diversify their economies.
- **MTI is also the state's information and knowledge resource** on technology issues affecting Minnesota's economy.
- **MTI represents the state** in a variety of partnerships with private and public sector organizations seeking to grow Minnesota's technology economy (e.g., Minnesota High Technology Association, Minnesota Business Partnership, Greater Minneapolis Regional Chamber of Commerce, University of Minnesota, Minnesota State Colleges and Universities (MnSCU), MnBIO, Medical Alley, DTED).

Operations

MTI is governed by a board of directors appointed by the governor and leaders of the four major legislative caucuses. The MTI Board also includes four ex-officio members: the commissioners of Trade and Economic Development and Administration, the dean of the University's Institute of Technology and the vice president for research at the University of Minnesota.

MTI has a staff of 70 that work throughout Minnesota. Of this staff, 45 serve companies and communities in greater Minnesota, residing in communities within their service area.

MTI's Technology Extension Services division serves manufacturing and technology companies at their location. Through objective, unbiased assessments and recommendations, MTI's services help companies strategize the adoption of new technologies. The companies then purchase the implementation services from private consultants. Services include software selection, e-business, automation, advanced manufacturing processes, new product development and access to federal/university technologies. These services are described on our web site, www.minnesotatechnology.org.

Total market includes 3,000 companies employing approximately 200,000 people. Success is measured by economic impact — during FY 2001, companies reported $163 million of economic impact (e.g., increased sales, jobs created or retained, or technology investments).

The Technology Community Awareness and Promotion division conveys information about technology and the technology economy to private and public sector stakeholders. Current products and services, provided in partnership with the private sector, include the www.minnesotatechnology.org web site, *Minnesota Technology* magazine, *Tech Trends*, the Tekne Awards and the State Science and Technology Initiatives report (all found on the web site).

MTI is also committed to the development of new ideas and opportunities that advance our mission. The recently created Ideation and Development division will evaluate and advance new initiatives within MTI's mission, and diversify revenue streams for the organization.

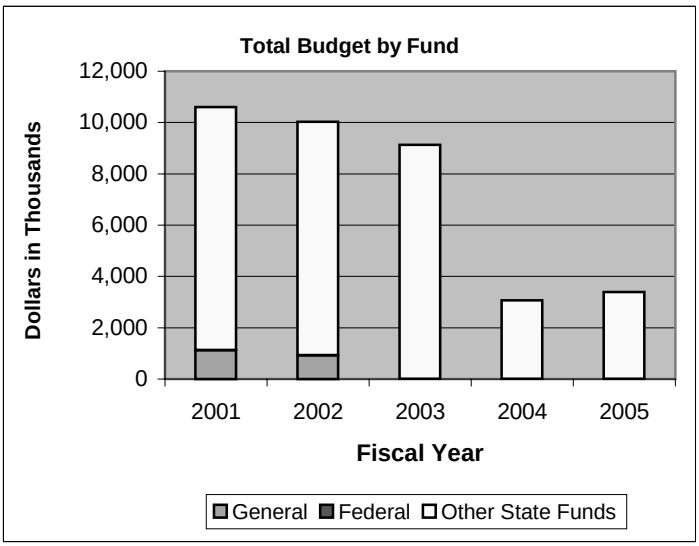
At the end of FY 2002, MTI merged all of its services which support internal customers (finance, human resources, information technology, reporting) into one operating unit to maximize the efficient use of resources and best support the delivery of services to external customers.

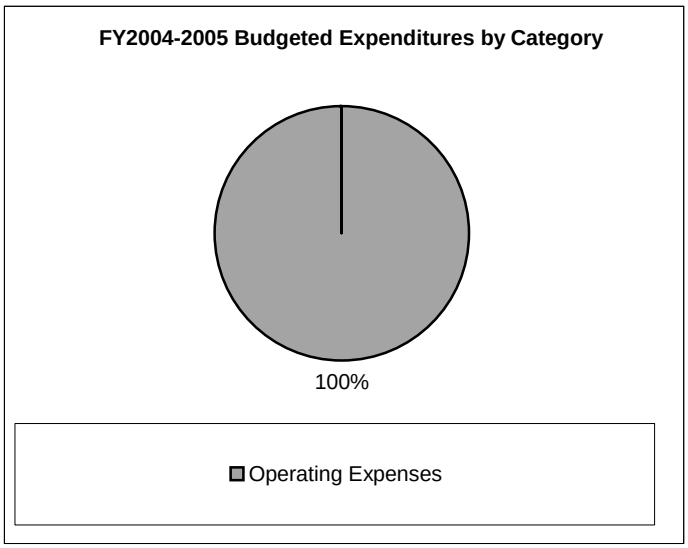
Budget

Historically, the majority of MTI's budget revenues have come from the state and federal government. Other sources of revenue include foundation grants, fees for services, advertising, and events. MTI is projecting a growth in fees for services in FY 2003.

Contact

For more information, contact Patty Billings, Managing Director, at (612) 373-2902. Or visit MTI's web site at www.minnesotatechnology.org to learn more about how technology helps Minnesota's economy grow. Information includes MTI's services, a technology research portal, trends and analysis, publications, directories, events and seminars.





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	1,120	925	0	0	0	0
Statutory Appropriations						
Minnesota Technology Inc	9,446	9,107	9,135	3,073	3,396	6,469
Special Revenue	38	0	0	0	0	0
Total	**10,604**	**10,032**	**9,135**	**3,073**	**3,396**	**6,469**
Expenditures by Category						
Operating Expenses	9,153	8,838	8,660	3,073	3,396	6,469
Local Assistance	1,451	1,194	475	0	0	0
Total	**10,604**	**10,032**	**9,135**	**3,073**	**3,396**	**6,469**
Expenditures by Program						
Minnesota Technology	10,604	10,032	9,135	3,073	3,396	6,469
Total	**10,604**	**10,032**	**9,135**	**3,073**	**3,396**	**6,469**
Revenue by Type and Fund						
Dedicated						
Minnesota Technology Inc	1,222	1,101	3,209	3,188	3,605	6,793
Special Revenue	32	0	0	0	0	0
Federal	2,163	2,065	0	0	0	0
Subtotal Dedicated	3,417	3,166	3,209	3,188	3,605	6,793
Total Revenue	3,417	3,166	3,209	3,188	3,605	6,793

Program Description

As the state's technology-based economic development organization, Minnesota Technology, Inc. (MTI) works to expand Minnesota's economy.

The end result is more high wage, stable jobs for Minnesota citizens.

The primary vehicle for achieving these high wage, stable jobs is a portfolio of technology extension services provided to small and medium-sized companies, to help those companies become more competitive. Greater Minnesota is in particular need of these services because:

- high wage jobs are so critical to the stability of greater Minnesota's economy;
- companies must continually update their technology use if they are to remain competitive in a worldwide market; and
- technology resources such as tech transfer, product development and technology process improvement services are much less accessible in greater Minnesota than in the metro area.

Program at a Glance

In FY 2002, Minnesota Technology, Inc. -

- Provided technology services to 1,007 Minnesota companies
- Generated $142,494,342 in documented economic impact
- Generated $2 million in federal funding and $1.1 million in additional non-state income outside state and federal funding
- Delivered technology information and insight on technology and the technology economy to
  - ⇒ 19,000 *Minnesota Technology* magazine subscribers
  - ⇒ 45,000 web site visitors, who spent an average of 13 minutes on the site
- Generated $16 million in state taxes for the $6.1 million of General Fund dollars invested in Minnesota Technology, Inc.

The metro area also benefits from technology services. The health of the metro area is a function of the health of greater Minnesota's economy. A faltering greater Minnesota means more population pressure on the metro as people abandon greater Minnesota for jobs in the Twin Cities. The business and technology community in the Twin Cities also benefits from broader technology awareness forums, technology initiatives, and access to website services.

In addition, MTI serves as the state's technology information, research and public policy arm by providing vital access to industry data, technology trends, and emerging technologies.

Population Served

In order to facilitate stable, high-wage jobs for Minnesota citizens, MTI provides technology extension services to small and medium-sized employers, primarily in greater Minnesota. MTI also works with greater Minnesota communities to help them develop community/regional technology economic development strategies. In addition, MTI serves the metro and greater Minnesota technology community, by providing easy online access to a broad spectrum of state-of-the-art technology information.

Services Provided

Using state funds that match a $2 million U.S. Department of Commerce contract, MTI has two core sets of services:

Core Service Area 1: Technology Extension Services to private industry clients:

- IT/Internet-related services (including software selection, web design, e-business, etc.)
- tech transfer (access to new technologies from federal labs, university research, private research labs)
- lean enterprise (maximizing production efficiencies to maximize profits necessary to grow companies)
- new product development
- business intelligence (business and technical research and analysis)

These "extension" services are provided one-on-one, at a company's facility, by field staff who have 10-20 years of senior management experience in private industry. Field staff will assess a company's unique situation, engage senior management in the development of a plan to implement technology solutions that will improve the company's competitiveness, and assist management in identifying available resources to implement the plan. The result is a more competitive company with stable and higher-paying jobs. Companies must commit resources when MTI provides technology assessment services and bear the cost of implementation, which is performed by a third party resource whenever possible.

In addition to one-on-one services, MTI provides fee-based technology awareness and implementation services to groups of companies statewide. MTI partners with local educational institutions, federal labs and other national resources to deliver programs that complement core services, e.g., Technology Forums, Lean 101 training, Fast Trac Manufacturing (a partnership with St. Thomas and the Kauffman Foundation).

Core Service Area 2: The state's primary resource for knowledge, information and insight about Minnesota's technology-based economy and national trends, provided to Minnesota's business and technology community and public sector partners.

Because a diverse and forward-looking technology sector ensures a robust and resilient Minnesota economy, MTI provides a spectrum of state-of-the-art information to Minnesota's technology companies.

Such resources include a technology research portal (provided through a partnership with Teltech), the Minnesota Technology Directory, reports analyzing technology trends and emerging technologies, online registration for Technology Forums, and publications such as *Minnesota Technology* magazine and *Tech Trends* (an online newsletter).

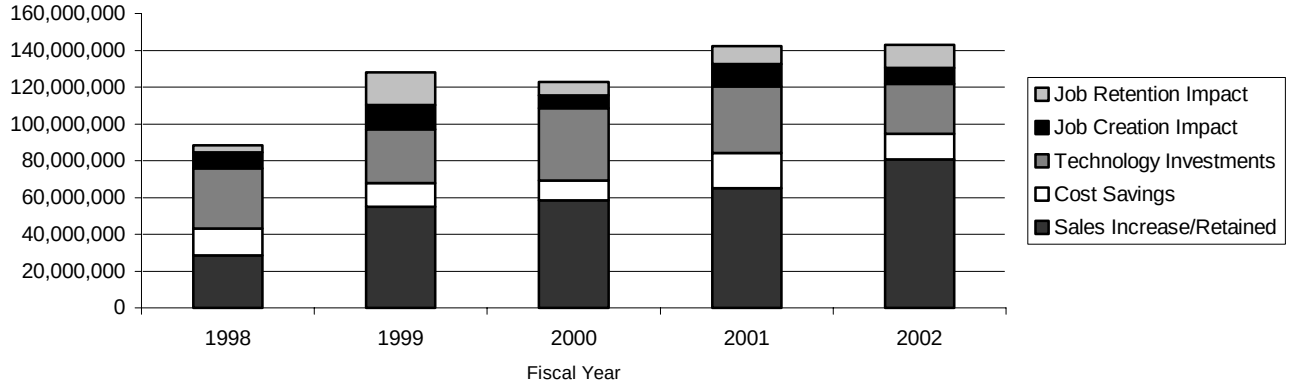
MTI also serves members of the legislature and Governor's Office through periodic reports on the technology economy, information and guidance on technology-based economic development strategies, the Capitol Forum Series, and monthly Future Visions meetings, which offer insight into the impact of up-and-coming technologies on Minnesota's economy.

Finally, MTI facilitates linkages between business, government and academia to promote technology and technology initiatives that help grow communities and regions.

Key Measures

MTI measures its services in terms of the success of its clients, i.e., economic impact. Economic impact components include increased sales, cost savings, technology investments, jobs created and jobs retained.

Economic Impact by Category
Fiscal Year 1998 to 2002



This impact is reported by client company management to a third party resource under contract with the U.S. Department of Commerce.

Market penetration and coverage of greater Minnesota impact is tracked according to industry, nature of service and nature of impact.

In addition, return on investment (ROI) is calculated annually, based on state tax revenues associated with the impact resulting from MTI projects. The ROI for the state's $6.1 million investment in calendar year 2001 was $16 million of taxes paid to the General Fund.

Contact

For more information, contact Patty Billings, Managing Director, at (612) 373-2902. Or visit Minnesota Technology, Inc.'s web site at http://www.minnesotatechnology.org to learn more about how technology helps Minnesota's economy grow. Information includes MTI's services, a technology research portal, trends and analysis, publications, directories, events and seminars.

State of Minnesota
Department of Finance

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Economic Development omnibus bill. These agencies collectively administer $130 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $17.5 million (17.8%) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to preserve Minnesota's rich history, support the state's art community, regulate professional licensees, and provide advice to the Governor and legislature on issues effecting the state's minority populations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

We have evaluated the role of government in a number of these agencies and are recommending the elimination of state funding. The reduction level for most of the other non-cabinet agencies in the economic development area ranges from 15-20%. Most agencies have focused on reducing their administrative areas of the budget in order to preserve the core functions of the agency.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

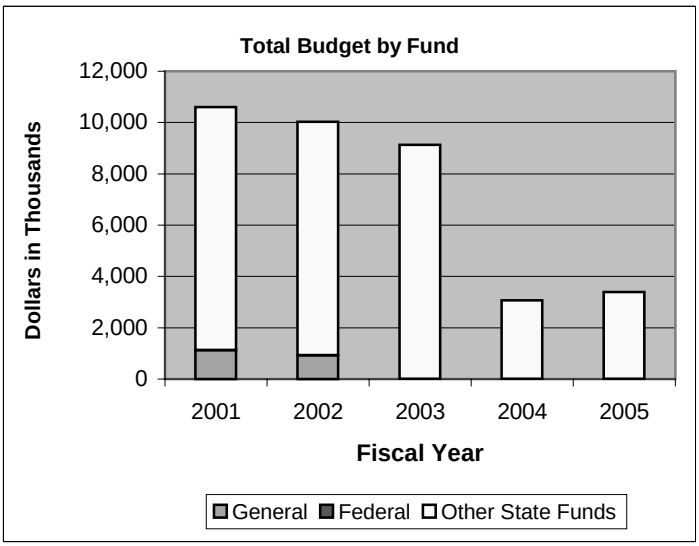
Sincerely,

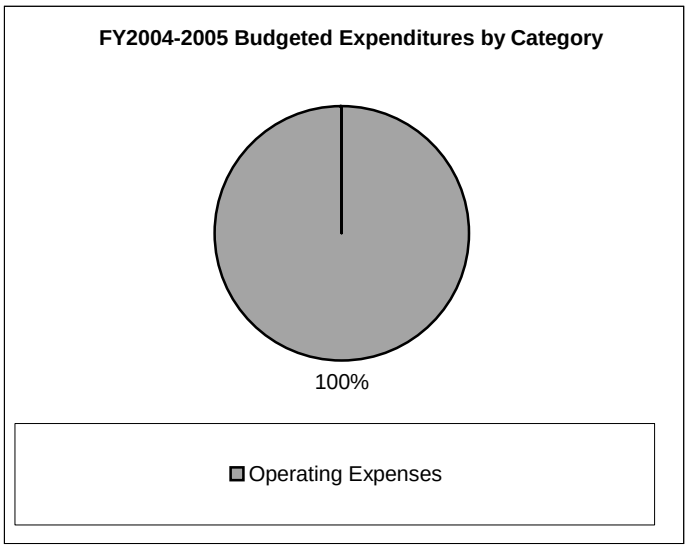
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	10,710	6,469	17,179
Adjusted Base Funding	10,710	6,469	17,179
Change Items			
Budget Reduction	-10,710	0	-10,710
Governor's Recommendations	0	6,469	6,469
Biennial Change, 2002-03 to 2004-05	-925	-11,773	-12,698
Percent Change	-100%	-65%	-66%

Governor's Recommendation(s):

The Governor recommends the elimination of funding for Minnesota Technology, Inc. from the state's General Fund.





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
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Statutory Appropriations						
Minnesota Technology Inc	9,446	9,107	9,135	3,073	3,396	6,469
Special Revenue	38	0	0	0	0	0
Total	**10,604**	**10,032**	**9,135**	**3,073**	**3,396**	**6,469**
Expenditures by Category						
Operating Expenses	9,153	8,838	8,660	3,073	3,396	6,469
Local Assistance	1,451	1,194	475	0	0	0
Total	**10,604**	**10,032**	**9,135**	**3,073**	**3,396**	**6,469**
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Revenue by Type and Fund						
Dedicated						
Minnesota Technology Inc	1,222	1,101	3,209	3,188	3,605	6,793
Special Revenue	32	0	0	0	0	0
Federal	2,163	2,065	0	0	0	0
Subtotal Dedicated	3,417	3,166	3,209	3,188	3,605	6,793
Total Revenue	3,417	3,166	3,209	3,188	3,605	6,793

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(5,355)	(5,355)	(5,355)	(5,355)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(5,355)	(5,355)	(5,355)	(5,355)

Recommendation
The Governor recommends the elimination of funding for Minnesota Technology, Inc.

Relationship to Base Budget
This change item would eliminate 100% of funding from the state's General Fund.

Alternatives Considered
None.

Statutory Change: Not Applicable.

The mission of Minnesota State Colleges and Universities is to provide the diverse citizens of Minnesota the benefits of high-quality, accessible, future-oriented higher education; relevant research; and community service.

The Minnesota State Colleges and Universities offer a breadth and variety of high-quality 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

- Serve over 125,000 FYE (165,000 headcount) students in credit courses annually.
- Serve over 240,000 students in non-credit instruction and continuing education courses.
- Provide services to over 6,900 Minnesota employers through contract training.
- Graduate 27,000 students annually.
- Offer 3,500 degree programs at 27 colleges and 7 universities located on 53 campuses in 46 communities.
- Produce the largest share of the state's new teachers, accountants, police officers, nurses, computer professionals, firefighters, technicians, tradespeople and others from a broad range of disciplines.

Vision – Minnesota State Colleges and Universities will be the preferred pathway to higher educational opportunities and a valued partner in statewide economic development and community building.

The uniqueness and diversity of the Minnesota State Colleges and Universities and the power of a unified system will enable the system 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 for-credit courses, non-credit continuing education programs and customized training. The colleges and universities offer an extremely wide array of for-credit courses leading to master's, bachelor's 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. Each one of the 34 Minnesota state colleges and universities contribute to the civic, economic, and cultural life in the 46 communities they serve.

Budget

Revenue

State appropriations comprise 49% of the system's total revenue. Other major sources include tuition and fees, and federal and state grants.

Ninety percent of the state appropriation is allocated directly to the colleges and universities.

All tuition and fee revenue generated by the colleges and universities remain with the institution that generated them.

Expenditures

Compensation accounts for 66% of the Minnesota State College and University total expenditures. A portion of the purchased services category includes category includes contracts for adjunct faculty.

Instruction and academic support make up the largest portions of MnSCU expenditures.

Employees

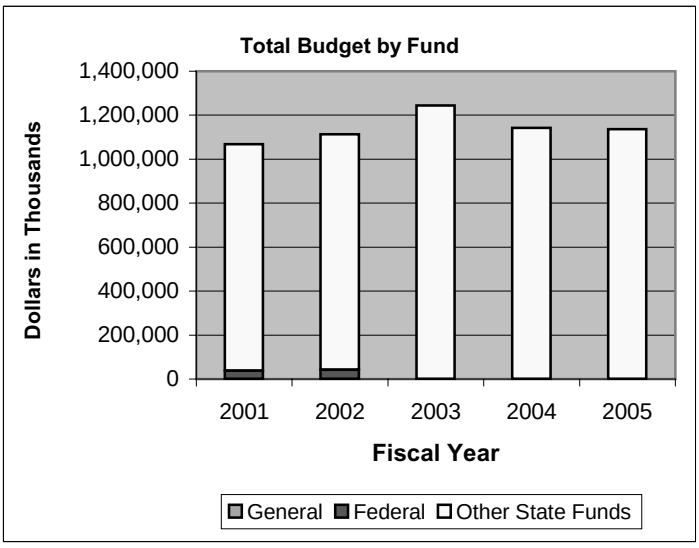
Faculty comprise slightly less than half of the 10,377 MnSCU FTE employees. Forty-two percent are staff and professional employees and 11% are administrative.

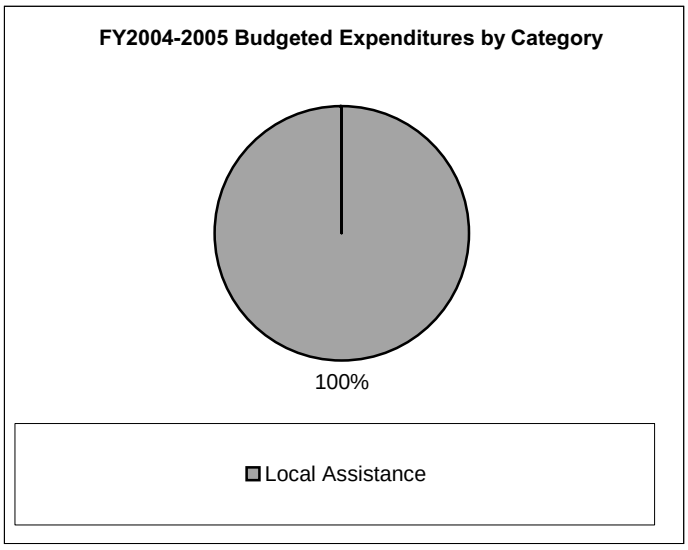
Contact

Linda Kohl, Public Affairs, (651) 296-9505
Minnesota State Colleges and Universities
500 World Trade Center
30 East 7th Street
St. Paul, Minnesota 55101

MnSCU home:
http://www.mnscu.edu

MnSCU Budget Unit web site:
http://www.Budget.mnscu.edu/





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Carry Forward						
Mnscu Colleges/Universities	19	0	0	0	0	0
Direct Appropriations						
Mnscu Colleges/Universities	579,674	601,583	617,292	553,381	540,194	1,093,575
Statutory Appropriations						
Mnscu Colleges/Universities	410,859	420,950	544,241	509,061	515,936	1,024,997
Special Revenue	4,709	11,442	0	0	0	0
Mnscu Special Revenue	0	1,152	12,822	11,090	11,090	22,180
Federal	38,152	41,990	0	0	0	0
Mnscu Federal Fund	0	6,083	46,145	45,700	45,700	91,400
Miscellaneous Agency	20,330	19,189	0	0	0	0
Mnscu Agency Fund	0	834	18,144	18,050	18,050	36,100
Gift	11,908	5,519	0	0	0	0
Mnscu Gift Fund	0	834	2,211	1,672	1,672	3,344
Sub Supplemental & Ira Retire	963	987	880	875	875	1,750
Mnscu Enterprise Activities	1,983	2,725	3,196	3,194	3,194	6,388
Endowment	2	5	0	0	0	0
Mnscu Endowment Fund	0	0	6	6	6	12
Total	**1,068,599**	**1,113,293**	**1,244,937**	**1,143,029**	**1,136,717**	**2,279,746**

Expenditures by Category						
Local Assistance	1,068,599	1,113,293	1,244,937	1,143,029	1,136,717	2,279,746
Total	**1,068,599**	**1,113,293**	**1,244,937**	**1,143,029**	**1,136,717**	**2,279,746**

Expenditures by Program						
State Colleges & Universities	1,068,599	1,113,293	1,244,937	1,143,029	1,136,717	2,279,746
Total	**1,068,599**	**1,113,293**	**1,244,937**	**1,143,029**	**1,136,717**	**2,279,746**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Dedicated						
Mnscu Colleges/Universities	402,345	463,068	498,625	509,061	515,936	1,024,997
Special Revenue	6,851	9,226	0	0	0	0
Mnscu Special Revenue	0	958	11,090	11,090	11,090	22,180
Federal	37,818	40,859	0	0	0	0
Mnscu Federal Fund	0	7,577	45,700	45,700	45,700	91,400
Miscellaneous Agency	18,066	19,387	0	0	0	0
Mnscu Agency Fund	0	771	18,050	18,050	18,050	36,100
Gift	12,847	7,540	0	0	0	0
Mnscu Gift Fund	0	325	1,672	1,672	1,672	3,344
Sub Supplemental & Ira Retire	930	909	875	875	875	1,750
Mnscu Enterprise Activities	1,802	2,362	3,194	3,194	3,194	6,388
Endowment	7	4	0	0	0	0
Mnscu Endowment Fund	0	1	6	6	6	12
Subtotal Dedicated	480,666	552,987	579,212	589,648	596,523	1,186,171
Total Revenue	**480,666**	**552,987**	**579,212**	**589,648**	**596,523**	**1,186,171**

Program Description

Minnesota's 27 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 offer general education courses and occupational career programs that directly prepare students for jobs.

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 bachelor's, master's and advanced degrees. Programs are offered in liberal arts and sciences and in professional fields.

Program at a Glance

- Largest provider of higher education in Minnesota, educating over 225,000 students each year – over 50% of all Minnesota postsecondary enrollments.
- Graduate approximately 26,000 students each year.
- The system has seven universities and 27 colleges on 53 campuses in 46 Minnesota communities.
- Produce the largest share of the state's new teachers, accountants, police officers, nurses, computer professionals, firefighters, technicians, tradespeople and others from a broad range of disciplines.

Population Served

Minnesota State Colleges and Universities (MnSCU) is the largest provider of higher education in the state of Minnesota with 34 institutions serving more than 225,000 students annually in for-credit programs. The state colleges and universities also serve 100,000 students and 5,000 businesses through customized training, along with 100,000 students in non-credit continuing education courses. The institutions provide applied research and public service to Minnesota communities in all regions of the state. More than 90% of state college and university students are from Minnesota and more than 80% remain in Minnesota after graduation. Enrollment is 96% undergraduate. Over 10% are students of color. Nearly 31% are 35 or older. Forty percent are 25 or older. The average age of our students is 28. About 47% attend part-time.

Services Provided

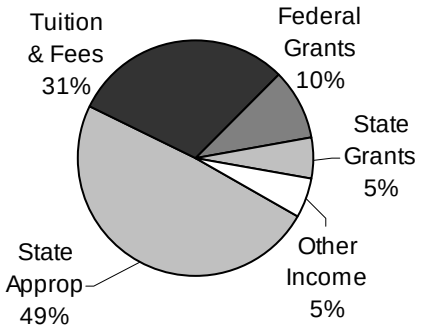
The state colleges and universities offer more than 3,500 degree programs, including 171 graduate degree programs. They award approximately 26,000 degrees and diplomas each year.

Historical Perspective

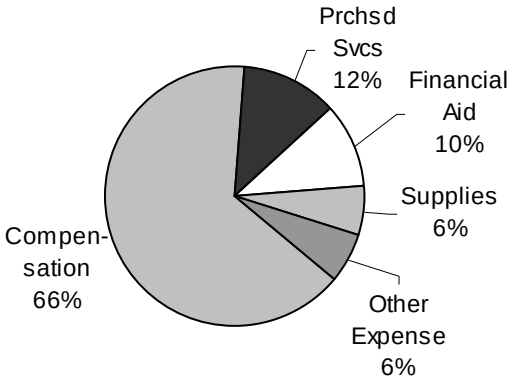
In July 1995, the former community college, technical college and state university systems merged to become the Minnesota State Colleges and Universities.

Program Funding

Source of Funding
FY01 Gen & Spec Rev (Total: $1.2B)

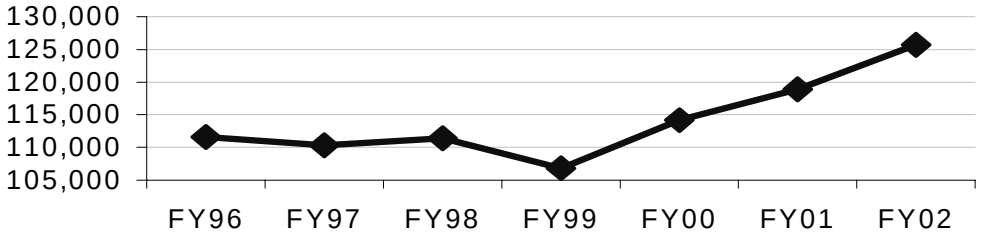


Expenditures by Category
FY01 Gen & Spec Rev. (Total: $1.2B)



Key Measures

MnSCU Full-Year Equivalent Enrollment



MnSCU full year equivalent enrollment (FYE) 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).

Contact
Linda Kohl, Public Affairs, (651) 296-9505

MnSCU home:
http://www.mnscu.edu

MnSCU Budget Unit web site:
http://www.budget.mnscu.edu

State of Minnesota
Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 296-5900
Fax: (651) 296-8685
TTY: 1-800-627-3529

February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the University of Minnesota, the Minnesota State Colleges and Universities (MnSCU), and the Higher Education Services Office (HESO). These entities will collectively administer over $4 billion (all funds) for the FY 2004-05 biennium. The Governor encourages the institutions and HESO to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The state funding recommended for these entities for FY 2004-05 represents a $254 million (9 percent) decrease in state general fund spending on higher education from the FY 2002-03 biennium. The funding provided will be used to ensure the continued excellence in higher education as well as financial aid access for students.

The University and MnSCU share in a 14 percent reduction to operational funding, $179 million for the University and $174 million for MnSCU. In addition, $30 million from each system will be moved to the State Grant Program in HESO to ensure financial access and choice for Minnesota's students. HESO also receives a 15 percent reduction to agency operational funding, consistent with other state agencies.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium. Letters from the University, MnSCU, and HESO, along with summaries of their budget requests, are also included in this transmittal. Detailed change item pages for initiatives not recommended by the Governor can be found on the Department of Finance budget website at www.budget.state.mn.us.

My staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

Governor's Recommendations:

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds*	Total
2003 Funding Level (Biennial Base)	1,234,584	1,186,171	2,420,755
Forecast Caseload/Enrollment Changes	39,563	0	39,563
Legislatively Mandated Base	23,428	0	23,428
Adjusted Base Funding	1,297,575	1,186,171	2,483,746
Change Items			
Operating Reductions	(174,000)	0	(174,000)
Transfer to State Grant Program	(30,000)	0	(30,000)
Governor's Recommendations	1,093,575	1,186,171	2,279,746
Biennial Change 2002-03 to 2004-05	(141,009)	n.m.	(141,009)
Percent Change	(11%)	0%	(6%)

* Total includes tuition and fees, as well as other revenue.

Brief Explanation Of Budget Decisions:

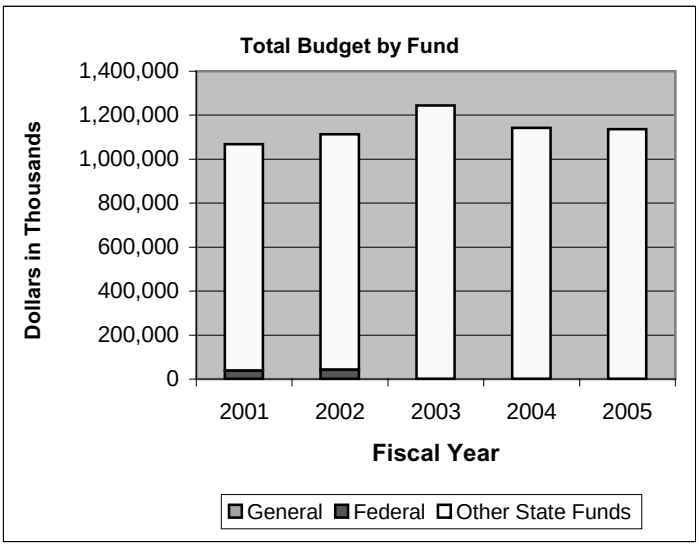
In the General Fund, Minnesota State Colleges and Universities (MnSCU) received a forecast base adjustment of $39.6 million to reflect projected enrollment changes as allowed under Minnesota Statutes, section 135A.031, subdivision 4. MnSCU's base appropriations have also been adjusted to reflect a legislatively-mandated reduction in FY 2004-05 (-$3.6 million) and to reinstate the base for a one-time base reduction that occurred in FY 2002-03 ($27 million).

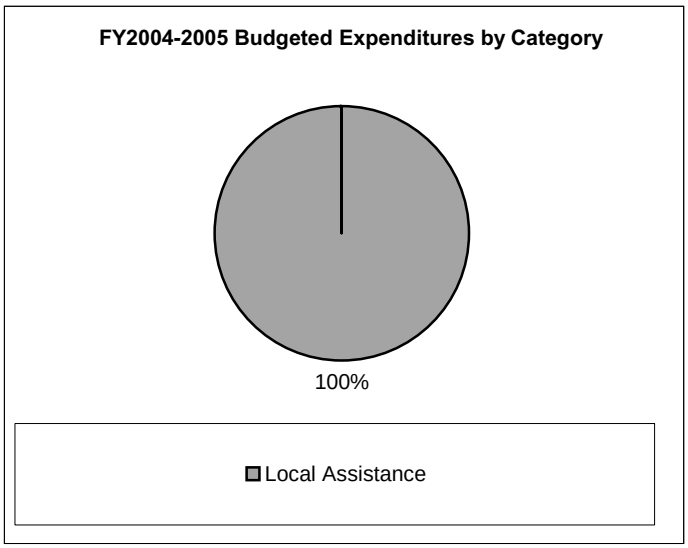
Agency Request:

The Governor is required to submit MnSCU's budget request to the Legislature. A narrative summary of MnSCU's request is included after the transmittal letter in this document. Additional detail on MnSCU's change items may be found on the Department of Finance's budget website at www.budget.state.mn.us. The following table summarizes MnSCU's request:

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds*	Total
2003 Funding Level (Biennial Base)	1,234,584	1,186,171	2,420,755
Forecast Caseload/Enrollment Changes	39,563	0	39,563
Legislatively Mandated Base	23,428	0	23,428
Adjusted Base Funding	1,297,575	1,186,171	2,483,746
Agency Change Items			
Support Core Mission	67,300	0	67,300
Health Education	6,000	0	6,000
Teacher Education	3,500	0	3,500
Instructional Equipment	6,700	0	6,700
Information Technology	6,500	0	6,500
Access & Diversity	5,600	0	5,600
Repair & Replacement	12,000	0	12,000
Subtotal, Agency Change Items	*107,600*	*0*	*107,600*
FY 2004-05 Total Agency Request	1,405,175	1,186,171	2,591,346
Biennial Change 2002-03 to 2004-05	170,591	n.m.	170,591
Percent Change	14%	0%	7%

* Total includes tuition and fees, as well as other revenue.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Carry Forward						
Mnscu Colleges/Universities	19	0	0	0	0	0
Direct Appropriations						
Mnscu Colleges/Universities	579,674	601,583	617,292	553,381	540,194	1,093,575
Statutory Appropriations						
Mnscu Colleges/Universities	410,859	420,950	544,241	509,061	515,936	1,024,997
Special Revenue	4,709	11,442	0	0	0	0
Mnscu Special Revenue	0	1,152	12,822	11,090	11,090	22,180
Federal	38,152	41,990	0	0	0	0
Mnscu Federal Fund	0	6,083	46,145	45,700	45,700	91,400
Miscellaneous Agency	20,330	19,189	0	0	0	0
Mnscu Agency Fund	0	834	18,144	18,050	18,050	36,100
Gift	11,908	5,519	0	0	0	0
Mnscu Gift Fund	0	834	2,211	1,672	1,672	3,344
Sub Supplemental & Ira Retire	963	987	880	875	875	1,750
Mnscu Enterprise Activities	1,983	2,725	3,196	3,194	3,194	6,388
Endowment	2	5	0	0	0	0
Mnscu Endowment Fund	0	0	6	6	6	12
Total	**1,068,599**	**1,113,293**	**1,244,937**	**1,143,029**	**1,136,717**	**2,279,746**

Expenditures by Category						
Local Assistance	1,068,599	1,113,293	1,244,937	1,143,029	1,136,717	2,279,746
Total	**1,068,599**	**1,113,293**	**1,244,937**	**1,143,029**	**1,136,717**	**2,279,746**

Expenditures by Program						
State Colleges & Universities	1,068,599	1,113,293	1,244,937	1,143,029	1,136,717	2,279,746
Total	**1,068,599**	**1,113,293**	**1,244,937**	**1,143,029**	**1,136,717**	**2,279,746**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Dedicated						
Mnscu Colleges/Universities	402,345	463,068	498,625	509,061	515,936	1,024,997
Special Revenue	6,851	9,226	0	0	0	0
Mnscu Special Revenue	0	958	11,090	11,090	11,090	22,180
Federal	37,818	40,859	0	0	0	0
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Miscellaneous Agency	18,066	19,387	0	0	0	0
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Endowment	7	4	0	0	0	0
Mnscu Endowment Fund	0	1	6	6	6	12
Subtotal Dedicated	480,666	552,987	579,212	589,648	596,523	1,186,171
Total Revenue	480,666	552,987	579,212	589,648	596,523	1,186,171

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(87,000)	(87,000)	(87,000)	(87,000)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(87,000)	(87,000)	(87,000)	(87,000)

Recommendation

The Governor recommends a reduction of $87 million in FY 2004 and $87 million in FY 2005. In addition, the Governor recommends a freeze on salaries and benefits for MnSCU employees and a cap on tuition increases at 15%. The Governor expects MnSCU to reduce duplication among its programs and reallocate funds to protect its priorities before resorting to increases in tuition.

Background

Given the current budget climate, MnSCU must be expected to eliminate duplication in its programs and focus on its core priorities in order to continue meeting student needs. This recommendation is consistent with the reductions that state agencies are expected to make in other state-funded activities. To ensure that rising costs do not unduly harm students, the Governor also encourages MnSCU to limit tuition increases to a maximum of 15%.

In FY 2003, MnSCU's average tuition was $3,061 for two-year institutions, and $3,979 for four-year institutions. A 15% would increase tuition in two-year institutions by $459 to $3,520 and in four-year institutions by $597, to $4,576. Compared to surrounding states, MnSCU tuition is slightly higher than average (+$633) for two-year institutions and for four-year institutions (+$196).

Relationship to Base Budget

This reduction represents a 14% reduction from FY 2002-03 funding levels, and a 13% reduction from the FY 2004-05 base. MnSCU's FY 2004-05 base includes a $40 million increase for enrollment growth and a $23 million increase to reflect legislatively-mandated base adjustments.

Statutory Change: Not applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
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 a reduction of $15 million in FY 2004 and $15 million in FY 2005 to MnSCU's operating appropriation to provide increased funding to the State Grant Program at the Higher Education Services Office.

Background
The Governor is also recommending moving $15 million a year from the University of Minnesota's budget into the State Grant Program. Together, these recommendations will increase the resources of the State Grant Program by $60 million in FY 2004-05.

The Governor believes that the core responsibility of government in higher education is to ensure access and choice for students who want to pursue additional education after high school. Especially in times of economic difficultly, the State Grant Program provides an efficient means of ensuring that all options are available to students. In order to secure the long-term vitality of our state, the institutions are expected to be partners in this process through their continued providing of high quality education while focusing on their core programs.

The Governor is committed to maintaining a strong post-secondary education system in the state of Minnesota. He believes that moving funds into state grants helps accomplish this by providing resources directly to students, enabling them to decide where to pursue their education and encouraging a vibrant and competitive higher education infrastructure. This recommendation emphasizes the importance of providing the resources to students for financing post-secondary education.

Relationship to Base Budget
This recommendation is a 2.5% reduction from FY 2002-03 levels and reduces MnSCU's FY 2004-05 base appropriation by $30 million (2.3%).

Statutory Change: Not Applicable.

January 2003

To the Governor, the Legislature and the People of Minnesota:

The Minnesota State Colleges and Universities make up a diverse network of 34 public higher education institutions committed to meeting the needs of the state of Minnesota and preparing individuals to succeed.

Demand for public higher education has never been greater in Minnesota. More and more Minnesotans are recognizing the value of a Minnesota State Colleges and Universities education for improving their quality of life and earning ability. With four consecutive years of enrollment growth, and with enrollment at an all-time high for the second year in a row, the system is proving its value and worth.

In a time of economic downturn, the services offered by the state's colleges and universities are the key to restoring economic vitality. By helping Minnesotans become educated and productive workers, by helping businesses and industries thrive, by helping communities remain healthy and vital, the Minnesota State Colleges and Universities are poised to play a major role in assisting the state's economic recovery.

This budget request represents an investment in Minnesota's long-term health and growth. The system is seeking an increase of $107.6 million to cover inflation, to repair and renew facilities on the 53 campuses within the system, and to fund several strategic investments. These include recruiting, retaining and graduating students from groups traditionally under-represented in higher education; expanding nursing and teacher education programs to meet critical shortages; and upgrading instructional equipment and technology.

Minnesota State Colleges and Universities are committed to providing high-quality, accessible educational opportunities to Minnesotans. The state's investment will help Minnesota succeed.

Mary P. Choate
Chair, Minnesota State Colleges and Universities Board of Trustees

James H. McCormick
Chancellor, Minnesota State Colleges and Universities

Minnesota State Colleges and Universities
Budget request summary

Adjusted FY 2004-2005 base state appropriation $1.3 billion

Requested increase	
Inflation	$67.3 million
Repair and renewal projects	$12.0 million
Strategic investments:	
Access and diversity	*$ 5.6 million*
Health education	*$ 6.0 million*
Teacher education	*$ 3.5 million*
Information technology	*$ 6.5 million*
Instructional equipment	*$ 6.7 million*
Total strategic investments	$28.3 million
Total requested increase	$107.6 million
Total biennial request	$ 1.4 billion

Every $1 invested yields a $6.28 return

With 53 campuses in 46 Minnesota communities, the Minnesota State Colleges and Universities play a major role in stimulating the economic development and cultural vitality of cities, suburbs, towns and rural areas in the state. A 2002 study by economist Paul Anton estimated that the total statewide economic impact of Minnesota State Colleges and Universities in 2001 was more than $3 billion. The study estimated that the enhanced productivity of graduates of degree and training programs offered by the system contributes more than $2 billion to the state's economy each year, a figure equal to about 2 percent of the total wages paid in the state.

Every $1 spent in net state spending on Minnesota State Colleges and Universities returns $6.28 in economic benefits to the state, the study found.

State's investment in higher education has decreased

By several measures, Minnesota has decreased its investment in higher education in the past 10 years, even during years when the state's economy was flourishing. In 1991, the state spent $12.25 on higher education for every $1,000 of personal income in the state; in 2002, the state spent only $8.78. Since 1999, the state appropriation per student has declined both in actual dollars and in constant dollars after adjusting for inflation.

In the 2001 legislative session, the Minnesota State Colleges and Universities were granted a $100 million increase for the 2002-2003 biennium. In 2002, as part of a budget-balancing measure, that appropriation was reduced by $22.7 million, reducing the biennial increase to $77.3 million, most of which was used to cover inflation.

At the same time, the number of students enrolled in credit-based courses at state colleges and universities increased by 5.5 percent, or by 8,673 students (fall 2002 headcount). The 34 state colleges and universities now serve more than 235,000 students annually in credit-based courses, as measured by unduplicated headcount enrollment. An additional 130,000 students enroll in non-credit courses each year, many through the system's customized training services. The state colleges and universities assist about 6,000 Minnesota employers each year by providing specialized training for their employees.

Colleges and universities continue to cut expenses

Historically, colleges and universities have looked for savings internally and they will continue to do so in the upcoming biennium. Over the past two years, the colleges and universities have internally redirected $49.1 million in response to changing demand for instructional programs and student services, as well as in response to budget shortfalls. In the 2002-2003 academic year, all institutions and the Office of the Chancellor reduced or reallocated administrative and staff positions, and 26 institutions reduced faculty positions, 21 reduced student services and 10 reduced equipment purchases.

Budget request supports core educational mission

The largest portion of the system's 2004-2005 biennial budget request will support the core educational mission of the state colleges and universities. Of the requested increase, $67.3 million will cover anticipated annual 3 percent inflation. The request also anticipates that tuition increases will be held to 3 percent per year.

Tuition and state appropriation make up nearly 80 percent of the system's revenue. If the state does not provide the requested level of funding, further increases in tuition may be needed to maintain core services to students.

The system also is seeking $12.0 million to keep up with an estimated $500 million backlog of needed repairs to and renewal of facilities on all of the campuses. Well-maintained facilities are essential to providing quality education. Timely repair and maintenance of facilities is more cost-effective than allowing conditions to deteriorate and having to correct more costly problems.

Beyond maintaining the core educational mission, the requested budget increase will allow the system to make progress in areas of critical concern to the state – increasing access and diversity, expanding health care and teacher education, repairing and replacing facilities on all 53 campuses, and investing in instructional equipment and information technology. All are consistent with the strategic directions and goals outlined in *Designing the Future*, the system's three-year strategic plan, which was developed with the input of more than 4,000 Minnesotans and approved by the Board of Trustees.

Initiatives seek to increase access and diversity

The system is requesting $5.6 million to expand and develop programs and practices to successfully recruit, retain and graduate students traditionally under-represented in higher education. These include low-income students, students whose parents did not graduate from college, students of color and students for whom English is a second language. With the requested funds, the system will establish outreach and mentoring programs, create programs and services to help students make the transition to college and expand English-as-a-Second-Language services.

System responds to critical state health care needs

Currently, nearly 3,000 registered nursing positions in Minnesota are unfilled, and the number of vacant positions is expected to double by 2008. Shortages of licensed practical nurses pose a significant problem for long-term care facilities, especially in rural Minnesota. A shortage of qualified nurse educators is developing as current faculty near retirement age. The Minnesota State Colleges and Universities are seeking $6 million in funding to meet a critical shortage of health care workers in the state. With the requested funds, the system will increase the number of its nursing graduates by 40 percent, recruit nursing faculty to teach in colleges and universities and use technology to expand online and distance education in nursing and allied health care.

More teachers needed in certain fields

The Minnesota State Colleges and Universities System is requesting $3.5 million to recruit more teachers of color, more special education teachers and more teachers of English as a Second Language, and to retain more first-year teachers in the profession. With these funds the system will enhance recruitment of students of color into teacher preparation programs, increase the number of teachers licensed in Special Education, and establish a pilot beginning teacher induction program to reduce the number of teachers who leave the profession during the first three years on the job.

Upgrading equipment and technology is a priority

The need to upgrade instructional equipment and technology continues to be a priority for the system. Colleges and universities must continually upgrade equipment to stay current with industry needs and to teach students the skills they need to be marketable in science, heath care and technical fields. The system is seeking $6.5 million for systemwide information technology upgrades and $6.7 million for instructional equipment upgrades at all 34 institutions. With these funds the system will expand campus bandwidth to accommodate expanding instructional use of the Internet, upgrade the Integrated Student Records System to meet demands of students for Web-based, and acquire new or updated instructional equipment ($6.7 million).

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$2,500	$3,100	$3,100	$3,100
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$2,500	$3,100	$3,100	$3,100

Recommendation
Agency Request: Submitted for Reference Only

Background
The Access and Diversity Initiative is comprised of five components: Outreach and Mentoring, Transition and Orientation, Support Services and Tutoring, ESL/Occupational English, and farm business management tuition subsidy. These components are designed to address a cluster of specific issues identified by the taskforces as representing barriers to postsecondary participation by underrepresented students.

The Outreach and Mentoring component impacts the large population of first-generation, low-income, and minority individuals who do not consider college as being a viable option for them. Through the development of mentoring and nontraditional outreach programs, Minnesota State Colleges and Universities will increase the number of these students who go on to a postsecondary education, most of them at a Minnesota State Colleges and Universities campus. This initiative will improve the flow of information about college opportunities to prospective students and to bridge the gap between the institutions and minority communities. In addition, this initiative will fund, on a competitive basis, programs developed by institutions to provide mentoring opportunities for students in preK-12 schools or who are identified in other ways. The goal of the mentoring is to ensure that the students graduate from high school, are aware of career and educational opportunities available to them, including the availability of financial aid, so that they apply for and are admitted to a college or university.

The Transition and Orientation component addresses the difficulties that first generation, low-income, and minority students experience when they first arrive on a postsecondary campus. Transition difficulties may be especially severe for older displaced workers. This component will provide funding, on a competitive basis, for programs to help students make the transition from high school or work to college.

The Support Services and Tutoring component will address the academic concerns experienced by first generation, low income and minority students, as well as many older nontraditional students. Students who are unaccustomed to the rigorous demands of college level study, including the need for effective time management skills, are often unsuccessful. This component will provide funding, on a competitive basis, for programs that will provide specialized academic advising, study skills, and tutoring services for these students. Programs will be expected to include intrusive advising mechanisms which have been proven to increase academic performance and retention of students. Programs will also be expected to include provisions for peer advising and peer tutoring, which have benefits for both the provider and the recipient of the services.

The fourth component of the Access and Diversity Initiative will be the development of at least one ESL center in the metro area. At some institutions, demand for ESL services has outstripped the institution's ability to provide them. At the same time, in other institutions, there are not enough ESL students to create a "critical mass" sufficient to warrant the offering of these expensive services. This component of the initiative will assess the needs for ESL services, including occupational English, and develop a Center (which need not be a single physical location) to best provide those services.

The fifth component of the Access and Diversity item will expand opportunities to access courses designed for farm and small business operations. The small business and farm business management programs offer business skills to farmers and small business operators in greater Minnesota. The tuition for this program has

been subsidized by the state since 1991 as a means to increase access. The $300,000 will be used to increase the tuition subsidy.

Relationship to Base Budget Component	**FY 2004**	**FY 2005**
Outreach and Mentoring	$ 180,000	$ 180,000
Transition and Orientation	250,000	750,000
Support Services and Tutoring	1,500,000	1,500,000
ESL Center	420,000	520,000
Farm /Small Business Subsidy	150,000	150,000
Total	**$2,500,000**	**$3,100,000**

Key Measures

Each component of the Access and Diversity initiative has specific quantifiable performance measures which may be used to assess its effectiveness:

The primary measure used to assess the Outreach and Mentoring component will be the number of new first generation, low-income and minority students enter Minnesota State Colleges and Universities compared to the baseline measurement. For the mentoring programs, measures will be the percentage of students entering Minnesota State Colleges and Universities from high schools with mentoring programs compared to high schools without mentoring programs, as well as the percentage of mentored students going on to college compared to non-mentored students.

Retention from the first year to the second year of college will be the primary measure of effectiveness for the Transition and Orientation component. Research has indicated that the bulk of student attrition occurs at this juncture. Retention of students participating in these programs will be compared to baseline measures prior to program implementation, as well as to retention of students at the same and other institutions who do not participate in the programs.

Student academic achievement and graduation rates will the measures used to assess the effectiveness of the Support Services and Tutoring component. Academic achievement rates of first generation, low-income and minority students participating in these programs will be compared to baseline rates, as well as to students at the same and other institutions who do not participate in the programs.

Assessment of the effectiveness of the new ESL Center will include the use of measures such as the number of students served, the cost per student, and the success rates of students compared to current baseline levels. It is expected that the development of an ESL Center will provide a more efficient use of resources by making services available to more students at lower cost and with a higher level of performance.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$3,000	$3,000	$3,000	$3,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$3,000	$3,000	$3,000	$3,000

Recommendation

Agency Request: Submitted for Reference Only

Background

The Nursing and Healthcare Education Plan for FY 2004-05 is based on the work of Minnesota State Colleges and Universities' targeted industry partnership project on healthcare (known as the Healthcare Education-Industry Partnership). With active participation by the healthcare industry, these strategies will address the need for nurses and allied health workers to fill current vacancies in hospitals, clinics, public health and other care facilities. Minnesota State Colleges and Universities has made nursing and allied health a priority in its 2002-2005 strategic plan.

The Nursing and Healthcare Education Plan is comprised of four components: Registered Nurse (RN) Education; Practical Nurse (PN) Education; Nurse Educators; and Accessible Nursing and Allied Health Education Options. These four components are designed to expand the enrollment capacity in nursing education programs, encourage nurses to teach in college and university programs, and provide accessible learning opportunities to students through distance education.

Registered Nurse (RN) Education: From state and national studies' it is estimated that the cost to educate a registered nurse is between $10,000 and $14,000 per student. Tuition covers only about one third of this cost. Over the past two years, Minnesota State Colleges and Universities's nursing education programs have struggled to open new sections and courses to accommodate growing student interest in nursing. While much of the cost to expand has been absorbed internally in the past, it is becoming increasingly difficult to fund nursing at the expense of other programs. Minnesota State Colleges and Universities is seeking $4.4 million to support an increase in enrollment by 440 RN students (in both two- and four-year programs) in 2004-05, including implementing an accelerated nursing program for students with a degree in another field.

Practical Nursing (PN) Education: Shortages of licensed practical nurses (LPN), while not as acute as shortages of RNs, pose a significant problem for long-term care facilities and healthcare facilities in rural areas. For many individuals, as well, practical nursing is seen as a vital stepping stone to the practice of registered nursing, with its expanded scope of responsibilities, employment opportunities and increased pay. Many Minnesota practical nursing programs currently have waiting lists, particularly in areas where there have been mass-layoffs. This initiative would provide $500,000 in financial support for the expansion of practical nursing programs in demonstrated shortage areas to meet the needs of dislocated workers or in areas where student interest is high.

Nurse Educators: As enrollments in nursing programs increase, the pressure to find qualified faculty also increases. The mean age of nursing faculty is currently 50.5 years and wages for nursing educators are approximately 25% below masters-prepared clinical nurses. This $500,000 initiative will actively recruit potential instructors and administrators, particularly those who are currently adjuncts, teaching in PN programs or are in clinical practice, to seek advanced degrees (bachelors, masters, or doctorates) in nursing education. The funds will support a tuition forgiveness program for up to 40 nurses at $10,000 per student where the graduate is willing to teach on a contractual basis in a college or university. The program will support the implementation of an on-line masters in nursing education degree program as well as improve recruitment efforts to increase diversity and begin succession planning as faculty and administrators become eligible for retirement.

Accessible Nursing and Allied Health Education Options: Distance education is becoming a viable option for students in many educational programs, and nursing and allied health are no exception. Health education programs, however, must be "blended" so students have hands-on experience in addition to classroom-based studies. This $600,000 initiative will support the development of new technologies, such as simulators, enhanced on-line design elements, and innovative clinical experiences that facilitate the "blended" nature of healthcare education on-line, as well as support the instructional costs for teaching at a distance.

Relationship to Base Budget

	2004	2005
Registered Nurse Education	$2,200,000	$2,200,000
Practical Nurse Education	250,000	250,000
Nurse Educators	250,000	250,000
Accessible Nursing and Allied Health Education Options	300,000	300,000
Total	**$3,000,000**	**$3,000,000**

In FY 2001, Minnesota State Colleges and Universities had direct expenditures of approximately $17 million for nursing programs.

Key Measures

The success of this initiative will be measured by the number of graduates from Minnesota State Colleges and Universities' RN and PN as described in each program. In addition, a complete Masters in Nursing Education program will be offered on-line serving 40 students per year. Students will be able to access nursing education through non-traditional and flexible means, including on-line and distance education options, measured by enrollments and graduations in regional areas to meet employment opportunities in healthcare and public health.

Change Item: INFORMATION TECHNOLOGY

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$2,500	$4,000	$4,000	$4,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$2,500	$4,000	$4,000	$4,000

Recommendation

Agency Request: Submitted for Reference Only

Background

Meeting the rapidly growing need for increased campus bandwidth is a top priority for the next biennium. Many colleges and universities are already at maximum levels of bandwidth use during peak times, at which point delivery of teaching and learning services and online courses materials can slow considerably. Without significantly expanded bandwidth, this situation is expected to worsen deeply over the FY04-05 period, as instructional use of the Internet (including Internet2) increases and the use of high-bandwidth streaming media expands exponentially, as expected.

Providing funding to enable maintenance and enhancement of the Integrated Student Records System (ISRS) is particularly vital over the biennial period, as conversion to web interactivity takes place to meet the demands of students for web services. In addition, the ability to deliver on the e-learning goals of the Minnesota Online Council will depend on funding earmarked for development of the ISRS system to support new seamless enrollment and e-student service functionality.

Relationship to Base Budget

The FY2003 base budget for Information Technology is approximately $15 million.

Key Measures

Identifying the quantifiable, measurable benefits for both of these funding requests will occur through:

- bandwidth utilization will be monitored on a daily basis, with improvements reported, and
- the Administrative Systems Steering Committee will report on the concrete ISRS enhancements made possible by this funding and the concrete impact on students

Alternatives Considered

⇒ Bandwidth use has already been improved as much as possible through filters and “packet shaping” technologies that prioritize instructional Internet traffic and divert low-priority traffic.

⇒ Leveraged network purchases in cooperation with HEAC have been achieved use combined scale of Minnesota State Colleges and Universities, the University of MN, and state agencies to provide more bandwidth capacity at lower costs.

⇒ Alternative development of ISRS enhancements are/will be completed by campuses when appropriate through the Local Applications Development project.

Change Item: INSTRUCTIONAL EQUIPMENT

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$3,000	$3,700	$3,700	$3,700
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$3,000	$3,700	$3,700	$3,700

Recommendation

Agency Request: Submitted for Reference Only

Background

The changing nature of the education enterprise requires that now, more than ever, education institutions increase and improve partnerships with business, industry and non-profits. The instructional equipment initiative is based on earlier funding models funded by the legislature and the Minnesota State Colleges and Universities System. Each college and university receives an allocation based on an agreed upon funding formula. As part of the project, campuses must identify a business and industry partner or non-profit partner that agrees to match dollar for dollar the cost of the equipment. Colleges and universities are then able to acquire new or updated equipment, build new and on-going relationships with businesses, industries and non-profits that are focused on innovative ways to support and enhance learning.

The Work Plan goal to "*Expand High Quality Learning and Programs and Services by providing up to date education and training through well-equipped classrooms and laboratories"* can more readily be achieved by continuing a strategy that works in obtaining additional resources from private resources for new instructional equipment.

Relationship to Base Budget

Minnesota State Colleges and Universities spent $25 million on equipment in FY2002. The initial allocation by the Minnesota legislature in the FY1998/FY1999 biennium was $2 million. An additional $5 million was allocated to the colleges and universities from Minnesota State Colleges and Universities' central reserves in FY2003.

Key Measures

Amount of funds leveraged from private sources.
This measure supports Minnesota State Colleges and Universities' goals of maintaining well-equipped classrooms, building partnerships with external groups, and increasing alternative revenue sources.

Alternatives Considered

There are no alternate solutions at a time when state resources are limited. The ability of colleges and universities to leverage resources working with the private sector to support the acquisition of instructional equipment is necessitated by the rapid changes occurring in the use and integration of the new technologies in curriculum and programs.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$4,000	$8,000	$8,000	$8,000
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$4,000	$8,000	$8,000	$8,000

Recommendation
Agency Request: Submitted for Reference Only

Background
Well-maintained facilities are a fundamental element in providing quality education. The deteriorating condition of state-owned, Minnesota State Colleges and Universities-operated buildings is a growing concern. Minnesota State Colleges and Universities' facilities average 31 – 32 years of age and have a growing need to repair and replace major infrastructure systems which have met or exceeded their useful life. Under-funding of facilities requirements is a demonstrated fact since merger of the three systems to form Minnesota State Colleges and Universities. The result is an identifiable system-wide backlog of maintenance and repair valued at almost $500 million in 1998 dollars. This does not include new construction or major improvements to respond to changing academic needs and enrollment growth experienced at several campuses. Despite encouraging and substantial capital funding in recent legislative sessions, this backlog continues to grow, resulting in a situation where Minnesota State Colleges and Universities' valuable, public facilities resources are essentially being "consumed" over time. Without increasing the operating budget to place more facilities dollars in the hands of the institution presidents and prevent further deterioration, the backlog will grow even further.

Stewardship of facilities is a fundamental element in providing educational services in a widely dispersed yet accessible higher education environment such as Minnesota State Colleges and Universities. The Chancellors Work Plan, Citizen's Advisory Commission and the newly adopted Strategic Plan all support the requirement for Minnesota State Colleges and Universities to be a good steward of state physical plant resources.

Well-maintained and attractive facilities align to strategic principles of preserving opportunity and access, enhancing community and economic vitality, providing learning options and creating a more fully integrated system. Well-maintained facilities also enhance student focus and community success.

This biennial budget request responds to Minnesota State Colleges and Universities' FY 2002 Workplan, Goal I-4, which states:

> Preserve taxpayer investments and provide safe, accessible, energy efficient and environmentally compliant facilities for students through careful stewardship of campus physical assets. Minnesota State Colleges and Universities' facilities will be regularly maintained to provide for the programmatic needs of the institution, as well as outstanding learning and working environments.

Relationship to Base Budget
With this request, the base budget will increase $4 million in 2004, and $4 million in 2005 for a total of $12 million base budget increase for the biennium. This amounts to 1% of the total biennial base.

FY2004	FY2005	Biennial Total
$4,000,000	$8,000,000	$12,000,000

Key Measures
Minnesota State Colleges and Universities participated in a study with other state agencies and the University of Minnesota to determine a funding formula for annual facilities repair and renewal needs. Using industry

guidelines, the published work of expert consultants, input from the Association of Higher Education Facilities Officers (APPA), the Statewide Facilities Management Group (SFMG) issued a report for the Department of Finance in 1999 that showed how various building components need to be replaced at different times due to age, wear and use. The methodology is based on the cyclical reinvestment of building assets i.e. boilers, chillers, windows, roofs, etc. Each building component has an expected life span associated with it.

For example, a typical boiler will last 35 years and a roof 20 to 40 years. Determining the annual amount to reinvest in a building over its expected life was the goal of the study. The methodology states that if a building were properly maintained and "renewed" at a particular annual reinvestment rate, it would remain in a constant state of readiness with no backlog of work. This method yields a percentage value that, when applied annually against a building's replacement value, establishes an annual funding amount for each building in the inventory.

Initially, when a building is new, the need to replace or renew building components is low. As time passes with general use, the need for renewal is increased. Minnesota State Colleges and Universities' 53 campuses average approximately 31 – 32 years of building age. Reviewing the life expectancy of building components on average shows there are a considerable number of major components requiring replacement in the 25 to 40 year timeframe of a building's life.

All heating, ventilation, air conditioning (HVAC) systems, electrical distribution, roofs, some doors and windows, and interior plumbing systems tend to align to this replacement timeframe. This was evident in the nature of the projects submitted by campuses for the 2002 Higher Education Asset Preservation and Replacement (HEAPR) program.

Based on the particular types of buildings in the Minnesota State Colleges and Universities inventory, an average of 2.89% of replacement costs is the appropriate reinvestment rate. This percentage amount is consistent with facilities studies performed by the nationally recognized expert Harvey Kaiser in his publication **A Foundation to Uphold**. The percentage rate, in Minnesota State Colleges and Universities' case, equates to $4.65 per square foot per year across the system, or $86 million annually in 1998 dollars. This is the baseline number for annual funding that will avoid backlog. It does not, of course, address reduction of the existing backlog.

In addition to the information provided in the Facilities Condition Assessment, an indicator known as Facilities Condition Index (FCI) can be applied as a means to evaluate the condition of facilities. FCI is the measure of deferred maintenance divided by current replacement cost. In general, the larger the FCI the more need for repair and renewal. For example (not taking historic or emotional factors into consideration) if the FCI were more than 1, it would make economic sense to replace the building rather than fund the deferred maintenance.

Minnesota State Colleges and Universities' facilities averaged an FCI of 0.165 for academic buildings in 1998. This was calculated on the deferred maintenance of $498 million divided by the $3 billion replacement value of the 18.6 million square feet surveyed.

The lower the FCI index the better maintained and viable the structure is. A general national guideline suggested by Harvey Kaiser states that the FCI should be below 0.05. AN FCI of 0.025 is generally accepted as a "good" range. The higher index of 0.165 for Minnesota State Colleges and Universities implies that many of Minnesota State Colleges and Universities' facilities are in inadequate condition.

Increased funding would decrease the backlog and thus decrease the FCI. Through incremental improvements funded by HEAPR, capital budgeting remodeling and improvements, and annual funding at a higher level in the operations budget, Minnesota State Colleges and Universities' FCI can be decreased.

Statutory Change: Not Applicable

Change Item: SUPPORT CORE MISSION

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$22,000	$45,300	$45,300	$45,300
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$22,000	$45,300	$45,300	$45,300

Recommendation

Agency Request: Submitted for Reference Only

Background

The primary focus of Minnesota State Colleges and Universities' biennial budget request is to invest in the core educational mission of Minnesota State Colleges and Universities. The largest portion of the request is a 3% inflation increase. Minnesota State Colleges and Universities is seeking state appropriation funding to cover two-thirds of this 3% inflation request.

The inflation dollars will be used to fund the compensation-related increases of Minnesota State Colleges and Universities' faculty and staff, as well as the cost increases in basic supplies and equipment needed to educate Minnesota State Colleges and Universities' students. Historically, the state provides some inflation-related support for the biennium. The colleges and universities cover the difference through tuition increases, cuts in services, and reallocations. A minimum of 3% in new state funds (along with a 3% tuition increase) is necessary in FY 2004 and FY 2005 for Minnesota State Colleges and Universities' institutions to support likely compensation related inflation and increases in other operating costs, such as library materials and utilities, so that core services to students will be maintained without further large tuition increases and drastic cuts in programs.

Minnesota State Colleges and Universities have reallocated an estimated $50 million in the past two years to cover inflation-related costs. The pressures to maintain quality compete directly with ordinary inflation costs. The quality of the student experience is threatened by any additional reallocations.

As has been the case for many years, tuition and state appropriation form a critical partnership in funding Minnesota State Colleges and Universities' biennial budget request, especially those items related to inflation. State appropriation and tuition comprise roughly 95% of Minnesota State Colleges and Universities' general fund revenue. Since these are essentially the only significant sources of revenue available to colleges and universities, a reduction or erosion of one of these sources requires institutions to rely more heavily on the other. If the state does not provide the requested level of funding, increases in tuition revenue will be needed to maintain the current level of funding per student. On the expenditure side, cuts in administrative expenses, program reductions, reduced class sections and use of reserves have reduced the impact on students' tuition. Minnesota State Colleges and Universities has had to raise tuition approximately 10% in each year in the current biennium to maintain per student funding. Relying more heavily on tuition will diminish Minnesota State Colleges and Universities' ability to continue its public service mission of providing affordable higher education to Minnesota residents.

Relationship to Base Budget
Inflation Request (in millions $)

	FY2004	FY2005	Biennial
Compensation	$15.9	$32.7	$48.6
Other Operating Costs	6.1	12.6	18.7
Total	**$22.0**	**$45.3**	**$67.3**

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$2,000	$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	$2,000	$1,500	$1,500	$1,500

Recommendation
Agency Request: Submitted for Reference Only

Background
Overall, the funding will support new "fast track" programs, expansion of existing programs, alternative delivery systems, and new paraprofessional training programs. Special strategies focus on recruitment of faculty and students, expanded field and student teaching experiences, scholarship and loan forgiveness programs, associate degree programs designed for transfer- bound students of color, and pilot teacher induction and retention programs.

This initiative aligns with the Minnesota State Colleges and Universities Strategic Direction to “Strengthen Community Development and Economic Vitality”: *Preparing Tomorrow’s Teachers Today* initiative addresses five critical needs: Shortage of Teachers of Color, Shortage of Teachers in specialty areas in Special Education, Shortage of Teachers of English as a Second Language, First Year Teacher Induction, and Teachers for Diverse Classrooms. These teacher shortage areas have been identified by national and state data sources, verified by key P-16 stakeholder groups, and validated by *personnel variance* data from the Minnesota Department of Children, Families and Learning (DCFL). A *Personnel Variance* is issued to permit a teacher to teach subjects or fields for which the teacher is not currently licensed (*Minnesota Rule 8710.1400)*.

Shortage of Teachers of Color.
This component focuses on how Minnesota State Colleges and Universities will attract, recruit, retain and develop more teachers of color. Shortage of teachers of color is a concern of state and national educators. Nation wide, minority children make up 40% of K-12 public school students, while minorities comprise only 13% of their teachers. Minnesota, minority students make up 17.0% of K-12 public school students while minorities comprise only 3.0% of their teachers in 2000 and 2001.

The data indicate a need to increase the extent to which teaching staff share the diversity of the students and families served by the school. The funding will support the development of recruitment strategies to attract high school students starting as early as 5th Grade, scholarship and loan forgiveness incentives, new associate degree programs for transfer students of color, and the recruitment and retention of more faculty and students of color in teacher education programs.

Shortage of Teachers in Special Education.
This component addresses how Minnesota State Colleges and Universities will increase the number of teachers licensed in special education, especially Emotionally Behaviorally Disordered (EBD), Specific Learning Disabilities (SLD), and low incidence disability conditions (for example, visually impaired, deaf, autism). An amount of $300,000 is requested to support the expansion of two existing special education programs and $600,000 for the development of new “fast track” programs at three state universities in collaboration with two-year colleges

Shortage of Teachers of English as a Second Language (ESL).
This component addresses how Minnesota State Colleges and Universities will increase the number of faculty and teachers of English as a Second Language (ESL). ESL is among the top five areas in which the greatest number of *personnel variances* were issued in 2001-2002. An amount of $350,000 is requested to expand three existing programs and $800,000 to develop two new programs, including “fast-track” cohort programs and an *e-learning* initiative.

First Year Teacher Induction Programs.
This component addresses how Minnesota State Colleges and Universities will work jointly with school districts to implement two to three pilot projects to support new teachers during their first three years on the job. National data indicate that 23.2% of new teachers leave after teaching from one to three years. In Minnesota, non-retirement attrition for all teachers was expected to reach 7-8% by the late 1990s as the labor shortages increased and made alternative occupations more attractive than teaching. The pilot projects will include school district needs assessment, mentoring programs, distance delivery systems, professional development for teachers, and leadership development for administrators on creating a supportive school environment.

Teachers for Diverse Classrooms.
The changing demographics in Minnesota have increased the demand for teachers fully prepared to meet the needs of the many and changing faces in Minnesota classrooms. Minority population growth in Minnesota is projected to increase from 61% between 1995 to 2005 to 75% between 2005 and 2015. This increase will create a proportionate increase of minority and immigrant students in PreK-12 classrooms and the demand for teachers with the skills to handle the diversity. The funding will support: expansion of diverse early field and student teaching experiences, expansion of the Urban Teacher Education Partnership (UTEP) to include some Minneapolis and suburban schools, implementation of a replica of UTEP in a rural community, and implementation of exchange programs between PreK-12 schools and university/college faculty and students.

Relationship to Base Budget

	FY2004	FY2005	Total
Shortage of Teachers of Color	$ 430,000	$ 320,000	$ 750,000
Shortage of Teachers in Special Education	515,000	385,000	900,000
Shortage of Teachers of ESL	660,000	490,000	1,150,000
First Year Teacher Induction Programs	230,000	170,000	400,000
Teachers for Diverse Classrooms	165,000	135,000	300,000
	$2,000,000	$1,500,000	$3,500,000

In FY2001, Minnesota State Colleges and Universities had direct expenditures of approximately $15 million for teacher education programs.

Key Measures

Shortage of Teachers of Color An increase in the number of teacher candidates of color in Minnesota State Colleges and Universities teacher preparation programs leading to an increase of teachers of color in PreK-12 schools by 2006.
Shortage of Teachers in Special Education A reduction in the number of personnel variances issued in Special Education by 2006, especially EBD and SLD compared to the number of variances issued in this area between 2001-2003. The second measure will be an increase in the number of paraprofessionals who have received training in compliance with the No Child Left Behind (NCLB) Act.
Shortage of Teachers of English as a Second Language (ESL) An increase in the number of ESL programs in Minnesota State Colleges and Universities and an increase in the number of licensed ESL teachers who graduate from Minnesota State Colleges and Universities.
First Year Teacher Induction Programs An increase in retention rate of new teachers in the pilot sites during their first three years on the job compared with pre-pilot retention rate.
Teachers for Diverse Classrooms An increase in the number of new teachers with the knowledge, skills and dispositions necessary to meet the needs of a diverse body of PreK-12 students.

Agency Purpose

The Minnesota State Retirement System (MSRS) provides a comprehensive system of retirement programs for its members and their employers. Membership is comprised of state employees, state law enforcement and correctional officers, constitutional officers, legislators, judges, employees of the University of Minnesota, the Metropolitan Council, and employees of various other designated state agencies. MSRS also operates a tax-deferred compensation plan and a tax-free health care savings plan. In total, 31 employers are covered by MSRS retirement plans, and 650 different employers are contributing to the deferred compensation and health care savings plan.

Core Functions

The MSRS disburses monthly annuity benefits to retired members and their survivors. MSRS disburses lump-sum withdrawals and rollovers to members who have terminated their employment. Also, MSRS reimburses member health care costs.

Operations

The MSRS operates from the central office in St. Paul and branch offices located in St. Cloud and Mankato. Members receive retirement planning and pension administration services by phone, through onsite visits, and through the MSRS interactive web site(s). Services are provided to active members, former members, retired members, and the survivors and beneficiaries of all.

Budget

The MSRS revenues are received from employee and employer contributions and investment earnings. As of June 30, 2002, contribution rates as a percentage of salary for the various retirement plans were as follows:

At A Glance

Membership statistics by fiscal year are as follows:

At June 30	Active Members	Inactive Members	Retirees & Beneficiaries
2002	104,504	54,117	28,170
2001	105,178	51,283	26,263
2000	115,716	32,534	21,286
1999	113,000	31,592	20,320
1998	128,389	41,160	19,551

Benefits paid (in 000's) by fiscal year are as follows:

At June 30	Annuity Benefits	Refunds/ Rollovers
2002	366,011	14,456
2001	332,819	18,727
2000	291,627	20,755
1999	254,327	19,734
1998	230,978	21,170

Actuarial Assets and Liabilities (in 000's):

At June 30, 2002	**Assets**	**Liabilities**	**Funding Ratio**
General Plan	7,673,028	7,340,597	104.53%
State Patrol Plan	591,383	510,344	115.88%
Correctional Plan	457,416	446,426	102.46%
Judges	131,379	171,921	76.42%

	Employee	Employer
General Employees Retirement Plan	4.00%	4.00%
Military Affairs Plan	5.60	5.60
Transportation Pilots' Plan	5.60	5.60
State Fire Marshals Plan	6.78	8.20
State Patrol Plan	8.40	12.60
Correctional Employees Retirement Plan	5.69	7.98
Judges Retirement Plan	8.00	20.50
Legislators Plan	9.00	N/A
Unclassified Employees Retirement Plan	4.00	6.00

These funds are dedicated for the payment of monthly retirement and health care benefits, refunds/rollovers, and administrative expenses. All benefit payments are determined either by statute or by Internal Revenue Service (IRS) regulation. Budgets to cover administrative expenses are recommended by the MSRS staff to the Board of Directors for their review and approval. At present, MSRS employs a staff of 47.8 full-time equivalent employees. The administrative expenses for MSRS in FY 2002 totaled $4.812 million which is .22% of the payroll on which MSRS contributions are based.

Contact

For more information, write to:
Minnesota State Retirement System
60 Empire Drive, Suite 300,
St. Paul, Minnesota 55103-3000.

Phone: (651) 296-2761 or (800) 657-5757.
Fax: (651) 297-5238.
Visit us on the web at www.msrs.state.mn.us.
Telecommunications-device-for-the-deaf (TDD) and teletypewriter users call the Minnesota Relay Service at (800)627-3529 and ask to be connected to (651)296-2761.

The MSRS web site includes information about retirement plans and post-retirement health care plan, news articles relating to pensions, and online account access.

State of Minnesota
Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 296-5900
Fax: (651) 296-8685
TTY: 1-800-627-3529

February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the Governor's FY 2004-05 budget proposals for the non-cabinet agencies in the state government omnibus bill. Under the Governor's recommended budget, these agencies would collectively spend $12.882 million in General Fund dollars for the FY 2004-05 biennium. The funding provided for these agencies will be used for the protection of public assets and resources, assurance of due process related to governmental rulemaking, the regulation of the gambling and racing industries, administration of campaign finance and disclosure laws, and support to small non-profit organizations that assist Minnesota veterans.

The FY 2004-05 funding recommended for these agencies represents a $6.695 million (34.2%) decrease from the FY 2002-03 biennium. The recommendations will also result in a net decrease in revenue to the General Fund of $954,000 for the biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing and reorganizing some functions. Therefore, for some of the agencies in this bill, the Governor recommends that funding and/or operations be consolidated with other related operations in the state in order to ensure cooperation and shared services to reduce costs.

In addition, the Governor recommends mitigating the impact of the state's deficit by spreading the cuts among more agencies rather than less, and by ensuring that the industries and parties that benefit from these services assist in paying for them. Therefore, for some of the agencies in this bill, the Governor recommends that dependence upon General Fund dollars be supplanted or offset with fees and user charges, and that where appropriate, some fees billed to governmental agencies be reduced.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium as well as the Governor's recommendations for state funding of pension systems.

My staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

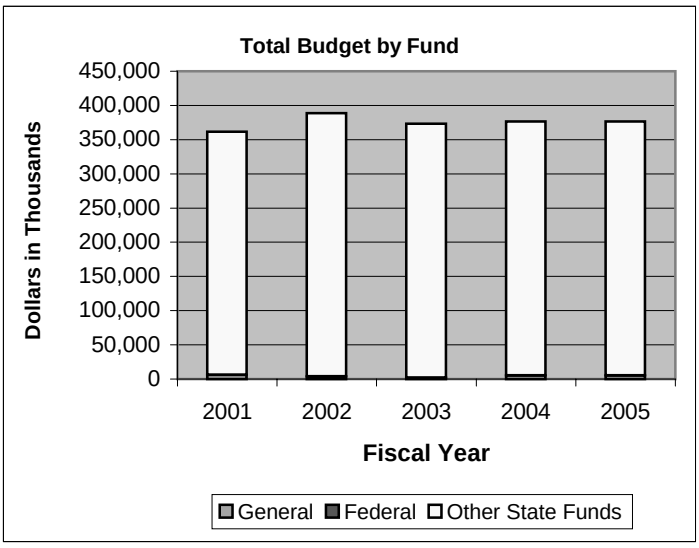
	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	15,212	742,844	758,056
Forecast Caseload/Enrollment Changes	-4,629	0	-4,629
Adjusted Base Funding	10,583	742,844	753,427
Governor's Recommendations	10,583	742,844	753,427
Biennial Change, 2002-03 to 2004-05	5,124	-13,873	-8,749
Percent Change	94%	-2%	-1%

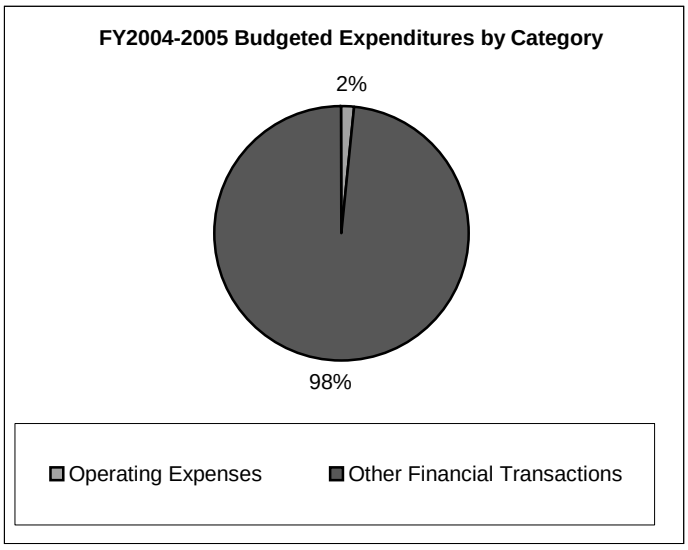
Brief Explanation of Budget Decisions

The Minnesota State Retirement System (MSRS) is funded by its 104,000 members and 31 governmental employers. There are no state General Fund appropriations for the operations and administration of this activity, which are funded by the retirement funds. Base funding has been adjusted to reflect new assumptions and unique retirement patterns of legislators due to redistricting in 2002.

Governor's Recommendation

The Governor recommends no changes to base level funding.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Open Appropriations						
General	5,984	3,560	1,899	5,269	5,314	10,583
Correctional Employees Retire	15,822	17,996	18,373	18,373	18,373	36,746
State Employees Retirement	284,752	310,061	317,142	317,202	317,202	634,404
Highway Patrol Retirement	30,042	33,195	11,098	11,098	11,098	22,196
Unclassified Employees Retire	8,409	5,831	6,188	6,188	6,188	12,376
Postretirement Health Care Ben	0	390	450	450	450	900
Judicial Retirement	12,291	13,247	13,562	13,562	13,562	27,124
Statutory Appropriations						
Legislative Annuities	4,268	4,635	4,549	4,549	4,549	9,098
Total	**361,568**	**388,915**	**373,261**	**376,691**	**376,736**	**753,427**
Expenditures by Category						
Operating Expenses	4,705	5,716	5,740	5,800	5,800	11,600
Other Financial Transactions	356,863	383,199	367,521	370,891	370,936	741,827
Total	**361,568**	**388,915**	**373,261**	**376,691**	**376,736**	**753,427**
Expenditures by Program						
Mn State Retirement System	339,025	367,083	352,801	352,861	352,861	705,722
Elective Officers Plan	332	354	246	258	271	529
Judges Plan	12,291	13,247	13,562	13,562	13,562	27,124
Legislators Plan	9,920	7,841	6,202	9,560	9,592	19,152
Health Care Savings Fund	0	390	450	450	450	900
Total	**361,568**	**388,915**	**373,261**	**376,691**	**376,736**	**753,427**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	527	458	448	448	448	896
Correctional Employees Retire	16,937	17,303	17,977	18,416	18,867	37,283
State Employees Retirement	150,387	156,028	163,721	167,811	171,932	339,743
Highway Patrol Retirement	10,542	10,569	11,129	11,401	11,680	23,081
Unclassified Employees Retire	10,890	11,353	10,909	11,174	11,446	22,620
Postretirement Health Care Ben	0	3,154	2,316	2,373	2,432	4,805
Judicial Retirement	8,495	8,901	9,514	9,738	9,968	19,706
Subtotal Non Dedicated	197,778	207,766	216,014	221,361	226,773	448,134
Total Revenue	**197,778**	**207,766**	**216,014**	**221,361**	**226,773**	**448,134**
Full-Time Equivalents (FTE)	**45.6**	**44.8**	**47.8**	**47.8**	**47.8**	

Agency Purpose

Minnesota Department of Natural Resources (DNR) "works with citizens to protect and manage the state's natural resources, provide outdoor recreation opportunities, and provide for commercial uses of natural resources in a way that creates a sustainable quality of life." (***Directions for Natural Resources 2000***, DNR's strategic plan.)

This mission requires sharing stewardship with citizens and partners, working together to address often competing interests, and is supported by two overarching goals:

- to restore, maintain or enhance the health of Minnesota ecosystems so they continue to serve environmental, social and economic purposes; and
- to foster an ethic of natural resource stewardship among all Minnesotans.

Core Functions

The DNR's responsibilities are broad. The agency works to provide opportunities for hunting and fishing, recreation and economic development as well as to preserve important features of our natural heritage.

The goal of sustainability guides our work in managing the state's natural resources. Sustainability depends on healthy ecosystems, a vibrant economy and viable communities. Healthy ecosystems support natural resource industries, tourism, outdoor recreation, and the lifestyles important to Minnesotans.

At A Glance

FY 2002-03 Budget
The total of all appropriations available to the DNR for the biennium is $639.3 million.

Of this amount the DNR's operating budget is $520.5 million, which includes direct and statutory appropriations of $506.2 million and a General Fund open appropriation of $14.3 million for firefighting.

$75.1 million of the total is appropriated to the agency for grants and pass-through payments.

In addition $43.7 million of the total is available to fund Legislative Commission on Minnesota Resources (LCMR)-recommended environment and natural resources projects and grants.

Minnesota's population is expected to increase to 5.2 million by 2020. Population growth and development trends put intense pressures on the state's natural resources. Land use conversion fragments natural landscapes. Changes in recreational vehicles, equipment and user preferences (jet skis, fish finders, off road vehicles) also add pressure to natural resources.

The following key management principles outlined in the department's strategic plan guide the DNR's strategies for managing our natural resources.

- ⇒ Sustaining natural resources and serving state citizens is fundamental to effective resource management.
- ⇒ Cooperate with other agencies, local units of government, citizens, and stakeholders to effectively manage natural resources.
- ⇒ Take a systems approach to resource management that integrates broad management efforts.
- ⇒ Meet complex challenges through the use of sound scientific principles, accurate information and state-of-the-art technology.
- ⇒ Communicate to internal and external audiences.
- ⇒ Make resource and land use decisions at the local level.
- ⇒ Develop an environmental stewardship ethic among all Minnesotans through education.
- ⇒ Model the sustainable use of natural resources in our work and personal lives.
- ⇒ Integrate planning and budgeting across area, regional, and state organizational levels.
- ⇒ Develop an effective and skilled workforce.
- ⇒ Produce high quality products and services.

Operations

The DNR works directly with citizens, stakeholder groups and all levels of government in providing scientific and technical expertise, setting priorities and managing diverse natural resources.

The DNR administers 12 million acres in mineral rights and 5.3 million acres of land for state forests, wildlife management areas, parks, recreation areas, scientific and natural areas, state trails, and public water access sites.

The agency is organized into nine operating divisions and five support bureaus. Staff work out of 200 field offices that are located statewide within four designated regions.

- ⇒ **Lands and Minerals** manages agency real estate transactions and provides expertise on mineral exploration, mining and mineland reclamation.
- ⇒ **Waters** monitors all phases of the hydrologic cycle, managing impacts on wetland, lake, river and groundwater phases of the hydrologic cycle.
- ⇒ **Forestry** ensures the sustainable yield of forest resources while balancing the need to protect wildlife habitat and provide for recreation in state forests. The division also protects citizens and property from wildfires.
- ⇒ **Parks & Recreation** operates a system of state park and forest campgrounds that preserves and manages natural, scenic and cultural resources, and offers opportunities for recreation and education.
- ⇒ **Trails & Waterways** provides access to lakes, rivers and streams; designates boating routes; and maintains a statewide network of recreational trails.
- ⇒ **Fisheries** protects and enhances the state's fishery resources through research, determining catch limits, stocking and habitat restoration.
- ⇒ **Wildlife** manages wildlife populations, regulates hunting limits, conducts land and aerial surveys and improves habitat on public and private land.
- ⇒ **Ecological Services** ensures healthy, resilient ecosystems through research on native plant and animal communities and provides extensive public information.
- ⇒ **Enforcement** ensures compliance with the laws related to game and fish and the operation of watercraft, snowmobiles, ATVs and other recreational vehicles.
- ⇒ **Operations Support** contains the five bureaus that provide administrative and support services to all other DNR divisions, as well as direct services to the general public.

Budget

Of the $639.3 million in total appropriations to the DNR for FY 2002-03, 41.3% is from the General Fund, 25.9% from the Game and Fish Fund, 15.0% from the Natural Resources Fund, 7.0% from special revenue funds, 3.9% from federal funds, and 6.8% from the Environmental Trust and Minnesota Resources Funds for LCMR-recommended projects.

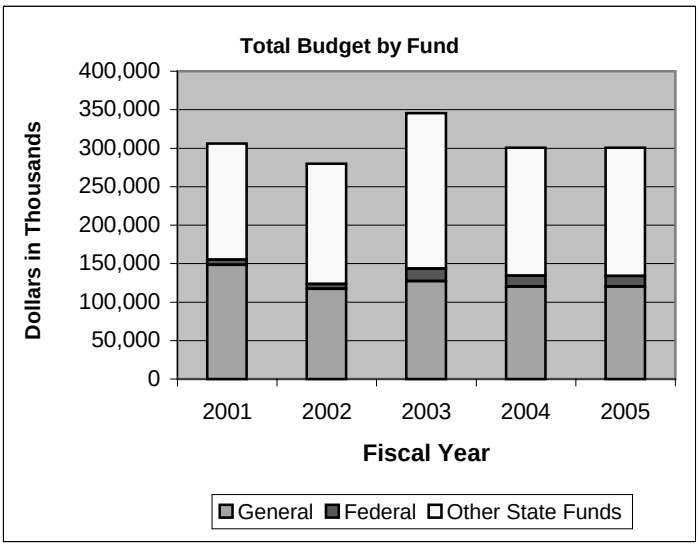
About 40% of total appropriations to the DNR are made from accounts where the money is generated from user fees: licenses, registrations, titling, permits, gas tax, agreements, donations and participation fees. Typically user fees are deposited in dedicated and special revenue accounts (mainly within the Natural Resources, Game and Fish Funds and special revenue accounts) and appropriated to the agency for a specific purpose.

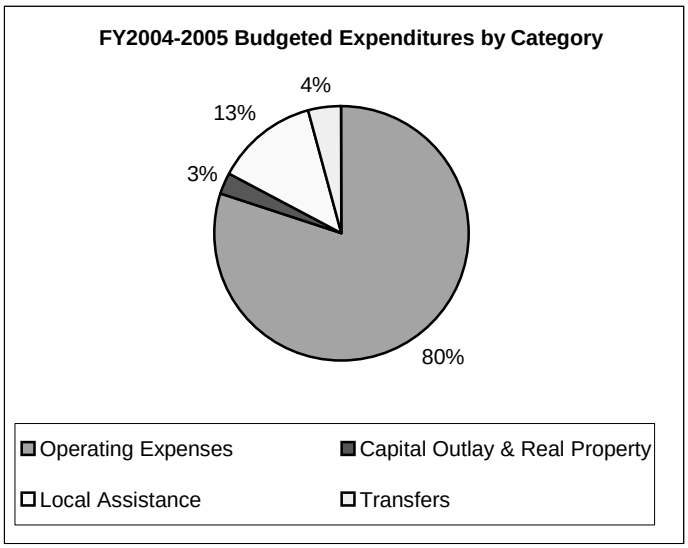
Contact

Department of Natural Resources
500 Lafayette Road
St. Paul, Minnesota 55155

Gene Merriam, Commissioner
Phone: (651) 296-2549
Fax: (651) 296-4799
http://www.dnr.state.mn.us

For information on how this agency measures whether it is meeting its statewide goals, please refer to http://www.departmentresults.state.mn.us/.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
Environment & Natural Resource	6,337	13,580	19,924	13,564	13,564	27,128
General	124,756	101,016	109,936	90,275	90,275	180,550
Minnesota Resources	876	8,919	6,769	0	0	0
Natural Resources	38,549	41,478	51,425	47,265	47,325	94,590
Special Revenue	186	66	0	0	0	0
Game And Fish (Operations)	80,634	69,735	88,070	80,999	80,739	161,738
Iron Range Resources & Rehab	24	0	0	0	0	0
Solid Waste	100	100	100	100	100	200
Permanent School	28	30	142	0	0	0
Open Appropriations						
General	22,696	15,952	16,765	29,657	29,946	59,603
Natural Resources	330	256	323	323	323	646
Game And Fish (Operations)	1,112	856	1,151	1,151	1,151	2,302
Statutory Appropriations						
General	991	90	488	120	100	220
Natural Resources	527	476	2,866	1,119	669	1,788
Special Revenue	16,478	16,534	21,434	15,826	15,843	31,669
Game And Fish (Operations)	2,295	2,126	3,170	2,624	2,636	5,260
Federal	6,694	6,262	16,146	14,069	13,647	27,716
Environmental	0	25	719	1,110	1,989	3,099
Reinvest In Minnesota	1,178	758	963	851	851	1,702
Miscellaneous Agency	868	95	100	28	15	43
Gift	972	1,283	4,552	1,336	1,339	2,675
Permanent School	203	16	505	48	19	67
Total	**305,834**	**279,653**	**345,548**	**300,465**	**300,531**	**600,996**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Category	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Operating Expenses	237,951	219,267	270,754	238,631	239,525	478,156
Capital Outlay & Real Property	18,553	10,256	17,774	8,356	8,108	16,464
Payments To Individuals	212	139	48	0	0	0
Local Assistance	47,569	48,359	54,520	39,454	38,637	78,091
Other Financial Transactions	1,549	1,632	2,452	1,567	1,568	3,135
Transfers	0	0	0	12,457	12,693	25,150
Total	**305,834**	**279,653**	**345,548**	**300,465**	**300,531**	**600,996**
Expenditures by Program						
Land & Minerals Resource Mgmt	15,817	8,423	11,271	20,506	20,713	41,219
Water Resources Mgmt	14,642	12,200	15,216	13,258	13,258	26,516
Forest Management	57,461	53,929	63,062	55,132	55,152	110,284
Parks & Recreation Mgmt	46,036	45,114	48,332	40,619	40,618	81,237
Trails & Waterways Mgmt	23,508	24,042	34,456	28,170	27,233	55,403
Fish Management	38,605	33,323	42,520	38,323	38,438	76,761
Wildlife Management	28,652	22,117	33,384	27,412	27,424	54,836
Ecological Services	12,237	9,289	15,008	13,183	14,181	27,364
Enforcement-Nr Laws&Rules	26,324	23,652	27,278	25,054	25,159	50,213
Operations Support	42,552	47,564	55,021	38,808	38,355	77,163
Total	**305,834**	**279,653**	**345,548**	**300,465**	**300,531**	**600,996**
Revenue by Type and Fund						
Non Dedicated						
Environment & Natural Resource	6	3	2	2	2	4
General	799	8,469	8,159	9,346	9,346	18,692
Minnesota Resources	0	1	2	2	2	4
Natural Resources	14,344	19,682	20,441	21,515	21,415	42,930
Cambridge Deposit Fund	13,242	0	0	0	0	0
Game And Fish (Operations)	63,238	67,415	66,272	69,322	71,469	140,791
Permanent School	19	388	13	40	40	80
Subtotal Non Dedicated	91,648	95,958	94,889	100,227	102,274	202,501
Dedicated						
General	1,038	231	153	108	100	208
Minnesota Resources	0	1,363	2,215	2,039	1,720	3,759
Natural Resources	659	986	1,137	1,119	669	1,788
Special Revenue	20,392	17,495	16,763	16,709	16,957	33,666
Game And Fish (Operations)	2,648	2,659	2,599	2,624	2,636	5,260
Federal	7,654	8,560	13,295	13,944	13,647	27,591
Reinvest In Minnesota	317	364	163	163	163	326
Miscellaneous Agency	3,542	2,555	5,286	7,184	8,088	15,272
Gift	1,685	1,282	1,650	1,336	1,339	2,675
Permanent School	15,801	13,689	14,317	15,131	15,970	31,101
Subtotal Dedicated	53,736	49,184	57,578	60,357	61,289	121,646
Total Revenue	**145,384**	**145,142**	**152,467**	**160,584**	**163,563**	**324,147**
Full-Time Equivalents (FTE)	**2,847.1**	**2,745.9**	**2,742.6**	**2,711.3**	**2,715.1**	

Program Description

The Division of Lands and Minerals is responsible for implementing land policy on state-owned lands and managing real estate and mineral transactions for state lands. The division manages real estate transactions on about five million acres of state-owned lands and mineral transactions for about 12 million acres of state-owned and tax-forfeited mineral rights. The division has regulatory authority to ensure that reclamation is conducted at metallic mineral and peat mines and is a principal proponent of environmentally sound mining.

The primary real estate functions include purchases, sales, exchanges, and leasing of state lands. The division implements the strategic resource management plans of the department by purchasing sensitive habitat and strategically important natural resources lands, and exchanging or selling lands to meet natural resource management objectives.

The primary mineral functions include managing state mineral leases for exploration and mining, negotiating lease rates, and collecting revenue from mining activities. In addition, the division provides technical assistance to local governments on land use and non-metallic mining issues. The division also manages three minerals research programs that are intended to maintain the competitiveness of the taconite industry, diversify the minerals industry within the state, and address environmental issues related to mining.

Program at a Glance

- National Rankings*
  - 1st in taconite production
  - 8th in non-fuel mineral production
  - 9th in sand and gravel production
  - 3rd in horticultural peat production
- $10 million in revenue for FY 2002
- 12 million acres of land managed for mineral rights.
- Eight million acres of surface rights managed for horticultural peat, industrial minerals, and construction materials.
- Fiduciary responsibilities for the Permanent School Fund and Permanent University Fund
- Manages three research and development programs.
- Manages the reclamation of mined lands
- Manages land acquisitions, sales, and exchanges on five million acres

* Source: United States Geological Survey, Minerals

Services Provided

The division provides a myriad of real estate and minerals services for a variety of internal and external customers. These services, which are core to the mission of the division, are as follows.

⇒ **Real Estate and Mineral Transactions**

Transactions include: land acquisitions; land exchanges; land sales; road easements; utility licenses; real estate tax and special assessment payments; and mineral and agricultural leases. Land is acquired in fee title and for various types of easements designed to protect habitat. Mineral leases include those for taconite, iron ore, non-ferrous metallic, horticultural peat, and industrial minerals.

Core responsibilities also include collecting mineral rental and royalty payments, title research, calculating PILT payments for state-owned lands, and conducting legislatively-mandated reviews for county-proposed, tax-forfeited land sales. Additional responsibilities include maintaining the Land and Mineral Rights Information System that holds records for 400,000 individual parcels of Department of Natural Resources (DNR) lands and county administered lands held in trust by the state.

⇒ **Mineral Potential and Engineering**

Responsibilities include developing fundamental mineral resource information to support state mineral lease sales and mining. This staff generates mineral resource estimates, calculates ore quality, determines mineral reserves, conducts field inspections, and calculates state royalties due from exploration and mining on leased state lands. The staff also provides technical information, such as construction aggregate data, to county boards and zoning and planning commissions throughout the state.

⇒ **Mineland Reclamation**

The division has statutory authority for establishing and enforcing regulations for reclamation of lands disturbed by mining. This authority pertains to iron ore, taconite, non-ferrous metallic minerals, and peat. Responsibilities include: reducing the environmental impacts of mining; issuing permits and ensuring reclamation during and following completion of mining; determining effective reclamation techniques;

enforcing reclamation law; ensuring public review and input to the permitting process; developing and implementing mine closure plans for bankruptcies; and promulgating -- or amending -- regulations as required.

⇒ **Minerals Research**
The division manages three research programs: Iron Ore Cooperative Research, Minerals Diversification, and Environmental Cooperative Research. Statutes direct the research to support and diversify the states mineral industry and address environmental issues related to mining. These programs are typically co-funded with non-state monies and are currently supported with over $500,000 from the U.S. Department of Energy, Cleveland Cliffs Northshore, Minnesota Power, the Permanent University Trust Fund, and others.

⇒ **Land Survey**
The land survey staff provides land surveying services and boundary staking and platting for acquisitions, conservation easements, land sales, trespass situations, and other activities. Core functions include land title research, review of encroachments and adjoiner rights, resolution of conflicts, computations and computer assisted drafting (CAD), and review of all quiet title actions served upon the department.

Historical Perspective

The current structure of the division is a result of a 1999 merger of the former Division of Minerals and the Bureau of Real Estate Management and the 2001 transfer of the Land Survey Unit from Facilities and Operations Services to the Division of Lands and Minerals. The division's responsibilities now reflect its overall responsibilities as they were in 1968 as part of the Minnesota Department of Conservation.

From a historical perspective, mineral development in Minnesota was dominated by the extraction of iron ore from the 1890s to the 1950s, followed by development of the taconite process in the early 1950s, and construction of taconite plants in the late 1960s. The latest generation of value-added iron processing has begun with the funding of the Mesabi Nugget demonstration plant that will test a process of producing high-purity iron. The state of Minnesota, U.S. Department of Energy, Kobe Steel Ltd., and a number of domestic iron ore and steel companies are providing financial support for this project.

Other non-ferrous mineral commodities were discovered in Minnesota in the 1960s; modest metallic mineral leasing and exploration continue today. There are currently 276 active non-ferrous metallic mineral leases in the state covering 84,441 acres. Spurring some of the interest are platinum and palladium prospects, which have resulted in continuing exploration by multi-national corporations. In addition, the low-grade copper-nickel deposits near Hoyt Lakes continue to be evaluated by mineral exploration companies. Most recently, a Canadian firm has plans to extract a 35,000-ton bulk sample to test the extraction of minerals using a proprietary mineral processing method.

Historically, sales of construction aggregates (natural sand and gravel and crushed stone) from state lands have been limited. Currently, the growth in the metropolitan area has led to an increasing demand for construction aggregates. An impending shortage of materials in the Twin Cities has lead to increased requests for permits for mining in the collar-counties surrounding the metropolitan area. Directed by M.S. 84.94, Aggregate Mapping and Protection, the division has completed county aggregate evaluations for 9 counties and funded the reassessment of construction aggregate resources in the Seven-County Metropolitan Area. Mapping in 3 other counties is underway.

Key Measures

Real Estate Transactions

The following table contains information on department land acquisitions, land sales, and land exchanges for FY 2002. DNR programs acquiring land include: Aquatic Management Areas, Canoe and Boating Routes, Fish Management Areas, Native Prairie Bank, Scientific & Natural Areas, State Parks, State Trails, Water Access Sites, and Wildlife Management Areas. Real estate transactions are a measure of the department's progress toward its land management goals. As such, land acquisitions are used as a measurement for two of the department's twelve results indicators: "Acres acquired in Parks, WMA's, and SNAs" and "Miles of bicycle trails" (these indicators are described at www.departmentresults.state.mn.us).

Land Acquisitions, Sales, and Exchange Statistics, FY 2002

Land Acquisitions FY 2002	Number of Parcels	Acres	Cost $*
Fee Title, Purchased	91	5,527	
Easements, Purchased	40	1,767	
Total**	131	7,294	$18,208,621
***includes Gifts (17 fee, 3 easement)*	*20*	*991*	
*** includes Condemnation*	*1*	*4*	
Land Sales	30	338	$858,532
Land Exchanges			
Lands relinquished		2,138	$1,510,000
Lands Acquired		4,993	$1,515,000

* Costs for acquisitions includes land value and other costs including appraisal fee, recording fee, property taxes, etc.

Based on data from Minnesota Accounting and Procurements Systems (MAPS)

Data source for acquisitions and land sale: AS/400 database, Division of Lands and Minerals, MN DNR, August 2002

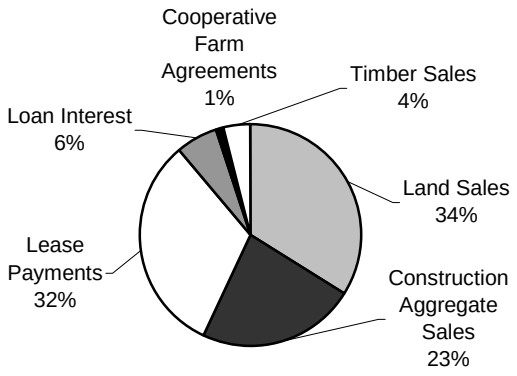
Data source for land exchange: Land exchange documents, Division of Lands and Minerals, MN DNR, August 2002

Land Revenue

The real estate-related activities generated about $2.4 million in FY 2002. Revenue related to various types of sales and leases represents 93% of the total. The chart illustrates the types and level of activity that produced revenue in FY 2002.

Land Revenue FY 2002

$2.5 million



Mineral Revenue

Mineral revenue totaled $10.428 million in FY 2001 and $7.567 million in FY 2002. Taconite mining generated about 95% of the revenue, and while the tonnage of crude ore mined increased by about 1.7 million tons between the two years, FY 2002 revenues decreased from a historic high in the previous fiscal year. The reasons are twofold. First, were the unexpected shutdowns – the LTV Steel Mining Company closure in January of 2001 and several months of shutdowns at National Steel Pellet Co. and Hibbing Taconite Co. Second, were the two across-the-board royalty reductions the state provided to help maintain the vitality of the taconite industry and, indirectly, the domestic steel producers who have been competing with low-cost imported steel.

Under the provisions of M.S. 93.335, Subd. 4, the state annually distributes 80% of the mineral rents and royalties generated from the tax-forfeited lands to local taxing districts.

External Factors related to mineral revenue

LTV Steel Company, Inc. filed under Chapter 11 of the Bankruptcy Code on December 29, 2000. As authorized under the bankruptcy proceedings, LTV Steel Mining Company rejected many of the state taconite leases it held in Minnesota. The state has filed pre-petition and post-petition claims for rents, royalties and inspection fees due under the rejected state leases. The claims total $596,115 (claim periods: October 1, 2000 - December 29, 2000 and July 1, 2001 - October 30, 2001).

National Steel Corporation filed under Chapter 11 of the Bankruptcy Code on March 6, 2002. National Steel Pellet Company continues to mine and remove taconite from state leased lands in Minnesota. The company is making post-petition payment due on taconite removed from state lands. The state has a pre-petition claim for rents, royalties, and inspection fees totaling $528,971 (claim periods: January 1, 2002 - March 5, 2002.) If

National elects to assume the leases, this amount must be paid in full. If National elects to reject the leases, the amount due will be a general claim in the bankruptcy proceedings.

Future mineral revenues are contingent on the mining plans of the companies operating in Minnesota. United States Steel LLC and National Steel Pellet Company currently generate the majority of state mineral revenues. Because National is in Chapter 11, United States Steel LLC is for sale, and other problematic issues, revenue projections and other forward looking statements contain a major element of risk. Past production cannot be used to predict future revenue.

Contact

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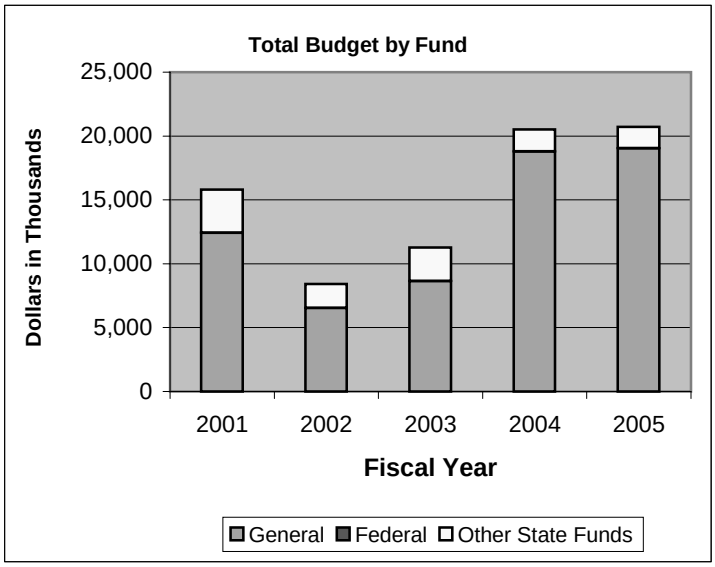

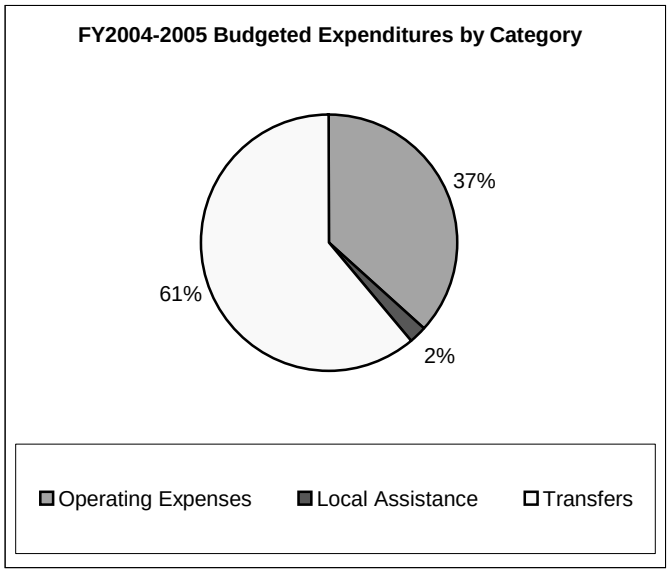

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	206	28	0	123	123	246
General	6,745	6,409	7,705	6,186	6,186	12,372
Minnesota Resources	92	0	0	0	0	0
Natural Resources	152	150	158	156	156	312
Special Revenue	186	66	0	0	0	0
Game And Fish (Operations)	420	856	894	887	887	1,774
Permanent School	28	30	142	0	0	0
Open Appropriations						
General	5,688	141	940	12,609	12,845	25,454
Statutory Appropriations						
Special Revenue	2,097	727	927	497	497	994
Permanent School	203	16	505	48	19	67
Total	**15,817**	**8,423**	**11,271**	**20,506**	**20,713**	**41,219**
Expenditures by Category						
Operating Expenses	7,909	7,807	10,030	7,591	7,562	15,153
Capital Outlay & Real Property	43	10	0	0	0	0
Local Assistance	7,865	606	1,241	458	458	916
Transfers	0	0	0	12,457	12,693	25,150
Total	**15,817**	**8,423**	**11,271**	**20,506**	**20,713**	**41,219**
Expenditures by Activity						
Land & Minerals Resource Mgmt	15,817	8,423	11,271	20,506	20,713	41,219
Total	**15,817**	**8,423**	**11,271**	**20,506**	**20,713**	**41,219**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	6	283	384	584	584	1,168
Cambridge Deposit Fund	235	0	0	0	0	0
Game And Fish (Operations)	238	204	196	200	200	400
Permanent School	19	388	13	40	40	80
Subtotal Non Dedicated	498	875	593	824	824	1,648
Dedicated						
Special Revenue	2,815	1,010	844	680	681	1,361
Miscellaneous Agency	2,573	2,355	5,157	7,057	7,957	15,014
Permanent School	7,342	6,428	6,591	7,174	7,774	14,948
Subtotal Dedicated	12,730	9,793	12,592	14,911	16,412	31,323
Total Revenue	**13,228**	**10,668**	**13,185**	**15,735**	**17,236**	**32,971**
Full-Time Equivalents (FTE)	**84.1**	**93.1**	**95.7**	**83.1**	**83.1**	

Program Description

Department of Natural Resources (DNR) Waters primary responsibility is to maintain the physical integrity of our lakes, rivers, and water supplies. This work is done in cooperation with local units of government and the public. DNR Waters measures rainfall, lake levels, stream flow, and ground water levels. DNR Waters gathers and interprets water resource data to describe how human activities impact the hydrologic system and how negative impacts can be mitigated.

DNR Waters programs address problems of flooding, drought, erosion, sedimentation, well interference, water supply shortages, water use conflicts, lake level conflicts, damage to shoreland and riparian habitat, loss of wetlands, encroachment onto the beds of public waters, shoreland and floodplain zoning conflicts, and unsafe dams. In carrying out its regulatory responsibilities it must strike a balance between resource protection and reasonable use. Its statutory duties are found under Chapters 103A through 103I, with the bulk of its duties in Chapter 103G.

Program at a Glance

- Administered over $100 million in flood damage reduction grants since 1997.
- Regulate over 21,000 public waters basins and 92,000 miles of public watercourses.
- Permit and monitor about 7,000 large water users.
- Enforce dam safety regulations at over 1,000 public and private dams.
- Manage statewide monitoring networks for precipitation, lake levels, stream flow, and ground water levels.
- Assist 450 local governments administer floodplain ordinances, and 250 local governments administer shoreland ordinances.

Population Served

DNR Waters provides water resources data, information, stewardship education, and water resources technical assistance to other state and federal agencies, local government officials, planning commissions, consultants, environmental organizations, teachers, and the public. DNR Waters provides grants, training, and technical assistance to local governments. DNR Waters regulates certain activities of riparian land owners, dam owners, owners proposing projects that would result in filling or excavation of public waters, and water users who exceed the threshold of one million gallons per year.

Services Provided

DNR Waters:

- gathers, compiles, and interprets information from a precipitation monitoring network of over 1,200 volunteers managed by the State Climatologist in cooperation with soil and water conservation districts;
- gathers, compiles, and interprets water level data from a lake level monitoring network encompassing about 1,000 lakes with the assistance of about 700 citizen volunteers and several local government partners;
- operates a river floodwarning system that includes 32 automated stream gages in cooperation with the U.S. Geological Survey, the National Weather Service, and 24 municipalities; and provides matching funds to support 30 stream flow monitoring gages operated by the U.S. Geological Survey under the national cooperative stream gaging program;
- gathers, compiles, and interprets water level data from over 700 ground water observation wells in partnership with soil and water conservation districts;
- collects information on water use from approximately 7,000 water appropriation permit holders and approves municipal emergency and water conservation plans;
- prepares County Geologic Atlases and Regional Ground Water Assessments in cooperation with the Minnesota Geological Survey and local government partners; and seals abandoned wells on state property;
- delineates and prepares maps of ground water aquifers and surface water watersheds;
- defines the boundaries of state regulatory jurisdiction on wetlands, lakes, and rivers by determining the ordinary high water level of public waters;
- administers grants for local flood damage reduction and dam repair/removal projects;
- assists counties and cities in developing and administering zoning ordinances for shorelands, floodplains, and wild and scenic rivers;

- investigates and resolves domestic well interference problems that may be caused by high capacity wells; and
- regulates work below the ordinary high water level of public waters; withdrawals of water from surface and ground water sources; and construction, operation and maintenance of dams.

Historical Perspective

DNR Waters statutory responsibilities to protect Minnesota's public waters and water supply through a state permit program date back to 1937. It was given responsibility to set minimum standards for local shoreland and floodplain zoning ordinances in the 1960s. It was charged with conducting a statewide inventory of public waters basins and watercourses in the 1970s. Grant programs for flood damage reduction and dam safety were created in the 1980s. DNR Waters was given responsibility for the County Atlas Program in the Groundwater Protection Act of 1989.

Over the last several biennia, DNR Waters staff complement has been relatively flat because base budget adjustments have not kept pace with increases in salary obligations and inflation of fixed costs. To maximize efficiency, DNR Waters has: 1) simplified regulation through the issuance of general permits; 2) initiated a program evaluation process; and 3) adopted project management as a tool to increase staff productivity.

Key Measures

⇒ Counties with a County Geologic Atlas or a Regional Hydrogeological Assessment

Local governments want baseline hydrogeologic information to effectively plan for and manage their land and water resources. The need for baseline information about water resources is increasing, especially as water demands grow across Minnesota. In fact, demand for water resources is outstripping population growth rates. Without water supply planning, shortages may occur during periods of drought or if use continues to increase. Surface waters (wetlands, lakes, rivers, and unique resources such as trout streams and fens) can be degraded from ground water pumping or land use changes. Information and technical assistance helps communities find reliable sources of water, and manage water and land use to sustain high quality water resources.

DNR Waters has a partnership with the Minnesota Geologic Survey at the University of Minnesota (U of M) to provide local communities with practical information through the development of County Geologic Atlases and Regional Hydrogeological Assessments. These reports are available for areas that include 75% of the state's population and 37% of its area. They provide local officials, well drillers, consultants, and land owners a common framework for understanding the local ground water resource.

Eleven atlases and five assessments have already been completed. The goal is to complete one more atlas by 2004.

⇒ Number of Water Resources Data Sets available on the Internet

Customers are demanding web access to state agency data and information. They also expect the information to be current. The web provides a means to provide customers access to historical data and lengthy documents without printing and mailing hard copies.

DNR Waters goal is to provide web users the opportunity to view all of the data and information in its primary water resources data sets, which currently include: 1) Climate (in partnership with the U of M), 2) Stream Flow (in partnership with the U.S. Geological Survey), 3) Lake Levels, 4) Ground Water Levels, 5) Water Use, 6) Permits, 7) Dams, and 8) Watersheds. The majority of the information contained in the first five data sets listed is already available on the web at the DNR Waters home page www.dnr.state.mn.us/waters by clicking on "Water resources data".

DNR Waters has a target of getting Permits data on the web by the end of 2003, Dams in 2004, and Watersheds in 2005.

Program Funding

DNR Waters is funded primarily through General Fund appropriations. A small portion of its operating budget comes from the Water Recreation Account, Special Revenue, and federal grants.

Non-dedicated fees collected for permit applications and annual water use fees totaling approximately $2.7 million a year are deposited in the General Fund. Current sources of federal grant income include Federal Emergency Management Agency grants for the floodplain management and dam safety programs, and National Oceanic and Atmospheric Agency grants for the coastal zone program in the Lake Superior basin. Potential additional outside funding sources for FY 2004 include Federal Emergency Management Agency funding for floodplain mapping, U.S. Army Corps of Engineers funding for wetland management planning, and U.S. Fish & Wildlife Service funding for shoreland habitat protection work.

The budget principles DNR Waters will use in prioritizing its work in FY 2004 are to:

- maintain functions critical to our core mission;
- position ourselves for future reductions;
- reduce staff complement through attrition versus layoffs to the degree possible;
- continue to use project management to maximize staff productivity; and
- maximize opportunities to leverage alternative funding sources.

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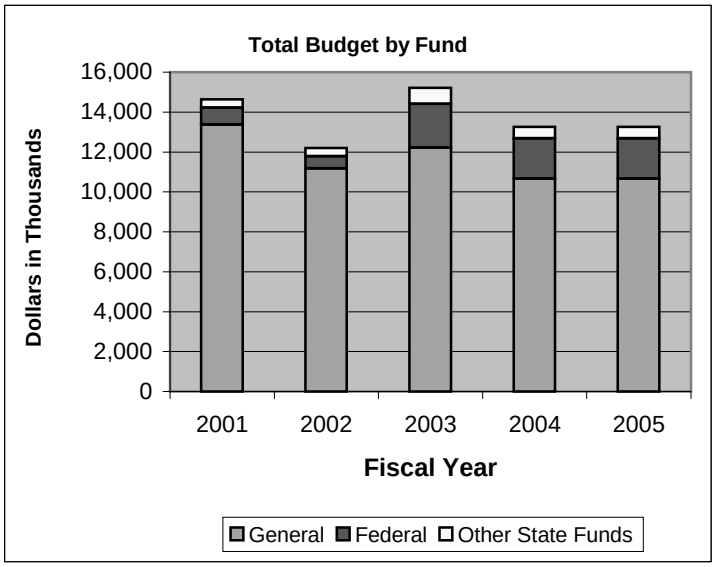
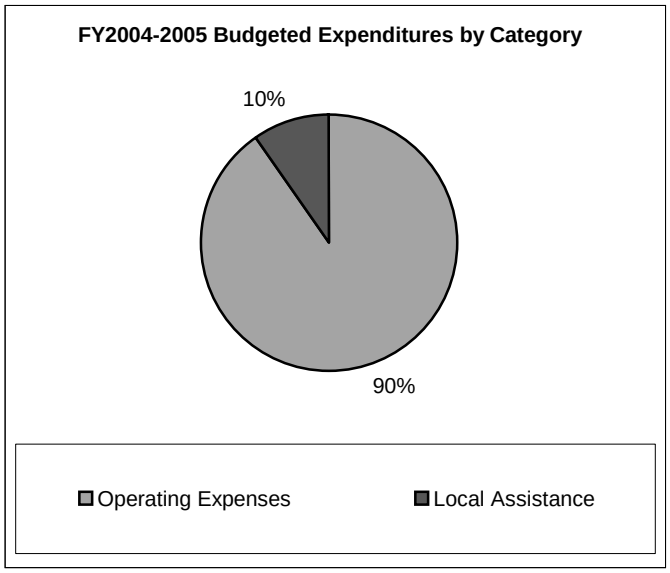
For additional DNR Waters program information visit www.dnr.state.mn.us/waters.





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
Environment & Natural Resource	0	86	234	0	0	0
General	13,370	11,179	12,212	10,655	10,655	21,310
Natural Resources	320	250	304	480	480	960
Statutory Appropriations						
Special Revenue	77	79	153	84	84	168
Federal	844	601	2,201	2,034	2,034	4,068
Gift	31	5	112	5	5	10
Total	**14,642**	**12,200**	**15,216**	**13,258**	**13,258**	**26,516**

Expenditures by Category						
Operating Expenses	10,868	10,497	12,083	11,967	11,967	23,934
Capital Outlay & Real Property	78	14	0	0	0	0
Local Assistance	3,696	1,689	3,133	1,291	1,291	2,582
Total	**14,642**	**12,200**	**15,216**	**13,258**	**13,258**	**26,516**

Expenditures by Activity						
Water Resources Mgmt	14,642	12,200	15,216	13,258	13,258	26,516
Total	**14,642**	**12,200**	**15,216**	**13,258**	**13,258**	**26,516**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	0	2,846	2,719	3,681	3,681	7,362
Cambridge Deposit Fund	2,521	0	0	0	0	0
Subtotal Non Dedicated	2,521	2,846	2,719	3,681	3,681	7,362
Dedicated						
Special Revenue	109	270	256	256	256	512
Federal	837	593	2,022	2,034	2,034	4,068
Gift	48	4	5	5	5	10
Subtotal Dedicated	994	867	2,283	2,295	2,295	4,590
Total Revenue	**3,515**	**3,713**	**5,002**	**5,976**	**5,976**	**11,952**
Full-Time Equivalents (FTE)	**134.5**	**127.4**	**122.3**	**125.8**	**124.8**	

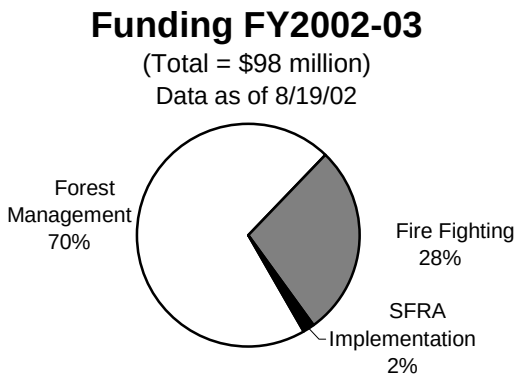
Program Description

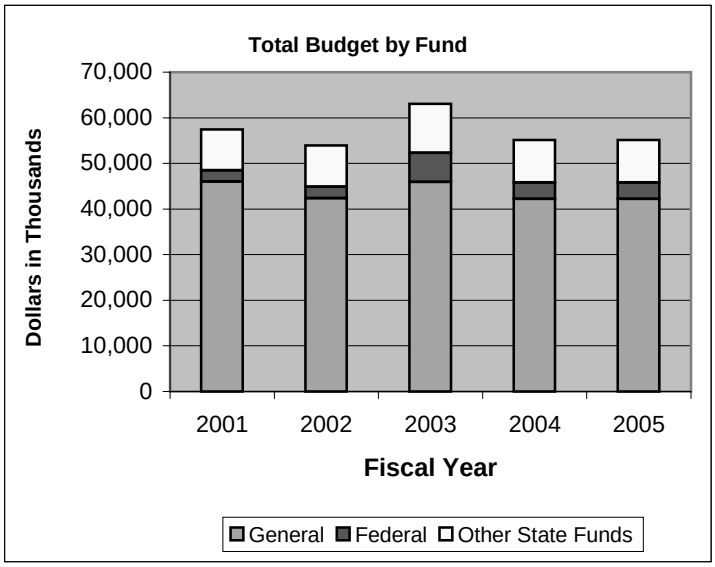
The purpose of the Forest Management Program is to

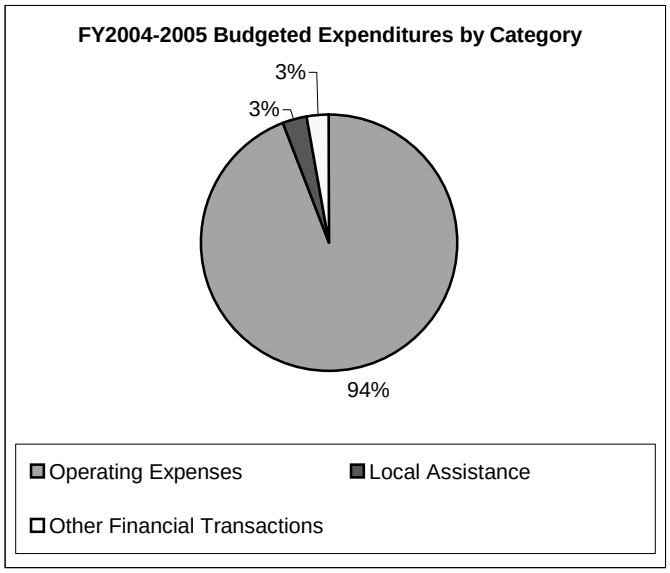
- manage forest lands in the state (including community forests) to meet long-term, sustainable management objectives for multiple forest resources, including timber, wildlife habitat, recreation, and aesthetics;
- protect citizens, property, and natural resources from wildfires; and
- bring together the state's varied forest resource interests to develop and implement programs that promote sustainable site- and landscape-based forest management practices.

Budget Activities Included:

⇒ Forest Management
⇒ Fire Fighting
⇒ Sustainable Forest Resources Act Implementation







Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	600	327	877	123	123	246
General	35,523	33,464	37,474	32,724	32,724	65,448
Minnesota Resources	158	109	26	0	0	0
Game And Fish (Operations)	0	228	271	235	235	470
Open Appropriations						
General	9,507	8,901	8,500	9,500	9,500	19,000
Statutory Appropriations						
General	954	0	0	0	0	0
Natural Resources	119	76	220	97	97	194
Special Revenue	8,068	8,259	9,147	8,819	8,836	17,655
Federal	2,480	2,520	6,328	3,585	3,585	7,170
Gift	52	45	219	49	52	101
Total	**57,461**	**53,929**	**63,062**	**55,132**	**55,152**	**110,284**
Expenditures by Category						
Operating Expenses	50,774	47,937	58,995	51,747	51,715	103,462
Capital Outlay & Real Property	1,537	1,011	233	141	141	282
Local Assistance	4,386	3,412	2,275	1,712	1,763	3,475
Other Financial Transactions	764	1,569	1,559	1,532	1,533	3,065
Total	**57,461**	**53,929**	**63,062**	**55,132**	**55,152**	**110,284**
Expenditures by Activity						
Forest Management	38,609	35,457	44,998	36,808	36,828	73,636
Fire Fighting	18,176	17,663	17,289	17,694	17,694	35,388
Sustain Res Act Implementation	676	809	775	630	630	1,260
Total	**57,461**	**53,929**	**63,062**	**55,132**	**55,152**	**110,284**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
Environment & Natural Resource	0	2	2	2	2	4
General	24	3,915	3,806	3,806	3,806	7,612
Minnesota Resources	0	1	2	2	2	4
Cambridge Deposit Fund	3,555	0	0	0	0	0
Subtotal Non Dedicated	3,579	3,918	3,810	3,810	3,810	7,620
Dedicated						
General	952	0	0	0	0	0
Natural Resources	57	117	97	97	97	194
Special Revenue	9,633	8,985	9,190	9,550	9,797	19,347
Federal	3,010	4,503	4,681	3,585	3,585	7,170
Miscellaneous Agency	72	90	104	107	111	218
Gift	103	43	46	49	52	101
Permanent School	8,459	7,133	7,596	7,827	8,066	15,893
Subtotal Dedicated	22,286	20,871	21,714	21,215	21,708	42,923
Total Revenue	**25,865**	**24,789**	**25,524**	**25,025**	**25,518**	**50,543**
Full-Time Equivalents (FTE)	**566.0**	**548.1**	**535.2**	**519.2**	**519.2**	

Activity Description

This activity exists to sustain and enhance forest ecosystems; to provide a sustainable supply of forest products to meet human needs (e.g., material, economic, and social); and to provide income to the permanent school trust fund.

The goals of this activity are to

- provide a long-term, sustainable yield of forest resources. This includes timber and other forest crops, fish and wildlife habitat, clean water, rare flora and fauna, air, soil, educational opportunities, and aesthetic and historic values;
- manage school trust lands to fulfill the fiduciary responsibilities to the permanent school trust; and
- improve the health and productivity of public and private (including community) forest lands.

Activity at a Glance

- Managing 4.3 million acres of state forest land.
- Planting three to four million trees each year on state forestlands.
- Producing 10 million tree seedlings for planting on public and private lands.
- Generating $18-$20 million in revenues.
- Harvesting 650,000 cords of wood each year . . . enough to build 13,000 homes.
- Technical and cost-share assistance serving 140,000 private forest landowners.

The basic purposes for which these forestry programs were originally created are still valid. This includes:

- maintaining the forest land base;
- encouraging professional management of forest lands to meet public demand for products and uses; and
- reforesting and restoring forest lands altered by harvesting, wildfires, insects and diseases, wind storms, and flooding.

Population Served

This activity serves a wide range of stakeholders, including

- non-industrial private forest landowners
- forest industries
- environmental groups
- outdoor recreational users (motorized and non-motorized)
- hunters
- loggers
- communities
- other state agencies and levels of government
- consulting foresters and other forestry professionals

Other units of government and the private sector are involved in the management of forestlands in Minnesota. This broad involvement is driven primarily by the diverse ownership of the state's forestlands. Each forestland owner has their own forest management objectives, that while often similar, are also sometimes unique.

Services Provided

This activity provides the following services:

- management of 4.3 million acres of state-owned lands, including
  - ⇒ forest vegetation management planning;
  - ⇒ timber sales and harvesting;
  - ⇒ reforestation;
  - ⇒ timber stand improvement;
  - ⇒ old growth, old forest, and riparian area management;
  - ⇒ maintenance and operation of the 2,064 mile state forest road system primarily for public recreation use, travel and access to state lands;

⇒ enforcement of state forest rules and regulations.

- forest management planning assistance (e.g., Forest Stewardship, Tree Farm, enrollment in Sustainable Forestry Incentives Act tax rebate program), technical advice, and cost-share assistance for non-industrial private forest landowners;
- technical urban forestry and cost-share assistance to Minnesota communities;
- producing and selling tree and shrub seedlings for conservation planting on public and private lands;
- monitoring the health, growth and composition of Minnesota' forests;
- monitoring the implementation and effectiveness of forest management practices and guidelines;
- technical assistance to counties;
- developing, monitoring and evaluating evolving management concepts; and
- coordinating forestry related education programs in schools.

Historical Perspective

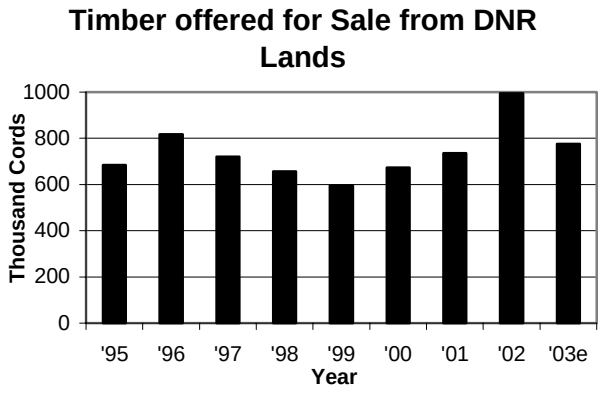
Over the past 15 years, Department of Natural Resources (DNR) has contributed about 15 to 20% (i.e., 600,000 to 700,000 cords) to the total amount of timber harvesting occurring in the state (i.e., current statewide timber harvesting is about 3.8 million cords per year). Over a three-year period (starting in FY 2002), DNR is increasing the amount of timber it offers for sale in response to a legislative initiative to offer for sale a backlog of state timber that, according to existing management plans, should have been offered in previous years. As these sales are harvested (i.e., which can occur over a 5-year permit period), DNR's contribution to statewide timber harvesting can be expected to increase temporarily.

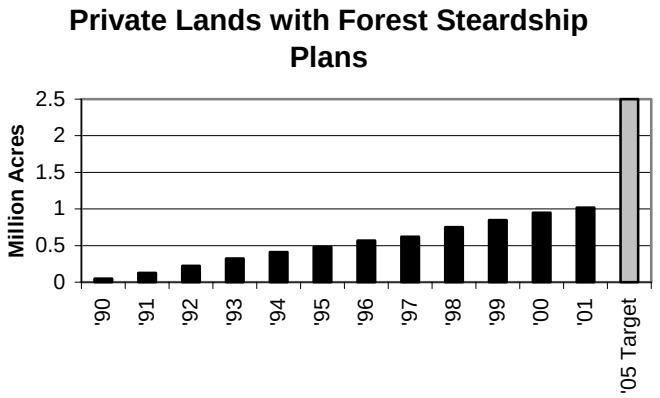
The DNR works with conservation partners to strengthen private forest management through the voluntary Forest Stewardship Program, which gives professional natural resource management expertise and cost sharing (for tree planting and other actions) to private landowners who develop plans for sustainable forest management. DNR currently provides about 40% to 45% of the Forest Stewardship planning assistance. Demands for assistance for forest management plan preparation and assistance will likely increase as a result of the passage of the Sustainable Forestry Incentives Act (SFIA) (effective beginning with the 2002 tax year). The SFIA provides a tax rebate for landowners that have to follow a professionally prepared forest management plan for their forested property. Increased capacity for plan preparation assistance will need to come from the private sector and other conservation partners in order to meet demand.

Established in 1931, DNR Forest Tree Nurseries have historically played a significant role in providing tree seedlings to private and public landowners for planting for conservation purposes. In 1997, the legislature capped tree seedling production at DNR nurseries at 10 million seedlings per year to help avoid competition with private nurseries. This cap was suspended by the legislature through 2002 to address what is estimated to be a 2-million tree seedling shortage. Discussions will continue between the DNR, private nurseries and the legislature on the appropriate role of DNR nurseries in providing tree seedlings for conservation purposes.

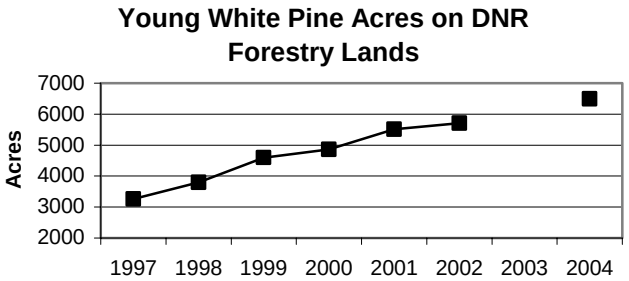
Key Measures

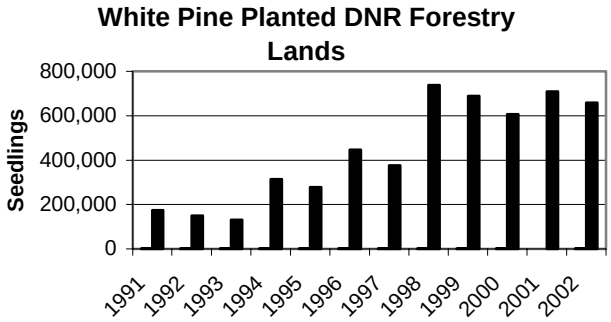
DNR's overarching goal of forest sustainability requires striking a balance between protecting forests for future generations and providing for increasing use and consumption of forest resources. As part of this goal, DNR offers timber for sale from DNR lands. Timber sales generate $12-$16 million in general fund revenue annually and are the primary tool for creating desired forest habitat conditions that are important for many kinds of wildlife. A cord is a stack of round wood that is roughly 4'x4'x8'. An acre of forestland yields approximately 20 cords of wood at the time of harvest.





Over 140,000 diverse individuals and organizations (excluding forest industry) own 40% of Minnesota's forestland, much in small woodlots. These lands are under increasing pressure from urban, lakeshore, and recreational development. Well-managed private forestland is of vital importance to Minnesota's environment, economy and culture. The target to have 50% or 2.5 million acres of non-industrial private forestland under stewardship plans was set in 1995. It remains an extremely ambitious goal that may be difficult to achieve by 2005. Nonetheless, Minnesota is still a national leader in Forest Stewardship enrollment.





The white pine initiative established in 1988 set a target to double the acreage of young white pine by 2004. Applying this target to state lands, the amount of young white pine on DNR forestlands has increased 75% since the initiative began, from 3,250 acres in 1997 to 5,700 acres in 2002. White pine planting on DNR lands has more than doubled compared to years prior to 1998, from an average of 267,000 seedlings per year to an average of 680,000 seedlings per year since 1998.

Activity Funding

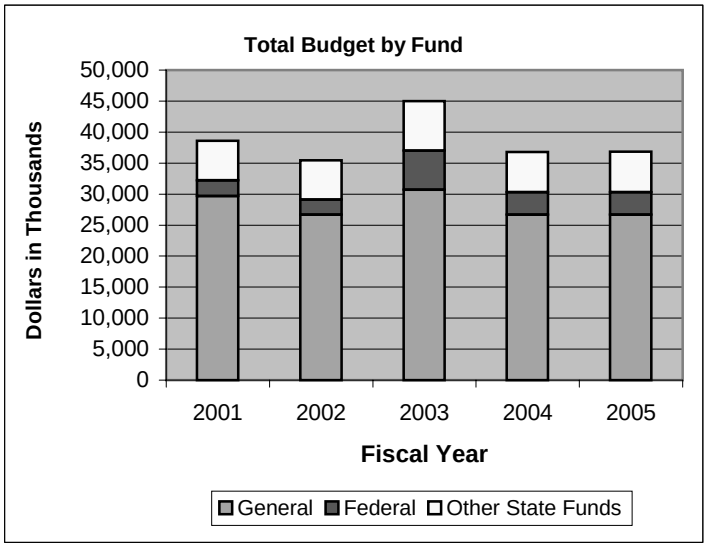
This activity is funded primarily through General Fund appropriations (82%), with 13% from special revenue and dedicated accounts, and 5% from federal sources. Two-thirds of this activity's expenditures are salary related, 30% for other operating costs, and 3% for local assistance grants.

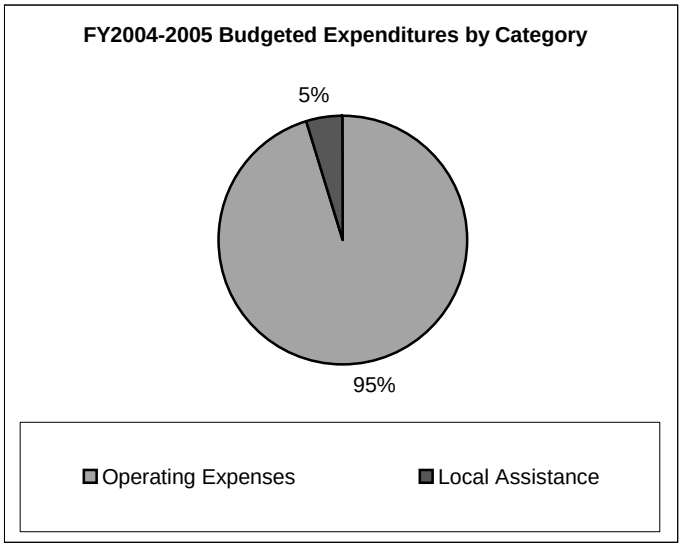
Contact

Tom Baumann; Forest Resource Management Section Manager, DNR Division of Forestry, (651) 296-4499.

Learn more about:

- Timber harvesting on state lands at http://www.dnr.state.mn.us/forestry/harvesting/index.html
- Public involvement in forest planning at http://www.dnr.state.mn.us/forestry/subsection/index.html
- Statewide timber harvest at http://www.mnplan.state.mn.us/mm/goal.html
- The Forest Stewardship Program at http://www.dnr.state.mn.us/fad/forestmgmt/stewardship.html





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
Environment & Natural Resource	600	327	877	123	123	246
General	29,623	26,678	30,699	26,694	26,694	53,388
Minnesota Resources	158	109	26	0	0	0
Game And Fish (Operations)	0	228	271	235	235	470
Open Appropriations						
General	68	0	0	0	0	0
Statutory Appropriations						
General	2	0	0	0	0	0
Natural Resources	119	76	220	97	97	194
Special Revenue	5,507	5,574	6,363	6,030	6,047	12,077
Federal	2,480	2,420	6,323	3,580	3,580	7,160
Gift	52	45	219	49	52	101
Total	**38,609**	**35,457**	**44,998**	**36,808**	**36,828**	**73,636**

Expenditures by Category						
Operating Expenses	33,528	31,061	42,460	34,952	34,920	69,872
Capital Outlay & Real Property	1,507	1,006	233	141	141	282
Local Assistance	3,574	3,390	2,275	1,712	1,763	3,475
Other Financial Transactions	0	0	30	3	4	7
Total	**38,609**	**35,457**	**44,998**	**36,808**	**36,828**	**73,636**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
Environment & Natural Resource	0	2	2	2	2	4
General	24	3,915	3,806	3,806	3,806	7,612
Minnesota Resources	0	1	2	2	2	4
Cambridge Deposit Fund	3,555	0	0	0	0	0
Subtotal Non Dedicated	3,579	3,918	3,810	3,810	3,810	7,620
Dedicated						
Natural Resources	57	117	97	97	97	194
Special Revenue	7,034	8,985	9,190	9,550	9,797	19,347
Federal	3,010	4,014	4,681	3,585	3,585	7,170
Miscellaneous Agency	72	90	104	107	111	218
Gift	103	43	46	49	52	101
Permanent School	8,459	7,133	7,596	7,827	8,066	15,893
Subtotal Dedicated	18,735	20,382	21,714	21,215	21,708	42,923
Total Revenue	**22,314**	**24,300**	**25,524**	**25,025**	**25,518**	**50,543**
Full-Time Equivalents (FTE)	**400.2**	**377.6**	**380.3**	**364.3**	**364.3**	

Activity Description

The Division of Forestry is charged with preventing and suppressing wildfires on 45.5 million acres of public and private land in Minnesota. Our goals are to

- provide wildfire protection to avoid loss of life;
- minimize the loss of property and natural resources;
- provide emergency response in Minnesota and other states; and
- use prescribed fire as an effective natural resource management tool.

Wildfire control efforts under state authority originated in the early 1900s after a series of devastating wildfires that destroyed Hinckley, Baudette, Chisolm, and Cloquet. After a severe wildfire season in 1976 the legislature created an open appropriation account to fund emergency fire suppression efforts. Since then, we've worked with legislature to find the appropriate balance between direct and open appropriation.

Activity at a Glance

- Wildfire protection on 45.5 million acres on land in Minnesota
- Responding to nearly 2,900 fires reported to the DNR in 2000-01, burning over 60,000 acres.
- Oversight of open burning statutes through the issuing of 60,000-70,000 burning permits each year.
- Operation of the Minnesota Interagency Fire Center which coordinates wildfire response and resource sharing for wildfire suppression in Minnesota and for out-of-state reciprocal assistance.
- Providing direct emergency response assistance with equipment and trained staff.

Population Served

⇒ Minnesota citizens, homeowners, landowners and businesses.
⇒ Minnesota Rural Fire Departments.
⇒ Other state and federal agencies with a role in wildfire and other emergency response.
⇒ Natural resource and land managers.

This activity distributes approximately $200,000 per year to communities with populations under 10,000 to organize, train, and equip their fire departments for preventing and suppressing fires.

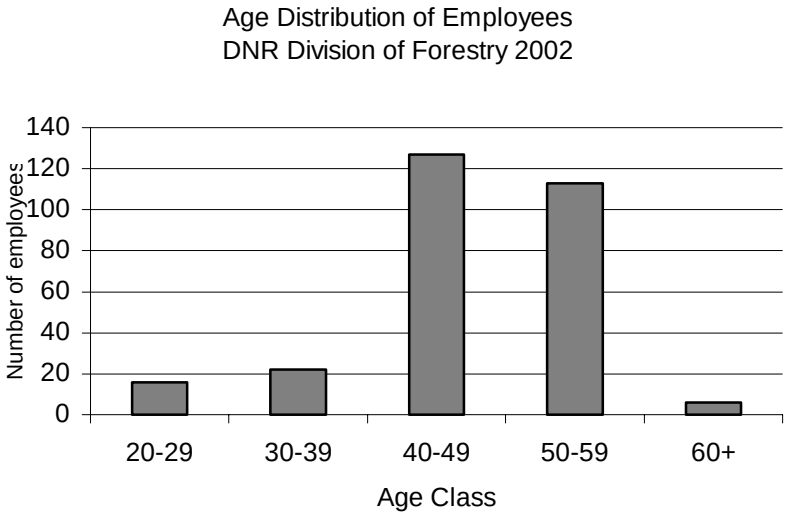
Services Provided

- *Prevention* activities include:
  - ⇒ education (e.g., Smokey Bear, fire prevention week, school visits);
  - ⇒ regulation of open burning (i.e., issuing open burning permits); and
  - ⇒ enforcement of state wildfire and open burning statutes (M.S. chapter 88).
- *Pre-suppression* activities include:
  - ⇒ train firefighters and support personnel;
  - ⇒ develop and maintain partnerships with other fire protection agencies;
  - ⇒ operate the Minnesota Interagency Fire Center;
  - ⇒ maintain a national interagency fire equipment cache;
  - ⇒ contract for heavy ground and aerial suppression equipment;
  - ⇒ maintain a radio communications network; and
  - ⇒ develop mobilization and dispatch plans.
- *Suppression* is accomplished by a balanced force of trained firefighters, support personnel, and aerial and ground equipment. Activities include:
  - ⇒ locating wildfires using aircraft and lookout towers (i.e., detection);
  - ⇒ getting to wildfires quickly (i.e., initial attack); and
  - ⇒ controlling the spread and extinguish the fire (i.e., suppression).

- Emergency response assistance includes;
  - ⇒ maintaining expertise in the national Incident Command System (ICS); and
  - ⇒ providing direct emergency response assistance with equipment and staff trained in ICS command, support, and other overhead functions.
- Pr*escribed burning* helps prepare sites for seeding, control insects, diseases, and invasive weeds, improve wildlife habitat, maintain certain natural community types, reduce the risk and severity of wildfires, and provide valuable fire suppression training. Activities include:
  - ⇒ prescribed fire planning;
  - ⇒ conducting prescribed fires;
  - ⇒ reporting, monitoring and evaluation of prescribed Department of Natural Resources (DNR) prescribed burning activity; and
  - ⇒ providing training to DNR staff and others involved in prescribed burning.
- *Federal Excess Property Program*: through grants, contracts, and cooperative agreements, this program enables federal excess personal property to be loaned to local fire forces via the state.

Historical Perspective

Our aging workforce and increasing reliance on hiring emergency firefighters or ordering national firefighting resources to sustain our suppression capabilities has reduced our ability to effectively fight wildfires. It will also increase the costs of wildfire suppression activities. The inability to hire and train new permanent staff will create a critical shortage in experienced firefighting leadership positions over the next 5-10 years. The ability to meet the wildfire suppression responsibilities will require even greater commitments of division field staff and support for wildfire response from nontraditional support staff within the Department impacting accomplishments in other programs Wildfire and rural structural fire response is reaching a crisis nationally as well as in Minnesota.

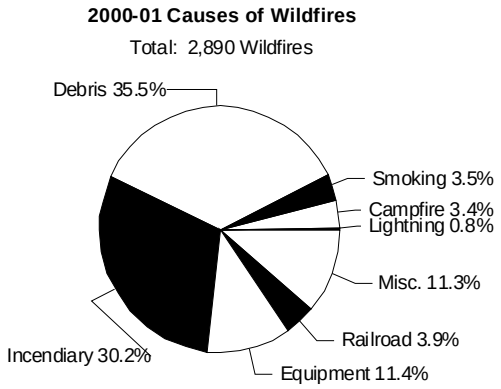


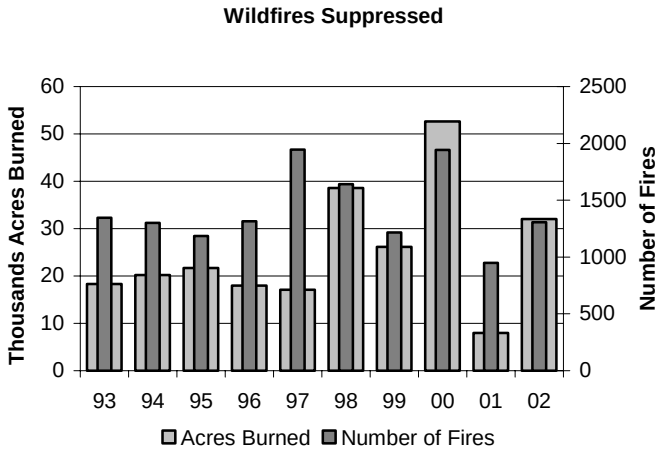
To overcome the national shortage of wildfire response staff, the division will need to maintain strong reciprocal relationships with other state, federal and provincial wildfire agencies. This will also impact other division programs through the reciprocal sharing of our experienced and skilled leadership staff.

Beginning in FY 2002, the legislature increased the direct appropriation for emergency fire fighting to $6 million annually. This has supported the purchase and deployment of two CL-215 Firefighting Aircraft and enabled us to operate more economically by establishing more competitive contracts and pre-positioning resources and personnel to improve initial attack response capabilities. It also recognized the expanded response demands due to the radically changed fire conditions in northeast Minnesota. Nearly half million acres of forestland were damaged in July 1999 windstorms, leaving unprecedented levels of wildfire fuels (i.e., dead and downed trees) in and around the Boundary Waters Canoe Area Wilderness. These unique fire conditions have resulted in long-term increases in wildfire preparedness costs and will continue to place additional demands on the emergency fire open appropriation in responding to this potentially catastrophic wildfire situation.

Reductions in federal grants and the availability of surplus equipment limit our ability to work with rural fire departments to help reduce wildlife suppression costs. Rural community fire departments' difficulties in recruiting and retaining experienced and trained personnel also limit their ability to respond to fires in the wildland/urban interface.

Key Measures





M.S. chapter 88 defines a wildfire as "a fire requiring suppression action, burning any forest, brush, grassland, cropland, or any other vegetative material." The data presented in the above charts include wildfires that the DNR was actively involved in suppressing as well as wildfires suppressed by fire departments that were reported to the DNR.

Activity Funding

The activity is funded primarily through general fund appropriations. Of the activity's expenditures, about one-third are from General Fund direction appropriations and 40%-45% are from General Fund open appropriations. Approximately 15% of the activity is funded from federal sources through reimbursements for out-of-state fire suppression assistance.

Contact

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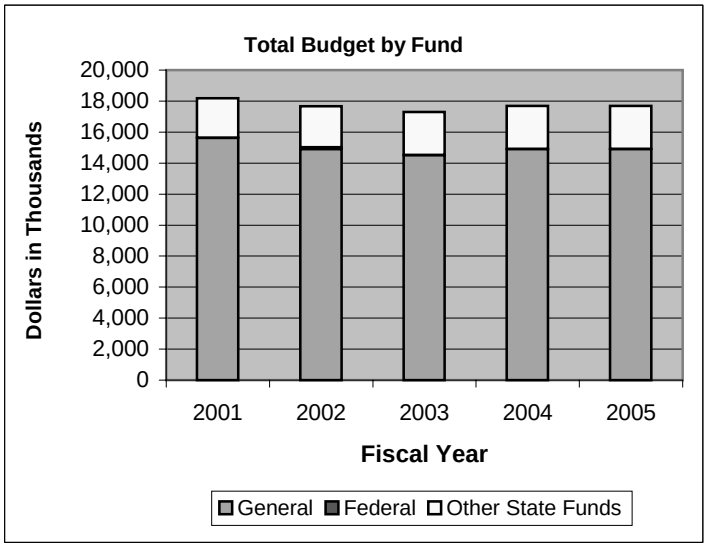
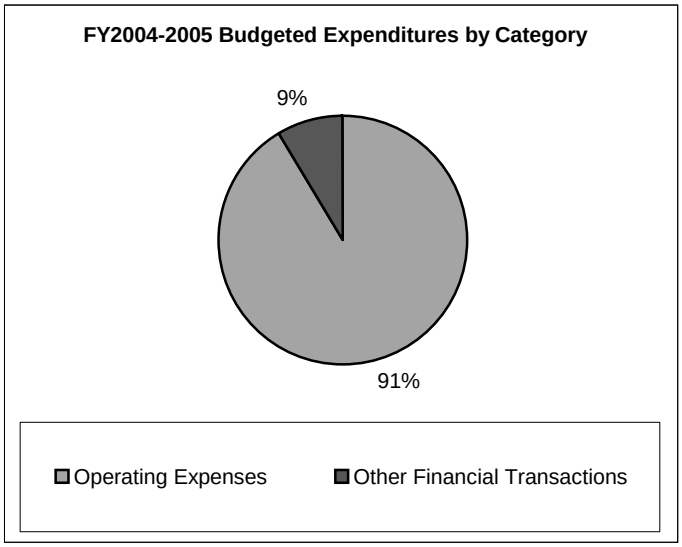
http://www.dnr.state.mn.us/forestry/resource_protection.html
http://www.dnr.state.mn.us/forestry/fire/index.html
http://www.dnr.state.mn.us/firewise/homerisk.html
http://www.dnr.state.mn.us/education/wildfire/index.html

NATURAL RESOURCES DEPT
Program: FOREST MANAGEMENT
Activity: FIRE FIGHTING

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	5,224	6,000	6,000	5,400	5,400	10,800
Open Appropriations						
General	9,439	8,901	8,500	9,500	9,500	19,000
Statutory Appropriations						
General	952	0	0	0	0	0
Special Revenue	2,561	2,662	2,784	2,789	2,789	5,578
Federal	0	100	5	5	5	10
Total	**18,176**	**17,663**	**17,289**	**17,694**	**17,694**	**35,388**
Expenditures by Category						
Operating Expenses	16,570	16,067	15,760	16,165	16,165	32,330
Capital Outlay & Real Property	30	5	0	0	0	0
Local Assistance	812	22	0	0	0	0
Other Financial Transactions	764	1,569	1,529	1,529	1,529	3,058
Total	**18,176**	**17,663**	**17,289**	**17,694**	**17,694**	**35,388**
Revenue by Type and Fund						
Dedicated						
General	952	0	0	0	0	0
Special Revenue	2,599	0	0	0	0	0
Federal	0	489	0	0	0	0
Subtotal Dedicated	3,551	489	0	0	0	0
Total Revenue	3,551	489	0	0	0	0
Full-Time Equivalents (FTE)	**160.3**	**164.7**	**150.3**	**150.3**	**150.3**	

Activity Description

This budget activity supports implementation of the Sustainable Forest Resources Act (SFRA), M.S. 89A. The public goal to be achieved through the SFRA is promoting the sustainable management and protection of Minnesota's forest resources. The SFRA does so by providing a unique forum for collaborative problem solving among diverse groups interested in forest resource management and protection. The Minnesota Forest Resource Council (MFRC) implements the SFRA. Our core mission is to oversee two broad initiatives that address impacts of timber harvesting and forest management: 1) site-based forest resource practices; and 2) larger scale landscape-level planning and coordination. Focusing on both site- and landscape-level issues is important because of the continuing conflict between commodity, ecological and amenity values associated with forests.

Activity at a Glance

- The MFRC, made up of 17 individuals with diverse interests in management of Minnesota's forests, addresses complex forest management issues through collaborative problem solving.
- Oversees implementation and monitors the application of comprehensive site-level forest management guidelines that promote sustainable harvest of over 85% of Minnesota's timber.
- Assembles forest resource data and develops and coordinates long-term forest management direction across all ownerships within eight major forest landscape regions.
- Monitors the condition of and timber harvesting activity occurring within riparian forest areas across the state.
- Guides the sustainable management and use of forestlands across the state that are vitally important to the state's $7.6 billion forest industry and $9 billion tourism industry.

Population Served

Forests occupy one-third of Minnesota's land area and provide a variety of benefits vital to many Minnesota communities, their economies and the natural environment. Therefore, all Minnesota citizens, both urban and rural, depend to some extent on the state's forest resources since citizens expect and depend upon a vibrant economy, viable communities, and healthy ecosystems. Citizens who reside in forested areas and those who recreate there are especially dependent on the state's forest resources.

Services Provided

The MFRC coordinates implementation of the SFRA of 1995, and advises the governor and the legislature on the sustainability of the state's forest resources to promote aesthetic, environmental, recreational and economic values. The key programs led and conducted by the MFRC are: a) develop, implement, review and revise Timber Harvesting and Forest Management Guidelines, b) within eight regions, coordinate development of landscape-level forest resource plans and promote forest management coordination, c) conduct forest spatial analysis and modeling, d) monitor harvest sites to assess degree of compliance with guidelines, e) promote monitoring to assess current trends and conditions in managing and harvesting forest resources, f) promote and guide relevant forest research, g) operate the Citizens Concern Registration program, which allows citizens to express concerns regarding negligent timber harvesting and forest management practices, and h) provide policy advice to public management agencies.

Historical Perspective

Large increases in timber harvest levels from the 1970s to the early 1990s led to intense conflict over forest policy issues in Minnesota. In response to citizen concerns about these increases, the Minnesota Environmental Quality Board commissioned a Generic Environmental Impact Statement (GEIS) on Timber Harvesting and Forest Management in 1990. The GEIS analyzed the effects that expanded timber harvesting might have on the state's forest resources. Completed in 1994, the GEIS suggests site, landscape and research mitigation strategies to offset adverse impacts of timber harvesting. In 1995, the Minnesota Legislature adopted the Minnesota SFRA, one of the state's most significant forestry laws. The Act established policies and programs to ensure sustainable use and management of Minnesota's forests. The Act also created the Minnesota Forest Resources Council (M.S. 89A.03), and mandated it to develop and oversee programs to address impacts of timber harvesting and forest management at the site and landscape levels.

Activity Funding

This activity is funded almost entirely (98% in FY 2002-03) through General Fund appropriations. In FY 2002-03, expenditures have been split fairly evenly between salaries (53%) and non-salary expenditures (47%).

Key Measures

- ⇒ Over 85% of Minnesota's timber is harvested by loggers trained to utilize site-level Timber Harvesting and Forest Management Guidelines.
- ⇒ Implementation monitoring results suggest that approximately 70% of Minnesota forest landowners in 2001 used voluntary timber harvest and forest management guidelines on-site in pre-harvest review. Landscape work is underway in six landscape regions. Since 1997 when this work began, hundreds of individuals have participated in the planning process.
- ⇒ Substantial progress has been made towards identifying 10 year and 100 year forest landscape composition conditions in two forested regions. Key measures will be based on this work in the future.
- ⇒ Identified changes needed to forest tax policy affecting privately owned forests, resulting in the enactment of the Sustainable Forest Incentive Act in 2001. Initial interest is high - over 300 landowners participated in 20 public meetings held statewide.

Contact

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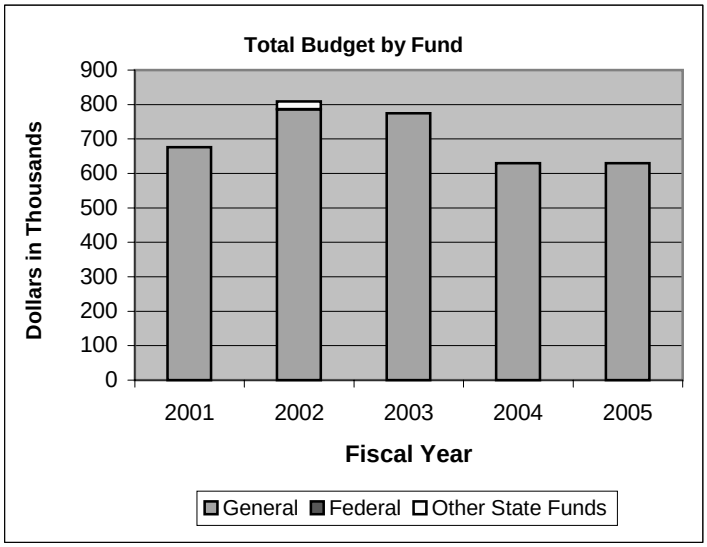
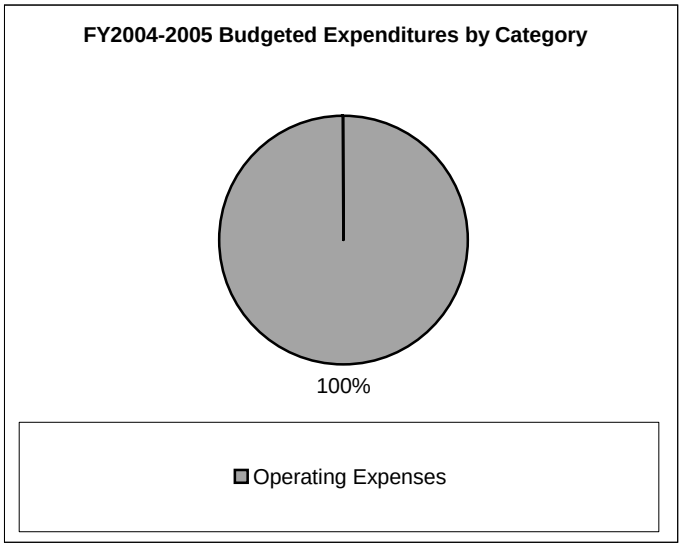
Web site: http://www.frc.state.mn.us/

NATURAL RESOURCES DEPT
Program: FOREST MANAGEMENT
Activity: SUSTAIN RES ACT IMPLEMENTATION

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	676	786	775	630	630	1,260
Statutory Appropriations						
Special Revenue	0	23	0	0	0	0
Total	**676**	**809**	**775**	**630**	**630**	**1,260**
Expenditures by Category						
Operating Expenses	676	809	775	630	630	1,260
Total	**676**	**809**	**775**	**630**	**630**	**1,260**
Full-Time Equivalents (FTE)	**5.5**	**5.8**	**4.6**	**4.6**	**4.6**	

Program Description

The purpose of the Division of Parks and Recreation is to provide a state park and state forest recreation system which preserves and manages Minnesota's natural, scenic and cultural resources for current and future generations while providing appropriate recreational and educational opportunities. The Minnesota state legislature has set aside 264,000 acres which contain some of Minnesota's most spectacular scenic resources, and the most unique natural and cultural resources. Minnesota was the second state in the United States to recognize the need for a state park system when it established Itasca State Park in 1891. This was done to ensure that not all natural resources would be exploited or developed and that our citizens would forever have places where they could experience nature at its best, learn about the importance of the natural world and have an outdoor recreational experience. The primary statutes that cover the Minnesota State Park System are Chapters 85 and 86A.

Program at a Glance

- Mission: Preserve natural resources while providing recreational and education opportunities.
- 81 park units totaling 264,000 acres.
- 8.5 million annual visitors.
- Over 5,000 individual campsites, 218 horse campsites, 68 group campsites, over 1,250 miles of trail, 6,381 picnic sites, 36 swimming beaches, 33 fishing piers, 322 miles of road and over 1,600 buildings.
- $12 million in annual revenue.

Population Served

Minnesota statutes state that these opportunities should be made available to all citizens of Minnesota now and in the future. All citizens of the state of Minnesota benefit directly or indirectly from a high quality state park system. The 8.5 million annual visitors to Minnesota state parks benefit directly from the system. Visitors to our state from around the United States and the world who visit state parks also benefit. A number of other communities are served by the state park system. The business community of the state is served because state parks generate tourism and tourist spending. When state park revenue is taken into account, the system pays for itself through visitor expenditures. The state park system also helps redistribute dollars to Greater Minnesota in a two economy state. The education community is well served by state parks through naturalist programs, school class visits and natural resource research projects that occur throughout the system.

Services Provided

The services provided by the Division of Parks and Recreation are delivered through a variety of programs.

Grants

⇒ A grant of approximately $8.7 million per year is made to the Metropolitan Council for the operation of regional parks in the Twin Cities metro area.

Resource Management

⇒ This activity provides direction and technical expertise for the division in protecting, restoring and managing natural and cultural resources on state park lands.

Interpretive Services and Environmental Education

⇒ This activity provides information, interpretive services and environmental education programs for park visitors, communities and schools to increase their understanding and appreciation of natural and cultural resources, outdoor issues and recreational opportunities.

Land Acquisition

⇒ This activity provides all the services necessary to determine legal park boundary descriptions, appraise land, acquire park land and maintain land records for the division.

Park Development

⇒ The development activity is responsible for determining state park infrastructure needs, securing funds from the legislature, designing and building park structures and facilities, Americans with Disabilities Act (ADA) compliance, maintaining those entities and keeping records of all activities.

Archaeology

⇒ This activity is governed by state and federal statutes which require archaeological investigations and interpretations of all state park sites and projects.

Park Operations

⇒ This activity provides for all state park operations functions including operational policy development, customer service, maintenance, equipment management, interdisciplinary activities, local government contacts, budget management and law enforcement.

Management and Geographic Information Systems

⇒ This activity provides the hardware and software for all state park computerized functions and the comprehensive management of all state park information, desktop support, Geographic Information System (GIS) surveys and mapping services.

Emergency Maintenance

⇒ The emergency maintenance activity is designed to provide immediate help in the event of natural and man-made disasters such as floods, storms, forest fires and accidents.

Merchandise

⇒ The merchandise activity provides high quality products and gifts for sale in state park nature stores with the proceeds going to resource and education programs.

Marketing and Public Affairs

⇒ The marketing and public affairs activity is responsible for managing the news media, the state park web site, marketing plans, the state fair program, tourism trade shows, customer surveys and the design and publication of a variety of brochures.

Planning

⇒ This activity provides the state park strategic plan, policy development, annual reports, environmental review, interdisciplinary park unit plans, park research, surveys and handles special reports and projects.

Legislative Affairs

⇒ This activity is responsible for the development, revision and passage of all state park legislative initiatives including the state park boundary bill and budget legislation.

Administration

⇒ This activity is responsible for all budget and human resource matters within the division including budget development and management and the hiring process for approximately 450 FTE's.

Historical Perspective

The Minnesota State Park System started in 1885 with the passage of a bill by the state legislature to create Minnehaha Falls State Park. No funds were provided for this park and it eventually became a Minneapolis city park. In 1891 the legislature created Itasca State Park to preserve the Mississippi River headwaters region with its old growth red and white pine. Since that time the system has grown to 72 state parks and recreation areas, 54 state forest campgrounds and recreation areas, eight state waysides and one state trail.

Visitation has risen steadily over the years to stabilize at 8.5 million visitor occasions in 2001. A variety of factors including floods, bad weather, storms, an employee strike, a potential government shutdown and campground closures have combined to limit visitation over the last few years. Some of those limiting factors are still in place today and are keeping the park system from realizing its potential to accommodate more visitors.

Key Measures

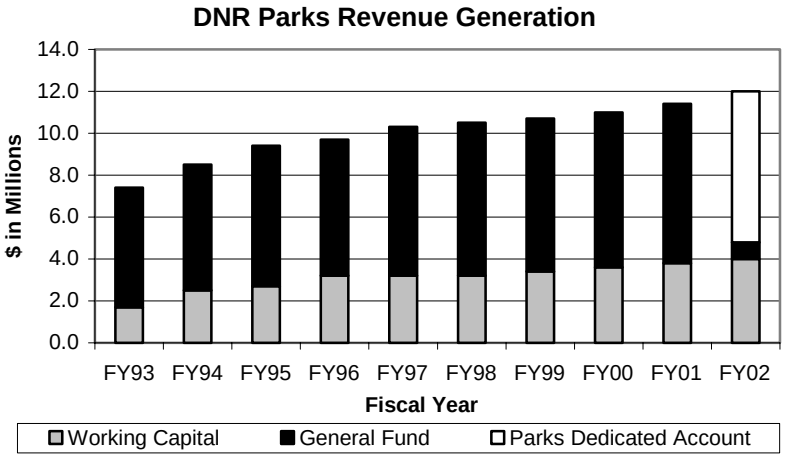
⇒ Visitation: Visitation rose steadily through the 1980s and 1990s but has leveled off in the last few years. This is due to weather related factors such as floods and storms, campground closures, an employee strike, a potential government shutdown and an economic depression. In spite of these limiting conditions, visitation has held steady at about 8.5 million visitors per year.

⇒ Income: Revenue from camping and lodging, entry permits and tours, and concessions at state parks has risen steadily from $5.5 million in FY 1994 to $7.2 million in FY 2002. Revenue from the state park merchandise program and operation of the Douglas Lodge at Itasca State Park has risen from $2.4 million in FY 1994 to $4.0 million in FY 2002.

Program Funding

FUNDING SOURCES: Funding for state parks in the FY 2002-03 biennium came from three sources in the following percentages: General Fund 63%, Parks Dedicated Account 23%, and Lottery-in-lieu of Sales Tax 14%.

REVENUE SUMMARY: State parks generated a total of $12.107 million in FY 2002, a 6.46% increase over the previous fiscal year. General Fund revenue totaled $798,000 in FY 2002, an increase of 25.8% over FY 2001. The new Parks Dedicated Account was created in FY 2002 for the deposit of camping fees, park permits, concession receipts and facility rental revenues. The dedicated account collected $7.179 million in FY 2002, a 3.9% increase over FY 2001. With future operational budget cuts pending, the FY 2004-05 revenue forecast could be drastically reduced.



GRANTS SUMMARY: Included in this program are two grants to the Metropolitan Council for metropolitan area regional parks and trails maintenance and operations: $4.0 million each year from the General Fund, and $5.130 million each year from the lottery in-lieu of sales tax proceeds.

Contact

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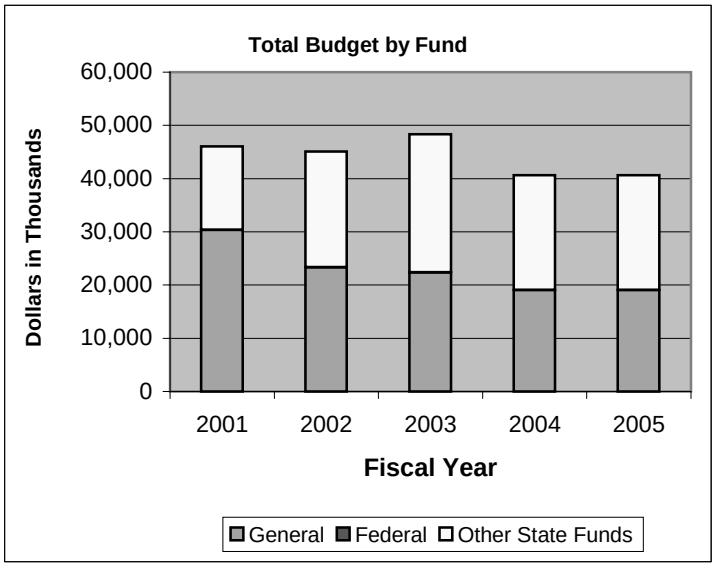
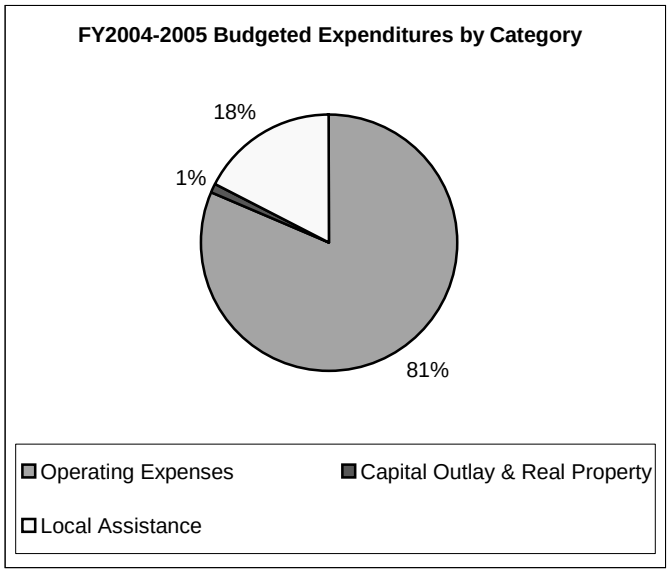




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	734	1,062	905	983	983	1,966
General	30,357	23,326	22,356	19,032	19,032	38,064
Minnesota Resources	0	289	1,071	0	0	0
Natural Resources	10,321	15,719	17,136	15,862	15,862	31,724
Statutory Appropriations						
Natural Resources	90	1	18	17	17	34
Special Revenue	4,475	4,606	6,373	4,609	4,609	9,218
Federal	0	0	18	1	0	1
Environmental	0	25	23	0	0	0
Gift	59	86	432	115	115	230
Total	**46,036**	**45,114**	**48,332**	**40,619**	**40,618**	**81,237**

Expenditures by Category						
Operating Expenses	34,688	33,603	37,505	33,022	33,021	66,043
Capital Outlay & Real Property	1,653	2,708	2,495	455	455	910
Local Assistance	9,695	8,798	8,332	7,142	7,142	14,284
Other Financial Transactions	0	5	0	0	0	0
Total	**46,036**	**45,114**	**48,332**	**40,619**	**40,618**	**81,237**

Expenditures by Activity						
Parks & Recreation Mgmt	46,036	45,114	48,332	40,619	40,618	81,237
Total	**46,036**	**45,114**	**48,332**	**40,619**	**40,618**	**81,237**

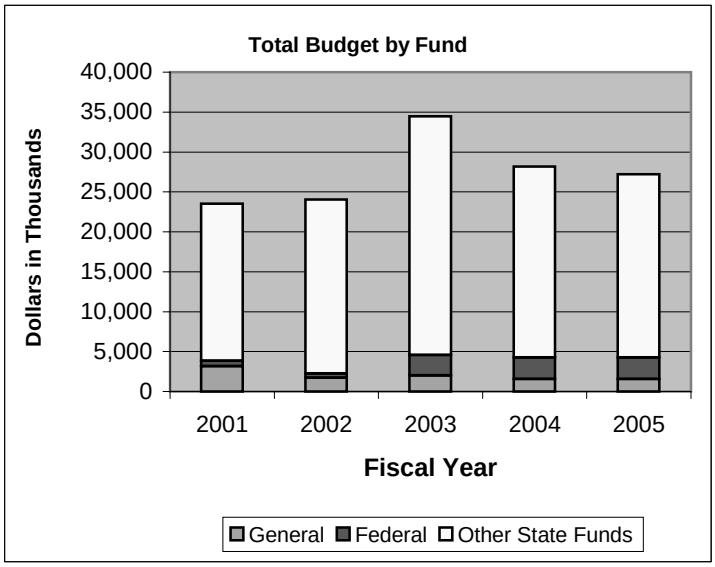
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	639	798	771	796	796	1,592
Natural Resources	0	7,207	7,064	7,643	7,643	15,286
Cambridge Deposit Fund	6,931	0	0	0	0	0
Subtotal Non Dedicated	7,570	8,005	7,835	8,439	8,439	16,878
Dedicated						
Natural Resources	8	1	17	17	17	34
Special Revenue	5,073	4,721	4,450	4,450	4,450	8,900
Federal	0	0	9	1	0	1
Gift	136	67	115	115	115	230
Permanent School	0	128	130	130	130	260
Subtotal Dedicated	5,217	4,917	4,721	4,713	4,712	9,425
Total Revenue	**12,787**	**12,922**	**12,556**	**13,152**	**13,151**	**26,303**
Full-Time Equivalents (FTE)	**493.2**	**478.2**	**443.3**	**484.3**	**484.3**	

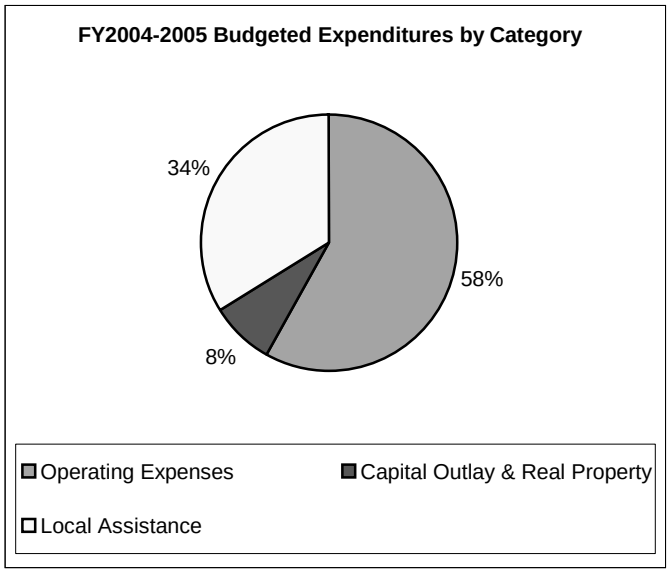
Program Description

The purpose of the Trails and Waterways division is to create recreation opportunities through a system of trails and water recreation facilities that contribute to a sustainable quality of life.

Budget Activities Included:

⇒ Trails and Waterways Management
⇒ Water Access & Recreation
⇒ Trails Recreation





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	402	1,437	1,658	1,844	1,844	3,688
General	3,172	1,729	2,002	1,573	1,573	3,146
Minnesota Resources	91	3,860	2,458	0	0	0
Natural Resources	16,255	15,105	20,894	18,627	18,627	37,254
Game And Fish (Operations)	2,163	690	1,515	2,171	1,684	3,855
Iron Range Resources & Rehab	24	0	0	0	0	0
Open Appropriations						
Natural Resources	326	252	318	318	318	636
Statutory Appropriations						
Natural Resources	1	16	1,663	485	35	520
Special Revenue	306	370	1,198	409	409	818
Federal	685	519	2,559	2,685	2,685	5,370
Gift	83	64	191	58	58	116
Total	**23,508**	**24,042**	**34,456**	**28,170**	**27,233**	**55,403**
Expenditures by Category						
Operating Expenses	12,767	11,766	15,597	15,989	16,214	32,203
Capital Outlay & Real Property	3,748	3,452	5,980	2,361	2,124	4,485
Local Assistance	6,993	8,824	12,879	9,820	8,895	18,715
Total	**23,508**	**24,042**	**34,456**	**28,170**	**27,233**	**55,403**
Expenditures by Activity						
Trails & Waterways Mgmt	4,315	4,812	8,756	5,091	5,091	10,182
Water Access & Recreation	8,552	9,733	10,161	10,589	10,102	20,691
Trails Recreation	10,641	9,497	15,539	12,490	12,040	24,530
Total	**23,508**	**24,042**	**34,456**	**28,170**	**27,233**	**55,403**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	1	0	0	0	0	0
Natural Resources	6,939	5,589	6,791	6,791	6,791	13,582
Subtotal Non Dedicated	6,940	5,589	6,791	6,791	6,791	13,582
Dedicated						
Natural Resources	456	375	485	485	35	520
Special Revenue	790	555	409	409	409	818
Federal	104	460	1,500	1,640	1,640	3,280
Gift	41	67	58	58	58	116
Subtotal Dedicated	1,391	1,457	2,452	2,592	2,142	4,734
Total Revenue	**8,331**	**7,046**	**9,243**	**9,383**	**8,933**	**18,316**
Full-Time Equivalents (FTE)	**131.8**	**128.0**	**177.9**	**181.3**	**186.3**	

Activity Description

This activity provides trail recreation for state residents and tourists. It supports Department of Natural Resources (DNR) trail related activities primarily on state trails and in state forests, and offers stewardship projects through the adopt-a-river program.

Activity at a Glance

- 9 paved state trails provided 896,373 hours of summertime use according to user surveys conducted by Trails and Waterways.
- 14 state trails have paved surface for bicycle use.
- Adopt-a-River clean up removed 67 tons of rubbish in 2001.

Population Served

The users served by this activity include:

- bicyclists;
- walkers;
- joggers;
- in-line skaters;
- hikers;
- horseback riders; and
- cross-country skiers.

Services Provided

The services provided by this activity include:

- administration of the State Trail Program;
- trail planning and surveying;
- management of capital budget acquisition and development projects;
- management of Legislative Commission on Minnesota Resources (LCMR) projects;
- administration of the Adopt-a-River program;
- administration of the Cooperative Trails Grant Program (local trail connections, regional trails, and national recreation trail grants [TEA-21]);
- development and maintenance of interpretive and vegetation management projects;
- development of trail amenities (e.g., parking, picnic areas, drinking water);
- maintenance of non-motorized state trails and DNR forestry trails; and
- development and distribution of public information materials (e.g., maps, brochures, etc.) for non-dedicated account activities.

Key Measures

Minnesotans and tourists have access to the outdoors through a network of trails that promote recreational activities such as biking, hiking, skiing and snowmobiling. These year-round recreation opportunities support Minnesota's high quality of life and also support regional economies. Developing and sustaining a diverse trail system ensures DNR meets the needs of both tourists and local residents alike. State bicycle trails are an important part of this trail system.

One of the targets for 2002 is to provide a total of 385 miles of paved state bicycle trails. Trail development is proceeding well for the year and DNR expects to exceed this target by about 15 miles, reaching 400 miles by the end of this year.

State Trail Mileage

	FY 2000	FY 2001	FY 2002	FY 2003
State Trails	1,067	1,082	1,141	1,141
State Trails (bike)	330	345	365	400

The Adopt-a-River Program enlists volunteers to remove rubbish along sections of Minnesota's rivers, lakes, wetlands, and ravines. This restores the health and natural beauty of these rivers and improves fish and wildlife habitat.

Number of Cleanups Reported and Miles of Shoreline Cleaned

	FY 2000	FY 2001	FY 2002	FY 2003
Cleanups Reported	155	170	185	200
Miles Cleaned	511	611	650	690

Activity Funding

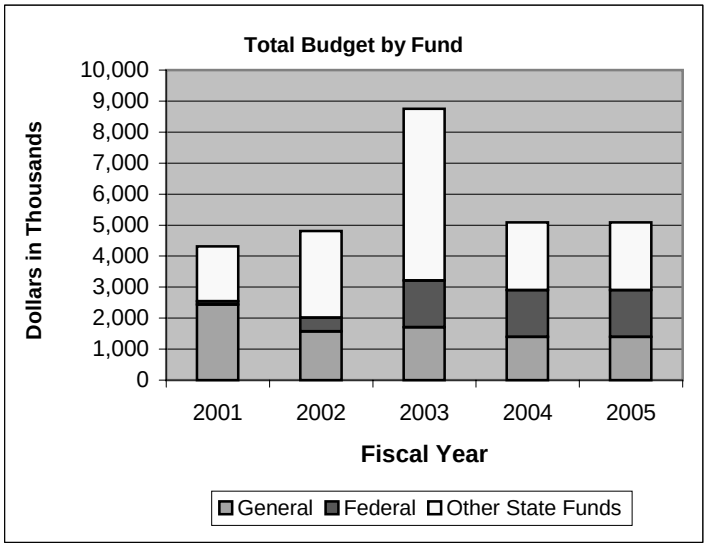
This activity is funded primarily through General Fund appropriations.

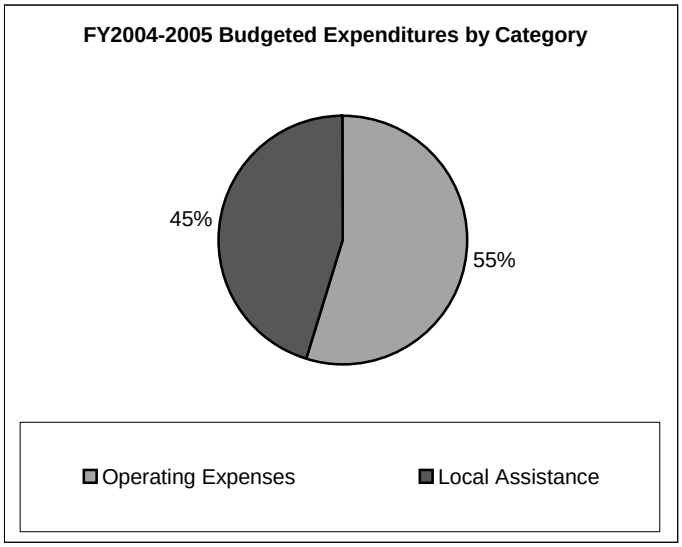
Contact

Additional information can be obtained on the DNR web site at "dnr.state.mn.us."

NATURAL RESOURCES DEPT
Program: TRAILS & WATERWAYS MGMT
Activity: TRAILS & WATERWAYS MGMT

Fiscal Report





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
Environment & Natural Resource	80	174	826	959	959	1,918
General	2,439	1,567	1,699	1,397	1,397	2,794
Minnesota Resources	91	1,550	1,958	0	0	0
Natural Resources	1,590	1,032	1,853	1,215	1,215	2,430
Statutory Appropriations						
Natural Resources	1	0	41	0	0	0
Special Revenue	0	23	784	20	20	40
Federal	98	446	1,514	1,500	1,500	3,000
Gift	16	20	81	0	0	0
Total	**4,315**	**4,812**	**8,756**	**5,091**	**5,091**	**10,182**

Expenditures by Category						
Operating Expenses	2,767	2,356	2,822	2,808	2,808	5,616
Capital Outlay & Real Property	491	220	1,913	-52	-52	-104
Local Assistance	1,057	2,236	4,021	2,335	2,335	4,670
Total	**4,315**	**4,812**	**8,756**	**5,091**	**5,091**	**10,182**

Revenue by Type and Fund						
Non Dedicated						
General	1	0	0	0	0	0
Natural Resources	0	26	0	0	0	0
Subtotal Non Dedicated	1	26	0	0	0	0
Dedicated						
Natural Resources	6	72	0	0	0	0
Special Revenue	392	413	70	70	70	140
Federal	0	460	1,500	1,500	1,500	3,000
Gift	0	61	58	58	58	116
Subtotal Dedicated	398	1,006	1,628	1,628	1,628	3,256
Total Revenue	**399**	**1,032**	**1,628**	**1,628**	**1,628**	**3,256**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Full-Time Equivalents (FTE)	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
	26.9	**28.0**	**37.0**	**35.4**	**35.4**	

Activity Description

The purpose of the Water Access and Recreation activity is to provide the public with water-based recreational boating and fishing opportunities and services. This activity provides the public with access (M.S. 97A.141) to lakes, streams, river corridors and designated canoe and boating routes (M.S. 85.32) for boaters, anglers, paddlers and other users. Safe harbors (M.S. 86A20-24) on Lake Superior provide trailerable boat access and boatslips for larger boats in a protected harbor.

Activity at a Glance

- Minnesota ranks fourth in the nation for total boats registered (827,000).
- Over 250 fishing piers and shore fishing sites provide access to over two million anglers.

Population Served

All Minnesotans and tourists who boat, canoe or fish or who wish to access Minnesota's lakes and rivers.

Services Provided

Major responsibilities of the activity:

⇒ *Boat Access Sites*
Sites are one - seven acres in size, contain a boat launch ramp, a parking lot, an entrance road, and amenities such as toilets, docks, security lights, and information kiosks. Most sites are owned and operated by Department of Natural Resources (DNR). However, when we build or upgrade access sites, we first look for partnerships where we supply the capital investment and the local community maintains and operates the facility. Services provided include maps and information guides and on-site maintenance.

⇒ *River Recreation*
Facilities and services on 26 designated rivers, are provided by DNR, including primitive campsites, rest areas, portage trails, and launch sites. Services include river cleanup, snag removal, maps and information guides, water level reports, and marking and signing of hazards. New access sites are acquired and developed according to management objectives and demonstrated need, often in cooperation with local units of government.

⇒ *Fishing Piers and Shore Fishing Sites*
Piers are a very popular part of the program and are constructed in cooperation with local units of government. Priorities are determined based on a ranking system that considers the site characteristics, fisheries resource, local initiatives, and proximity to population centers. Piers and shore fishing sites are designated to be accessible to children, persons with disabilities, and the elderly. We currently have over 250 sites in operation.

⇒ *Lake Superior Safe Harbors*
Implementation of the North Shore Harbors Plan and subsequent legislation establishing safe harbors began in 1999 with the completion of the Silver Bay safe harbor and marina. Taconite Harbor, a boat access and safe harbor only, was completed in fall 2001. State and federal funds have been appropriated for additional harbors and accesses at Two Harbors and McQuade Road (Duluth) which are in land acquisition and design phase. All of the sites have active local participation. All facilities provide boat access and protection from storms, and some will provide gas, dockage, sewage pumpouts, and other services related to boating and fishing.

Historical Perspective

Minnesotans rely heavily on public water access sites. A survey conducted by the University of Minnesota showed that three-fourths of state boat owners launch at public boat access sites at least once a year.

Minnesota ranks fourth in the nation for total boats registered (827,000) and first in the nation in the number of boats per capita (one boat for every six people).

In the 1996 metro, 1998 Brainerd, and 2001 central lakes boating studies, boat access users gave high marks to the quality of boat access. In the Brainerd study, and to a lessor degree in the central lakes study, boat accesses were identified as becoming an asset to lakeside homeowners and resorts, who accounted for nearly 40% of access use. Public accesses are becoming a necessity for all boaters, especially since boat and motor size has increased and rendered many small private accesses useless.

Key Measures

Acquisition, development and maintenance of boat access sites. We have attained approximately 70% of our goal of numbers of boat access sites.

Number of Boat Access Sites

Fiscal Years	
1998-99	1,525
2000-01	1,550
2002-03	1,560

Construction of fishing piers and shore fishing sites in partnership with local governments. The list of applications and carry over projects is approximately 50 per year.

Number of Fishing Piers/Shorefishing Sites

Fiscal Years	
1998-99	232
2000-01	257
2002-03	278

Activity Funding

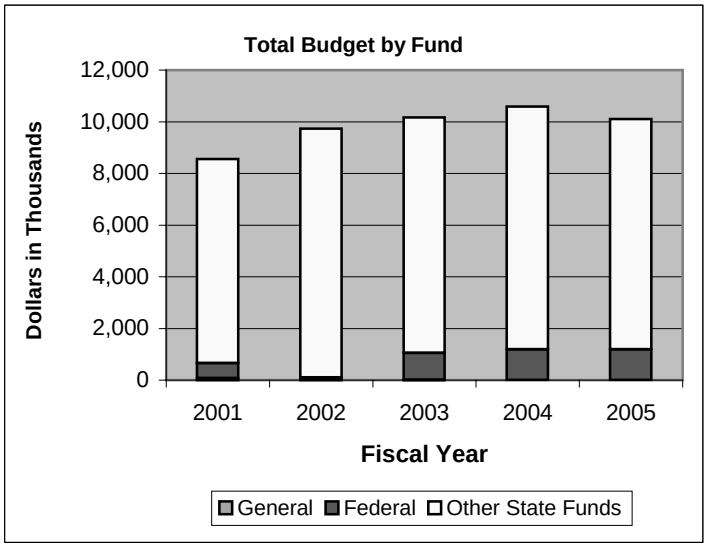
Almost 35% of the current funding for this budget activity is appropriated from the Water Recreation Fund. This fund has two revenue sources: unfunded highway gas tax collected on gasoline used in boats; and watercraft registration fees. We also receive federal Wallop/Breaux funds for boat access from the following two sources: 1) the Game and Fish Fund, based on a federal law requiring 15% of federal receipts from the Sport Fish Restoration Program be spent on public access facilities (75% reimbursement); and 2) the Boat Safety Account administered by the U.S. Coast Guard (50% match).

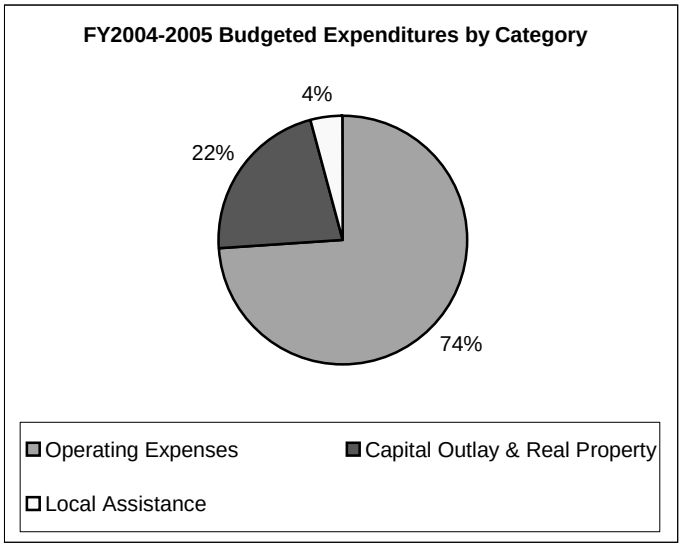
Contact

Additional information can be obtained on the DNR web site at “dnr.state.mn.us.”

NATURAL RESOURCES DEPT
Program: TRAILS & WATERWAYS MGMT
Activity: WATER ACCESS & RECREATION

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	322	1,263	832	885	885	1,770
General	74	21	8	0	0	0
Minnesota Resources	0	2,310	500	0	0	0
Natural Resources	5,037	5,023	5,782	6,026	6,026	12,052
Game And Fish (Operations)	2,163	690	1,515	2,171	1,684	3,855
Open Appropriations						
Natural Resources	195	147	179	179	179	358
Statutory Appropriations						
Natural Resources	0	16	117	35	35	70
Special Revenue	107	146	73	50	50	100
Federal	587	73	1,045	1,185	1,185	2,370
Gift	67	44	110	58	58	116
Total	**8,552**	**9,733**	**10,161**	**10,589**	**10,102**	**20,691**
Expenditures by Category						
Operating Expenses	5,909	5,587	6,673	7,493	7,768	15,261
Capital Outlay & Real Property	2,038	3,071	3,078	2,413	2,176	4,589
Local Assistance	605	1,075	410	683	158	841
Total	**8,552**	**9,733**	**10,161**	**10,589**	**10,102**	**20,691**
Revenue by Type and Fund						
Non Dedicated						
Natural Resources	0	1	0	0	0	0
Subtotal Non Dedicated	0	1	0	0	0	0
Dedicated						
Natural Resources	0	28	35	35	35	70
Federal	6	0	0	140	140	280
Gift	41	6	0	0	0	0
Subtotal Dedicated	47	34	35	175	175	350
Total Revenue	**47**	**35**	**35**	**175**	**175**	**350**

Dollars in Thousands	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Full-Time Equivalents (FTE)	**62.9**	**59.6**	**87.6**	**89.6**	**94.6**	

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Activity Description

This activity funded through the dedicated accounts within the Natural Resources Fund provide trails users the opportunity to access and enjoy the outdoors in a safe, responsible manner while protecting sensitive resources and fostering local economic development.

Activity at a Glance

- Five grant programs provided
- 285,675 registered snowmobiles
- 148,000 registered ATV's

Population Served

This activity provides services to trails users who contribute to dedicated accounts through registration fees and in most cases unrefunded gas tax. The recreational activities of these trail users include:

- Snowmobiling;
- All-Terrain Vehicles;
- Off-Highway Motorcycles;
- Off-Road Vehicles; and
- Cross-Country Skiing

Services Provided

The services provided by this activity include:

- maintenance and operations of state trails;
- the development on some state trails and in state forests;
- monitoring and maintenance of trails in state forest;
- the operations of the Iron Range off-highway vehicle recreation areas;
- grant programs to local units of government;
- development and distribution of public information materials (e.g., maps, brochures, interpretive, etc.); and
- the administration of dedicated account activities done by Trails and Waterways.

Key Measures

Development and maintenance of trails to meet the growing demand for recreational trails.

Miles of DNR Trails

	FY 2000	FY 2001	FY 2002	FY 2003
DNR-Snowmobile	2,135	2,135	2,135	2,135
DNR-rail Cross-Country Ski	789	789	789	789
DNR-Trail-All Terrain Vehicle	151	181	212	263
DNR-Trail-Off-Highway Motorcycle	192	192	192	192
DNR-Trail-Off Road Vehicle	11	11	11	11
TOTAL	3,278	3,308	3,339	3,390

Administer a trail system that anticipates and responds to changing public demand through local trail grants.

Miles of Grant-In-Aid Trails

	FY 2000	FY 2001	FY 2002	FY 2003
GIA-Snowmobile	15,000	15,200	15,400	18,200
GIA-Cross-Country Ski	1,003	1,003	1,003	1,003
GIA-All Terrain Vehicle	468	505	505	525
GIA-Off-Highway Motorcycle	88	113	113	113
GIA-Off Road Vehicle	0	0	0	0
TOTAL	16,559	16,821	17,021	19,841

Activity Funding

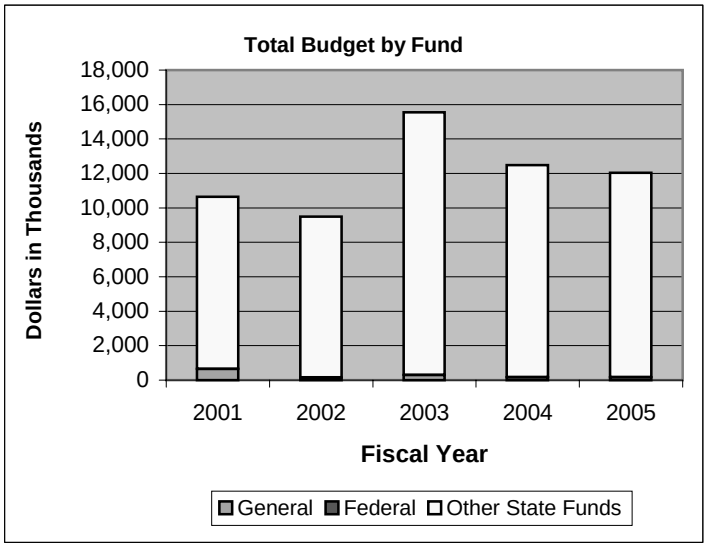
This activity is funded primarily through dedicated revenues from the Natural Resources Fund and with supplemental funding from the General Fund for cross-country ski. Revenues generated for the Off-Highway Motorcycle (OHM), Off-Road Vehicle (ORV), All-terrain Vehicle (ATV), and Snowmobile Safety and Enforcement Funds come from vehicle registrations and unrefunded gas tax. The Cross-Country Ski Account is funded from the sale of the ski pass. Unrefunded gas taxes are those tax dollars attributed to fuel consumed while using public lands and trails.

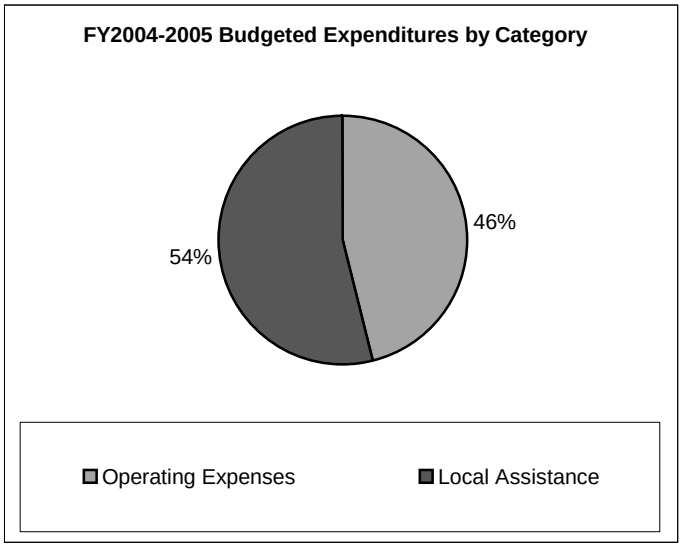
Contact

Additional information can be obtained on the DNR web site at “dnr.state.mn.us.”

NATURAL RESOURCES DEPT
Program: TRAILS & WATERWAYS MGMT
Activity: TRAILS RECREATION

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	659	141	295	176	176	352
Natural Resources	9,628	9,050	13,259	11,386	11,386	22,772
Iron Range Resources & Rehab	24	0	0	0	0	0
Open Appropriations						
Natural Resources	131	105	139	139	139	278
Statutory Appropriations						
Natural Resources	0	0	1,505	450	0	450
Special Revenue	199	201	341	339	339	678
Total	**10,641**	**9,497**	**15,539**	**12,490**	**12,040**	**24,530**
Expenditures by Category						
Operating Expenses	4,091	3,823	6,102	5,688	5,638	11,326
Capital Outlay & Real Property	1,219	161	989	0	0	0
Local Assistance	5,331	5,513	8,448	6,802	6,402	13,204
Total	**10,641**	**9,497**	**15,539**	**12,490**	**12,040**	**24,530**
Revenue by Type and Fund						
Non Dedicated						
Natural Resources	6,939	5,562	6,791	6,791	6,791	13,582
Subtotal Non Dedicated	6,939	5,562	6,791	6,791	6,791	13,582
Dedicated						
Natural Resources	450	275	450	450	0	450
Special Revenue	398	142	339	339	339	678
Federal	98	0	0	0	0	0
Subtotal Dedicated	946	417	789	789	339	1,128
Total Revenue	**7,885**	**5,979**	**7,580**	**7,580**	**7,130**	**14,710**
Full-Time Equivalents (FTE)	**42.0**	**40.4**	**53.3**	**56.3**	**56.3**	

Program Description

The Fish Management Program protects, maintains, and enhances Minnesota's fishery resources and aquatic communities for recreational, ecological, and economic benefits to the state. The Division of Fisheries is the sole entity responsible for managing the state's public fisheries resources. In addition to other units in the Department of Natural Resources (DNR), state environmental agencies, such as Agriculture, Health, Pollution Control, and the Board of Soil and Water Resources have responsibility for environmental regulation and management that impact water quality and aquatic habitat. Local units of government also have regulatory authority that impacts aquatic resources. Major fisheries issues include increasing fishing pressure, technology, and harvest, and, most important, the continual degradation of fish habitat from shoreline and watershed developments and non-point source pollution.

Program at a Glance

- The Division of Fisheries manages recreational and commercial fisheries and aquatic habitat on approximately 5,400 lakes and 16,000 miles of fishable streams and rivers.
- About 30 million pounds of fish are harvested annually in Minnesota.
- Over 30 million person-days are spent each year on recreational angling in Minnesota.
- Fishing-related activity generates about $2.6 billion each year in direct expenditures to the state's economy.

Population Served

The Division of Fisheries' primary stakeholders are anglers and fishing-related businesses. However, because fishing and the health of the aquatic environment are so important to the state's economy and overall well being, virtually all Minnesotans have a stake in the services provided by Fisheries.

Services Provided

The Division of Fisheries provides services that maintain and enhance game fish populations and aquatic habitat for the state's anglers and businesses that depend on fishing. Core functions include:

- monitoring fish populations and aquatic habitat;
- protecting, improving, and restoring fish populations and aquatic habitat;
- propagating fish for stocking in publicly accessible waters;
- providing public information and aquatic education; and
- planning, coordination, and administration.

Historical Perspective

In general, fisheries for many of Minnesota's important game fish species are in good condition including largemouth and smallmouth bass, muskellunge, brook and brown trout, lake trout, and catfish. Walleye numbers in lakes with natural reproduction are generally good to excellent. Although stocked walleye populations are in generally good shape also, there is some concern that past stocking reductions caused declines on some waters. An accelerated walleye program has been funded and implemented to address these concerns.

Bluegill and black crappie numbers remain high, but decreasing average size is a major concern. The same is true of northern pike and yellow perch. Lake trout populations are holding up well in their native range in northeast Minnesota, but harvest is at non-sustainable levels on some waters. The Division of Fisheries has taken steps to address these species of concern through statewide and lake/stream specific fishing regulation changes.

Key Measures

Primary performance measures for the Fish Management Program are:

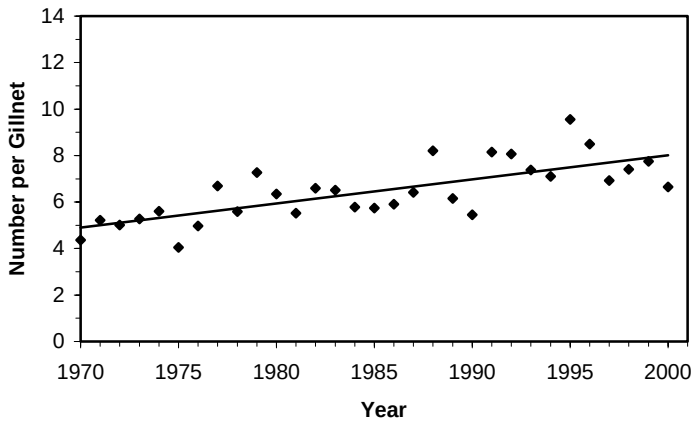
⇒ Game fish abundance and average size as measured by net catches and other sampling from the survey and assessment program.
⇒ Angler catch rates and average size of various fish species as measured by creel surveys.
⇒ Angler satisfaction as measured by attitude surveys.
⇒ Fisheries management plans developed with constituent input for each managed water.

⇒ Regulations that protect the fisheries resource and provide sustainable quality angling opportunities.
⇒ Aquatic habitat capable of sustaining recreational and commercial fisheries.
⇒ A public knowledgeable of the fisheries resource and the ecology, conservation, and ethics of fishing.

Examples of current performance:

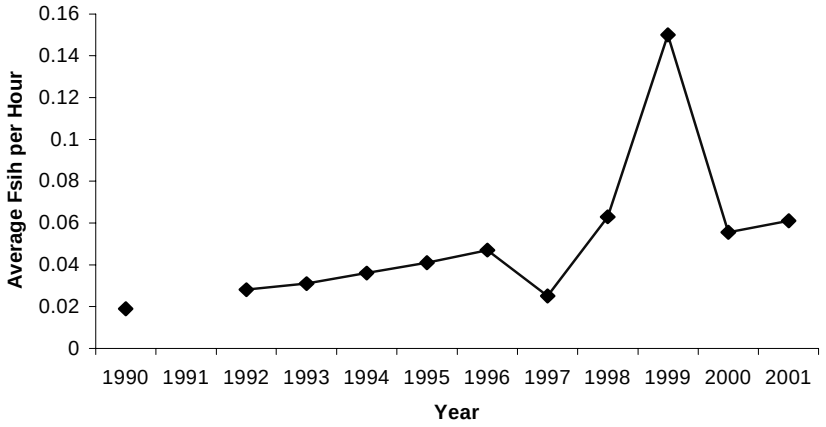
The walleye stocking program provides fish for approximately 900 lakes where natural reproduction is thought to be insufficient to provide good fishing. Due to more effective stocking, stocked walleye populations as measured by survey gill net catches have been increasing on average since 1977. The goal of the accelerated walleye program is to further increase the average gill net catch on stocked lakes, which will improve fishing success.

Walleye Abundance in Stocked Lakes

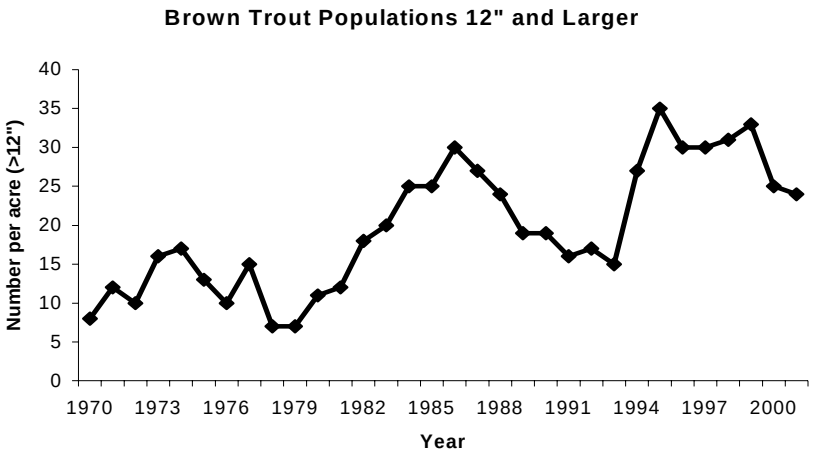


Steelhead catch rates (fish/angler-hour) on tributaries to Lake Superior have increased after development of a Lake Superior steelhead plan and implementation of restrictive harvest regulations in 1992.

Steelhead Catch Rate



Brown trout abundance in southeast Minnesota has increased since the 1970s due to a combination of improved watershed practices, habitat improvement, and better stocking practices.

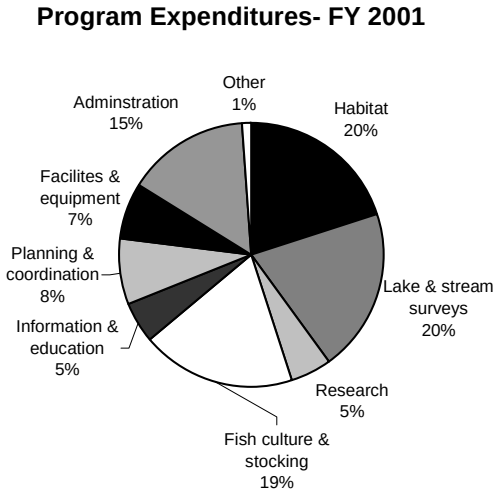


Program Funding

This program generates revenue from the sale of fishing licenses and from reimbursement under the Federal Aid to Sport Fish Restoration Program. These revenues are deposited in the dedicated Game and Fish Fund to support the program. The Heritage Enhancement Account, a sub-account of the Game and Fish Fund that was authorized by the 2000 legislature, is funded from a percentage of lottery revenues in lieu of sales tax. In addition, Fisheries generates dedicated revenue from cooperative agreements, sales of publications, and gifts.

The operating budget for FY 2002-03 includes the following sources of funds: Game and Fish (73%); Heritage Enhancement (17%); Trout and Salmon (2%); General (1%); Water Recreation (1%); Legislative Commission on Minnesota Resources (LCMR) (4%); and Special Revenue (2%).

FY2001 Program Expenditures are shown below.



Contact

The following web sites offer additional information on the fish management program.

The DNR Fishing information page at http://www.dnr.state.mn.us/fishing/index.html provides selected game fish information, news releases, and reports.

The "Lake Finder" at http://www.dnr.state.mn.us/lakefind/index.html provides management information about specific lakes. It also provides information about stocking, fish consumption advice, and water quality.

For general information about the Division of Fisheries and local area fisheries office news see http://www.dnr.state.mn.us/fisheries/index.html

For general information about fish management see http://www.dnr.state.mn.us/fisheries/management/index.html

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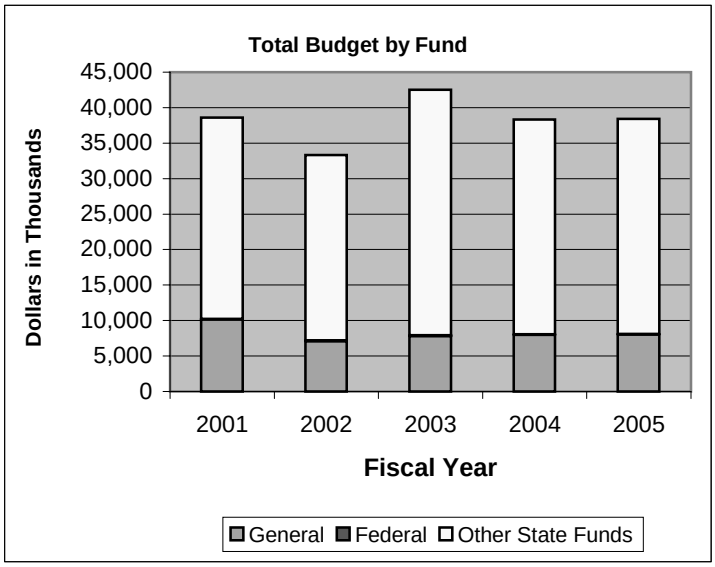
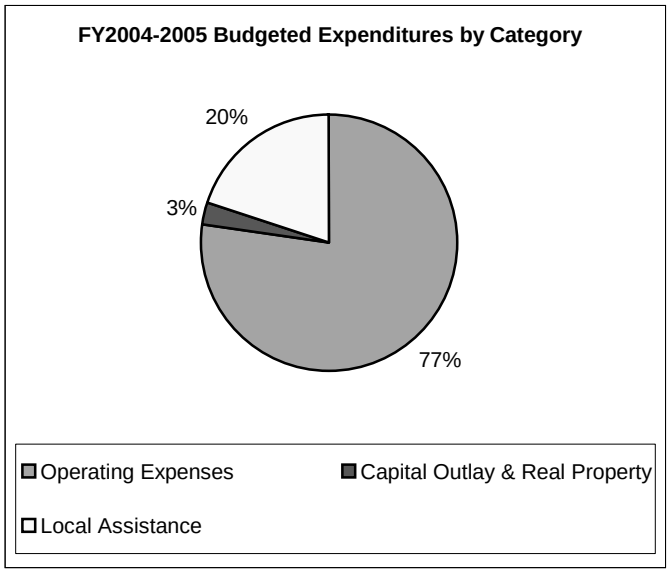




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	74	600	1,907	408	408	816
General	2,654	186	485	417	417	834
Minnesota Resources	0	5	140	0	0	0
Natural Resources	194	190	198	197	197	394
Game And Fish (Operations)	27,008	24,033	30,514	28,289	28,351	56,640
Open Appropriations						
General	7,501	6,910	7,325	7,548	7,601	15,149
Game And Fish (Operations)	1,112	856	1,151	1,151	1,151	2,302
Statutory Appropriations						
Natural Resources	0	11	24	5	5	10
Special Revenue	15	275	406	150	150	300
Federal	42	94	71	63	63	126
Reinvest In Minnesota	0	12	0	0	0	0
Gift	5	151	299	95	95	190
Total	**38,605**	**33,323**	**42,520**	**38,323**	**38,438**	**76,761**

Expenditures by Category						
Operating Expenses	27,005	25,517	31,150	29,609	29,671	59,280
Capital Outlay & Real Property	3,620	643	3,104	1,066	1,066	2,132
Local Assistance	7,980	7,163	7,416	7,648	7,701	15,349
Other Financial Transactions	0	0	850	0	0	0
Total	**38,605**	**33,323**	**42,520**	**38,323**	**38,438**	**76,761**

Expenditures by Activity						
Fish Management	38,605	33,323	42,520	38,323	38,438	76,761
Total	**38,605**	**33,323**	**42,520**	**38,323**	**38,438**	**76,761**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
Game And Fish (Operations)	37,279	37,381	37,939	39,160	40,412	79,572
Subtotal Non Dedicated	37,279	37,381	37,939	39,160	40,412	79,572
Dedicated						
Natural Resources	1	5	23	5	5	10
Special Revenue	59	134	150	150	150	300
Federal	60	44	24	63	63	126
Gift	112	74	95	95	95	190
Subtotal Dedicated	232	257	292	313	313	626
Total Revenue	**37,511**	**37,638**	**38,231**	**39,473**	**40,725**	**80,198**
Full-Time Equivalents (FTE)	**353.1**	**353.6**	**374.0**	**399.5**	**400.5**	

Program Description

The Wildlife Management Program exists to provide management, protection, use, understanding, and enjoyment of the state's wildlife (M.S. 84.941).

The Wildlife Management Program is the primary authority responsible for wildlife population management and harvest regulation, providing healthy wildlife populations for hunting and viewing activities, as well as resolving conflicts between humans and wildlife.

Because of the critical role of habitat in maintaining healthy and diverse wildlife populations, this program is also the primary lead for other programs that deal with acquiring, managing, and restoring wildlife habitats on public and private lands, and some public waters. This program partners with public and private landowners, other agencies, all levels of government, nonprofit organizations, and citizens.

Program at a Glance

- 597,000 hunters and trappers, 1.9 million wildlife viewers served
- 1,350 Wildlife Management Areas with over one million acres managed for optimal wildlife habitat.
- 5,000 acres added to WMA system annually
- Over 50 big game, small game, waterfowl, migratory bird and furbearer species managed through regulated harvest
- 270,000 acres of public land conserved and managed annually
- Over 7,000 acres of private land managed through annual cost share programs
- 24,000 hours of technical guidance on wildlife habitat/populations and nuisance animals provided to private landowners and government agencies

Population Served

Primary clientele include 597,000 hunters and trappers and 1.9 million wildlife viewers/photographers representing 15% and 54% of the state's population respectively. Minnesota ranks sixth among all states for the number of hunters and trappers and eleventh for the number of wildlife viewers/photographers in a 2001 national survey.

Services Provided

The Wildlife Management Program has eight primary strategies or services provided:

⇒ Acquire, develop, and maintain wildlife management areas (WMAs) for wildlife habitat, public hunting, and wildlife observation.
⇒ Inventory and monitor the state's wildlife populations and habitats.
⇒ Provide customer service through regulated harvesting seasons, wildlife information, and education.
⇒ Provide technical assistance to land owners and land managers to improve wildlife habitat.
⇒ Improve the quality of Minnesota's shallow lakes.
⇒ Provide technical assistance and cost-sharing to resolve wildlife problems.
⇒ Conduct applied research on management-related wildlife topics.
⇒ Partner with organizations, individuals, and agencies to accomplish mutual objectives.

Wildlife management performance is measured in terms of quantities of public lands and waters administered, populations of wildlife species, and public recreation and information.

⇒ **Wildlife Management Areas.** This program manages an extensive system of over 1,350 Wildlife Management Areas totaling over 730,000 acres, with another 370,000 acres of cooperatively managed lands. Minnesota pioneered wetland protection efforts in the early 1950s with the "Save the Wetlands" program of acquiring shallow wetlands and managing them for wildlife - a program that has since become the model for other federal and state programs. The Minnesota WMA system is one of the largest in the country.

⇒ **Wildlife Populations and Resource Assessment.** Populations of many species are at or near all-time highs, including wild turkeys, black bears, and locally breeding Canada geese. Minnesota also has some of the best ruffed grouse populations in the country and is a major waterfowl production state. Abundant populations of wildlife such as deer, bears, and geese can cause conflicts with humans so the Division of Wildlife also maintains programs to address wildlife damage and nuisance problems.

Basic population inventory, monitoring and research is essential to responsible management of populations, including the management of quota systems, setting hunting seasons, and investigating applied population and habitat management needs. For example, current projects are investigating issues as diverse as moose population dynamics in northeastern Minnesota, the effects of logging practices on winter deer habitat, sources of mortality and movements of deer in agricultural environments; the conservation benefits of lands retired in Conservation Reserve Program (CRP), the effects of fish or bait rearing on wildlife productivity of shallow wetlands, and the current distribution and abundance of river otters in southern Minnesota.

Natural resource assessments provide historical and current data on habitat cover and land use patterns. This information is critical for evaluating, recommending and planning habitat protection and management efforts.

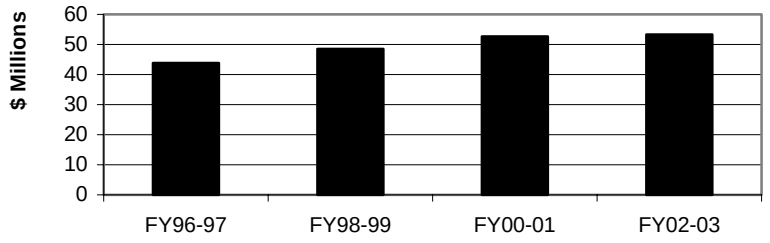
⇒ **Wildlife Habitat.** In addition to direct management of WMAs, the program provides technical assistance for wildlife habitat management and improvement on other public as well as private lands by consulting with forest managers, providing wildlife expertise for agricultural land conservation programs such as CRP, CREP, and Reinvest in Minnesota (RIM) Reserve, assessing and managing shallow lakes with high wildlife production potential, and providing technical assistance and cost-share to private individuals and organizations for improving their lands for wildlife.

⇒ **Public Recreation and Information.** The Wildlife Management Program provides areas for wildlife recreation and manages hunting and trapping seasons for over 50 game species which provide over 8.4 million days of recreation annually. The program also provides public information and education about wildlife through publications, mass media, and personal presentations. Minnesota has a rich and diverse wildlife component of great importance to the state's citizens. The state's many types of prairie, wetland, forest, and other plant communities support 403 migratory and resident bird species, 240 nesting bird species that breed in the state, 80 species of mammals, and 48 species of amphibians, reptiles, and mussels.

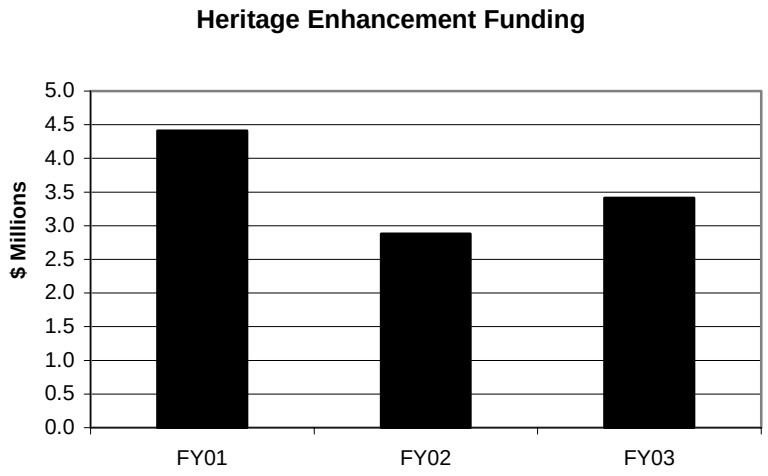
Historical Perspective

⇒ Funding for this program increased in FY 1998-99 largely due to a large bonding package and additional general funds through a Governor's Initiative. Funding increased again in FY 2001 with passage of a hunting and trapping license fee increase and formation of the Heritage Enhancement Account.

Wildlife Historical Funding Levels by Biennium



⇒ Expenditures from the Heritage Enhancement Account began in FY 2001 with the first appropriation authorized in Laws of 2000, Chapter 463, Section 23. Expenditures have supported sign-ups of conservation easements in the CREP program; acquisition of key WMA lands; enhanced wildlife habitat conservation on private lands; food plots; increased prescribed burning; improved brushland habitats; restored and improved wetlands and prairie grasslands; improved forest habitats; supported waterfowl habitat management in Canada, developed habitat on newly acquired WMA lands; and matched funds to continue prairie chicken restoration efforts.

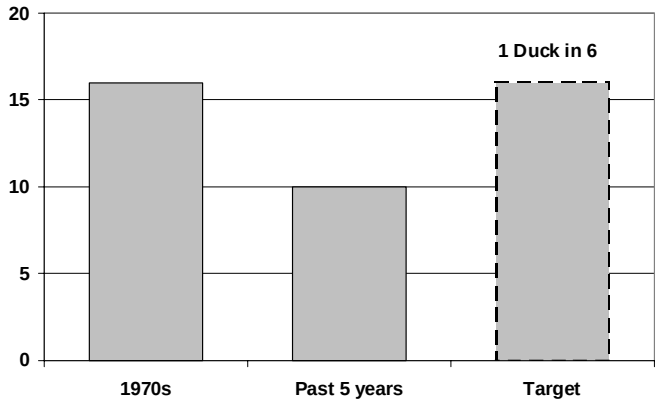


Key Measures

The Wildlife Management Program has four major goals: 1) to provide sustainable wildlife populations, 2) to provide sustainable recreational opportunities for users, 3) to effectively resolve problems or conflict caused by wildlife, and 4) to increase the public's understanding of Minnesota wildlife and habitats.

The two key measures below represent examples of the types of outcomes the Wildlife Program produces.

⇒ **Minnesota's share of the yearly Mississippi Flyway duck harvest.**



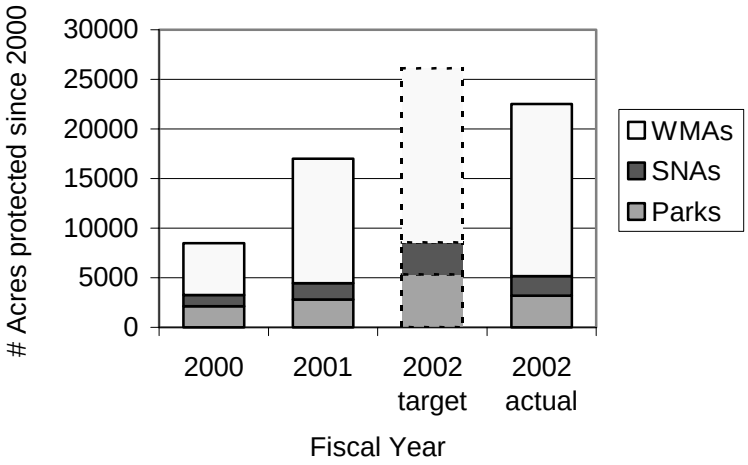
Minnesota has one of the largest populations of duck hunters in the nation. Over the past three decades, Minnesota's share of the yearly Mississippi Flyway duck harvest has decreased from 16% of the ducks annually harvested in the Mississippi Flyway to 10% of the total harvest due to fall migration habitat declines in wetlands. The Wildlife Program has focused on: 1) restoring wetland habitat complexes to increase local duck production, 2) improving management of shallow lakes by eliminating carp and managing water levels to improve the quality of fall migration habitat in wetlands, and 3) improving refuge and resting areas for waterfowl thereby reducing disturbances for fall migrating ducks.

The 2001 Minnesota duck harvest increased to approximately 10.48% of the Mississippi Flyway harvest, in part due to reduced harvest elsewhere in the Flyway. However, progress in managing wetlands and shallow lakes has been made. In FY 2001, 15,000 acres of wetlands were developed, restored or enhanced through dike and water control construction projects, aquatic vegetation removal and seeding, and removal of

undesirable fish species (carp and bullheads). 91,500 acres of wetlands were maintained through water level management efforts and dike/water control structure maintenance. Staff provided technical guidance and assessments for over 89,000 wetland acres.

Recommendations to increase the number, locations and quality of waterfowl refuges will be made following the completion of a statewide waterfowl refuge inventory which is currently underway. In addition, two additional waterfowl feeding and resting areas have been established, hunters proposed and honored a voluntary refuge area on Swan Lake, four additional lakes will be designated as wildlife management lakes in FY 2002-03, and a statutory language change will be proposed to update and meet current conditions on refuges and resting areas.

⇒ **Acres protected in State Parks, Wildlife Management Areas, and Scientific and Natural Areas.**



Healthy lands and waters are important to the high quality of life in Minnesota. Minnesota is one of the leading states for the percentage of its population that fishes, hunts or watches wildlife.

In FY 2001, 44 tracts of lands covering 7,342 acres were acquired for Wildlife Management Areas. In FY 2002, 34 tracts covering 4,909 acres were acquired.

The Wildlife Program is currently reviewing its 50 year old WMA system to create a plan for future acquisitions. In the fall of 2001, the Division surveyed hunters and other conservationists to learn how the Division could improve WMA acquisitions and obtain broader involvement in the development of recommendations for acquisition. A WMA acquisition advisory committee, comprised of major conservation groups in the state, was formed to provide recommendations for a revised acquisition plan addressing the needs for the next 50 years. The committee has been meeting since April 2002 and will complete its task in October 2002. The committee's recommendations will be incorporated into a draft acquisition plan to be presented at the annual pubic roundtable meeting of stakeholder organizations in January 2003. The WMA acquisition plan will be the framework for future WMA acquisition efforts and provide an important guide for the Wildlife program, the legislature, and Minnesota hunters, trappers, and wildlife enthusiasts that use and benefit from the WMA system. The plan is critical to addressing the many old and new issues facing WMA acquisition program and will be an integral part of the Division's strategic management plan.

Additional information is available on these and other Department of Natural Resources (DNR) goals at http://www.departmentresults.state.mn.us.

Program Funding

The Wildlife Division receives funding from many sources with the bulk of funding from the Game and Fish Fund (82%). The 2000 Legislature expanded the Game and Fish Fund by including lottery in-lieu of sales tax proceeds in a Heritage Enhancement Account and allocated a portion of this to the Wildlife Program. Other sources of funds include Special Revenue (9%), General (5%), Legislative Commission on Minnesota Resources (LCMR) (3%), and Federal (1%).

This program generates revenue from the sale of hunting licenses and from reimbursement under the Federal Aid in Wildlife Restoration Act. The United States Fish and Wildlife Service Federal Aid program manages the distribution of revenues derived from federal excise taxes on hunting equipment to state wildlife agencies through grants. These revenues are deposited in the dedicated Game and Fish Fund to support the program. In addition, the Division generates dedicated revenue from cooperative agreements, natural resource sales, sales of publications, and gifts.

Salaries comprise 53% of Wildlife's FY 2002-03 budget; 40% is allotted to non-salary costs including support costs, land acquisition, and supplies and equipment for habitat management. The FY 2002-03 grants payments are $3.5 million and include the payment in-lieu of taxes made to the counties for public hunting grounds. Under the provisions of Laws 2000, Chapter 490, the budget and responsibility for processing these payments was transferred to the Department of Revenue beginning in FY 2002. The calculation for these payments will continue to be made by the DNR Division of Lands and Minerals. Other grants include the wildlife habitat cost share agreements, research projects, LCMR projects, and Heritage Enhancement grants for WMA work.

Contact

General information on Wildlife programs can be found on the Department of Natural Resources web site http://www.dnr.state.mn.us/index.html. A wide variety of general and technical publications are also available.

Contact for additional information:

Timothy P. Bremicker, Director
Phone: (651) 296-0703
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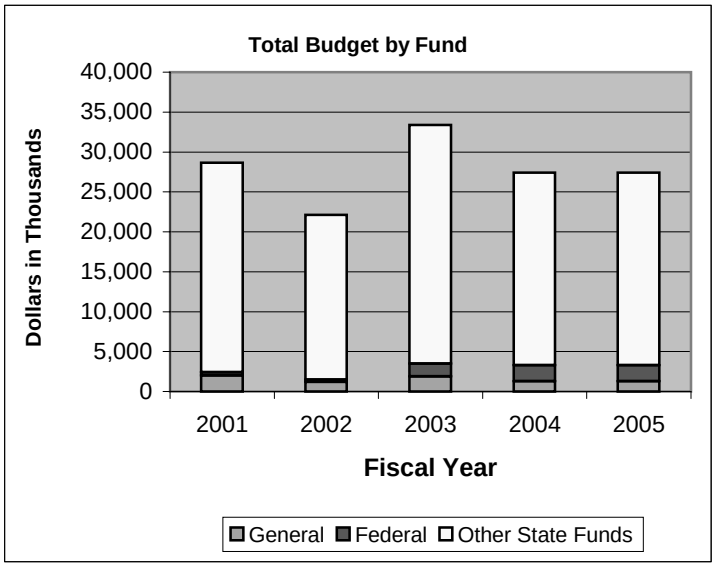
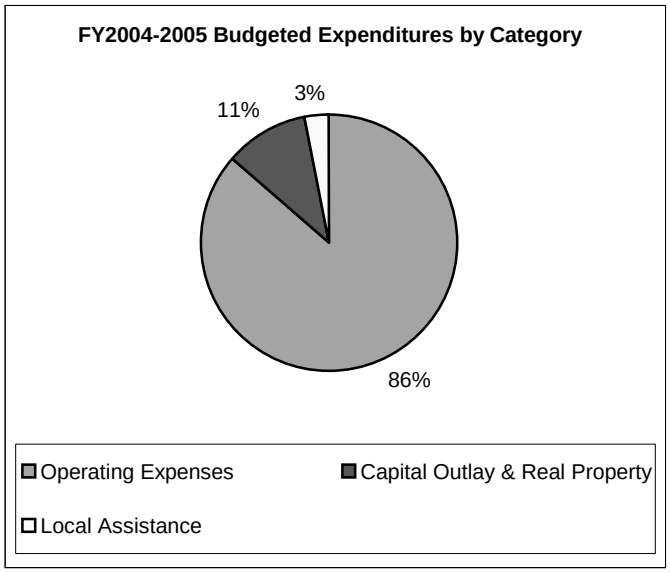
Tim.Bremicker@dnr.state.mn.us





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	810	26	1,058	467	467	934
General	1,988	1,185	1,593	1,298	1,298	2,596
Minnesota Resources	292	337	496	0	0	0
Game And Fish (Operations)	23,378	18,646	24,451	21,831	21,831	43,662
Statutory Appropriations						
General	0	0	283	0	0	0
Natural Resources	184	29	209	15	15	30
Special Revenue	258	541	992	428	428	856
Game And Fish (Operations)	24	20	741	324	336	660
Federal	430	283	1,616	1,978	1,978	3,956
Reinvest In Minnesota	1,178	745	940	851	851	1,702
Gift	110	305	1,005	220	220	440
Total	**28,652**	**22,117**	**33,384**	**27,412**	**27,424**	**54,836**
Expenditures by Category						
Operating Expenses	20,816	18,466	27,212	23,651	23,663	47,314
Capital Outlay & Real Property	6,154	1,645	3,775	2,917	2,917	5,834
Payments To Individuals	1	0	0	0	0	0
Local Assistance	1,681	2,006	2,397	844	844	1,688
Total	**28,652**	**22,117**	**33,384**	**27,412**	**27,424**	**54,836**
Expenditures by Activity						
Wildlife Management	28,652	22,117	33,384	27,412	27,424	54,836
Total	**28,652**	**22,117**	**33,384**	**27,412**	**27,424**	**54,836**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	0	2	0	0	0	0
Natural Resources	1,042	0	0	0	0	0
Game And Fish (Operations)	24,955	29,421	27,729	29,161	30,056	59,217
Subtotal Non Dedicated	25,997	29,423	27,729	29,161	30,056	59,217
Dedicated						
General	46	46	0	0	0	0
Natural Resources	5	16	15	15	15	30
Special Revenue	450	365	428	428	428	856
Game And Fish (Operations)	313	320	299	324	336	660
Federal	295	524	1,260	1,978	1,978	3,956
Reinvest In Minnesota	317	364	163	163	163	326
Gift	453	187	486	220	220	440
Subtotal Dedicated	1,879	1,822	2,651	3,128	3,140	6,268
Total Revenue	**27,876**	**31,245**	**30,380**	**32,289**	**33,196**	**65,485**
Full-Time Equivalents (FTE)	**223.2**	**229.4**	**257.2**	**267.7**	**263.7**	

Program Description

Ecological Services works to ensure that present and future citizens enjoy the benefits of healthy ecosystems. Natural resource agencies have a long tradition of managing fish and wildlife resources that have economic value for recreational hunting and fishing. In the late 1970s, however, citizens and agencies began to recognize the need to protect and manage all species (i.e., game and nongame) as well as native plants and rare natural communities, such as prairies and wetlands. In addition, they understood the importance of addressing threats to these natural systems, such as contaminants and exotic species, and the need to restore degraded systems, such as rivers and lakeshores, so that they would provide the same benefits and amenities as natural systems. The Department's Division of Ecological Services addresses these nontraditional resource issues. Over 20 different programs are concentrated in four key areas: 1) nongame and rare resources; 2) lakes and rivers; 3) ecosystem health; and 4) information integration and delivery.

Program at a Glance

- Manage 135 Scientific and Natural Areas
- Survey Minnesota counties for rare biological resources
- Maintain over 30,000 records of rare resources
- Provide 18,000 hours/yr of technical ecological assistance to local governments, private developers and other agencies
- Assist 10,000 homeowners protect native shoreland vegetation
- Help 1.6 million boaters avoid spreading exotic species
- Work with 1,000 volunteers to monitor loon populations
- Assist 80 initiatives designed to restore degraded rivers

Population Served

Ecological Services reaches out in partnership and service to a wide range of individuals and organizations. These include: active and concerned citizens, outdoor enthusiasts, local units of government, private business and nonprofit organizations, and natural resource managers.

Services Provided

Ecological Services primary mission is to collect and link ecological information to help make wise resource decisions. The division accomplishes this mission by providing five key services:

⇒ Collecting ecological data: Collecting and translating ecological information requires specialized expertise to understand how ecosystems and their component parts work. Division staff have specialized ecological expertise in Minnesota's natural communities (e.g., forests, wetlands, streams) and in the state's flora and fauna (e.g., ornithologists, botanists, and herptelogists). Small grants are provided to individuals and academic institutions to collect key information on rare resources.

⇒ Managing ecological data: The Division's emphasis on collecting ecological information means that it must place an equally important emphasis on managing data. The backbone of the system is the Natural Heritage Information System that includes over 20 databases that store data on rare features (e.g., state-listed plants and animals and native plant communities).

⇒ Delivering ecological data to decision makers and educators: It is important to deliver effective ecological data to resources users so that it becomes an important component in decision-making efforts of landowners, business leaders, resource agencies, and local public officials. Several division programs are focused on data delivery and interpretation.

⇒ Restoring and preserving natural communities: Key functions include acquisition and management of a statewide system of natural areas, management to minimize the impact of exotic species, and river restoration. Small grants to local units of government help them manage and control the impacts of aquatic exotic species on public waters.

⇒ Regulating activities that impact native species and natural systems: Program staff manage permit programs designed to manage and protect aquatic plants, control exotic species, protect endangered species and provide for the safe operation of aeration systems.

Historical Perspective

The history of the Division of Ecological Services reflects the growing interest of Minnesota's citizens to address a broader range of natural resource issues. For nearly 40 years the unit provided technical assistance to the department's traditional resource programs in fisheries and wildlife. In the 1980s, however, a series of program changes and additions gave shape to a newly expanded division with authorities in a variety of non-traditional resource areas, including exotic species, endangered species, wetland mitigation, nongame wildlife, scientific and natural areas, native plants and plant communities, and restoration of degraded grassland and stream habitats.

One of the most significant trends embraced by the Division is the continuing emergence of wildlife watchers as significant outdoor recreation participants. The number of Minnesota citizens participating in bird watching, wildlife tourism, bird feeding and wildlife photography increased from 1.3 million in 1996 to 1.9 million in 2001 – an increase of 53% in five years (U.S. Fish and Wildlife Service, 2002). The amount of money spent by these people in search of bald eagles, loons and peregrine falcons in the wild, as well as cardinals at their bird feeders, increased from $383.2 million in 1996 to $523.5 million in 2001 – an increase of 36.6% in five years. This is the first time in the survey's history that the annual expenditures for wildlife watching activities exceeded the annual expenditures for hunting activities in Minnesota.

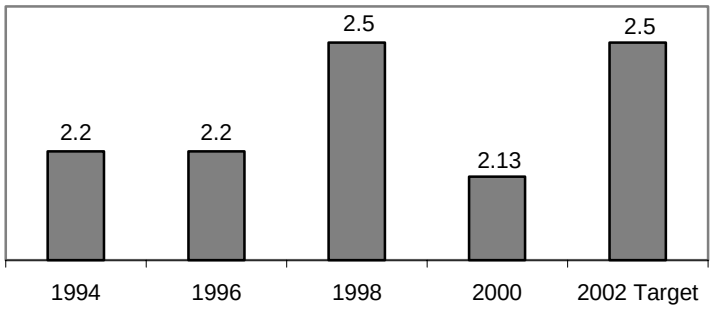
Coupled with this significant trend is a growing interest by local units of government to protect open space and natural areas and to restore degraded sites. Increasingly local communities are utilizing ecological data provided by the Division to launch local protection initiatives, such as Dakota County's Farmland and Natural Areas Protection Plan, the St. Cloud Environmentally Sensitive Areas Ordinance and protection of the Sandhill Crane Natural Area in Anoka County. The same trend has guided local governments' interest in initiating stream restoration and protection efforts throughout the state.

Key Measures

Ten of the key indicators for the Department of Natural Resources are direct outcomes of work conducted in the Division of Ecological Services. Two of these indicators are highlighted below.

⇒ Loon Abundance: Minnesota is summer home to approximately 12,000 adult loons. To assess the stability of loon populations over time, the DNR's Loon Monitoring program relies on nearly 1,000 volunteers to collect data on six 100-lake 'index areas.' The target of 2.5 adult loons per 100 acres in north-central Minnesota aims to maintain stable loon populations in the face of growing pressure.

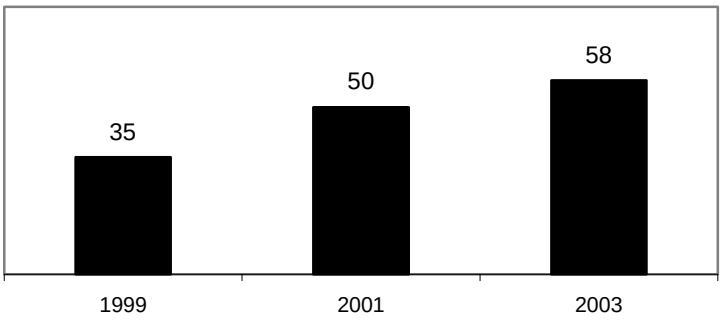
Loon Abundance in North-central Minnesota Lakes (adults/100 acres)



⇒ Counties with a completed Minnesota County Biological Survey: The Minnesota County Biological Survey (MCBS) is a systematic examination of the state's rare biological features. The survey has already identified 12,781 locations of rare features and documented four species of native plants and two species of amphibians not previously recorded in Minnesota. Many natural areas are at risk from urban development and other pressures. Losing these sites not only diminishes unique biological features, it may diminish water

quality and reduce outdoor recreation opportunities. MCBS inventories are completed in 50 counties and underway in 12 others. The target is to complete 58 counties by 2003.

Counties With a Completed County Biological Survey

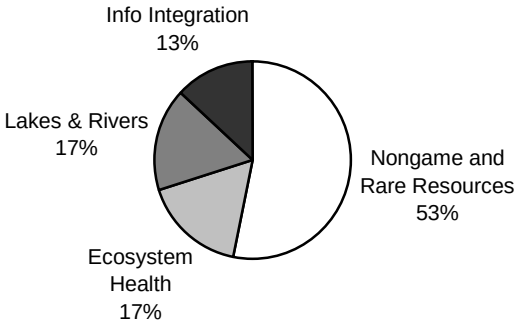


Program Funding

This program generates revenue from aquatic plant permits and from reimbursement under the Federal Aid to Sport Fish Restoration Program. These revenues are deposited in the dedicated Game and Fish Fund to support the program. The Heritage Enhancement Account and Wildlife Restoration Program, a sub-account of the Game and Fish Fund that was authorized by the 2000 Legislation, is funded from a percentage of lottery revenues in-lieu of sales tax. In addition, Ecological Services generates dedicated revenue from cooperative agreements, sales of publications, and gifts.

The operating budget for FY2002-03 includes the following sources of funds: Game and Fish (30%), General (32%), Natural Resources (18%), Legislative Commission on Minnesota Resources (LCMR) (8%), Federal (7%), and Special Revenue (5%). Total program funding in FY 2002-03 is $23.5 million.

FY02-03 Allotments by Program Area



Contact

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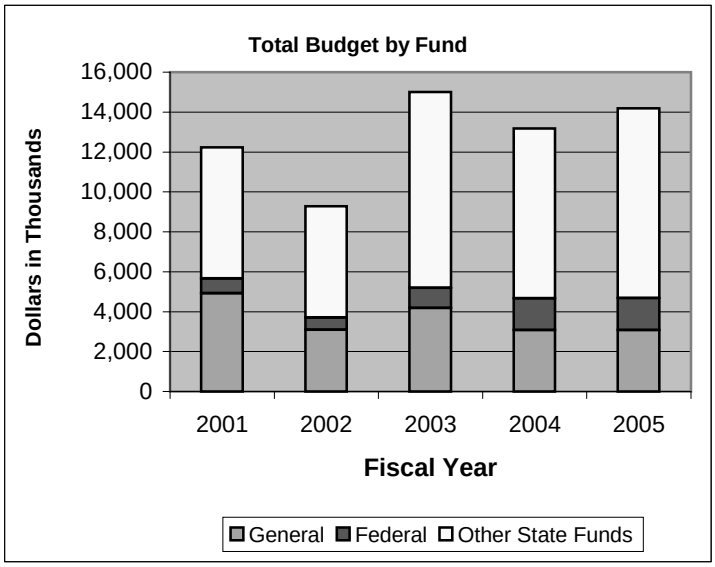
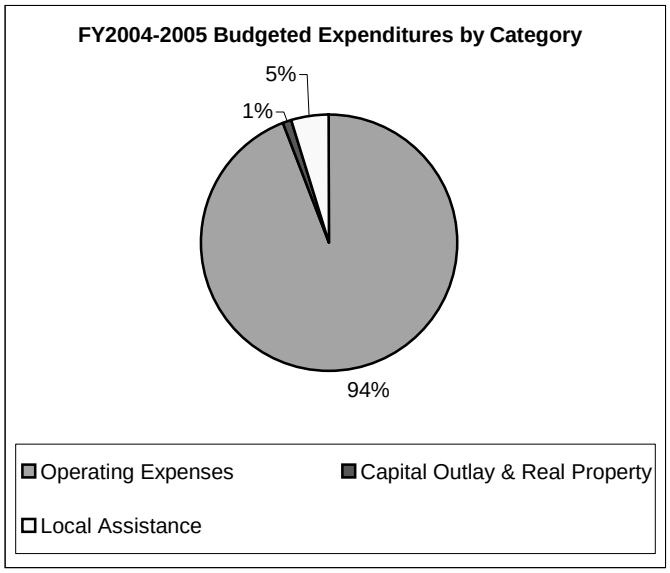
General information about the division and its diverse program services is available on the DNR web site (http://www.dnr.state.mn.us/ecological_services/index.html). In addition, annual reports are available that summarize the division's expenditures from the Game and Fish Fund and activities with the Aquatic Plant Management Program and Exotic Species Program. These can be obtained by calling (651) 296-2835.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	1,748	742	1,228	1,423	1,423	2,846
General	4,927	3,090	4,183	3,086	3,086	6,172
Natural Resources	2,082	1,837	2,334	2,572	2,632	5,204
Game And Fish (Operations)	2,683	2,571	4,389	3,101	3,140	6,241
Open Appropriations						
Natural Resources	4	4	5	5	5	10
Statutory Appropriations						
Natural Resources	42	2	221	60	60	120
Special Revenue	22	408	646	214	214	428
Federal	726	617	1,016	1,581	1,601	3,182
Environmental	0	0	696	1,110	1,989	3,099
Reinvest In Minnesota	0	1	23	0	0	0
Gift	3	17	267	31	31	62
Total	**12,237**	**9,289**	**15,008**	**13,183**	**14,181**	**27,364**

Expenditures by Category						
Operating Expenses	10,673	8,854	13,933	12,384	13,378	25,762
Capital Outlay & Real Property	337	156	811	148	148	296
Payments To Individuals	53	42	0	0	0	0
Local Assistance	1,174	237	264	651	655	1,306
Total	**12,237**	**9,289**	**15,008**	**13,183**	**14,181**	**27,364**

Expenditures by Activity						
Ecological Services	12,237	9,289	15,008	13,183	14,181	27,364
Total	**12,237**	**9,289**	**15,008**	**13,183**	**14,181**	**27,364**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
Environment & Natural Resource	0	1	0	0	0	0
Natural Resources	0	1,138	1,018	1,118	1,118	2,236
Game And Fish (Operations)	183	134	125	518	518	1,036
Subtotal Non Dedicated	183	1,273	1,143	1,636	1,636	3,272
Dedicated						
Natural Resources	37	60	60	60	60	120
Special Revenue	167	178	214	214	214	428
Federal	1,009	503	587	1,581	1,601	3,182
Gift	1	32	80	31	31	62
Subtotal Dedicated	1,214	773	941	1,886	1,906	3,792
Total Revenue	**1,397**	**2,046**	**2,084**	**3,522**	**3,542**	**7,064**
Full-Time Equivalents (FTE)	**127.1**	**114.9**	**117.8**	**121.5**	**122.9**	

Program Description

The Enforcement Division is responsible for ensuring public safety and compliance with state game and fish, recreational vehicle, and natural resource commercial operation laws. Major responsibilities include law enforcement, public safety, and education in:

- hunting and fishing seasons, methods of taking animals and fish, bag and possession limits;
- public safety, especially where it concerns alcohol use while hunting or operating recreational vehicle and watercraft;
- commercial use and possession of natural resources and products;
- the protection of the state's land, air, and water; and
- youth and adult safety training and hunter education classes.

Program at a Glance

The Enforcement Division protects the state's natural resources. There is a direct link between natural resources and the state's quality of life, in addition to tourism and the state's economy. Some FY 2002 Enforcement highlights:

- 50,000+ citizens attended the division's education/safety classes.
- 22,903 violations were cited.
- Estimated 343,000 law enforcement field contacts were made.
- Estimated 400 commercial inspections were conducted
- The Division administered $1.215 million in grants to local law enforcement agencies, and private/public gun ranges.

Population Served

The division serves all of the citizens in safeguarding the public safety through its education and enforcement efforts with approximately 826,000 registered boaters, 860,000 licensed hunters, 1.2 million licensed anglers, 155,000 registered recreational vehicles, 287,000 registered snowmobiles, 2,000 licensed/registered commercial operations, and countless other citizens and visitors using the state's abundant natural resource recreational opportunities.

Services Provided

The Enforcement Division provides services to the state through use of community assigned conservation officers, and specially trained officers assigned for support. Services are provided through:

- 149 conservation officers assigned to specific community field stations;
- Three ELCOP, Asian liaison officers geographically assigned and available for officer support;
- Special Investigation Unit (SIU) undercover work targeting commercial operations;
- Department Aviation Unit, used by all divisions for operations support;
- Wetland Enforcement Officers (WEO), specially trained in state and federal wetland issues;
- Training and Standards Unit, concentrating on officer training, professionalism, and safety;
- Information and Education section, administering mandated safety training and education programs; and
- Administrative support and operations section.

Historical Perspective

Natural resource commercial and recreational use has increased many-fold in the last 55 years, but the Enforcement Division has maintained approximately the same number of officer positions that it had in 1940. In addition to the exponential increase in the number of traditional hunters and anglers, the state has new user groups. In 2001, there were 440,000 registered motorized recreational land vehicles and 826,000 boats. Under the current FY 2003 funding base restrictions, the division will leave approximately 23 field stations and six other conservation officer support positions vacant, leaving large portions of the state without protection. Facts show that the number of officers needed to protect the state's natural resources and public safety has dramatically increased, yet at a time when the natural resources and the public safety is faced with an increased threat of harm, the division is losing the ability to protect the state's resources and citizens.

Key Measures

Pro-active law enforcement efforts will become more focused upon protection of the habitat (forests, waters, and prairies) in lieu of the traditional game and fish poaching abatement patrol. Enforcement work in game and fish will be mostly limited to reactive enforcement. Efforts will be made to preserve the environmental infrastructure so

that when adequate fish and game protection efforts are funded, the environment has the capacity to replenish and restore populations.

Game and Fish Protection Measure: The rate of compliance to the natural resource laws is difficult to measure. Roadside wildlife possession inspections have consistently found that the compliance rate of the recreating public is approximately 75%. Although the division will continue to use the media in influencing citizens to increase voluntary compliance and report more violations, with the anticipated drastic decrease in enforcement activity the violation rate is expected to increase, having a negative impact upon the resources. We anticipate we will see an increase in hunting deaths to .25 deaths/100,000 licenses, an increase over the current average of 0.21 (860,000 licenses sold).

Recreational vehicle law enforcement: Efforts will be reduced, and it can be predicted that property damage, accidents, injuries, and deaths associated with off-road vehicle use, snowmobiles, and boats will increase. Our best efforts will be made to limit the increases to the following:

⇒ Boating deaths: 2.40 boating deaths per 100,000 registrations (826,000 registrations). 1996 - 2001 = 2.09 snowmobile deaths: 10/100,000 registrations, an increase over the current average of 7.9 (287,000 registrations); ATV deaths: 14/100,000 registrations, an increase over the current average of 12.1 (151,000 registrations).

Safety Education: Retain 3,200 volunteer instructors. This number is a decrease over the current complement of 4,000. Reductions in staff within the education program will limit the ability to offer as many opportunities to youth and adults for convenient locations of safety classes as before, but at least 1,250 classes will still be offered.

Program Funding

The Enforcement Division has a complex funding mechanism. The operating budget for FY 2002-03 is comprised of the following sources of funds: Game and Fish (61%), General (13%), Water Recreation (11%), Heritage Enhancement (6%), Snowmobile (6%), and OHM/ORV/ATV (3%).

Contact

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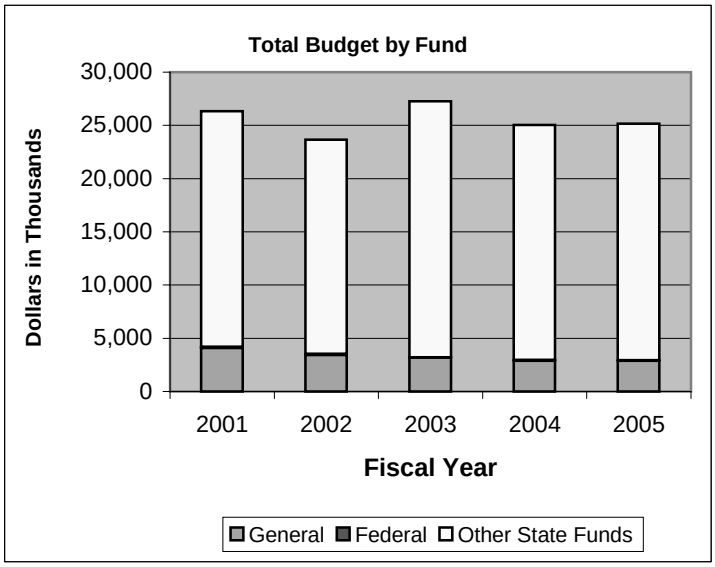
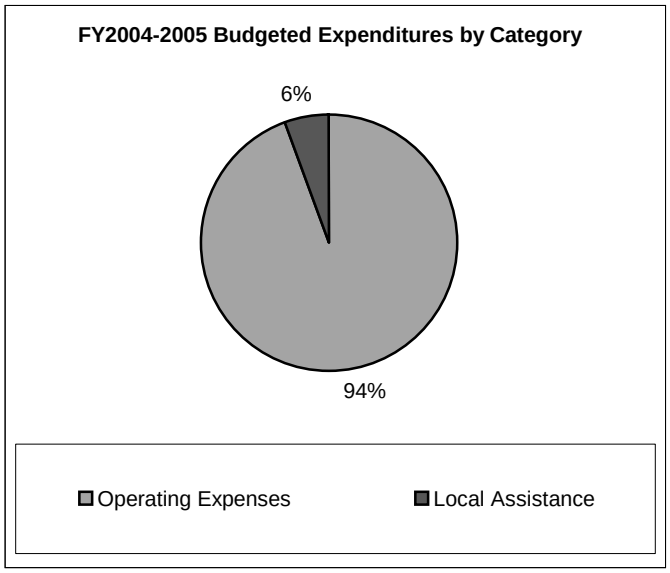




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,075	3,431	3,176	2,878	2,878	5,756
Minnesota Resources	97	485	425	0	0	0
Natural Resources	4,721	4,264	5,614	5,361	5,361	10,722
Game And Fish (Operations)	16,214	15,202	17,450	16,398	16,513	32,911
Solid Waste	100	100	100	100	100	200
Statutory Appropriations						
Natural Resources	91	30	125	73	73	146
Special Revenue	14	12	34	15	15	30
Game And Fish (Operations)	174	35	291	165	165	330
Federal	91	91	18	60	50	110
Miscellaneous Agency	747	0	0	0	0	0
Gift	0	2	45	4	4	8
Total	**26,324**	**23,652**	**27,278**	**25,054**	**25,159**	**50,213**
Expenditures by Category						
Operating Expenses	23,981	21,745	25,459	23,657	23,762	47,419
Capital Outlay & Real Property	15	0	0	0	0	0
Local Assistance	1,566	1,891	1,819	1,397	1,397	2,794
Other Financial Transactions	762	16	0	0	0	0
Total	**26,324**	**23,652**	**27,278**	**25,054**	**25,159**	**50,213**
Expenditures by Activity						
Enforcement-Nr Laws&Rules	26,324	23,652	27,278	25,054	25,159	50,213
Total	**26,324**	**23,652**	**27,278**	**25,054**	**25,159**	**50,213**

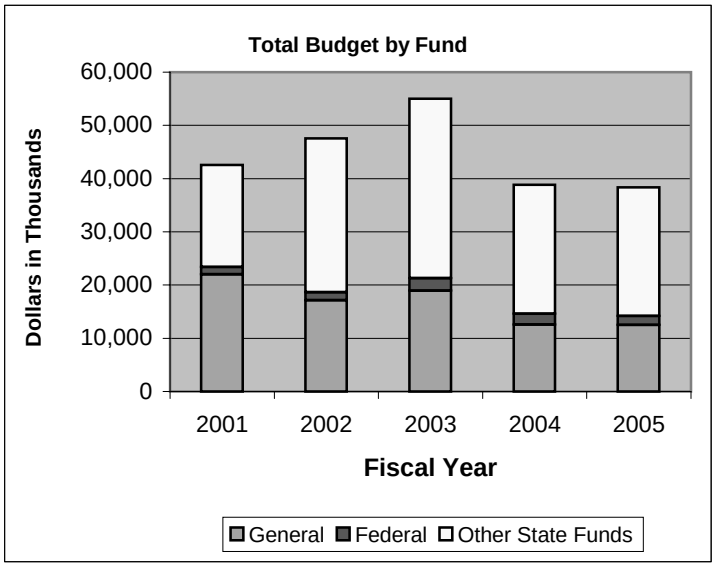
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
Natural Resources	122	84	108	108	108	216
Game And Fish (Operations)	545	246	262	262	262	524
Subtotal Non Dedicated	667	330	370	370	370	740
Dedicated						
Natural Resources	95	82	73	73	73	146
Special Revenue	12	15	15	15	15	30
Game And Fish (Operations)	174	161	165	165	165	330
Federal	91	91	18	60	50	110
Miscellaneous Agency	747	0	0	0	0	0
Gift	2	30	4	4	4	8
Subtotal Dedicated	1,121	379	275	317	307	624
Total Revenue	**1,788**	**709**	**645**	**687**	**677**	**1,364**
Full-Time Equivalents (FTE)	**237.4**	**240.1**	**241.9**	**241.3**	**242.8**	

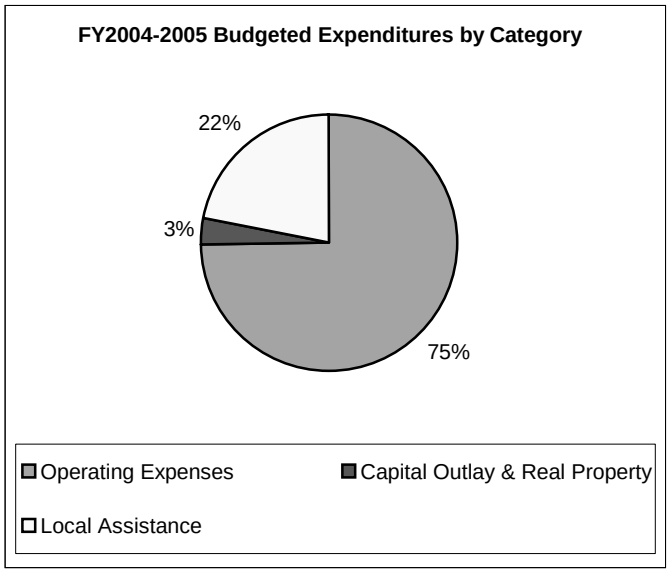
Program Description

The purpose of the Operations Support Program is to provide administrative support to all other Department of Natural Resources (DNR) programs; direct services to the general public; technical assistance to local communities, stakeholders, and elected officials to enhance resource management and protection at the local level; financial assistance to local governments and private organizations to build recreational facilities, and to protect and enhance natural areas; and to provide hands-on natural resource stewardship and meaningful service-learning experience to youth and young adults offered through the Youth Program-Minnesota Conservation Corps (MCC).

Budget Activities Included:

⇒ Facilities and Operations Support
⇒ Regional Operations Support
⇒ Administrative Management
⇒ Recreation and Local Grants Initiative
⇒ Youth Programs





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	1,763	9,272	12,057	8,193	8,193	16,386
General	21,945	17,017	18,750	12,426	12,426	24,852
Minnesota Resources	146	3,834	2,153	0	0	0
Natural Resources	4,504	3,963	4,787	4,010	4,010	8,020
Game And Fish (Operations)	8,768	7,509	8,586	8,087	8,098	16,185
Statutory Appropriations						
General	37	90	205	120	100	220
Natural Resources	0	311	386	367	367	734
Special Revenue	1,146	1,257	1,558	601	601	1,202
Game And Fish (Operations)	2,097	2,071	2,138	2,135	2,135	4,270
Federal	1,396	1,537	2,319	2,082	1,651	3,733
Miscellaneous Agency	121	95	100	28	15	43
Gift	629	608	1,982	759	759	1,518
Total	**42,552**	**47,564**	**55,021**	**38,808**	**38,355**	**77,163**

Expenditures by Category						
Operating Expenses	38,470	33,075	38,790	29,014	28,572	57,586
Capital Outlay & Real Property	1,368	617	1,376	1,268	1,257	2,525
Payments To Individuals	158	97	48	0	0	0
Local Assistance	2,533	13,733	14,764	8,491	8,491	16,982
Other Financial Transactions	23	42	43	35	35	70
Total	**42,552**	**47,564**	**55,021**	**38,808**	**38,355**	**77,163**

Expenditures by Activity						
Facilities & Operation Support	10,938	6,667	8,639	6,717	6,711	13,428
Regional Operations Support	4,956	4,786	6,839	3,034	2,606	5,640
Administrative Management	21,632	20,173	25,629	22,971	22,982	45,953
Rec & Local Grants Initiative	1,735	13,046	11,379	6,041	6,041	12,082
Youth Programs	3,291	2,892	2,535	45	15	60
Total	**42,552**	**47,564**	**55,021**	**38,808**	**38,355**	**77,163**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
Environment & Natural Resource	6	0	0	0	0	0
General	129	625	479	479	479	958
Natural Resources	6,241	5,664	5,460	5,855	5,755	11,610
Game And Fish (Operations)	38	29	21	21	21	42
Subtotal Non Dedicated	6,414	6,318	5,960	6,355	6,255	12,610
Dedicated						
General	40	185	153	108	100	208
Minnesota Resources	0	1,363	2,215	2,039	1,720	3,759
Natural Resources	0	330	367	367	367	734
Special Revenue	1,284	1,262	807	557	557	1,114
Game And Fish (Operations)	2,161	2,178	2,135	2,135	2,135	4,270
Federal	2,248	1,842	3,194	3,002	2,696	5,698
Miscellaneous Agency	150	110	25	20	20	40
Gift	789	778	761	759	759	1,518
Subtotal Dedicated	6,672	8,048	9,657	8,987	8,354	17,341
Total Revenue	**13,086**	**14,366**	**15,617**	**15,342**	**14,609**	**29,951**
Full-Time Equivalents (FTE)	**496.7**	**433.1**	**377.3**	**287.6**	**287.5**	

Activity Description

The Facilities and Operations Support (FOS) Bureau provides leadership, and special expertise in the management of key capital assets and safety for Department of Natural Resources (DNR) staff so that natural resource management programs are supported by suitable, safe equipment and appropriately housed in well-maintained facilities.

Facilities and Operations Support address problems that arise as department staff conduct work and require facilities, equipment, and materials. Specifically we plan, design, specify, procure, construct, maintain and dispose of facilities, materials and equipment.

The work of the Facilities and Operations Support Bureau is guided by M.S. Chapter 16 (Capital Budget and Asset Management), Chapter 84 (Fleet Management), Chapter 115 (Resource Conservation), Chapter 116 (Environmental Policy), Chapter 216 (Energy Conservation), Chapter 326 (Public Facilities), and Chapter 363 (Accessibility to Public Programs and Facilities).

Activity at a Glance

- Facility Design, Construction and Maintenance 2,440 buildings; 1,000 miles of trails; 500 bridges; 500 miles of road; 1,500 water access sites; 240 DNR staff work sites; 50 major construction projects per year; 120 maintenance projects per year.
- Fleet and Equipment Management 20 million miles driven; 2,500 major fleet equipment items; 2,200 radios; $15 million in annual expenditures for replacement, repairs, maintenance, and fuel.
- Purchasing and Materials Management $33 million in purchased goods and services; 19,000 fixed assets worth $101 million; surplus property sales of $1.3 million annually; $600,000 annually in sales of warehouse goods, signs, and uniforms.
- Safety and Health 3,000+ employees; 200+ injuries annually; $1.2 million in workers compensation costs

Population Served

DNR – All divisions and bureaus that require employee safety programming and capital assets for transportation and housing of their operations.

External Clients – The Bureau is the principle contact with the vendor community who provides goods and services to the DNR. Car and truck dealers, design firms, construction contractors, a variety of material vendors all depend on the bureau to provide clear, understandable, biddable documents and sound contracts under which business is conducted.

Services Provided

⇒ **Facility Design, Construction and Maintenance:** Provide design expertise, construction management and repair services for all DNR facilities, which includes building, trails, bridges, roads, water access sites, and sanitation and sewer systems. Landscape architects, engineers, architects, and facilities management staff help the DNR divisions evaluate conditions, prioritize development needs, and design, build, and maintain DNR infrastructures so that citizens have sustainable, well-positioned and long-lasting structures that support access to and use of Minnesota's natural resources.

⇒ **Fleet and Equipment Management:** Manage a department-wide fleet program that links financial responsibility with physical ownership of equipment. FOS assists resource management staff in the selection and purchase of appropriate equipment and provides access to maintenance services. Data is analyzed so that the department has an accurate inventory of equipment and record of use.

⇒ **Purchasing and Materials Management:** Help purchase and supply goods to DNR staff that are needed to operate programs efficiently and effectively. FOS experts research products, development specifications, execute contracts with suppliers, warehouse and distribute supplies, and produce signage. FOS staff establishes and operates recycling programs within the DNR, maintain fixed asset inventory, and ensure surplus property and out-dated equipment disposal is handled appropriately to optimize value.

⇒ **Safety and Health**: The DNR safety and health program is designed to help foster a healthy attitude among its employees and to create a safer and healthier work environment. FOS safety and equipment experts provide training and support in the safe operation of equipment and work activity.

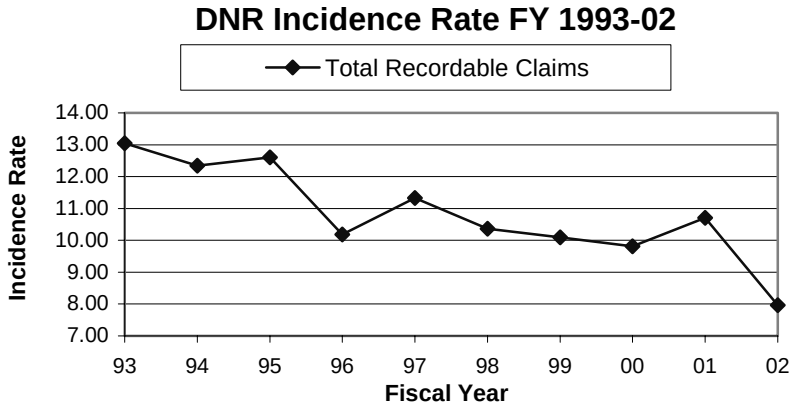
Historical Perspective

Facilities and Operations Support is a new budget activity. Former work units called Field Services, Engineering and the Minnesota Conservation Corps were merged. The work unit was developed recognizing that a number of key business activities are more efficiently managed in a centralized, or more concentrated configuration to provide efficiencies in the provision of capital assets and safety programming to the workers of the DNR.

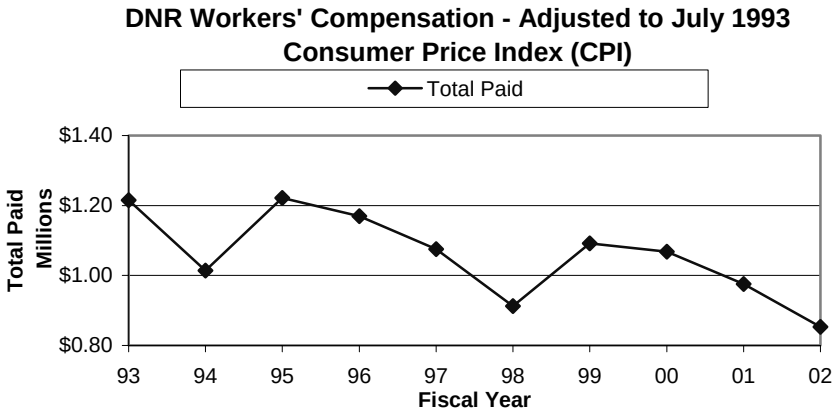
Key Measures

Safety and Health Performance Indicators - Incidence Rate and Workers Compensation Costs

Incidence Rate is used as an indicator for safety performance. The total recordable incidence rate is the number of Occupational Health and Safety Administration (OSHA) recordable injuries and illnesses per 200,000 hours worked. The DNR Incidence Rate has dropped 39% in the last ten years and 19% in the last three years. The goal is to continue to reduce job related injuries illnesses to DNR employees through a strong department commitment to employee safety management. The future goal will be to reduce the total injuries or illnesses in the DNR so that the recordable claims incidence rate is at or below the private sector total incidence rate published by the Bureau of Labor Statistics (BLS). BLS total incidence rate for the private sector is 6.1.



Workers' compensation is the direct cost of work related injuries and illnesses to the DNR. The costs include medical treatment, wage replacement, disability costs, claims and medical management and legal fees. This performance measure shows DNR progress in preventing accidents and reducing claims; this is important not only for worker health and safety, but also for fiscal responsibility. DNR workers' compensation costs adjusted for 1993 consumer price index dropped 29% over the last ten years and 20% over the last three years. The goal will be to reduce the ten-year Consumer Price Index (CPI) adjusted workers' compensation costs by at least 20%.



Activity Funding

Direct appropriations provide 94% of the funding for this budget activity with the remaining 6% from dedicated revenues and federal funds. The source of funds for the direct appropriations includes the General Fund (64%), Natural Resources Fund (5%), and the Game and Fish Fund (31%).

Contact

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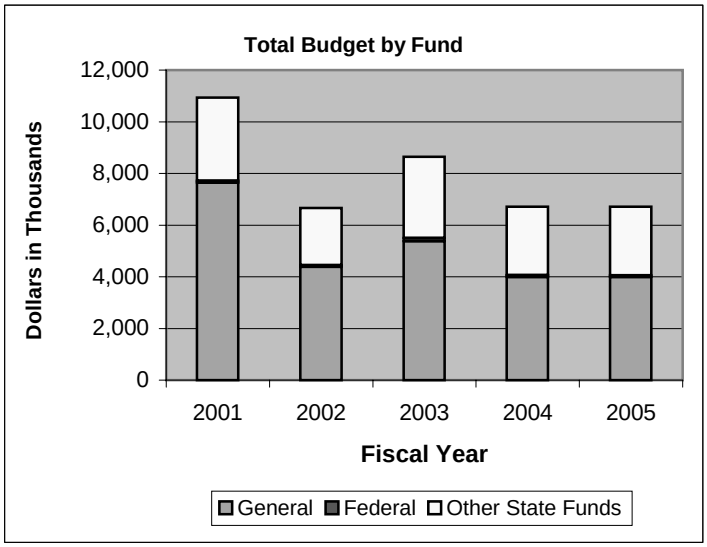
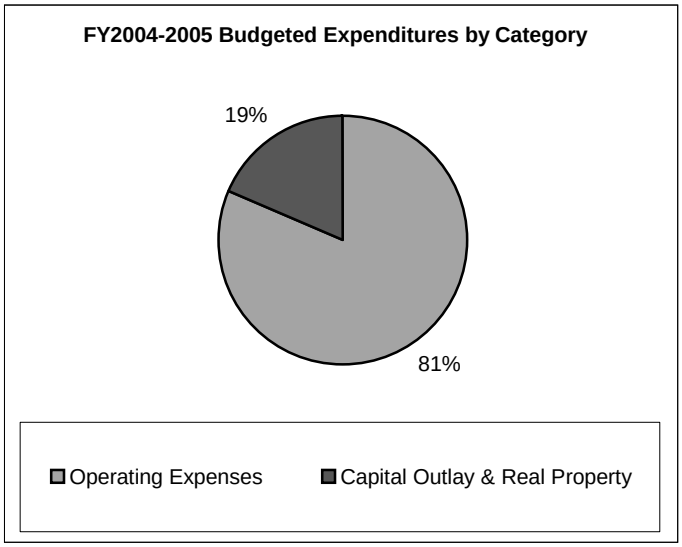
NATURAL RESOURCES DEPT
Program: OPERATIONS SUPPORT
Activity: FACILITIES & OPERATION SUPPORT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	7,642	4,380	5,373	3,982	3,982	7,964
Natural Resources	340	116	567	345	345	690
Game And Fish (Operations)	2,739	1,971	2,378	2,144	2,144	4,288
Statutory Appropriations						
Special Revenue	114	115	186	108	108	216
Game And Fish (Operations)	31	13	13	60	60	120
Federal	72	72	122	78	72	150
Total	**10,938**	**6,667**	**8,639**	**6,717**	**6,711**	**13,428**
Expenditures by Category						
Operating Expenses	9,811	6,325	7,387	5,473	5,467	10,940
Capital Outlay & Real Property	1,126	342	1,252	1,244	1,244	2,488
Local Assistance	1	0	0	0	0	0
Total	**10,938**	**6,667**	**8,639**	**6,717**	**6,711**	**13,428**
Revenue by Type and Fund						
Non Dedicated						
General	2	2	1	1	1	2
Subtotal Non Dedicated	2	2	1	1	1	2
Dedicated						
Special Revenue	113	125	103	103	103	206
Game And Fish (Operations)	80	59	60	60	60	120
Federal	0	0	50	6	0	6
Subtotal Dedicated	193	184	213	169	163	332
Total Revenue	**195**	**186**	**214**	**170**	**164**	**334**
Full-Time Equivalents (FTE)	**104.4**	**72.0**	**84.4**	**63.9**	**63.9**	

Activity Description

Regional Operations, with offices located in Bemidji, Grand Rapids, New Ulm, and Saint Paul enhances the effectiveness of natural resources management by:

- working with discipline staff to ensure the integrated design and delivery of agency programs in the region.
- providing the leadership, direction and support for the department to build, enhance, and maintain relationships with communities at the regional and area level.
- providing critical links to the public and stakeholders by producing and disseminating information through news releases, radio programs, reports, brochures, newsletters, and public meetings.

Activity at a Glance

- Administers over $2 million in natural resource management and planning grants provided to local communities.
- Habitat protected through acquisition, easements or ordinances.
- Projects providing direct technical and financial assistance to local communities.

In each of the four regions, this work is provided by a regional director, a regional planner, a regional public affairs officer, administrative support staff, and community assistance staff (Metro Greenways, Metro Trout Streams, Big Woods Landscape, Oak Savanna Landscape, and Red River and Blue Earth River Watershed).

Partnerships with local governments, stakeholder groups, and other state agencies is one of the agency's key strategies for meeting this goal. Additionally, Department of Natural Resources (DNR) emphasizes a system approach that seeks to coordinate and integrate the scope of its management efforts. Regional Operations plays an important role both in building partnerships and in ensuring the coordinated delivery of program services at the local level.

Population Served

Regional Operations provides a critical connection for the department to local communities, elected officials, citizens and stakeholders. Regional Operations also plays an important role in connecting field staff with the central office.

Services Provided

Coordination of Natural Resource Management Programs: Working with program managers, Regional Operations is charged with holding discipline staff accountable to work together on common issues at the local level. Integrated resource management is not an "add on" activity but a core activity that ensures that the department is unified in its response and is effectively and appropriately managing and protecting the state's natural resources.

Technical Assistance: Community Assistance staff provides technical assistance to local communities, stakeholders, and elected officials with the goal of enhancing resource management and protection at the local level. Some examples of the types of assistance provided include: the development of a student trout stream monitoring program in the metro area, workshops, assistance on local ordinances designed to protect high priority natural areas and open spaces.

Financial Assistance: Regional Planners administer the Conservation Partners, Environmental Partnerships, Natural Areas, and Metro Greenways Legislative Commission on Minnesota Resources (LCMR) grants, and the Community Assistance and Metro Greenways Planning grants. Over $2 million in grants provided to approximately 65 grantees are administered over the biennium.

Information and Education: Regional Public Affairs Officers provide press releases on local and regional issues, serve as the media contact for regional newspapers and radio stations, provide professional communications services for DNR employees, facilitate department public meetings, and coordinate the departments participate in education and community events (county fairs, sports shows, farm shows, association meetings, etc.).

Emergency Response: Regional Operations is responsible for coordinating the delivery of department assistance to local communities in the event of a non-fire emergency. Some examples of the types of assistance provided include: pumps and other equipment, labor for sandbagging and tree removal, and financial assistance.

Historical Perspective

Ongoing inflation and budget reductions have limited the services provided through the Regional Operations budget activity. Ongoing budget shortfalls were compounded with base budget reductions of $322,000 and a one-time reduction of $126,000 in FY 2003 reducing the overall operating budget of the activity by 20%.

Business office services including payroll and human services and financial services were reassigned to the Human Resources Bureau and the Office of Management and Budget Services in FY 2003.

Key Measures

Integrated resource management is one of the core department functions provided through Regional Operations. Strategies of coordination, technical and financial assistance, and information and education ultimately aim to produce healthy natural resources, such as lakes, rivers and streams, fields and prairies. Regional Operations strategies also aim to produce high citizen satisfaction with recreation opportunities and commercial uses of natural resources.

Regional Operations relies on performance measures to measure the success of collective strategies that have been implemented across department programs, and are beyond the responsibility of any one discipline. Just a few such integrated measures are:

⇒ Acres of high-quality prairie protected and maintained. This measures the success of community assistance programs that promote land protection, conservation easements, and restorations on one of Minnesota's rarest natural lands. Currently there are about 150,000 acres of remaining prairie in Minnesota, is less than 1% of presettlement native prairie.

⇒ Miles of natural shoreline. This measures the success of collective strategies to sustain vegetated shorelines that promote healthy waters and wildlife habitat. This is especially important because Minnesota's lakeshore development is proceeding at a rapid pace. This indicator is not being systematically collected; however, it is an important measure of many aspects of DNR's work and will be a priority for future data collection efforts.

⇒ Miles of trout streams protected and/or restored. This measures DNR's progress in providing community assistance to sustain high quality trout stream resources. DNR will be using this measure to chart progress in protecting trout streams in the metro area. Data for some of these measures are in progress but are not complete. Decisions on how to effectively collect and report on this data will be determined in FY 2004.

Data for some of these measures are in progress but are not complete. Decisions on how to effectively collect and report on this data will be determined in FY 2004.

Activity Funding

FY 2002-03 direct omnibus appropriations provide 65% of the funding for this budget activity with the remaining 29% from the Environment and Natural Resources Fund (LCMR recommended projects), and six percent from dedicated revenues and federal funds. The source of funds for the direct omnibus appropriations include the General Fund (73%), Natural Resources Fund (6%), and the Game and Fish Fund (21%).

Contact

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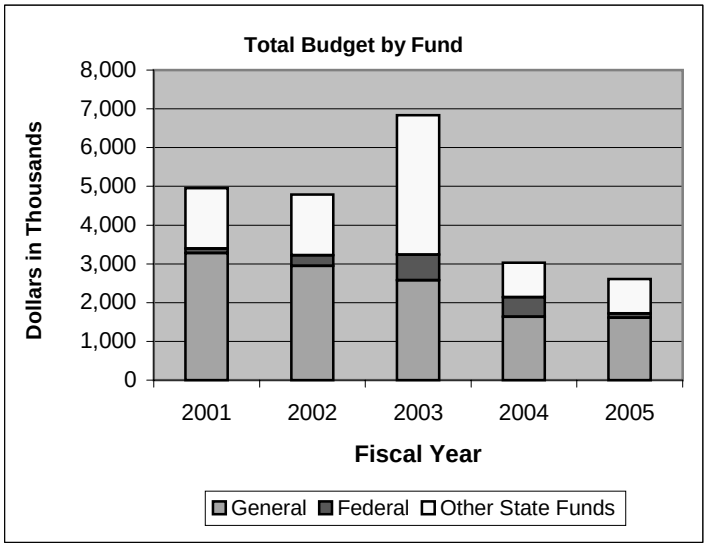
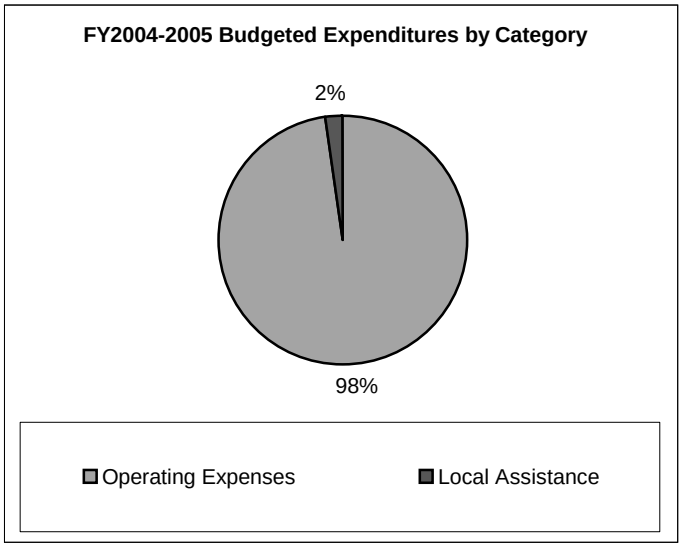
NATURAL RESOURCES DEPT
Program: OPERATIONS SUPPORT
Activity: REGIONAL OPERATIONS SUPPORT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	194	332	2,855	233	233	466
General	3,244	2,855	2,374	1,514	1,514	3,028
Natural Resources	248	253	177	155	155	310
Game And Fish (Operations)	1,005	944	523	467	467	934
Statutory Appropriations						
General	37	90	205	120	100	220
Special Revenue	113	20	29	22	22	44
Federal	113	278	660	508	100	608
Gift	2	14	16	15	15	30
Total	**4,956**	**4,786**	**6,839**	**3,034**	**2,606**	**5,640**
Expenditures by Category						
Operating Expenses	4,265	4,108	3,606	2,950	2,533	5,483
Capital Outlay & Real Property	242	275	124	24	13	37
Local Assistance	449	403	3,109	60	60	120
Total	**4,956**	**4,786**	**6,839**	**3,034**	**2,606**	**5,640**
Revenue by Type and Fund						
Non Dedicated						
General	0	2	2	2	2	4
Subtotal Non Dedicated	0	2	2	2	2	4
Dedicated						
General	40	185	153	108	100	208
Special Revenue	26	17	22	22	22	44
Federal	324	521	533	400	100	500
Gift	2	14	15	15	15	30
Subtotal Dedicated	392	737	723	545	237	782
Total Revenue	**392**	**739**	**725**	**547**	**239**	**786**
Full-Time Equivalents (FTE)	**59.4**	**59.3**	**28.6**	**24.0**	**24.0**	

Activity Description

This activity provides overall administrative support to agency management, including formulating and establishing policies and priorities, and integrating department operations in a cohesive direction. The activity includes the Commissioner's Office; Bureau of Human Resources; Bureau of Information, Education, and Licensing; Office of Management and Budget Services, and the Bureau of Management Information Services.

Population Served

Administrative Management serves managers, supervisors, and employees in all divisions and bureaus within the Department of Natural Resources (DNR). The general public and other governmental organizations benefit from the services outlined below.

Services Provided

⇒ **Commissioner's Office** provides leadership for the department and specialists in regulatory and legislative affairs, agricultural policy, and professional standards.

⇒ **Bureau of Human Resources** serves the department by providing leadership and assistance on employee relations and workforce planning issues including

- five labor agreements and two unrepresented plans covering agency employees;
- job analysis and allocation for over 400 agency job classes;
- agency-wide employee leadership development and training opportunities;
- employee ethics, compensation and recognition policy and advice;
- personnel, payroll and insurance expertise and processing;
- compliance with federal and state employment laws, rules and regulations;
- recruitment coordination including protected class outreach; and
- identification and application of selection and exam criteria for over 3,000 agency jobs.

⇒ **Bureau of Information, Education and Licensing** manages game, fish and commercial licensing, as well as recreational vehicle registration and titling. Provides information to the general public directly through the DNR's Information Center as well as through the media (including both written releases, interviews and video news reports). It provides audio-visual, graphics, special event and educational support to all DNR units. Publishes the bi-monthly *Minnesota Conservation Volunteer* magazine. Administers both the Boat and Water Safety Program and the Southeast Asian Outreach Program.

Activity at a Glance

- Distributed over three million copies of DNR publications to groups, license and registration agents, and the general public.
- The Information and License Centers responded to approximately 250,000 phone inquiries and over 30,000 e-mail inquiries and requests.
- Managed the transactions and collected revenues from three million DNR licenses as well as 1.3 million boat/vehicle registrations and watercraft titles.
- Managed 1,800 point-of-sale hunting and fishing license agents and 175 registration and titling agents.
- Sold 3,000 Lifetime Licenses.
- Directed budgeting and accounting procedures for the effective use of over $300 million per year.
- Directed revenue procedures for receiving and accounting for approximately $140 million in revenue.
- Minnesota Conservation Volunteer circulated to 130,000 households, all state public schools and libraries, reaching an estimated 400,000 readers.
- Reached more than 155,000 television news viewers weekly, more than 8 million viewer segments.
- Averaged 115,000 successful page requests per day on the DNR web site.
- Managed multi-disciplinary, statewide Federal Emergency Management Agency (FEMA) public assistance grants for natural disasters—damage to DNR facilities estimated at $500,000.
- Coordinated 424,000 hours of volunteer time with a value of $6.5 million to assist in natural resource-based activities.
- Processed 85,244 payroll checks, completed 15,579 employee and position transactions, filled 509 positions, and completed 289 job analysis reviews in FY 2001.

⇒ **Office of Management & Budget Services (OMBS)** provides management, budget, and financial services to all divisions. It also works with outside communities to balance ecosystem sustainability with recreational and commercial use of the state's natural resources. Together, these units

- integrate strategic planning, budgeting, and financial reporting;
- provide leadership for results management;
- conduct internal audits;
- provide accounting, business, and policy services for all units;
- provide integrated ecological and resource information to government and private sector decision makers through the environmental review process; and
- coordinate volunteer programs.

⇒ **Bureau of Management Information Services (MIS)** is a mission-oriented partner with line and staff units in the protection, management, and wise use of Minnesota's natural resources. MIS provides

- Information Technology (IT) leadership and strategic planning;
- design, development, acquisition, and maintenance of IT infrastructure and security;
- development and promulgation of IT best practices, including data standards, PC hardware and software standards, IT project management and system development methodology, web site design, and metadata management;
- development, maintenance, and dissemination of enterprise-level data;
- management, custodianship, and dissemination of DNR knowledge and information resources; and
- training, promotion, and consulting on how DNR staff can best employ the above core services to further their business (i.e., natural resource) goals.

Historical Perspective

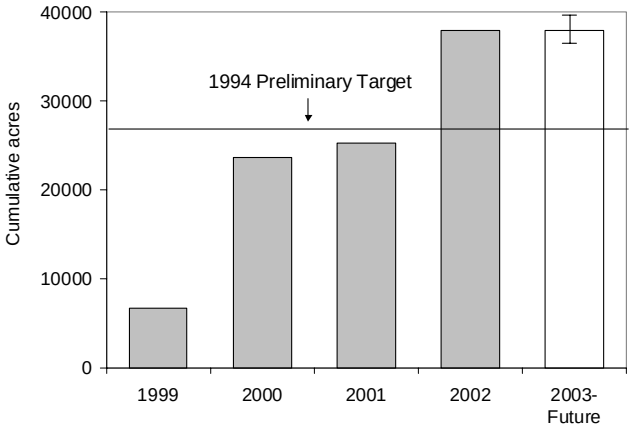
The use of computers has greatly changed the way the department's business is conducted and the way the public gains access to our services. In the late 1980s, fewer than 10% of DNR employees had access to e-mail; today all employees have access. In 1995, DNR established its first web site and today much of the department's information and resource data is disseminated internally and to the public by way of the Internet. Hunting and fishing licenses can be purchased electronically any time of the day, any day of the week. Boat snowmobile, and ATV renewals will be added to the Internet in 2003. Human Resources activities are changing from a paper controlled to a paperless/on-line system. The public can participate in community forums, respond to surveys, and submit employment applications online. The ongoing development and availability of electronic tools will result in continued improved service and efficiency for the department's activities.

Key Measures

DNR's administrative management promotes effectiveness and efficiency within the department including formulating and establishing department-level policies and priorities and integrating department operations in a cohesive, efficient direction.

Results achieved by DNR's administrative management are illustrated with the following three key measures. These include: 1) balancing resource sustainability with recreation and commercial use of the state's natural resources through interdisciplinary policy initiatives; 2) promoting high customer satisfaction through effective and efficient licensing procedures and customer service; and 3) effectively and efficiently managing departmental fiscal resources.

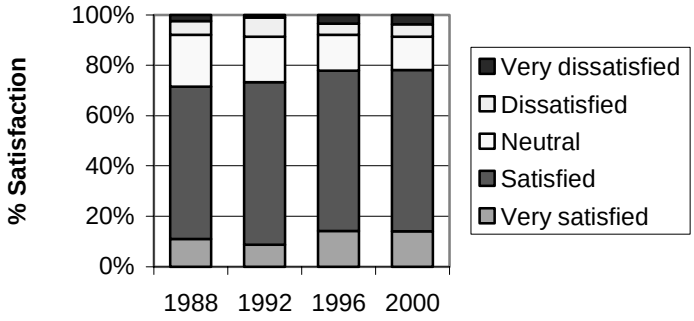
1. Protection of the highest quality old-growth forests on DNR-administered lands.



This indicator illustrates the results of one of DNR's interdisciplinary policy initiatives. Led by DNR's Commissioner's Office and Office of Management and Budget Services, this effort integrated work from the divisions of Forestry, Wildlife, Ecological Services, Parks and Recreation, external stakeholders, and others to achieve protection of old-growth forests as one element in DNR's sustainable forestry management.

Working with forest industry and environmental interests, the DNR in 1994 agreed to a process to "identify and protect the highest quality remaining natural old-growth forest communities." A preliminary target of 27,000 acres was established as an estimate of high quality old growth remaining on state-administered lands. In 1998 DNR began conducting a systematic inventory and evaluating candidate old growth forest sites. The process, completed in 2002, designated about 38,000 acres of the best old-growth forest for protection. If future changes increase or decrease the total amount of designated old-growth by 10% or more a stakeholder roundtable will be convened to discuss policy direction. This key measure is one of DNR's 12 Results Indicators on the Governor's Office Results Web site (www.departmentresults.state.mn.us)

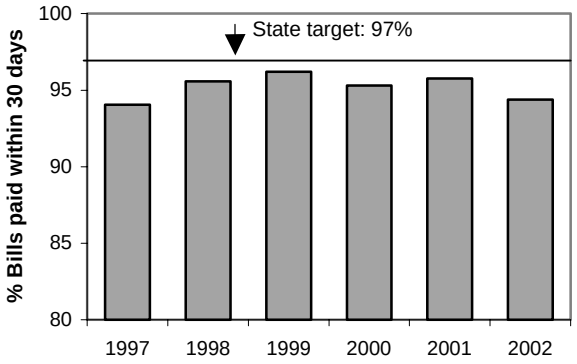
2. Hunter and angler satisfaction with licensing procedures.



As part of its mission the DNR provides high-quality services to Minnesota's hunters and anglers. This includes not only managing and sustaining resources, but also providing customers with licenses and useful information. This indicator focuses on hunter and angler satisfaction with procedures to get a license or permit. High satisfaction is part of the goal of providing high-quality customer services.

Recently the DNR launched an electronic licensing system (ELS) that allows the purchase of licenses from a local agent, by phone, or online. ELS provides timely and practical service to hunters and anglers throughout the state. It has also streamlined business practices and cut administrative costs. Currently 73 different transactions are available online, ranging from hunting and fishing licenses to cross-country ski passes and snowmobile trail stickers. Boat and recreational vehicle registrations will be available by the end of 2002. Future information on this indicator will help assess satisfaction levels with the new electronic licensing system. This key measure is one of DNR's 12 Results Indicators on the Governor's Office Results Website.

3. Percentage of bills paid within 30 days.



DNR's administrative management promotes effective and efficient fiscal management. The percentage of bills paid within 30 days is one area where DNR is tracking efforts and striving to become even more efficient. Within the past six years the DNR has successfully paid 94-96% of bills within 30 days. DNR is working to meet the state target of 97%.

Other indicators under development measure progress toward human resources management goals. For example:

- percentage of protected-group members in the DNR workforce as compared to the relevant labor market, and
- efficiency indicator on time/reduction in errors on personnel, payroll, and positions transactions and average lengths of time to provide hiring supervisors with a viable list of candidates for job vacancies.

These indicators support DOER statewide performance indicators related to human resources management.

Activity Funding

FY 2002-03 direct omnibus appropriations provide 77% of the funding for this budget activity with the remaining 22% from dedicated revenues and federal funds, and one percent from the LCMR recommended projects funded from the Minnesota Resources Fund and the Environment and Natural Resources Trust Fund. The source of funds for the direct omnibus appropriations include the General Fund (52%), the Natural Resources Fund (19%), and the Game and Fish Fund (29%).

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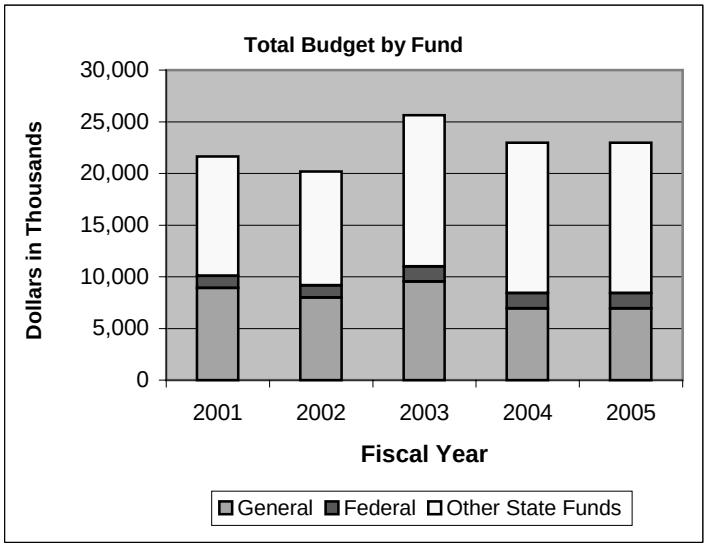
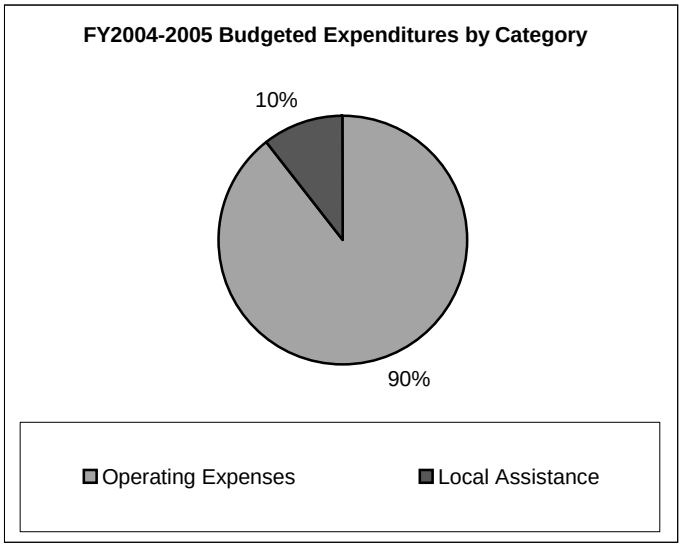
NATURAL RESOURCES DEPT
Program: OPERATIONS SUPPORT
Activity: ADMINISTRATIVE MANAGEMENT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	189	32	78	2,159	2,159	4,318
General	8,912	7,998	9,527	6,930	6,930	13,860
Minnesota Resources	99	179	181	0	0	0
Natural Resources	3,084	2,848	3,432	3,270	3,270	6,540
Game And Fish (Operations)	5,024	4,594	5,685	5,476	5,487	10,963
Statutory Appropriations						
Natural Resources	0	311	386	367	367	734
Special Revenue	435	420	786	471	471	942
Game And Fish (Operations)	2,066	2,058	2,125	2,075	2,075	4,150
Federal	1,196	1,151	1,479	1,479	1,479	2,958
Gift	627	582	1,950	744	744	1,488
Total	**21,632**	**20,173**	**25,629**	**22,971**	**22,982**	**45,953**

Expenditures by Category						
Operating Expenses	21,276	19,864	25,310	20,546	20,557	41,103
Local Assistance	333	267	276	2,390	2,390	4,780
Other Financial Transactions	23	42	43	35	35	70
Total	**21,632**	**20,173**	**25,629**	**22,971**	**22,982**	**45,953**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
Environment & Natural Resource	6	0	0	0	0	0
General	127	621	476	476	476	952
Natural Resources	6,241	5,664	5,460	5,855	5,755	11,610
Game And Fish (Operations)	38	29	21	21	21	42
Subtotal Non Dedicated	6,412	6,314	5,957	6,352	6,252	12,604
Dedicated						
Minnesota Resources	0	1,363	2,215	2,039	1,720	3,759
Natural Resources	0	330	367	367	367	734
Special Revenue	429	354	432	432	432	864
Game And Fish (Operations)	2,081	2,119	2,075	2,075	2,075	4,150
Federal	1,888	1,271	2,596	2,596	2,596	5,192
Miscellaneous Agency	33	15	20	20	20	40
Gift	784	754	744	744	744	1,488
Subtotal Dedicated	5,215	6,206	8,449	8,273	7,954	16,227
Total Revenue	**11,627**	**12,520**	**14,406**	**14,625**	**14,206**	**28,831**
Full-Time Equivalents (FTE)	**206.3**	**195.6**	**231.5**	**199.7**	**199.6**	

Activity Description

The Recreation and Local Grants Initiative activity provides financial assistance to local governments and private organizations to build recreational facilities and to protect and enhance natural areas. The Local Parks Grants and Natural and Scenic Area Grants programs are established in M.S. 85.019. The Conservation Partners and Community Environmental Partnerships Grants programs are not established in statute, but have been funded by the Legislative Commission on Minnesota Resources (LCMR) since 1995. The Regional Park Grants (Outside Metro) program was funded by the 2000 and 2001 legislature and is not established in statute. Pass-through contract administration for LCMR projects was funded by the 2001 legislature [ML 2001, First Special Session, Chap. 2, Sec.14, Subd.3 (b)].

Population Served

This activity serves cities, counties, townships, recognized Indian Tribal Governments and eligible private/nonprofit organizations throughout Minnesota.

Services Provided

Projects funded through the Recreation and Local Grants Initiative promote more livable communities, a healthier population, and greater public appreciation and knowledge of natural resource benefits.

- ⇒ **Local Parks Grants** provide matching grants to encourage the creation or enhancement of high quality outdoor recreation facilities.
- ⇒ **Natural and Scenic Area Grants** provide matching grants to protect and enhance natural and scenic areas.
- ⇒ **Conservation Partners Grants** provide matching grants to encourage enhancement of fish, wildlife and native plant habitats, and research and survey of fish and wildlife directly related to specific habitat improvements.
- ⇒ **Environmental Partnership Grants** provide matching grants to encourage environmental service projects and related education activities through public and private partnerships.
- ⇒ **Regional Park Grants (Outside Metro)** provides grants to public regional parks organizations outside the Twin Cities Metro Area to acquire land, design, construct, and redevelop regional parks and trails, open space, and recreational facilities. Each $3.00 of state grants must be matched by $2.00 of non-state funds.

Activity at a Glance

Local Park Grants

- 2001: Acquired 123 acres of new parkland for five different city parks and development/ redevelopment of outdoor recreation facilities at an additional 27 local parks.
- 2002: Acquired six acres of new parkland for one city park and development/redevelopment of outdoor recreation facilities at an additional 17 local parks.

Natural and Scenic Area Grants

- 2001: Acquired 241 acres of natural and scenic areas in seven different city and county projects. Almost one mile of river and lakeshore land protected.
- 2002: Acquired 55 acres of natural and scenic areas in one city and one county project. Includes 15 acres of native prairie and 40 acres of maple-basswood old growth forest.

Conservation Partners Grants

- 2001: 46 habitat improvement projects throughout the state.
- 2002: eight habitat improvement projects throughout the state.

Environmental Partnership Grants

- 2001: 33 conservation and environmental partnership grants throughout the state.
- 2002: three conservation and environmental partnership grants throughout the state.

Regional Park Grants

- 2001: Acquired 545 acres of regional parkland in four county parks and one city park outside the Metro area. Development of outdoor recreation facilities in one of the county parks.
- 2002: Acquired 235 acres in one county park.

Pass-Through Appropriations

- Administered 17 pass-through appropriations.

In 2001 the legislature appropriated $150,000 in Future Resources Fund and Environmental Trust Fund dollars to the Department of Natural Resources (DNR) for administration of contracts for appropriations to several third party recipients, such as nonprofits and other levels of government. The Local Grants Unit administers this appropriation.

The Recreation and Local Grants Initiative, plus the pass-through appropriations administered by DNR staff, represent a significant contribution to protecting and enhancing natural areas and outdoor recreation areas. One key characteristic of this activity is that it involves a variety of partnerships and cooperative efforts among state, local government, private organizations, and private citizen stakeholders. All projects are undertaken as positive, voluntary initiatives on the part of the participants.

Historical Perspective

The Land and Water Conservation Fund (LWCF) has an important place in the history of the United States' outdoor recreation and conservation funding efforts. Created in 1964 by Congress, it receives funding primarily through offshore oil and gas receipts. Since offshore drilling for oil and gas depletes a valuable natural resource, Congress determined that it was appropriate to invest the proceeds from these offshore leases to protect America's natural resources and encourages the nation to experience outdoor recreation. Since its inception, this program is responsible for the acquisition of nearly seven million acres of parkland as well as more than 37,000 state and local recreation and open space projects nationwide.

Since 1965, the LWCF program in Minnesota has invested more than $60 million into the state's outdoor recreation system, funding over 400 state projects and over 800 local park and recreation projects. The LWCF program in Minnesota has a state and local program, each receiving 50% of the federal appropriation. The state program supports the acquisition and development of the state outdoor recreation system. The local program, supported by the Recreation and Local Grants Initiative budget activity, provides matching funds to local units of government, including recognized tribal governments, for outdoor recreation projects.

Congress appropriated federal FY 2000 funds to the states from the LWCF for the first time in several years. In federal FY 2001, $1.6 million was appropriated and in federal FY 2002, $2.5 million was appropriated to the state. The appropriation for federal FY 2003 is estimated to be $2.6 million. One half of these funds are used for the local park program. These federal appropriations represent a significant increase in LWCF funding from previous years.

Key Measures

DNR's strategic plan, Directions 2000, identifies strategic outcomes for recreation to include healthy natural resources able to produce outdoor recreation benefits over the long term.

These services provided by the Recreation and Local Grants Initiative illustrate how this activity contributes to this outcome: ($'s in millions)

Demand for Grants	FY 2001 Requests Received	FY 2001 Funds Available
Local Park Grants	$14.0	$1.9
Natural & Scenic Grants	1.4	1.2
Regional Park Grants	1.9	1.2

Demand for Grants	FY 2002 Requests Received	FY 2002 Funds Available
Local Park Grants	$7.6	$1.2
Natural & Scenic Grants	.6	.3
Regional Park Grants	2.2	.6

Results of Grant Investments	FY 2001-02 Projects Funded	Results
Local Park Grants	50	129 acres of new parkland in 6 parks Outdoor recreation facilities in 44 parks
Natural & Scenic Grants	9	296 acres of natural & scenic areas acquired 1 mile of river and lakeshore protected
Regional Park Grants	6	780 acres acquired in 6 parks Outdoor recreation facilities in 1 county park

Activity Funding

For the current biennium, 97% of the funding for this budget activity is provided from the Minnesota Resources Fund and the Environment and Natural Resources Trust Fund to support LCMR recommended pass-thru grant projects. The remaining three percent of funding is from the Lottery in-Lieu of Sales Tax and the General Fund.

Contact

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Wayne Sames, Program Supervisor
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Office of Management and Budget
Phone: (651) 296-0565
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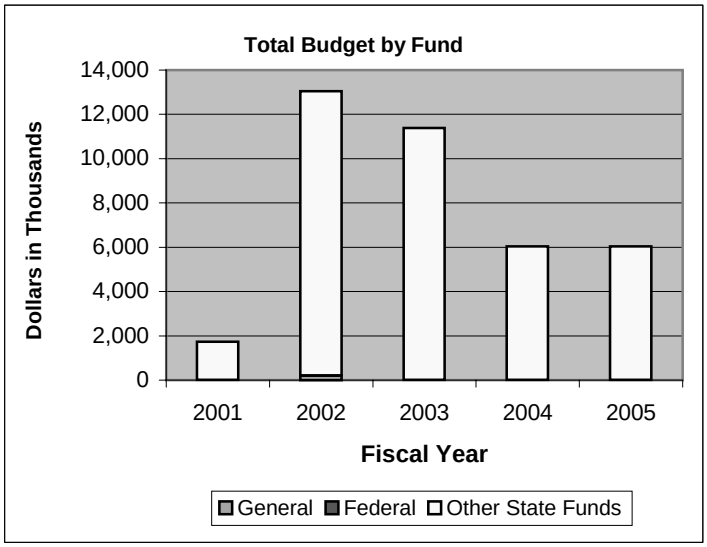
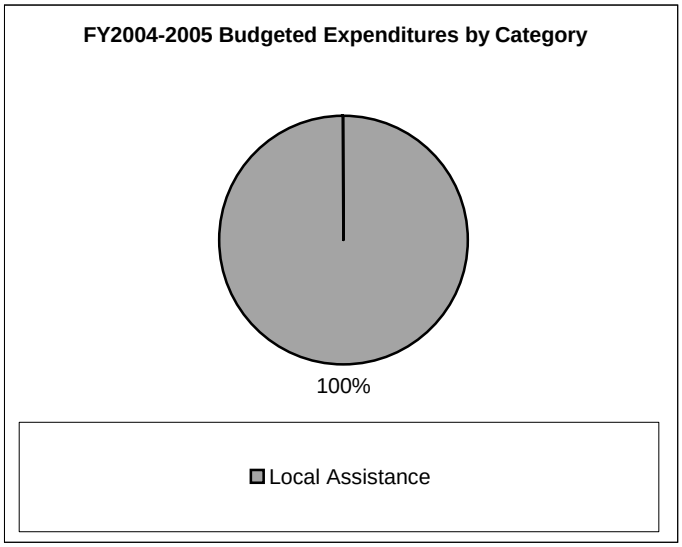
NATURAL RESOURCES DEPT
Program: OPERATIONS SUPPORT
Activity: REC & LOCAL GRANTS INITIATIVE

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	1,380	8,908	9,124	5,801	5,801	11,602
General	0	199	0	0	0	0
Minnesota Resources	47	3,655	1,972	0	0	0
Natural Resources	308	284	283	240	240	480
Total	**1,735**	**13,046**	**11,379**	**6,041**	**6,041**	**12,082**
Expenditures by Category						
Local Assistance	1,735	13,046	11,379	6,041	6,041	12,082
Total	**1,735**	**13,046**	**11,379**	**6,041**	**6,041**	**12,082**

Activity Description

Youth Programs-Minnesota Conservation Corps' mission is to provide hands-on natural resource stewardship and meaningful service-learning experience to youth and young adults while accomplishing priority, cost-effective conservation and restoration work. M.S. 84.98 provides the basis for program operations.

Population Served

⇒ Youth, ages 15 to 18, and young adults, ages 18 to 26.

⇒ The Department of Natural Resources (DNR) and other agencies.

Services Provided

Youth Programs-Minnesota Conservation Corps (MCC) has two public service components: a summer program for high school students, and a year-round program for young adults. Summer youth serve 35 hours each week and receive five hours of environmental and career exploration education. Youth work on supervised crews or are assigned to mentored internships. Year-round young adults work on mobile crews, serve 40 hours a week for up to 12 months, and receive extensive hands-on training in natural resource management skills and work readiness.

MCC's brand of direct service most often takes the form of hard, physical work in the great outdoors. In 2001, MCC corps members undertook projects as diverse as suppressing wildfires, fighting floods, providing environmental education to schools, constructing and maintaining snowmobile trails, planting trees, river cleanup, hiking trail construction, park rehabilitation and so on. MCC had over 180 partners ranging from DNR divisions and regional park systems to soil and water conservation districts; from cities and counties to tribal governments.

In exchange for their service, summer youth earned a training wage ($5.15) plus room and board. Entry-level young adults earned a living allowance equal to the minimum wage ($5.65), received major medical insurance coverage, and an AmeriCorps post-service education award of up to $4,725 to use for schooling or to pay-down education loans.

Activity at a Glance

2001 Statistics

- Summer youth: 129 corps members
- Young adult : 99 corps members
- Project Partners: 180 sponsors
- Environmental education school outreach: 5,640 students
- Snowmobile trail construction: 116 miles
- Tree planting: 236,114 trees
- Volunteers generated: 5,527
- Fire suppression: 7,275 hours
- Shoreline restoration: 81,266 feet
- Trail construction & improvement: 3,463 miles
- Timber sales marking: 275 hours
- Habitat improvement: 6,760 acres
- Timber stand improvement: 315,906 trees
- Prescribed burns: 12,882 acres
- Timber stand improvement: 3,469 trees
- GIS GPS mapping: 2,444 miles
- Game registration-bag checks: 12,216 hunters
- Forest inventory/CSA: 10,560 acres
- Storm damage cleanup: 188,413 pounds
- Road improvement:217 miles
- Forest inventory/FIA: 120 plots
- Boundary surveys & posting: 303,086 feet
- River cleanup: 194 miles
- Board walk construction: 5,989 feet
- Watercraft/exotic species monitoring: 51,508 boats

Historical Perspective

MCC's base budget has been eliminated in FY 2004-05. After 21 years of youth programming, MCC is slated to close operations effective June 30, 2003.

Key Measures

⇒ Based on project partner survey results, 96% of respondents rated MCC project services as 'good' or 'excellent'. Ninety nine percent of respondents indicated a desire to partner with MCC in the future.

⇒ MCC corps members provided 256,971 hours of service.

⇒ For every dollar invested, the state of Minnesota received a $1.30 in value of worked produced.*

⇒ MCC leveraged $1.3 million in grants and fee-for-service contracts to augment state appropriations of $2.5 million.

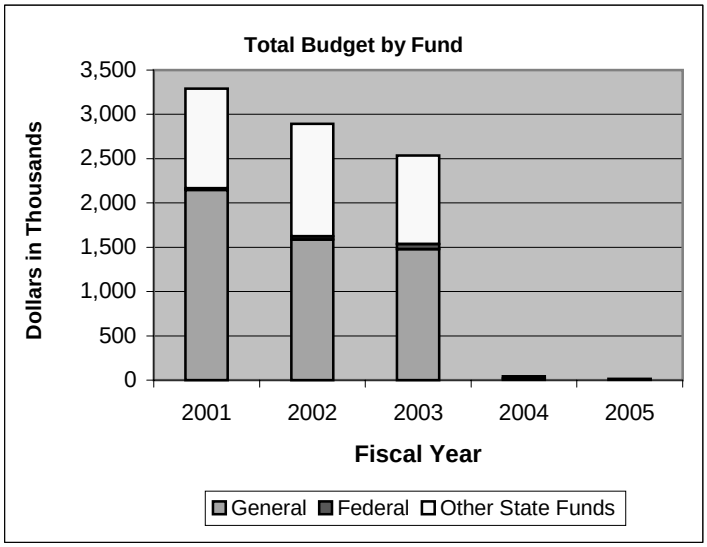
***Utilizing Volunteer of America's value estimation formula compared to MCC's actual total expenses (including all direct overhead and administrative costs) and hours worked.**

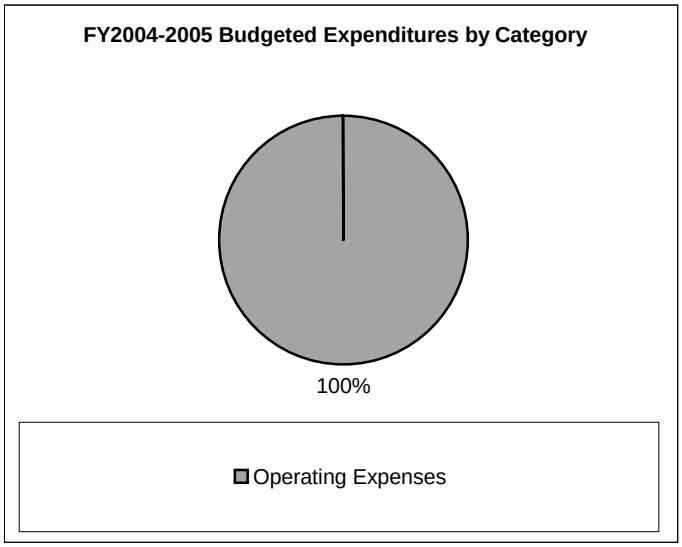
Activity Funding

For the FY 2002-03 Biennium, 76% of the funding for this budget activity is from direct appropriations with the remaining 24% from dedicated revenues and federal funds. The source of funds for the direct appropriations includes the General Fund (79%) and the Natural Resources Fund (21%).

Contact

Larry Fonnest, Section Manager, at (651) 296-6195 or, visit the MCC web site at: www.dnr.state.mn.us/mcc.
A copy of the Minnesota Conservation Corps' 2001 Annual Report is available upon request.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	2,147	1,585	1,476	0	0	0
Natural Resources	524	462	328	0	0	0
Statutory Appropriations						
Special Revenue	484	702	557	0	0	0
Federal	15	36	58	17	0	17
Miscellaneous Agency	121	95	100	28	15	43
Gift	0	12	16	0	0	0
Total	**3,291**	**2,892**	**2,535**	**45**	**15**	**60**

Expenditures by Category						
Operating Expenses	3,118	2,778	2,487	45	15	60
Payments To Individuals	158	97	48	0	0	0
Local Assistance	15	17	0	0	0	0
Total	**3,291**	**2,892**	**2,535**	**45**	**15**	**60**

Revenue by Type and Fund						
Dedicated						
Special Revenue	716	766	250	0	0	0
Federal	36	50	15	0	0	0
Miscellaneous Agency	117	95	5	0	0	0
Gift	3	10	2	0	0	0
Subtotal Dedicated	872	921	272	0	0	0
Total Revenue	872	921	272	0	0	0

Full-Time Equivalents (FTE)	**126.6**	**106.2**	**32.8**	**0.0**	**0.0**

Minnesota Department of Natural Resources

OFFICE OF THE COMMISSIONER
500 Lafayette Road
St. Paul, Minnesota 55155-4037

February 18, 2003

The 2003 Minnesota Legislature

I am respectfully submitting the Governor's recommended FY 2004-05 biennial budget for the Department of Natural Resources (DNR). The recommended request is for $600.996 million.

The recommended budget contains a change item for a General Fund base reduction of $31.140 million (approx. 15% of the direct appropriation) and a request for Lottery in-lieu funding at 74% (a change from current law, 87.1%). Additionally, the recommended budget contains a General Fund reduction of $4.280 million for Taconite Mining Grants: $2.020 million for grants administered by the department, and $2.260 million for grants administered by the University of Minnesota Coleraine Laboratory. This recommendation suspends the Taconite Mining Grant Program.

The recommended budget includes change items that would increase some user fees to recover programs costs. Additionally, the requested budget contains recommendations to increase appropriations from dedicated funds where additional effort is needed and current balances allow.

The DNR budget contains a variety of funds. Funds include: General Fund (48%), Game and Fish (26%), Natural Resources (15%), Special Revenue (6%) and Federal (5%). These funds are not evenly distributed to DNR programs. Some programs are almost entirely General Fund (Forestry, Lands and Minerals, Waters) and others are almost entirely dedicated funds (Fisheries, Wildlife and Trails and Waterways). Because of the variation in funding mix, reductions in General Fund spending can have disparate impacts on programs.

Arriving late in the DNR budget process, we needed to take a broad based approach. As a result, nine of the department's ten major programs are recommended for a 17% reduction to their directly appropriated General Fund dollars. Because of the variations in funding mix, reductions to individual program budgets (to include all funds) range from less than 1% (Fisheries) to approximately 17% (Waters). The tenth program is Forestry. Forestry's reduction was capped at 10% to ensure its continued contribution to forest health, fire protection, and rural and state economies, as well as to prevent jeopardizing timber sale revenues.

We have provided this budget in order to give you an understanding of the total ($31.140 million) amount of our recommended General Fund reductions and of our specific change items. We are, however, continuing to work through the details as to where specific reductions should be made. We are determining how to most efficiently provide our core services and expect to provide you with our revised approach in early March.

We are focusing our budget preparation on five key principles:

1. Protect the long term health of the states natural resources
2. Provide the high profile, citizen demanded services (i.e. no "Washington Monument" closures)
3. Deliver sustainable levels of products and services that support Minnesota natural resources based industries and contribute to both local and state economies
4. Guard the integrity of dedicated funds, ensuring that they are used only for their intended purposes
5. Recognize that some programs provide a return on investment and as such, require examination of the net (savings minus lost revenues) impact of reductions

We have asked the management team to focus on our mission driven "core" programs and concentrate on "what we will do" rather than what is changing as a result of budget reductions. As you review our budget, you will find the following:

1. Division of Lands and Minerals will lease lands for exploration and mining, regulate mineral exploration, conduct essential mineral research as well as oversee DNR land transactions.
2. Division of Waters will guide and regulate the physical integrity of Minnesota's lakes, rivers and water supplies.
3. Division of Forestry will sustain Minnesota forest ecosystems, provide a sustainable supply of forest resources and protect lives and property from wildfires.
4. Division of Parks and Recreation will provide open access to all state parks, including park and forest campgrounds, and preserve Minnesota's natural and cultural resources.
5. Division of Trails and Waterways will provide a system of trails and water recreation facilities
6. Division of Fisheries will protect and manage aquatic resources and associated fish communities for their ecological, commercial and recreational values.
7. Division of Wildlife will conserve, manage and enhance wildlife populations and their habitats with an emphasis on maintaining Minnesota's hunting and trapping heritage.
8. Division of Ecological Services will collect and link ecological data and manage fish, wildlife and native plant populations and their habitats.
9. Division of Enforcement will provide natural resource protection and public safety through information, education and law enforcement services.
10. Operations Support (e.g. Facilities, Equipment, Financial, Human Resources, Information Systems, Information and Licensing and the Commissioners Office) will provide essential support services.

DNR's management team will continue its discussion of how to most efficiently provide the core outcomes. We recognize that, in some instances, this will require us to rethink how we provide services. This will take us some time, but we will change and we will meet our mandates in new ways.

I look forward to discussing our ideas with you.

Sincerely,

Gene Merriam, Commissioner
Department of Natural Resources

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	272,364	364,509	636,873
Legislatively Mandated Base	-5,206	-982	-6,188
One-Time Appropriations	0	-62,012	-62,012
Open Appr. Forecast Adj.	4,001	-2	3,999
Receipt Adjustments	0	-708	-708
Adjusted Base Funding	271,159	300,805	571,964
Change Items			
Fees For Commercial Fishing Licenses	0	545	545
General Fund Reduction Plan	-31,140	0	-31,140
Increase Fees For Aquatic Plant Mgmt	0	776	776
LCMR Project	0	27,128	27,128
Lottery In-lieu Sales Tax	0	19,356	19,356
New Fee For Winter Aeration Permits	0	124	124
Water Recreation Enhancement	0	3,820	3,820
Land & Minerals Resource Mgmt			
Fees For Utility Licenses	400	10	410
Taconite Mining Grant Reduction	-2,020	0	-2,020
Water Resources Mgmt			
Water Use Fee Increase	1,924	0	1,924
Parks & Recreation Mgmt			
Increase State Park Camping Fees	50	1,418	1,468
Trails & Waterways Mgmt			
Federal Wallop/Breaux	0	1,235	1,235
State Snowmobile Trail Operations	0	1,000	1,000
Fish Management			
1837 Treaty Management	0	350	350
Fish Culture And Stocking	0	2,000	2,000
Trout And Salmon Management	0	448	448
Wildlife Management			
Improve WMA Habitat & Wild Turkey Mgmt	0	1,250	1,250
Ecological Services			
Continuation Of Watercraft Inspections	0	358	358
Governor's Recommendations	240,373	360,623	600,996
Biennial Change, 2002-03 to 2004-05	-3,874	-20,331	-24,205
Percent Change	-2%	-5%	-4%

The actual DNR biennial change for the **General Fund** is -29.024 million or -12%.
The actual biennial **Total** change is -49.355 million or -8%.

The numbers and percentages **(Biennial Change, 2002-03 to 2004-05** and **Percent Change**) shown in the table above are misleading as the Department of Finance's Biennial Budget System does not include FY 2002 and FY 2003 history for Payment in-lieu of Taxes (PILT) in DNR, but instead in the Department of Revenue.

Brief Explanation Of Budget Decisions:

Base Adjustments

The **Legislative Mandated Base** includes the following adjustments:

⇒ General Fund reductions of ($5.206) million
- Mn Conservation Corps (MCC) Program eliminated for ($2.104) million
- Parks operations reduced by ($500,000)
- Grant to the Met Council for metro regional parks reduced by ($800,000)
- Operations Support reduced by ($1.802) million

⇒ Reductions in other funds of ($982,000)
- ($624,000) from the Natural Resources Fund for the elimination of MCC Program
- ($358,000) from the Natural Resources Fund for boat inspections conducted by MCC members

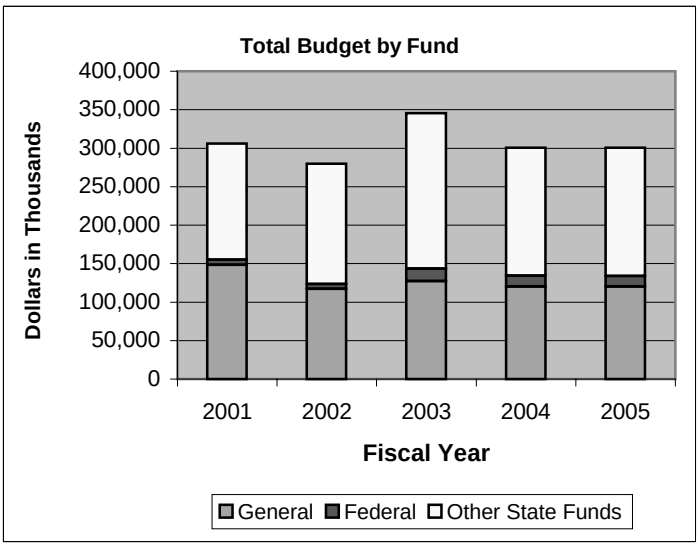
The **One Time Appropriations** to be excluded from base level funding include:
⇒ Reductions in other funds of ($62.012) million
- ($600,000) from the Natural Resources Fund for the Mississippi Whitewater Trail appropriation
- ($8.976) million from the Natural Resources Fund for appropriations associated with the Lottery in-Lieu of Sales Tax
- ($20.426) million from the Game and Fish Fund for appropriations associated with the Lottery in-Lieu of Sales Tax
- ($31.330) million from Environmental and Natural Resources Trust Fund for biennial appropriations associated with LCMR-recommended projects
- ($680,000) from the MN Future Resources Fund for biennial appropriations associated with LCMR-recommended projects

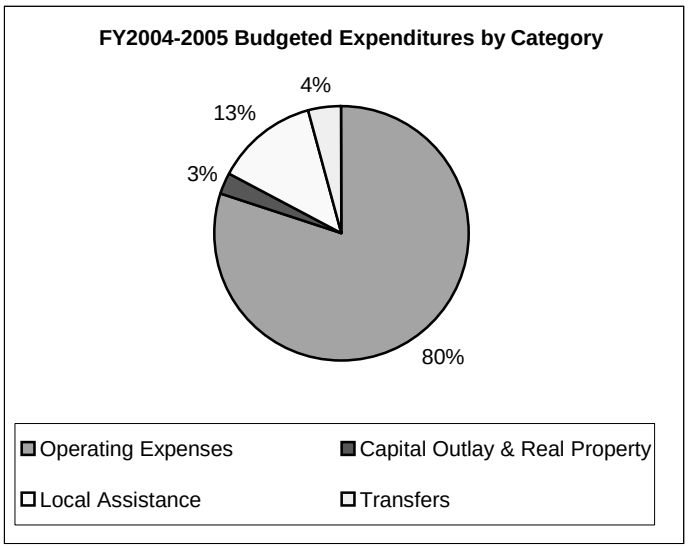
The **Open Appropriation Forecast** changes in base funding include:
⇒ General Fund increased funding of $4.001 million
- Increase of $1.058 million for payment in lieu of taxes (PILT)
- Increase of $444,000 for taconite mining grants
- Increase of $2.000 million for emergency fire fighting
- Increase of $54,000 for the Leech Lake Reservation payment
- Increase of $445,000 for the 1854 Indian Treaty payment

⇒ Reduction in other funds of ($2,000)
- Reduction in debt service from the Snowmobile Account

The **Receipt Adjustment** that is part of the total agency base changes is a reduction in the Natural Resources Fund of ($708,000) as a result of the adjusted Lottery in-Lieu of Sales Tax receipt estimates. This item adjusts base level funding for the Met Council grant for metro regional parks.

	FY 2004-05 Revenues ($000s)		
	General Fund	Other Funds	Total
FY 2004-05 Current Law Revenues	16,526	301,466	317,992
Change Items			
Lands and Minerals			
Fees for Utility Licenses	400	98	498
Water Resources			
Water Use Fee Increase	1,924	0	1,924
Parks and Recreation			
Increase State Park Camping Fees	50	1,418	1,468
Fish Management			
New Fee Winter Aeration Permits	0	124	124
Fees for Commercial Fishing Licenses	0	545	545
Ecological Services			
Increased Fees for Aquatic Plant Management	0	776	776
Operations Support			
Water Recreation Enhancement	0	820	820
Change Item Total	2,374	3,781	6,155
FY 2004-05 Total Revenues	18,900	305,247	324,147
Biennial Change 2002-03 to 2004-05	1,888	24,650	26,538
Percent Change	11.1%	8.8%	8.9%





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
Environment & Natural Resource	6,337	13,580	19,924	13,564	13,564	27,128
General	124,756	101,016	109,936	90,275	90,275	180,550
Minnesota Resources	876	8,919	6,769	0	0	0
Natural Resources	38,549	41,478	51,425	47,265	47,325	94,590
Special Revenue	186	66	0	0	0	0
Game And Fish (Operations)	80,634	69,735	88,070	80,999	80,739	161,738
Iron Range Resources & Rehab	24	0	0	0	0	0
Solid Waste	100	100	100	100	100	200
Permanent School	28	30	142	0	0	0
Open Appropriations						
General	22,696	15,952	16,765	29,657	29,946	59,603
Natural Resources	330	256	323	323	323	646
Game And Fish (Operations)	1,112	856	1,151	1,151	1,151	2,302
Statutory Appropriations						
General	991	90	488	120	100	220
Natural Resources	527	476	2,866	1,119	669	1,788
Special Revenue	16,478	16,534	21,434	15,826	15,843	31,669
Game And Fish (Operations)	2,295	2,126	3,170	2,624	2,636	5,260
Federal	6,694	6,262	16,146	14,069	13,647	27,716
Environmental	0	25	719	1,110	1,989	3,099
Reinvest In Minnesota	1,178	758	963	851	851	1,702
Miscellaneous Agency	868	95	100	28	15	43
Gift	972	1,283	4,552	1,336	1,339	2,675
Permanent School	203	16	505	48	19	67
Total	**305,834**	**279,653**	**345,548**	**300,465**	**300,531**	**600,996**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Category	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Operating Expenses	237,951	219,267	270,754	238,631	239,525	478,156
Capital Outlay & Real Property	18,553	10,256	17,774	8,356	8,108	16,464
Payments To Individuals	212	139	48	0	0	0
Local Assistance	47,569	48,359	54,520	39,454	38,637	78,091
Other Financial Transactions	1,549	1,632	2,452	1,567	1,568	3,135
Transfers	0	0	0	12,457	12,693	25,150
Total	**305,834**	**279,653**	**345,548**	**300,465**	**300,531**	**600,996**
Expenditures by Program						
Land & Minerals Resource Mgmt	15,817	8,423	11,271	20,506	20,713	41,219
Water Resources Mgmt	14,642	12,200	15,216	13,258	13,258	26,516
Forest Management	57,461	53,929	63,062	55,132	55,152	110,284
Parks & Recreation Mgmt	46,036	45,114	48,332	40,619	40,618	81,237
Trails & Waterways Mgmt	23,508	24,042	34,456	28,170	27,233	55,403
Fish Management	38,605	33,323	42,520	38,323	38,438	76,761
Wildlife Management	28,652	22,117	33,384	27,412	27,424	54,836
Ecological Services	12,237	9,289	15,008	13,183	14,181	27,364
Enforcement-Nr Laws&Rules	26,324	23,652	27,278	25,054	25,159	50,213
Operations Support	42,552	47,564	55,021	38,808	38,355	77,163
Total	**305,834**	**279,653**	**345,548**	**300,465**	**300,531**	**600,996**
Revenue by Type and Fund						
Non Dedicated						
Environment & Natural Resource	6	3	2	2	2	4
General	799	8,469	8,159	9,346	9,346	18,692
Minnesota Resources	0	1	2	2	2	4
Natural Resources	14,344	19,682	20,441	21,515	21,415	42,930
Cambridge Deposit Fund	13,242	0	0	0	0	0
Game And Fish (Operations)	63,238	67,415	66,272	69,322	71,469	140,791
Permanent School	19	388	13	40	40	80
Subtotal Non Dedicated	91,648	95,958	94,889	100,227	102,274	202,501
Dedicated						
General	1,038	231	153	108	100	208
Minnesota Resources	0	1,363	2,215	2,039	1,720	3,759
Natural Resources	659	986	1,137	1,119	669	1,788
Special Revenue	20,392	17,495	16,763	16,709	16,957	33,666
Game And Fish (Operations)	2,648	2,659	2,599	2,624	2,636	5,260
Federal	7,654	8,560	13,295	13,944	13,647	27,591
Reinvest In Minnesota	317	364	163	163	163	326
Miscellaneous Agency	3,542	2,555	5,286	7,184	8,088	15,272
Gift	1,685	1,282	1,650	1,336	1,339	2,675
Permanent School	15,801	13,689	14,317	15,131	15,970	31,101
Subtotal Dedicated	53,736	49,184	57,578	60,357	61,289	121,646
Total Revenue	**145,384**	**145,142**	**152,467**	**160,584**	**163,563**	**324,147**
Full-Time Equivalents (FTE)	**2,847.1**	**2,745.9**	**2,742.6**	**2,711.3**	**2,715.1**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund (Game and Fish)				
Expenditures	$159	$386	$386	$386
Revenues	$159	$386	$386	$386
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends that fees for commercial fishing licenses be increased to meet the administration costs of the program.

Background

M.S. 16A.1285 requires that the department set fees at a level that recovers costs. Currently the program administration, resource monitoring and enforcement costs of commercial activities exceed the revenues they generate for the agency. Total annual revenues collected from commercial fisheries licenses are approximately $159,000. By comparison, annual administrative costs for the Division of Fisheries, Division of Ecological Services, Division of Enforcement, and License Center are $545,000.

The Division of Fisheries allocates 2.0 to 5.0 FTEs annually on commercial operations depending on activity. The associated cost to Fisheries in 2001 for program administration and monitoring of commercial programs was $150,000. The Division of Fisheries is the lead division for implementing this program.

The Division of Enforcement allocates 2.0 to 3.5 FTEs annually on commercial operations depending on activity. Associated costs annually are around $275,000. Enforcement plays an important role in helping to monitor commercial fisheries activities and enforcing commercial regulations enacted through legislation or rules.

The Division of Ecological Services in the past few years has had an increasing role in commercial efforts, including that of fish health. Staff provide aquatic nuisance species training and monitoring; responses to impacts on non-game species including those that are endangered, threatened or of special concern; and providing for fish health inspections, testing for pathogens, and health certification of facilities. The costs associated with these aspects of program administration are $93,000 annually and 1.5 FTEs.

The License Center has reduced their associated costs due to software changes. Expenditures for commercial licensing are $27,000 and require only 0.8 FTE.

An additional factor to consider is the substantial economic value of the commercial fishing industry relative to the nominal license fee. For example, the economic values are over $28 million for the bait industry, $4 million for the commercial fishing industry, and $2 million for the private aquaculture industry (not including bait fish culture).

This initiative is a follow-up to the consolidation and simplification of the commercial fishing licenses done in 1997. This legislation was used as a model for this new commercial fishing license increase. Appropriation of the new revenue will offset part of the costs of administering the commercial program. Allocation of the new revenue in FY 2005 will be as follows: Fisheries (28%), $106,000; Enforcement (50%), $195,000; Ecological Services (17%), $66,000; and License Bureau (5%) $19,000. In FY 2004, only a portion of the increased revenue will be available and we are requesting the following amounts: Fisheries $44,000; Enforcement $80,000; Ecological Services $27,000; and License Bureau $8,000.

The Division of Fisheries goal is to provide sustainable commercial fishing opportunities for the commercial fishing industry. The cost of administering, monitoring, and enforcement of commercial fishing activities and operations comes from revenues to the Game and Fish Fund. Currently, monies generated from licenses purchased by sport anglers are making up the program deficit. If this change item is not approved, the state would continue to be in violation of M.S. 16A.1285, and the sports anglers would continue to subsidize the costs related to the commercial fishing licenses.

The commercial users are not favorable of any increases in any of their fees and will lobby against any increases. The commercial groups are: Minnesota Aquaculture Association, North Shore Commercial Fishermen, Inland Commercial Fishing Trade Association, Minnesota Live Bait Growers and Fish Farmers, and Lake Superior Fishing Guides Association.

Relationship to Base Budget

The increased commercial license revenues and associated appropriation would result in an increase in base budget of $386,000. By increasing the costs of each license by and average of 213% the department will be able to recoup program costs.

Key Measures

The goal of this change level request is to generate revenues to recover the costs of administering and monitoring the commercial uses of Minnesota's fisheries resources. A key measure of this change level request would require the commercial licensees to bear the cost of administering and monitoring the commercial use of Minnesota's natural resources. Without this funding, the Department of Natural Resources may not be able to maintain the same level of resource protection that is required to prevent the introduction of diseases, aquatic nuisance species, or other unknown plants or animals that might impact our natural resources.

Alternatives Considered

Other alternatives that might be considered are to add new fees to commercial permits.

Statutory Change: The statutes affected by this change item are M.S. 17.4988 and M.S. 97A.475.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($15,570)	($15,570)	($15,570)	($15,570)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($15,570)	($15,570)	($15,570)	($15,570)

Recommendation
The Governor recommends General Fund expenditure reductions of ($15.570) million in FY 2004 and ($15.570) million FY2005 from the DNR's General Fund base level funding. The recommended expenditure reduction represents a 15% General Fund reduction from the agency's base level funding for the biennium.

Background
The DNR has developed a proposal for the General Fund expenditure reductions in FY 2004 and FY 2005. The reduction plan follows the guidance given by the Department of Finance for state agencies to develop a General Fund expenditure reduction plan.

In preparing its 15% General Fund reduction plan, the DNR also considered the impacts to staffing and programs from a General Fund reduction of $(650,000) in FY 2004 and $(650,000) in FY 2005 to its Parks and Recreation Management Program and a General Fund reduction of $(900,000) in FY 2004 and $(900,000) in FY 2005 to its Operations Support Program. These reductions were specified as "tails" in the documentation to the 2002 Legislative Conference Committee action.

The DNR's 15% General Fund expenditure reduction plan by program is as follows:

	FY2004 ($ in millions)	FY2005 ($ in millions)
Land and Minerals	($1.267)	($1.267)
Waters	(2.052)	(2.052)
Forestry	(3.636)	(3.636)
Parks and Recreation	(4.024)	(4.024)
Trails and Waterways	(.333)	(.333)
Fish Management	(.088)	(.088)
Wildlife Management	(.275)	(.275)
Ecological Services	(.654)	(.654)
Enforcement	(.609)	(.609)
Operations Support	(2.631)	(2.631)
Agency Total	($15.570)	($15.570)

Relationship to Base Budget
The paragraphs below briefly state the core functions provided by each of the DNR's divisions and the anticipated impact of the General Fund reductions:

Division of Lands and Minerals, with a $1.267 million reduction per year, leases lands for exploration and mining, regulates mineral exploration, conducts core mineral research and oversees DNR land transactions. The reduction will result in increased leasing and land transaction times, targeted reductions in minerals research and suspension of the review of tax forfeited land sales.

Division of Waters, with a $2.052 million reduction per year, guides and regulates the physical integrity of Minnesota's lakes, rivers and water supplies. As a result of this reduction DNR's contribution to Minnesota Geological Atlas, Red River Mediation and Mississippi Headwaters Board will be suspended. Research activities, some grants and cooperative agreements will be suspended or reduced.

Division of Forestry, with a $3.636 million reduction per year, sustains Minnesota forest ecosystems, provides a sustainable supply of forest resources and protects lives and property from wildfires. With the division's General Fund reduction some pre-suppression activities will be reduced and increased reliance on local fire departments will be required. White pine reforestation will be suspended, some forest roads will be seasonally closed, some forest research and data collection, private landowner assistance and cooperative programs will be reduced.

Division of Parks and Recreation, with a $4.024 million reduction per year, provides access to all state parks, including park and forest campgrounds, and preserves Minnesota's natural and cultural resources. Reductions will be seen in resource management and in interpretation activities. Staff will be less available to users in parks with lower visitor counts.

Division of Trails and Waterways, with a $333,000 reduction per year, provides a system of trails and water recreation facilities. The division's reduction will result in a relatively small decrease in the maintenance of non-motorized state trails.

Division of Fisheries, with a $88,000 reduction per year, protects and manages aquatic resources and associated fish communities for their ecological, commercial and recreational benefits. The division's General Fund reduction will result in only a small reduction in shoreline restoration projects.

Division of Wildlife, with a $275,000 reduction per year, conserves, manages and enhances wildlife populations and their habitats with an emphasis on maintaining Minnesota's hunting and trapping heritage. The division's reduction will be addressed through a relatively small reduction in private land food plots and prescribed burning activities.

Division of Ecological Services, with a $654,000 reduction per year, collects and links ecological data in the management of fish, wildlife and native plant populations and their habitats. The General Fund reduction will result in the suspension of interpretation and education on Scientific and Natural Areas, and limited reductions will be made in research and data management.

Division of Enforcement, with a $609,000 reduction per year, will provides natural resource protection and public safety through information, education and law enforcement services. The division will eliminate six support and field officer positions.

Operations Support (e.g. facilities, equipment, financial management, human resources, information systems, information and licensing, and the Commissioner's Office), with a $2.631 million reduction per year, provides essential support services to the entire agency. This General Fund reduction, combined with rider language from the 2002 session that mandated an additional $900,000 reduction per year, will require the agency to make a full re-examination of Operations Support.

Relationship to Base Budget
General Fund expenditure reductions of ($15.570) million in FY 2004 and ($15.570) million in FY 2005 are a 15% reduction from General Fund base level funding of $104.658 million in FY 2004 and $104.658 million in FY 2005.

Alternatives Considered

Mitigation alternatives to the General Fund reductions in select program areas have been developed and are offered in a separate change item for consideration.

Statutory Change: Not applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Game and Fish Fund 230				
Expenditures	$388	$388	$388	$388
Revenues	$388	$388	$388	$388
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends that the per property fee for Aquatic Plant Management Permits be increased and the $200 cap on group permits be modified to generate sufficient revenue to cover the cost of the Department of Natural Resource's (DNR's) Aquatic Plant Management (APM) Program.

Background

Aquatic plants perform important functions in many Minnesota lakes. They provide habitat for fish and wildlife, dampen wave action protecting shorelines from erosion, prevent the re-suspension of bottom sediments, tie up nutrients that might otherwise cause excessive algal growth, and add beauty and character to lakeshores. In Minnesota riparian property owners have the right to reasonable access and use of the lake adjacent to their property. This has been interpreted to allow the destruction of aquatic plants (that belong to the public) if they interfere with the homeowner's access, as long as that destruction does not reduce the value of the public resource. The purpose of the APM Program operated by the DNR is to protect aquatic vegetation for the benefits it provides to Minnesota lakes while allowing lakeshore homeowners to exercise their right to use the lake.

M.S. 16A.1285 requires that the department set fees at a level that recovers costs. Currently the program administration, resource monitoring, technical outreach, and enforcement costs of aquatic plant management exceed the revenues they generate for the agency. Applicable costs that the state incurs include: reviewing APM permit applications, conducting site inspections, providing technical assistance, printing informational material, inspecting treatments/treated sites, and enforcing rules associated with requests from the public to destroy aquatic plants that are growing in public waters. A proposal to review the APM Program (required by Minnesota Session Laws 2002, Chap. 351, Sec. 31) identifies a process for modifying fees. Total annual revenues collected from lakeshore residents and other riparian owners who obtain permits to control aquatic vegetation are $112,000. These fees are deposited to the Game and Fish Fund and base appropriations from the Game and Fish Fund to the Divisions of Ecological Services, Fisheries, and Enforcement are assumed to include the revenue currently being generated. By comparison, annual costs for the Divisions of Ecological Services, Fisheries, and Enforcement are $513,000. This proposal would generate an additional $388,000 raising the total amount collected for aquatic plant management fees to $500,000. This would enable the DNR to allocate additional resources from the Game and Fish Fund to support this program. The DNR conducts additional activities, using an annual $25,500 grant from U.S. Environmental Protection Agency (EPA) that is administered by the Minnesota Department of Agriculture (MDA), to insure the appropriate use of pesticides in aquatic applications.

The annual cost of an APM permit is modest. Statute stipulates (M.S. 103G.615, Subd. 2) that the maximum cost of a permit for chemical treatment of rooted aquatic vegetation may not exceed $20 for each contiguous parcel and that the maximum fee for a group permit may not exceed $200. The roughly 10,000 property owners who receive an APM permit pay a permit fee, on average, of about $11 per year. DNR rules allow a *de minimus* amount of aquatic plant removal without a permit. As a result, many lakeshore owners pay no fee for removing plants adjacent to their property.

- ⇒ Division of Fisheries - increase allocation by $246,000. Fisheries allocates seven full-time equivalents (FTEs) annually to its activities related to aquatic plant management. This includes time spent by six APM specialist positions, clerical support, and the part-time efforts of many other Fisheries management staff located in area and regional offices. These staff positions are responsible for all aspects of permit review and issuance. They inspects sites where control is requested, monitor compliance with permit conditions, provide technical assistance, and administer permits. The Division of Fisheries spends $325,000 annually on these activities.
- ⇒ Division of Ecological Services - increase allocation by $113,000. Ecological Services allocates 2.5 FTEs (the APM Program Coordinator and two positions with Pesticide Enforcement expertise) plus additional clerical support to this effort. These positions help coordinate, implement, and review APM activities. In addition, the two Pesticide Enforcement positions provide oversight of pesticides used by both private individuals and commercial firms, and training to insure that those products are used safely and in accordance with label requirements. The costs associated with these safety, permit, and administrative activities are $150,000.
- ⇒ Division of Enforcement - increase allocation by $29,000. Conservation officers are responsible for enforcing APM rules. These activities are tracked by the department's cost accounting system and cost approximately $38,000.

Relationship to Base Budget

The Game & Fish Fund, Water Recreation Account, and General Fund are the current funding sources that support the department's APM Program activity. APM permit fees are deposited in the Game & Fish Fund, but do not cover program costs. In recent years, fee revenue has been about 25% of the program's operational costs. If APM permit fees were increased to fully cover APM expenditures the funding currently supporting these activities could be reallocated to other priorities within the funds.

Key Measures

The goal of this change level request is to generate revenues to cover the permit issuance, resource monitoring, technical outreach, enforcement, and program administration costs of the department's APM Program. A key measure of this change level request would require that the various individuals/groups that control aquatic plants in public waters bear the cost of DNR's resource management program. To cover program costs, the fee per lakeshore parcel would need to be increased to $50 and the cap on group permits eliminated (as outlined in the statutory change below). However, there are currently many riparian owners who are not required to pay a fee. Extending permit fees to more aquatic plant management activities is an alternative way to increase revenue.

Alternatives Considered

Statutory Change: M.S. 103G.615 Permits to harvest or destroy aquatic plants.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Game and Fish Fund - 230				
Expenditures	$62	$62	$62	$62
Revenues	$62	$62	$62	$62
Net Fiscal Impact	0	0	0	0

Recommendation
The Governor recommends that a new $250 fee for lake aeration permits be established to cover the administrative, training, and inspection costs the state incurs operating this public safety program.

Background
Aeration of lakes and ponds during the winter is an established management tool to maintain fish and/or minnows in ponds and lakes that might otherwise winterkill. While this technique has clear management value, it also creates a significant public safety risk, particularly on basins with public access. During the period 1979 – 1988, before the department implemented its current and more aggressive public safety efforts, six people died and there were at least seven non-fatal accidents associated with the open water created by aeration systems. Since 1988, there has been only one additional fatality.

The Department of Natural Resources (DNR) permits the operation of lake aeration systems (about 250 permits are issued annually), primarily to insure that these lakes and open-water areas created during the winter are properly posted to reduce the risk to public safety. The department provides safety training to operators, provides "Thin Ice" and "Danger – Open Water" signs, and conducts safety inspections in addition to administering the permit program. Currently the DNR provides all services associated with the lake aeration safety program for free. By comparison, annual training, printing, inspection, and administrative costs for the divisions of Fisheries, Ecological Services, and Enforcement are in excess of $62,000.

The Aeration Program Coordinator position is in the Division of Ecological Services. This position invests about 0.2 FTEs plus additional clerical support in the administration of the Aeration Safety Program. The position is responsible for statewide coordination of permit issuance on an annual basis, provides technical assistance to permittees, provides safety training through a series of workshops in local communities (offered every three years), and summarizes program accomplishments in an annual report. The costs associated with these safety and administrative activities are $24,500 annually (FY 2002 data).

Various Division of Fisheries staff allocates time to train to new permittees on safety procedures, conduct field inspections to insure safe operation, and review permit applications. In two regions (Metro and Northwest), safety training and field inspection responsibilities are focused in specific positions. In other regions, the responsibilities are shared among multiple staff. In FY 2002, Division of Fisheries staff spent about 0.5 FTEs on the aeration safety program at a cost of $31,000.

The Division of Enforcement also inspects aeration systems that operate on public waters to insure compliance to safety regulations. These inspection efforts focus on waters with public access. In FY 2002, about 190 hours of activity were recorded (between December and March) and 225 inspections were conducted at a direct salary cost of $6,500.

Relationship to Base Budget
Although this would not be a significant change in the overall budget, it would fully fund the ongoing aeration program.

Key Measures

The goal of this change level request is to generate revenues to cover the cost to provide safety training, insure compliance with safety requirements, and administer this program. A key measure of this change level request would require that the various groups that operate winter aeration systems (e.g., lake associations, hunting and fish clubs, minnow dealers) bear the cost of the safety program. Without this funding, the DNR may not be able to maintain the same level of inspection effort, increasing the risk that "thin ice" signs around aeration systems will not be adequately maintained. Without signs present to warn the public of the danger of open water/thin ice, the threat of injury or death for individuals out on the ice will increase.

Alternatives Considered

The department has considered partially recouping program costs by charging permittees for aeration safety signs and/or providing a list of vendors who would sell signs directly to the public. This option was rejected because the projected savings were small (about $3,000/yr) and an overriding desire to enhance public safety by ensuring that permittees always had an adequate number of signs available for posting.

Statutory Change: 103G.611 Water Aeration Safety

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures: Game and Fish	$7,363	$7,363	$7,363	$7,363
Expenditures: Natural Resources	2,315	2,315	2,315	2,315
Revenues	0	0	0	0
Net Fiscal Impact	$9,678	$9,678	$9,678	$9,678

Recommendation

The Governor recommends a reduction from 87.1% to 74.0% in the percent of Lottery in-lieu receipts deposited to the Game and Fish and Natural Resources Funds. This change will result in an additional $3.193 million deposited to the General Fund in FY 2004 and $3.193 million in FY 2005.

The Governor also recommends an increase in expenditures of $7.363 million in FY 2004 and $7.363 million in FY 2005 from the Heritage Enhancement Account in the Game and Fish Fund, and $2.315 million in FY 2004 and $2.315 million in FY 2005 from the Natural Resources Fund. Included in the net change in the Natural Resources Fund is ($719,000) in FY 2004 and ($719,000) in FY 2005 for a grant to the Met Council for the metro regional parks. The expenditure reduction aligns the amount of the annual grant with estimated receipts based on the change in deposit percentage from 87.1% to 74.0%.

The Governor recommends that Lottery in-lieu of Sales Tax funds be incorporated into the Department of Natural Resources base level funding. Annual budgetary tails from the 2001 Legislative Session provided only $1.653 million from the Heritage Enhancement Account and $5.862 million from the Natural Resources Fund as base level funding in each of FY 2004 and FY 2005.

Background

Under current law, M.S. 297A.94, paragraph (e) provides that beginning in FY 2004 87.1% of the in-lieu sales tax on state lottery tickets sales must be deposited to the state treasury as follows: 1) 50% to the Heritage Enhancement Account in the Game and Fish Fund, and may be spent only on activities that improve, enhance, or protect fish and wildlife resources, including conservation, restoration, and enhancement of land, water, and other natural resources of the state; 2) 22.5% to the Natural Resources Fund, and may be spent only for state parks and trails; 3) 22.5% to the Natural Resources Fund, and may be spent only on metropolitan park and trail grants; 4) 3% to the Natural Resources Fund, and may be spent only on local trail grants; and 5) 2% to the Natural Resources Fund, and may be spent only for the Minnesota Zoological Garden, the Como Park Zoo and Conservatory, and the Duluth Zoo.

The Lottery in-lieu of Sales Tax is an important funding source for the DNR, Metropolitan Council's regional parks and trails, and the state's major zoos. Outcomes from the use of lottery in-lieu funding in FY 2004 and FY 2005 are as follows:

OUTCOMES:

Fish Management **$2.254 million (FY 2004)** **$2.254 million (FY 2005**)

⇒ Hatchery Maintenance and Improvement – maintain and improve state fish hatcheries and rearing facilities.
⇒ Acquisition – acquire 16,000 feet of lake and stream shore each year.
⇒ Field Projects – complete about 40 survey and habitat development projects each year.
⇒ Aquatic Plant Restoration – restore 20,000 feet of lake and stream shoreline each year.
⇒ Aquatic Plant Management Positions – funding for staff position who work to protect aquatic vegetation and shoreline habitat in Minnesota's lakes and streams.
⇒ Urban Fishing Program (FIN) – add 10 kids fishing ponds in the biennium, which brings the total to 45 kids fishing ponds.

Forestry Management **$235,000 (FY 2004)** **$235,000 (FY 2005)**

⇒ Funding would be used to complete the transfer of Ecological Classification Systems (ECS) standards and evaluations for Minnesota forestlands to field practitioners and fully implement ECS in forested landscapes. Specific outcomes include:
⇒ Field forestland manager training
⇒ Forest stewardship plan supplements
⇒ Plant identification aids
⇒ Producing the documents (brochures, fact sheets) that help field staff implement ECS.

These tools and techniques will be easy to understand and will summarize the key elements of ECS and forest management. This effort will provide the needed training, reference materials, and expertise to 300 field forestland managers and provide information to over 1,000 private forestland owners.

Wildlife Management **$2.502 million (FY 2004)** **$2.502 million (FY 2005)**

⇒ Habitat management on WMAs (prescribed burns - additional 34,000 acres; prairie/grassland management – additional 4,300 acres; forest habitat projects – additional 1,000 acres; wetland restoration and improvements – additional 3,400 acres; brushland management – additional 3,400 acres burned or sheared).
⇒ Wildlife inventory, monitoring and research; completion of applied research and monitoring in each of the forest, wetland, and farmland groups (otter survey development, moose mortality study, etc.)
⇒ Con-Con WMA boundary surveys and posting (550 miles of a total 785 miles of boundaries for recently designated Con-Con, Volstead and Trust Fund WMAs).
⇒ Private land technical assistance and cost share to improve wildlife habitat on private lands (additional technical assistance for 360 landowners, cost share habitat projects for 330 acres).
⇒ Farm Bill implementation (6,000 hours of technical support for 360 landowners to create and improve wildlife habitat).
⇒ WMA grants and administration (outdoor groups assist with habitat management – 17,000 acres of prescribed burns; 940 acres of prairie/grassland management; 150 acres of forest management; 840 acres of wetlands restoration and improvement; and 940 acres of brushland burning or shearing).
⇒ Development of newly acquired WMAs to meet minimum development standards for public access and use (access roads, trails, water access sites, parking lots, camp sites, hunter blinds and observation platforms).
⇒ Wolf management; effective resolution of wolf and human conflict (statewide surveys to monitor the status of the wolf population).
⇒ Prairie chicken reintroduction (approximately 170 prairie chickens relocated and monitored in noncontiguous but suitable habitats).
⇒ Support for waterfowl habitat development in Canada pursuant to M.S. 97A.127 (additional 2,500 acres of habitat to benefit waterfowl migrating through Minnesota).

In the event that Chronic Wasting Disease (CWD) is found in the wild deer herd, Wildlife is requesting authorization to modify the purpose of its expenditure plan from the Heritage Enhancement Account. The division is authorized to use its biennial appropriation for the additional and unforeseen costs for wildlife health management related to fighting the spread of CWD.

Ecological Services **$1.235 million (FY 2004)** **$1.235 million (FY 2005)**

⇒ Expand the Minnesota County Biological Survey into Douglas, Todd, Otter Tail, and Becker counties where only initial reconnaissance work has been completed.
⇒ Implement at least six habitat management and inventory projects per year to enhance the long-term survival of priority non-game wildlife species. Priority non-game wildlife species include colonial waterbirds, shorebirds, grassland birds and rare turtles
⇒ Assist private prairie landowners in implementing 15-20 management projects per year resulting in 400-600 acres of native prairie improved annually.
⇒ Continue to upgrade the management of ecological data to insure that data are integrated, readily accessible, and capable of delivering customized products.
⇒ Assess the current status of aquatic plant resources in Minnesota's lakes and public attitudes about the value of aquatic plants.

- ⇒ Provide technical assistance and examine new methods to manage terrestrial invasive species, such as garlic mustard and European buckthorn, in natural landscapes.
- ⇒ Expand the department's capacity to address outstanding stream resource issues by working on three to five more stream restoration projects per year.
- ⇒ Work with resource professionals to help them incorporate and apply ecological information on river and stream management to local management issues.

Enforcement **$1.137 million (FY 2004)** **$1.137 million (FY 2005)**

- ⇒ Retain officers (7.23 FTE) – increased ability to respond to citizen requests and the ability to follow-up on information helpful to overall enforcement activities.
- ⇒ Replacement of equipment – maintain officer and public safety.
- ⇒ Maintain the mileage levels for officers – prevent an approximate 20% reduction in mileage.
- ⇒ Increase Enforcement's ability to support department experimental regulations and work with vulnerable resources.
- ⇒ Maintain officers' ability to protect private property and the public's safety on trails, waters, and public lands.

Parks and Recreation **$1.579 million (FY 2004)** **$1.579 million (FY 2005)**

- ⇒ With this additional funding, and as a result of implementing a reservation-only system and shorter contact station hours, Parks will be able to maintain summer camping in the state park system.
- ⇒ Again as a result of this funding, spring and fall camping will be available in a total of 38 state parks.

Trails and Waterways

Local Trail Grants **$541,000 (FY 2004)** **$541,000 (FY 2005)**

- ⇒ Assist in funding approximately 9 trail projects that connect where people live to significant resources (e.g. state parks, state trails) each year. The number of projects is based on a historical average request of about $67,000.

State Trails **$674,000 (FY 2004)** **$674,000 (FY 2005)**

- ⇒ Provide for the operations and maintenance of state trails.
- ⇒ Enable the department to extend maintenance seasons.
- ⇒ Provide for a position for the planning, acquisition, development, and maintenance of the Gitchi-Gami State Trail.

Metropolitan Council (Parks) **($719,000) (FY 2004)** **($719,000) (FY 2005)**

- ⇒ Operation and maintenance for the Metro Regional Park System. ($4.776 million from lottery in-lieu funding is currently in Park's annual base level funding for this grant to the Met Council.)

With this change item the amount included in Park's base for a grant to the Met Council is $4.057 million in FY 2004 and $4.057 million in FY 2005. Net expenditures from the Natural Resources Fund under this change item include a change of ($719,000) in FY 2004 and ($719,000) in FY 2005 in the amount granted to the Met Council. This lowered base amount is required to align with available receipts at the 74% distribution.

Zoo Grants **$240,000 (FY 2004)** **$240,000 (FY 2005)**

- ⇒ City of St. Paul, Como Zoo and Conservatory.
- ⇒ City of Duluth, Duluth Zoo.

(The Minnesota Zoo receives a direct appropriation from the Natural Resources Fund in an amount equal to the amount granted the Duluth and St. Paul zoos.)

Relationship to Base Budget

Annual Lottery in-lieu funding of $9.678 million is approximately 3.4% of DNR's annual base to include direct, statutory and open appropriations.

Key Measures

Fisheries

⇒ Aquatic Habitat
Heritage funds will protect, restore, or improve aquatic habitat on at least ten miles of lake and stream shore each year.

Wildlife

The Wildlife Management Program has four major goals: 1) to provide sustainable wildlife populations; 2) to provide sustainable recreational opportunities for users; 3) to effectively resolve problems or conflict caused by wildlife; and 4) to increase the public's understanding of Minnesota wildlife and habitats.

The key measures below are an examples of the types of outcomes the Wildlife Program produces.

⇒ Minnesota's share of the yearly Mississippi Flyway duck harvest.
Minnesota has one of the largest populations of duck hunters in the nation. Over the past three decades, Minnesota's share of the yearly Mississippi Flyway duck harvest has decreased from 16% of the ducks annually harvested in the Mississippi Flyway to 10% of the total harvest due to fall migration habitat declines in wetlands. The Wildlife Program has focused on: 1) restoring wetland habitat complexes to increase local duck production; 2) improving management of shallow lakes by eliminating carp and managing water levels to improve the quality of all migration habitat in wetlands; and 3) improving refuge and resting areas for waterfowl thereby reducing disturbances for fall migrating ducks.

Heritage Enhancement funds would directly support this effort by providing resources to improve and restore wetland and prairie/grassland habitat on WMAs, support breeding waterfowl habitat work in Canada, and provide technical support to private landowners striving to improve wildlife habitats. This funding would increase the number of waterfowl habitat acres managed and increase the number of landowners implementing beneficial waterfowl habitat practices on private lands. For example, in FY 2001, 15,000 acres of wetlands were developed, restored or enhanced through dike and water control construction projects, aquatic vegetation removal and seeding, and removal of undesirable fish species (carp and bullheads). 91,500 acres of wetlands were maintained through water level management efforts and dike/water control structure maintenance. Staff provided technical guidance and assessments for over 89,000 wetland acres.

Ecological Services

⇒ County Biological Survey
By the end of FY 2003 Minnesota County Biological Survey (MCBS) inventories will be completed in 57 counties. The original target for the end of FY 2005 was to:

- complete work in portions of three northeastern counties;
- continue work in four west-central counties; and
- initiate work in eight southwestern counties.

The FY 2004-05 funds recommended by Legislative Commission on Minnesota Resources (LCMR) will allow MCBS to accomplish the first bullet; the Heritage Enhancement funds will allow the MCBS to accomplish the second bullet. We will not, however, be able to initiate work in southwest Minnesota. The Heritage funding enables us to accomplish two-thirds of our original goal rather than only one-third.

Alternatives Considered

To accomplish the described outcomes, Lottery in-lieu funding at the requested level is necessary.

Statutory Change: Modify MS 297A.94, paragraph (e) to reflect the reduction in distribution percentage from 87.1% to 74.0%.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Environmental Trust Fund				
Expenditures	$13,564	$13,564	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$13,564	$13,564	0	0

Recommendation

The Governor has recommended the elimination of the dedicated funding for the Future Resources Fund. The Governor is not making specific recommendations on Legislative Commission on Minnesota Resources (LCMR) projects at this point, but intends to provide a statement of the administration's priorities for Environmental Trust Fund projects at a later time.

Background

Metropolitan Area Wildlife Corridors - $2.734 million Future Resources; $466,000 Trust Fund.
For acceleration of agency programs for the purposes of planning, improving, and protecting important natural areas in the metropolitan region through grants, contracted services, conservation easements, and fee acquisition.
LAWCON Federal Reimbursements - $2.5 million Future Resources Fund.
For eligible state projects and administrative and planning activities consistent with M.S. 116P14 and the federal Land and Water Conservation Fund Act.
Minnesota ReLeaf Community Forest Development and Protection - $788,000 Future Resources Fund.
For acceleration of the agency program and a cooperative agreement with Tree Trust to protect forests resources, develop inventory-based management plans, and to provide matching grants to communities to plant native trees.
Development and Rehabilitation of Minnesota Shooting Ranges - $392,000 Future Resources Fund.
To provide technical assistance and matching cost-share grants to local recreational shooting and archery clubs for the purpose of developing or rehabilitating shooting and archery facilities for public use.
Contract Administration - $60,000 Future Resources Fund; $90,000 Trust Fund.
For contract administration activities assigned to the commissioner of Natural Resources at the recommendation of LCMR.
Restoring Minnesota's Fish and Wildlife Habitat Corridors-Phase II – $1.693 million Trust Fund.
For acceleration of agency programs to restore and acquire fragmented landscape corridors that connect areas of quality habitat to sustain fish, wildlife, and plants.
Restoring RIM Match - $738,000 Trust Fund.
For the RIM Critical Habitat Matching Program to acquire and enhance fish, wildlife, and native plant habitat.
Acquisition and Development of Scientific and Natural Areas - $738,000 Trust Fund.
To acquire and develop lands with natural features of state ecological or geological significance in accordance with the scientific and natural area program long-range plan.
Forest and Prairie Stewardship of Public and Private Lands - $492,000 Trust Fund.
To develop stewardship plans for private forested lands and implement stewardship plans on a cost share basis, and to develop stewardship plans on private prairie lands and implement prairie management on public and private lands.
Local Initiative Grants (Conservation Partners and Environmental Partnerships) - $788,000 Trust Fund.
For matching grants of up to $20,000 to local government and private organizations for enhancement, research and education associated with natural habitat and environmental service projects.
Biological Control of European Buckthorn and Spotted Knapweed - $198,000 Trust Fund.
For research to evaluate potential insects for biological control of invasive European buckthorn species, and to assess the effectiveness of spotted knapweed biological control agents.
State Park and Recreation Area Land Acquisition - $1.966 million Trust Fund.
To acquire in-holdings for state park and recreation areas.
Local Initiative Grants-Parks and Natural Areas - $3.440 million Trust Fund.

For matching grants to local governments for acquisition and development of natural and scenic areas and local parks as provided in M.S. 85.019, subdivisions 2 and 4a, and regional parks outside of the metropolitan area.

Local and Regional Trail Grant Initiative Program - $492,000 Trust Fund.

To provide matching grants to local units of government for the cost of acquisition, development, engineering services and enhancement of existing and new trail facilities.

Gitchi-Gami State Trail - $1.426 million Trust Fund.

In cooperation with the Gitchi-Gami Trail Association the DNR will design and construct approximately five miles of Gitchi-Gami State Trail segments. This appropriation must be matched by at least $400,000 of non-state money.

Water Recreation: Boat Access, Fishing Piers and Shore-fishing - $1.770 million Trust Fund.

To acquire and develop public water access sites statewide, to construct shore-fishing and pier sites, and to restore shorelands at public accesses.

Minnesota County Biological Survey - $984,000 Trust Fund.

For ninth biennium to accelerate the survey that identifies significant natural areas and systematically collects and interprets data on the distribution and ecology of native plant communities, rare plants and rare animals.

Mesabi Iron Range Geologic and Hydrologic Map and Data Bases - $246,000 Trust Fund.

To develop a database of hydro geologic data across the Mesabi Iron Range.

Pass Through Projects

Metropolitan Area Wildlife Corridors - $4.911 million Future Resources Fund.

For acceleration of agency programs and cooperative agreements with the Trust for Public Land, Ducks Unlimited, Inc., Friends of the Mississippi River, Great River Greening, Minnesota Land Trust, Minnesota Valley National Wildlife Refuge Trust, Inc., Minnesota Waterfowl Association for the purposes of planning, improving, and protecting important natural areas in the metropolitan region, as defined by M.S. 473.121, subdivision 2, through grants, contracted services, conservation easements, and fee acquisition.

Continuous Indoor Air Quality Monitoring in MN Schools - $492,000 Future Resources Fund.

For an agreement with Schulte Associates, LLC to provide continuous, real-time indoor air quality monitoring in at least ten selected schools.

Rainy River Basin Water Quality Cooperative Pilot Project - $ 392,000 Future Resources Fund.

For an agreement with Koochiching County to establish a water quality cooperative for the Rainy River Basin, conduct ISTS inventories and implement wastewater treatment systems to improve water quality.

Bucks and Buckthorn: Engaging Young Hunters in Restoration - $392,000 Future Resources Fund.

For agreements with Great River Greening, MN Deer Hunters Association and the St. Croix Watershed Research Station for a pilot program in cooperation with linking hunting and habitat restoration opportunities for youth.

Minnesota Ports Greening Initiative - $295,000 Future Resources Fund.

For agreements with St. Paul Port Authority and Winona Port Authority to contract with Great River Greening to establish native plantings in the Mississippi River Corridor at the commercial port in St. Paul and to develop a restoration plan in Winona.

Wastewater Phosphorus Control and Reduction Initiative - $295,000 Future Resources Fund.

For an agreement with Minnesota Environmental Science and Economic Review Board to assess phosphorus reduction techniques at wastewater treatment plants.

Resources for Redevelopment of Brownfields to Greenspaces - $198,000 Future Resources Fund.

For an agreement with Minnesota Environmental Initiative to identify and assess redevelopment of brownfields for recreation, habitat, and natural resource reuse.

Northern Counties Land Use Management Pilot Project - $198,000 Future Resources Fund.

This is for an agreement with the Northern Counties Land Use Coordinating Board to resolve conflicts among county, state, federal, Canadian governmental units and private interests regarding natural resource management issues.

Wirth Lake Improvement - $147,000 Future Resources Fund.

For an agreement with Bassett Creek Water Management Commission to implement best management practices in Wirth Lake watershed to remove pollutants from storm water and reduce phosphorus in the lake.

Dodge Nature Center – Restoration Plan - $147,000 Future Resources Fund.
For an agreement with Dodge Nature Center to restore up to 155 acres in Mendota Heights and develop a restoration plan for up to 130 acres in West St. Paul.
Putting Green Environmental Adventure Park: Sustainability Education - $147,000 Future Resources Fund.
For an agreement with Putting Green, Inc. to construct educational exhibits for up to nine putting green learning stations in New Ulm.
Maintaining Zooplankton (Daphnia) for Water Quality: Square lake - $32,000 Future Resources Fund.
For an agreement with Marine-on-St. Croix Water Management Organization to determine whether trout predation on Daphnia significantly affects Daphnia abundance and water quality of Square Lake, Washington county.
Restoring Minnesota's Fish and Wildlife Habitat Corridors-Phase II - $5.189 million Trust Fund.
For acceleration of agency programs and cooperative agreements with Minnesota Waterfowl Association, Minnesota Deer Hunters Association, Ducks Unlimited, Inc., National Wild Turkey Federation, Pheasants Forever, the Nature Conservancy, Minnesota Land Trust, the Trust for Public Land, Minnesota Valley Trust, Inc., U.S. Fish and Wildlife Service, U.S. Bureau of Indian Affairs, USDA-Natural Resources Conservation Service, and the Board of Water and Soil Resources to restore and acquire fragmented landscape corridors that connect areas of quality habitat to sustain fish, wildlife, and plants.
Metropolitan Regional Parks Acquisition, Rehabilitation and Development - $5.280 million Trust Fund.
For an agreement with the Metropolitan Council for subgrants for the acquisition, development, and rehabilitation in the Metropolitan Regional Park System, consistent with the Metropolitan Council Regional Recreation Open Space Capital Improvement Plan. This appropriation may not be used for the purchase of residential structures.
Mesabi Trail - $688,000 Trust Fund.
For an agreement with St. Louis and Lake Counties Regional Rail Authority to acquire and develop segment(s) of the Mesabi Trail.
Intercommunity Groundwater Protection - $246,000 Trust Fund.
This is for an agreement with Washington County for groundwater monitoring, modeling and implementation of management strategies.
TAPwaters: Technical Assistance Program for Watersheds - $198,000 Trust Fund.
For an agreement with the Science Museum of Minnesota to assess the St. Croix River and its tributaries to identify solutions to pollution threats.
Linking Communities Design, Technology and DNR Trail Resources - $246,000 Future Resources Fund.
For an agreement with the University of Minnesota to provide designs for three state trails that will incorporate recreation, natural and cultural features.

Relationship to Base Budget
Project funding is available for FY's 2004-05, without budgetary tails.

Key Measures
See individual project proposals.
Also, see main web site http://www.commissions.leg.state.mn.us/lcmr/lcmr.htm

Alternatives Considered

Statutory Change: M.S. 294F.10, subd. 1

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Water Recreation - 181				
Expenditures	$1,880	$1,940	$1,940	$1,940
Revenues	380	440	440	440
Net Fiscal Impact	$1,500	$1,500	$1,500	$1,500

Recommendation

The Governor recommends increasing the watercraft license surcharge from $5 to $7 and providing $380,000 for FY 2004 and $440,000 for FY 2005 from the Water Recreation Account to the Ecological Services Program for nuisance aquatic exotic species management in public waters and public wetlands. The recommendation also includes $1.5 million from the Water Recreation Account to cover the increasing costs of services provided to the public by the Enforcement, Trails & Waterways, Waters, and Parks and Recreation Programs.

Background

This budget recommendation provides $1.880 million for FY 2004 and $1.940 million for FY 2005 and would be allocated as follows:

⇒ **Exotic Species Management** – Increase the allocation by $380,000 the first year and $440,000 the second year. The surcharge has been $5 since 1994 and this increase would allow the department to maintain mandated levels of services and activities, and expand spending on efforts related to management of the harmful species in Minnesota's waters. The state's waters are threatened by an increasing number of harmful exotic species such as Eurasian watermilfoil, zebra mussels, and Asian carp. The number of water infestations of Eurasian watermilfoil has increased, thereby increasing the number of waters where technical advice and management is needed and where watercraft inspectors are contacting boaters.

⇒ **Enforcement** - Increase allocation by $200,000 per year. This would allow the retention of existing officer stations and the continued enforcement of boating activities in the state.

⇒ **Trails and Waterways Water Recreation** - Increase allocation by $1.0 million per year for maintenance and operations. There has been no increase in maintenance funding since 1989 and over 200 new boat access sites and 200 fishing piers have been installed. Additional funds would be used to repair, rehabilitate and maintain accesses, piers and safe harbors; install portable toilets and docks; provide for acquisition and development and staffing of boat access sites to ensure federal funds are maximized; and matching state funds including technical services for the Mississippi Whitewater Trail.

⇒ **Waters** - Increase allocation by $200,000 per year. This would allow the division to support the maintenance of stream flow gauges, maintain staff support for local governments that implement shoreland zoning programs and retain the current level of staff effort for regulation of shoreline alterations.

⇒ **State Park Development** - Increase allocation by $100,000 per year. The additional amount would fund park development and rehabilitation projects and related staff costs for projects that directly or indirectly benefit water recreation within Minnesota state parks. Examples would be boat access sites, fishing piers, utility upgrades that benefit water quality, and camping facilities that serve water recreation sites.

Relationship to Base Budget

This increase is from the forecasted balance in the Water Recreation Account. Funding sources to the Water Recreation Account include: boat registration and titling fees, one and one-half percent of the state gasoline tax; watercraft license surcharge ($2 increase), and watercraft operator fines.

Key Measures

⇒ **Exotic Species Management** –Maintain 20,000 hours of watercraft inspections at public accesses mandated by statute (M.S. 84D.02, Subd. 4); increase enforcement effort from the current 1,500 hours to the previous level of 2,000 hours (1 FTE) per year statewide; and expand funding for activities to improve management of aquatic exotic species by expanding grant funding for local management (control) efforts, providing increased technical assistance, and seeking improved management approaches.

- ⇒ **Enforcement** - The continued presence of Department of Natural Resources (DNR) conservation officers on the waters of the state is a key factor in enforcement, and providing assistance to the public.
- ⇒ **Trails and Waterways Water Recreation** - The quality of maintenance would remain acceptable to the user, amenities such as toilets would be provided and the number and quality of boat accesses and fishing piers would continue to improve, and to proceed with the design phase of the Mississippi Whitewater Trail.
- ⇒ **Waters Shoreland Development** - Maintain the current level of support for 250 local units of government that control private land development through shoreland zoning programs for approximately 9,000 lakes and 30,000 miles of rivers and streams.
- ⇒ **Waters** - Shoreland alteration--maintain the current level of public waters work permitting that controls the alterations of shorelines for over 12,000 public waters and 50,000 miles of waterways for activities such as building watercraft accesses, marinas, shore protection, excavation, etc.
- ⇒ **Waters** - Maintain financial support for stream gauging and data interpretation for specific waterways. This information is helpful to recreationists that use these waterways for fishing, hunting, canoeing, and boating.
- ⇒ **State Park Development** - The state would be able to provide additional maintenance and improvements at water-related recreation sites within Minnesota state parks that are experiencing increased use as Minnesotans are vacationing closer to home over the past year.

Alternatives Considered

The DNR considered proposing a reduction in the number of hours required for watercraft inspections each year, but the reduction was not supported by citizens groups such as the Minnesota Lakes Association who originally sought to establish the watercraft inspection mandate.

Statutory Change: M.S. 86B.415, Subd. 7

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$200	$200	$200	$200
Revenues	200	200	200	200
Other Fund				
Expenditures	5	5	5	5
Revenues (multiple funds)	49	49	49	49
Net Fiscal Impact	($ 44)	($ 44)	($ 44)	($ 44)

Recommendation
The Governor recommends the application fee for utility licenses be raised to cover costs, and the revenues be direct appropriated to the Lands and Minerals Division. Also, the term of the licenses would be changed from 25 or 50 years to be permanent licenses. The fee for crossing land would be calculated based on corridor area and estimated market value.

Background
The application fee for a utility license to cross state lands or state waters is $40, which generates about $16,000 annually. This fee does not cover the costs for issuing the license and inspecting the installation, with those costs estimated at $500 per license. The proposal is to charge a $500 application fee, which is the current rate that applies to road and other similar permanent easements. This would generate general fund revenues of $200,000 each year.

In addition to the application fee, there is a one-time license fee set in rules that covers utility licenses for crossing public waters and state lands. For utility licenses crossing public waters, the proposal would simplify the current rate tables that set a fee based on corridor width and length of crossing. For utility licenses crossing state land, the proposal is that the one-time fee be based on acreage of the occupied corridor times the estimated market value per acre. Under the current rules, the one-time fee for land crossing licenses is from a table set in rules plus 15% of the appraised value. This would generate about a $65,000 increase in revenues each year. $5,000 would be paid to the counties under M.S. 272.68.

The license fee schedules were last adjusted for inflation through legislation adopted in 1990 (Laws of 1990, Ch. 594, Art. 1, Sec. 79). This proposal would double the land crossing fee and the non-low impact water crossing fee and maintain the same low impact water crossing fee.

Relationship to Base Budget
Although this is not a significant change as to the overall budget, it would bring the fees to a level more comparable to what the companies pay to private owners. In addition, because state land is often the least expensive alternative for utility corridor siting, this change may more fairly balance the location of the corridors between state and private lands.

Key Measures
Licenses are currently issued within 60 days of request, except for those requiring federal aid review. This proposal should result in utility crossing licenses being issued in about 45 days.

Alternatives Considered
An alternative was to increase the application fee and adjust due to inflation the existing rate schedules as set in rule. This current proposal would be a more significant change to the program, would reduce future workload, and would approximately double the one-time fee for utility crossings of state land.

Statutory Change: Amendment of M.S. 84.415 and repeal of Minnesota Rules, chapter 6135.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($ 920)	($1,100)	($1,220)	($1,320)
Transfers	(940)	(1,320)	(1,500)	(1,500)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($1,860)	($2,420)	($2,720)	($2,720)

Recommendation
The Governor recommends an elimination of the Taconite Mining Grant Program. This would mean reductions in taconite mining grants of a projected $920,000 in FY 2004 and $1.1 million in FY 2005 for grants administered by the Department of Natural Resources, and a projected $940,000 in FY 2004 and $1.320 million in FY 2005 for taconite mining grants administered by the University of Minnesota's Coleraine Laboratory. The dollar amounts are based on projections of future taconite royalty from school and university trust lands.

Background
Laws of 2001, First Special Session Chapter 6, Article 1, Sections 1 to 3 provides for 20% of the taconite lease payments deposited to the School Fund Mineral Lease Suspense Account and to the University Fund Mineral Lease Suspense Account during the preceding year are transferred to the General Fund, and an amount equal to the transfers are annually appropriated for taconite mining grants. The funds appropriated to the Department of Natural Resources are available for grants to taconite mining companies for 1) taconite pellet product improvements; 2) value-added production of taconite iron ore; or 3) cost-savings production improvements at Minnesota taconite plants. The funds appropriated to the University of Minnesota are available to award grants for the purpose of transferring technology from the Coleraine Laboratory to taconite mining companies for: 1) taconite pellet product improvements; 2) value-added production of taconite iron ore; or 3) cost-savings production improvements at Minnesota taconite plants.

Relationship to Base Budget
The budget recommendation removes all base level funding for taconite mining grants made available to the Department of Natural Resources and the University of Minnesota's Coleraine Laboratory under M.S. 93.2235.

Key Measures
This change item would eliminate the Taconite Mining Grant Program, which was established to provide funds to taconite mining companies to install new processing technologies.

Alternatives Considered
None.

Statutory Change: Amendment of M.S. 93.2235, Subdivisions 1 and 2.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$962	$962	$962	$962
Revenues	$962	$962	$962	$962
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	0	0	0	0

Recommendation
The Governor recommends an increase in water use fees to adjust for inflation, including adjusting the minimum and maximum fees.

Background
Water use fees have not been increased since 1990. The recommended increase represents less than one-tenth of one cent on every 1,000 gallons of water used. Minimum fees for no water withdrawals and withdrawals up to 50 million gallons per year are doubled from $10 to $20 and $50 to $100 respectively. The fee schedule for appropriations exceeding 50 million gallons per year and the maximum fees are adjusted for inflation and rounded.

In 2001 water use fees raised $2.517 million for the General Fund. The recommended increase would raise water use fee annual revenues to $3.479 million and provide for the continuation of priority water resources management programs operated by Department of Natural Resources (DNR) Waters. The annual revenue is tied to the actual amount of water used in a calendar year and is expected to fluctuate.

Relationship to Base Budget
The recommended water use fee increase represents less than 10% of DNR Waters' General Fund base budget.

Key Measures
The recommended water use fee increase would provide for continuation of the following water resources management program activities:

- U.S. Geological Survey Cooperative Program for streamflow monitoring;
- County Geologic Atlas and Regional Hydrogeologic Assessment Program;
- cooperator payments for reading groundwater observation wells; and
- groundwater and surface water technical services.

Alternatives Considered
Other mitigation options considered:

- increasing the state fee on municipal water bills statewide;
- extending the general sales tax to metropolitan sewer charges;
- extending the general sales tax to metropolitan water bills;
- extending the general sales tax to other specific water uses, such as well drilling and septic systems; and
- extending the water use fee schedule.

Statutory Change: Requires amendment of M.S. 103G.271, Subd. 6.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$ 25	$ 25	$ 25	$ 25
Revenues	25	25	25	25
Other Fund (Fund 189)				
Expenditures	709	709	709	709
Revenues	709	709	709	709
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends a camping fee increase for Minnesota state parks. Eliminating the senior citizen midweek half-price discount for camping, increasing semi-modern camping by $3, rustic camping by $3, and forest camping by $2 collectively would raise an estimated $734,000 annually. Increased revenue would be deposited in the State Park dedicated account in the Natural Resources Fund and to the General Fund for forest campground receipts. Both require legislative appropriation.

Background

Camping fees are set by Commissioner's Order. The fees have not been adjusted according to inflation or to the cost to run the state system. Semi-modern site camping fees were $6 in 1983, $7 in 1988, $10 in 1992, and $12 in 1996. Recent surveys have shown that park visitors would find this incremental increase acceptable.

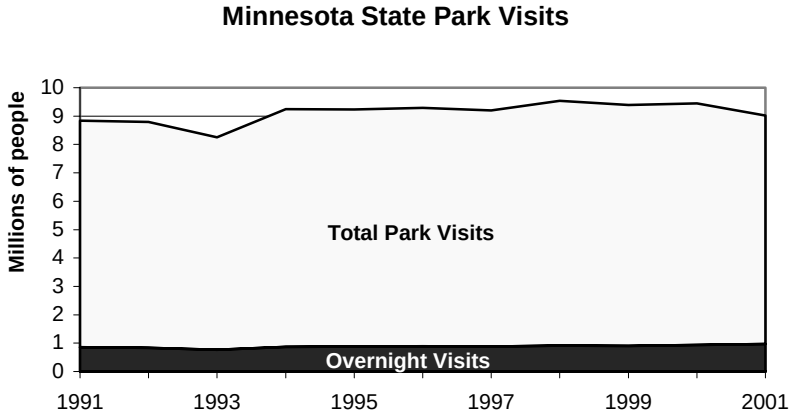
							7-1-03
Fee History	**1991**	**1992**		**1996**	**1997**	**Current**	**Proposed**
Semi-Modern Camping	$ 9.00	$ 10.00		$ 12.00	$ 12.00	**$ 12.00**	**$ 15.00**
Rustic Camping	$ 7.00	$ 8.00		$ 8.00	$ 8.00	**$ 8.00**	**$ 11.00**
Forest Campground	$ 6.00	$ 7.00		$ 7.00	$ 9.00	**$ 9.00**	**$ 11.00**

Relationship to Base Budget

Based on services provided during FY 2002, this fee change would generate an estimated $734,000. DNR Division of Parks has a total FY 2004 budget of $43.8 million of which $35.1 million is budgeted directly towards parks operations (this excludes the Metropolitan Council grants). The $734,000 increase represents a 2.1% increase in operating funds. In FY 2002, the dedicated account received $7.2 million in revenue. The proposed fee increase would generate an additional 10% in the dedicated account.

Key Measures

State park attendance has remained steady over the last ten years, as has overnight camping nights. A customer satisfaction survey was recently conducted and it found that 95% of customers were satisfied with their state park experience. This fee initiative would maintain current levels of service, maintain our customers level of satisfaction, and maintain our healthy natural resource lands.



Alternatives Considered

A General Fund initiative was not considered. Surveys show park visitors would find the fee increase acceptable.

Statutory Change: M.S. 85.052 – M.S. 85.055

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Game and Fish Fund				
Expenditures	$861	$374	$374	$374
Revenues	0	0	0	0
Net Fiscal Impact	0	0	0	0

Recommendation
The Governor recommends that additional resources be provided from the Game and Fish Fund as mandated by the Federal Sport Fish Restoration Program. The recommendation includes $861,000 for FY 2004 and $374,000 for FY 2005.

Background
The Federal Sport Fish Restoration Program administered by the U.S. Fish and Wildlife Service, requires the state to allocate 15% of the funds apportioned to it each fiscal year for the payment of up to 75% of the costs of acquisition, development and renovation or improvement of public boat access facilities for recreational boating purposes. This budget initiative is necessary to align the level of state funds with the required federal 15% apportionment.

Relationship to Base Budget
The base level funding from the Game and Fish fund for this program is $1.310 million for FY 2003.

Key Measures
The additional resources will be used to upgrade and increase boat access facilities through land acquisition and development of new boat access sites and expansion and renovation of existing boat access sites through out the state. With the technological advances in boats, motors and equipment, and their cost to the customer, there is increasingly greater expectations for quality launch facilities.

Alternatives Considered
Not Applicable.

Statutory Change: No change required.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Snowmobile – Fund 182				
Expenditures	$500	$500	$500	$500
Revenues	0	0	0	0
Net Fiscal Impact	0	0	0	0

Recommendation
The Governor recommends an increase to State Snowmobile Trail Operations.

Background
During the last biennial budget submission the department recommended a number of budget reductions to maintain a positive balance in the Snowmobile Trails and Enforcement Account. The proposed reductions were necessary due to the unrefunded gas tax going from 1% back to .75%. The legislature had raised it to 1% for two years based on several excellent winters. The legislature also directed the Department of Administration to do a gas tax study on snowmobile usage. This study recommended that .75% was appropriate. The study showed that the upper limit for a good winter is 1.067% and the lower limit of .62%. The legislature then reinstated the 1% and increased the appropriations for snowmobile grants-in-aid and allowed the recommended reductions of $216,000 to the State Snowmobile Trail Operations.

Relationship to Base Budget
The base budget prior to the reduction made in FY 2002 was inadequate to provide for a well-groomed Department of Natural Resources system. Since 1988 there has been a rising trend in snowmobile registrations, which in turn has increased demand for more trail grooming and maintenance. The present base level funding will provide for a shorter grooming season, and a reduction in frequency of grooming.

Key Measures
This change item will allow for a full grooming season throughout the state, and allow for multiple grooming per week where needed. Also this increase will help pay for the administrative costs that have been created by the expansion of the grant-in-aid trail system (added 2,800 miles to the existing system).

Alternatives Considered
As stated, based on the existing level of funding, services will be decreased during an average winter. When the base was reduced two years ago, the idea of expanding contract grooming was explored, but it was found that the existing contractors could only take on limited mileage and could not commit to the frequency of grooming that was needed.

Statutory Change: No change required.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Game & Fish Fund				
Expenditures	$175	$175	$175	$175
Revenues	0	0	0	0
Net Fiscal Impact	$175	$175	$175	$175

Recommendation
The Governor recommends an increase to Fisheries Treaty Management of $175,000 ($350,000 per biennium) to cover the costs of increased management activities and special projects needed to manage the court ordered treaty fishery.

Background
With the court ordered decision that two Minnesota and eight Wisconsin Indian Bands had harvest rights in the 1837 Ceded Territory (east-central Minnesota including Mille Lacs Lake), appropriations from the General Fund and Game and Fish Fund were authorized during the 1994 Legislative Session for resource population surveys.

Due to increasing population survey needs an additional one-time appropriation was provided in 2002 to fund a tagging study for better walleye populations and a hooking mortality study.

Relationship to Base Budget
This appropriation would increase the base appropriation from the Game and Fish Fund to $223,000 for 1837 Treaty Management on Mille Lacs.

Key Measures
The goal of this increased appropriation is to fund additional work (fish tagging and catch and release studies) so that better harvest management decisions can be made.

Alternatives Considered
Other monies are not available to undertake the additional work on Mille Lacs that are needed because of the court ordered Indian harvest.

Statutory Change: None.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Game & Fish Fund				
Expenditures	$1,000	$1,000	$1,000	$1,000
Revenues	0	0	0	0
Net Fiscal Impact	$1,000	$1,000	$1,000	$1,000

Recommendation
The Governor recommends an increase for fisheries culture and stocking activities of $1.0 million each year. Up to $500,000 each year would be available for the purchase of walleye fingerlings from the private sector to meet statewide stocking priorities and needs. $500,000 each year would be available to enhance statewide fisheries production and stocking including hatchery repairs and upgrades, purchase of fish production or stocking equipment, purchasing access easements for production ponds, and other items and activities related to fish culture and stocking.

Background
Reductions in walleye fingerling stocking in the 1990's led to public concern that walleye populations in stocked lakes were declining. Following legislative and public meetings, the state implemented the Accelerated Walleye Program, designed to bring walleye production up to 120,000 – 130,000 pounds of fingerlings per year and to engage in other activities and evaluation of the walleye stocking program. Funding for this program is currently provided at $553,000 per year. Since the program began, walleye fingerling stocking has increased by 32% in pounds and 85% in numbers when compared to the three years preceding the program. Due to mild winters which prevented winterkill of predators in state production ponds, however, the state has not been able to consistently meet the target production goals. Purchase from the private sector and improving other statewide production and stocking capabilities should help ensure that we minimally meet or exceed these goals each year.

Relationship to Base Budget
This appropriation would increase the base appropriation to the Division of Fisheries by $1.0 million.

Key Measures
The goal of this appropriation would be to ensure that the state meets its target goals for fisheries production and enhance fisheries opportunities in the state.

Alternatives Considered
Other funds are not available for the initiative.

Statutory Change

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Trout & Salmon – Fund 234	$224	$224	$224	$224
Revenues	0	0	0	0
Net Fiscal Impact	$224	$224	$224	$224

Recommendation

The Governor recommends an increase in funds from the Trout and Salmon Management Fund. The balance in this fund has increased from $163,465 in FY 1999 to $876,861 in FY 2002 due to increases in the cost of a Trout and Salmon Stamp from $5.00 to $8.50; and the number of stamps sold each year. This change level request will increase the number of qualifying projects funded from the Trout and Salmon Management Fund.

Background

The Trout Stamp Program started in 1982 to generate additional revenue for the trout stream habitat improvement program. The price of the first trout stamp was $3.00 and the funds were used in restore habitat in trout streams. In 1986, the cost of a trout and salmon stamp increased from $3.00 to $5.00. At the request of the Trout and Salmon Citizen Oversight Committee, the price was increased to $8.50 in 1998. The current fee of $8.50 is comparable to the price of trout stamps in most states. The annual appropriation out of the Trout and Salmon Stamp Management Fund has not increased significantly since 1999 and the unappropriated balance has grown to $876,861 in FY 2002.

In 1985, the requirement for needing a stamp was changed to include fishing on designated stream trout lakes and Lake Superior. Types of projects eligible for funding increased to include the rearing and stocking of trout and salmon and the development, restoration, maintenance, and preservation of trout lakes. In 1997, the type of projects eligible for funding from the stamp fund changed again. New activities eligible for funding are the purchase and identification of easement and fee title land along trout streams; and research and special management projects on Lake Superior and the anadromous portions of its tributaries (M.S. 97C.305).

In 1994, the Minnesota legislature established six citizen oversight committees to make recommendations to the legislature and the commissioner of the Department of Natural Resources (DNR) for improvements in the management and use of money in the game and fish fund (M.S. 97A.055, Subd. 4a). The members of these citizen oversight committees are appointed by the commissioner of the DNR. The Trout and Salmon Citizen Oversight Committee reviews the use of the money in the Trout and Salmon Management Fund. This committee will have input on the types of projects funded with this increase in appropriations.

Relationship to Base Budget

This appropriation increase will have little impact on the overall budget for the Division of Fisheries. However, this represents a significant increase (33%) in the number of qualifying projects funded from the Trout and Salmon Management Fund.

Key Measures

The goal of this change level request is to utilize the growing balance in the Trout and Salmon Management Fund for its intended purpose. Each November, the Division of Fisheries sends a report to the Trout and Salmon Stamp Citizen Oversight Committee showing the amount of stamp funds spent in each of five categories (M.S. 97A.075, Subd. 3) for the previous fiscal year. These categories are: 1) fish culture and stocking; 2) habitat improvement; 3) Lake Superior research; 4) Lake Superior special projects; and 5) easement acquisition and identification. After reviewing how the stamp funds were spent, the Trout and Salmon Stamp Citizen Oversight Committee sends a report to the legislature and the commissioner of the DNR.

Alternatives Considered

None. The purpose of this recommendation is to increase the number of qualifying projects funded from the Trout and Salmon Management Fund.

Statutory Change: No statutory change required.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures – Game and Fish Fund - 230	$600	$600	$600	$600
Expenditures – Wild Turkey Management Fund - 238	25	25	25	25
Net Fiscal Impact	$625	$625	$625	$625

Recommendation
The Governor recommends the annual appropriation from the Wild Turkey Management Fund be increased and the receipts from the sales of natural resources such as timber, gravel and crops from Wildlife Management Areas (WMAs) be appropriated to the Division of Wildlife.

Background
⇒ **Turkey stamp account**: the Wild Turkey Program started in 1997 and the annual receipts have exceeded the appropriation amounts. **Intended use**: increased wild turkey habitat and population management.

⇒ **Natural resource revenue**: reinvest natural resource revenue from WMAs. **Funds generated**: currently $600,000 per year. **Intended use**: revenues raised from sales of natural resource products from WMAs invested back into improved wildlife habitat and facility management.

Relationship to Base Budget
The appropriation increase for the Wild Turkey Management Fund would have little impact on the overall budget for the Division of Wildlife. The appropriation of $600,000 per year would approximate the receipts from natural resource sales on WMAs to be used by the Division of Wildlife for wildlife habitat and facility management on these areas.

Key Measures
Wild Turkey Program
The appropriation would provide annually an additional 25 acres of turkey habitat acquisition for WMA's and an additional 100 acres of improvement to turkey habitat on WMA's.

Natural Resource Revenue
WMA derived revenues would provide for developing and improving annually an additional 1,300 acres of wildlife habitat management on prairie/grasslands, forest and wetland habitats. Funding would also provide for addressing chronic problems of maintaining and improving annually an additional 175 miles of access roads and trails and 175 parking lots and other user facilities at WMAs.

Alternatives Considered
Requesting additional General Fund dollars or not doing these activities were the only other alternatives considered.

Statutory Change: None.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	$179	$179	$179	$179
Revenues	0	0	0	0
Net Fiscal Impact	$179	$179	$179	$179

Recommendation
The Governor recommends that funding for the watercraft inspections from the watercraft surcharge be continued.

Background
As mandated by statute, the Department of Natural Resources (DNR) has been inspecting watercraft leaving public accesses on " infested" waters since 1992. Through the 2001 boating season, inspections were conducted by Minnesota Conservation Corps (MCC) personnel as part of a cooperative effort between MCC and the Division of Ecological Services. Watercraft Surcharge funds (intended for control, public awareness, law enforcement, monitoring, and research of nuisance aquatic exotic species – see M.S. 86B.415, Subd. 7), in the Water Recreation Account, were appropriated to MCC to cover the salary of employees who conducted the inspections under the direction of the Exotic Species Program in the Division of Ecological Services. These new funds would be used to help meet the following objective in *Directions 2000* — "Populations of the most harmful aquatic exotic or invasive species will be reduced and no new introductions occur."

Beginning in the summer of 2002, the Division of Ecological Services took over full responsibility for conducting the watercraft inspection effort (MCC employees are no longer used). The funding for the watercraft inspectors needs to be appropriated to Ecological Services to reflect the new approach to meet the watercraft inspection mandate in M.S. 84D, Subd. 4.

Relationship to Base Budget
The base budget the Division of Ecological Services receives from the Exotic Species Surcharge portion of the Water Recreation Account will increase by $179,000 (using FY 2003 as base).

Key Measures
This funding reappropriation will allow the Division of Ecological Services to continue to provide the 20,000 hours of watercraft inspection effort required in M.S. 84D.02, Subd. 4. The DNR annually (by January 15th) reports to the legislature and provides documentation that this and other requirements of M.S. 84D have been met.

Alternatives Considered
⇒ A statutory change in the number of hours that watercraft inspections are required each year would not be supported by citizen groups such as the Minnesota Lakes Association who originally sought to establish the watercraft inspection mandate.

⇒ Taking no action would have the effect of eliminating the inspections because the necessary funds would not be available for the DNR to meet its mandate.

Statutory Change: No statutory changes required.

This report includes all federal revenues and anticipated federal revenues to be deposited to the following DNR accounts:

To federal "300" fund accounts:

- Federal funds directly deposited to DNR federal fund accounts ("300 fund")
- Federal Emergency Management Agency (FEMA) funds passed through the Division of Emergency Management Agency, Department of Public Safety and deposited to the DNR federal fund accounts.

To other funds per state statutes:

- Federal funds deposited to the Game and Fish Fund for the Sport Fish and Wildlife Restoration Programs, funded by the U.S. Fish and Wildlife Service.
- Land and Water Conservation Fund Program deposited to a LCMR receipts account prior to transfer to LCMR for statewide projects and another DNR LCMR account for DNR local projects grants.

Benefits

Federal funding extends DNR's financial resources. This funding is pursued and accepted to support the department's goals and strategies laid out in this budget and in DNR's strategic plans.

Basis for Estimates

Some of our programs have applied for federal funds and have included those estimates, but have not yet received confirmation of future funding from federal grantors. Most of our estimates are based on historical trends.

Related State Spending

Per budget instructions related state spending shows state spending for the same purpose whether mandated or not. At minimum it includes federally required state spending. Where data was available we included spending for the same purpose beyond that which is federally required.

New Programs Pending Legislative Approval

All new programs whose funding is pending legislative approval are followed with an asterisk.

Congress has not approved legislation such as the Conservation and Reinvestment Act (CARA) that would provide long term dedicated funding for non-game wildlife and a variety of other natural resource activities. Rather, Congress has authorized and approved several one-year programs that fund such activities. For example, the Wildlife Conservation and Recreation Program resulted in federal fiscal year 2001 funds for 24 Minnesota projects, covering land acquisition to monitoring goshawk territories. The coming biennium will see federal funds from the Competitive State Grants, State Wildlife Grants and Landowner Incentive Program sources. We are in the process of determining how we will manage the Landowner Incentive Program within DNR. From the same funding "roots" come increased benefits in FY 2004-05 for the Coastal Zone Management and the Land and Water Conservation Programs which began/increased activity in FY 2003.

A few new initiatives at the federal level have resulted in some new funding. DNR Waters benefits from additional dollars from FEMA MAPS modernization, and additional funding for flood mitigation this biennium. A relatively new federal funding source, FEMA Wildfire Suppression, is available intermittently as needed. It is received as a pass through grant from the Division of Emergency Management, Department of Public Safety. It was available for the Carlos Avery Fire and is listed here for the Brainerd Area fires with anticipated reimbursement in FY 2003. We will continue to pursue this funding as needed in the future.

Changes

Some state changes may affect the level of federal funding and the rate of reimbursement from federal funding. Improvements in fiscal management have resulted in an increased rate of recovering National Recreational Trails funding, for example. On the flip side, state budget reductions may impact DNR's ability to meet requirements of a federal grant agreement, such as the case for the continuing COPS (Community Assisted Policing) program that requires the hiring of certain enforcement positions as a condition of receiving federal funds.

Several of our Major federal programs including the Recreational Boating Safety and the National Recreational Trails Program are up for reauthorization, but it is not known at this time if that process will result in significant federal funding changes for MN DNR. One program in danger of significant federal funding reduction is the Long Term Resource Monitoring Program. The reduction would result in cancellation or delay of habitat restoration projects on the Mississippi River and probable closing of this program.

We have grouped funding from the same source for smaller projects. In some cases the apparent funding variations for those programs, including the Endangered Species programs, the Forestry Federal Focus Funds or the Environmental Surveys Studies Special Projects, just reflect a different mix of projects beginning and ending within the funding period.

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
FEMA National Dam Safety Program	-0-	SO	53	53	90	90
FEMA Flood Mitigation Assistance	-0-	GPS	24	136	136	136
Federal Flood Plain Management	96	SO	96	158	108	108
FEMA Map Modernization *	-0-	SO	-0-	350	350	350
Waters Coastal Zone Management	62	GPS	363	1300	1350	1350
FEMA Fire Suppression Assistance –thru DEM	220	SO	1731	200	-0-	-0-
GAP Analysis	50	SO	49	50	50	50
Forest Stewardship	311	GPS	289	271	271	271
Urban Forestry	227	GPS	100	100	100	100
Volunteer Fire Assistance (Coop Forestry)	273	GPS	299	273	273	273
Special Forestry Federal (Coop Forestry)	929	SO	929	696	700	700
Forestry Federal Focus Funds (Coop Forestry)	1106	SO	1106	3084	2184	2184

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
Conservation Reserve Program	0	GI	0	7	7	7
Kathio Park Historic Landmark Challenge Cost Share program	-0-	SO	-0-	9	1	-0-
National Recreational Trails Program	0	GPS	460	1500	1500	1500
Clean Vessel Act *	0	GI	0	0	40	40
Boating Infrastructure*	0	SO	0	0	100	100
North American Waterfowl Act	750	SO	474	150	600	600
Forest Research	300	SO	49	20	50	50
Long Term Resource Monitoring	0	SO	248	340	340	340
Fish & Wildlife Coordination Act	0	SO	127	114	130	130
Endangered Species Research Sect. 6	23	SO	68.	60	100	100
Endangered Species Research	300	SO	6	30	100	100
Wetlands Protection	NA	SO	0	30	125	125
Environmental Surveys, Studies, Special Projects	0	SO	3	0	100	100
Pesticide Enforcement	6	SO	14	26	26	26
Commercial Fish Assessment	20	SO	25	23	13	13
Competitive State Grants*	NA	SO	0	178	178	178
State Wildlife Grants*	NA	SO	0	900	1000	1000
Landowner Incentive Programs*	NA	GI	0	0	860	880
Community Oriented Policing	30	SO	91	60	60	50
FEMA Public Assistance	90	SO	521	663	400	100
Recreational Boating Safety	4137	SO	1925	2596	2596	2596
DOJ Equipment Grant*	0	SO	0	50	6	0
Subtotal federal fund accounts	8930		9050	13427	13944	13647
Sport Fish Restoration	6000	SO	9753	10000	10000	10000
Wildlife Restoration	3200	SO	6456	6000	6000	6000
Subtotal Game & Fish Fund	9200		16209	16000	16000	16000

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
Land & Water Conservation Fund Program		GPS	1363	2215	2039	1720
Agency Total			26622	31642	31983	31387

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

Agency Purpose

Minnesota Statutes sections 148.171-148.285 provides that the Board of Nursing's mission is to protect the public's health and safety by providing reasonable assurance that the persons who practice nursing in Minnesota are competent, ethical practitioners with the necessary knowledge and skills appropriate to their title and role.

The board strives to achieve its mission by carrying out activities authorized by Minnesota statutes and rules (licensing, discipline and nursing education program approval), maintaining current knowledge relevant to the education and practice of nurses, disseminating information to nurses and the public, and operating an agency which utilizes human and fiscal resources efficiently and effectively.

At A Glance

Biennial Budget – FY 2002-03:

Total Expenses: $6.685 million

Total Revenues: $8.006 million

Staff: 35.7 Full-time equivalent employees

Minnesota Board of Nursing
License Statistics
(As of June 30, 2002)

Total Licensed: 87,619

The board's activities are guided by the following goals:

- fulfilling responsibilities for public safety with respect for due process and adherence to laws and rules;
- delivering customer services in a respectful, responsive, timely, communicative, and nondiscriminatory manner;
- providing government services that are accessible, purposeful, responsible, and secure; and
- carrying out business functions with efficiency, accountability, innovation, and a willingness to collaborate.

Core Functions

The Board of Nursing accomplishes its purpose by:

- licensing approximately 4,500 nurses and renewing approximately 43,500 nurse licenses (annually);
- verifying eligibility to prescribe drugs to the Federal Drug Enforcement Agency for approximately 200 advanced practice registered nurses (annually);
- investigating approximately 1,000 written jurisdictional complaints about nurses who are alleged to have violated a law related to the practice of nursing (annually);
- reporting disciplinary action to the employer and consumer and national disciplinary data banks;
- conducting surveys of nursing education programs for compliance with all applicable statutes and rules and monitoring program graduation pass/fail rates on the national licensing examination;
- disseminating information related to licensure, disciplinary actions, nursing education programs, and nursing practice standards so that employees and consumers can make informed decisions regarding the performance of nursing services provided by individual nurses; and
- interacting with consumers, employers, educators, and other regulators to address the critical nursing shortage and its impact on public safety, nursing education, and a dynamic health care delivery system.

Operations

The Board of Nursing is comprised of eight registered nurses, four licensed practical nurses, and four public members who are appointed by the governor. The board makes governance decisions related to the regulation of nursing credentialing, practice, and education and delegates' administrative management and services of the organization to an executive director and staff of nurse professionals and administrative support personnel.

The board interacts with and services applicants, licensees, educational institutions, attorneys, other state agencies and health-related licensing boards, national and federal information systems, and a national nurse licensure examination test service in person and writing and through electronic communications. Online solutions are implemented via the board web site.

The board disseminates information by publishing a newsletter, maintaining a web site, participating in statewide initiatives on nursing practice, education, and patient safety, and making public presentations and speeches.

Budget

The board is a public agency funded by fees collected from applicants and licensees whom it regulates and services, as well as nursing corporations. Licensees have input regarding the amount of fees collected through focused contact from board staff and the legislative process. The total direct and indirect expenses for FY 2002-03 biennium are $6.685 million. The board staff includes 35.7 full-time equivalent employees.

Of the total budget for the FY 2002-03 biennium, $8.006 million is collected as non-dedicated revenue, which is deposited, into the state government special revenue fund. The board is required by law to collect enough revenue to recover all direct and indirect costs.

In addition to the operational costs related to credentialing, nursing program education approval, and disciplinary functions, the board is responsible for the costs of services received from the Attorney General's Office, Health Professional Services Program, Department of Health HIV/HBV/HCV program and the health-related licensing boards' collaborative administrative services unit. A direct appropriation is given to the Health Professional Services Program, HIV/HBV/HCV program, and the Administrative Services Unit from the state government special revenue fund. The board must ensure that sufficient revenue is collected through its fees to cover fund their portion of these programs costs.

Contact

Minnesota Board of Nursing
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Minneapolis, Minnesota 55414-3246

http://www.nursingboard.state.mn.us provides visitors with access to laws and rules governing the practice of nursing; information related to credentialing, nursing education programs; filing a complaint; statistical data; meeting notices and board meeting minutes; board newsletter; updates on board activities; links to the National Council of State Boards of Nursing; other state boards of nursing, nursing education programs, state and national nursing organizations, and other state agencies; and online licensure services, such as nurse licensure renewal.

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Health and Human Services omnibus bill. These agencies collectively administer $163.2 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $1 million (0.6%) increase from the FY 2002-03 biennium. The funding for these agencies will be used to provide health and supportive housing services for Minnesota Veterans, license and regulate health professionals, promote high standards for treatment of mental illness, promote the protection of children, and coordinate training and administration for eight independent EMS organizations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, eliminate duplication, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Agencies have focused reduction plans around administrative areas of the budget. In most cases this protects the core function of the agency, albeit at a reduced level. In some cases, reduced staff will have direct effects on citizens as they try to access government services.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

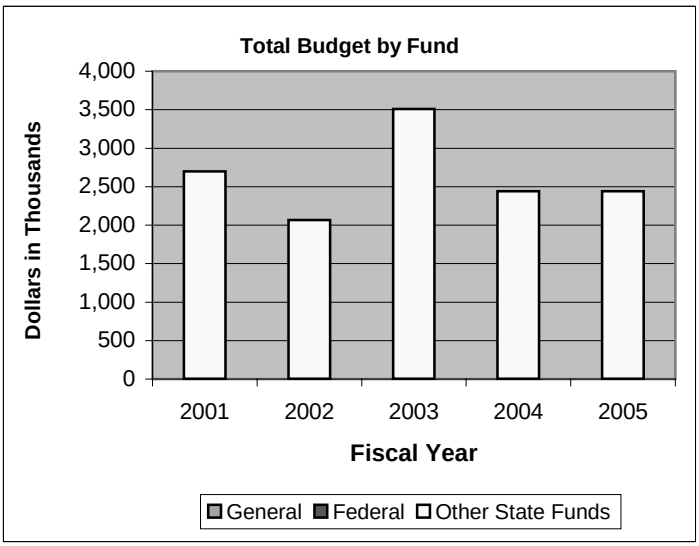
Sincerely,

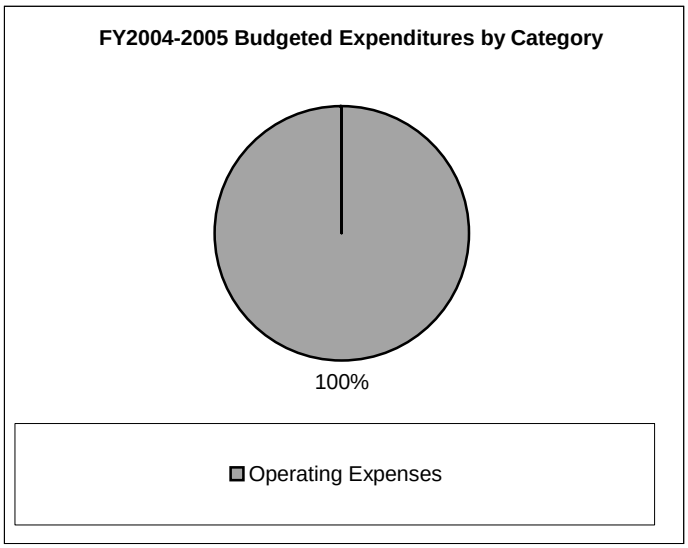
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	0	5,872	5,872
Agency Technical Reallocations	0	-1,092	-1,092
Legislatively Mandated Base	0	0	0
Transfers Between Agencies	0	98	98
Adjusted Base Funding	0	4,878	4,878
Governor's Recommendations	0	4,878	4,878
Biennial Change, 2002-03 to 2004-05	0	-701	-701
Percent Change	n.m	-13%	-13%

Brief Explanation Of Budget Decisions:

The Nursing Board is a fee-based organization that provides licensure and regulation services. Appropriations are made from the State Government Special Revenue (SGSR) fund and funding will continue at the FY 2003 level for both FY 2004 and FY 2005. The 13% reduction in funding indicated above is caused by a balance forward into FY 2002 from the previous biennium. No similar funds are expected for FY 2004.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
State Government Special Revenue	2,639	1,993	2,777	2,405	2,405	4,810
Open Appropriations						
State Government Special Revenue	60	25	34	34	34	68
Statutory Appropriations						
Special Revenue	0	50	700	0	0	0
Total	**2,699**	**2,068**	**3,511**	**2,439**	**2,439**	**4,878**
Expenditures by Category						
Operating Expenses	2,699	2,068	3,511	2,439	2,439	4,878
Total	**2,699**	**2,068**	**3,511**	**2,439**	**2,439**	**4,878**
Expenditures by Program						
Nursing, Board Of	2,699	2,068	3,511	2,439	2,439	4,878
Total	**2,699**	**2,068**	**3,511**	**2,439**	**2,439**	**4,878**
Revenue by Type and Fund						
Non Dedicated						
State Government Special Revenue	4,111	4,285	3,721	4,081	4,081	8,162
Subtotal Non Dedicated	4,111	4,285	3,721	4,081	4,081	8,162
Total Revenue	**4,111**	**4,285**	**3,721**	**4,081**	**4,081**	**8,162**
Full-Time Equivalents (FTE)	**32.9**	**27.6**	**27.6**	**27.6**	**27.6**	

Agency Purpose

Minnesota Statutes 144A.19 – 144A.28, and Minnesota Rules 6400 provide the Minnesota Board of Examiners for Nursing Home Administrators responsibility to act as the official licensure agency for nursing home administrators. It was originally created by federal mandate and currently exists to protect the public's interest through the regulation of nursing home administrators 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 care and effective services for residents of nursing facilities by ensuring that licensed administrators are qualified to perform their administrative duties.

At A Glance

Biennial Budget – FY 2002-03:

Total Expenses: $436,000

Total Revenue: $418,000

Staff: 2.0 Full-time equivalent employees

Minnesota Licensed Nursing Home Administrator Statistics
(As of June 30, 2002)

Total Licensed: 855

Core Functions

The board accomplishes its mission by:

- setting and administering educational and examination standards for initial and continuing licensure;
- responding to inquiries, complaints and reports from the public and other health care regulators regarding licensure and conduct of applicants, permit holders, licensees and unlicensed practitioners;
- pursuing educational or disciplinary action with licensees as deemed necessary based upon results of investigations conducted; and
- providing information and education about licensure requirements and procedures and standards of practice to the public and other interested audiences.

Operations

- ⇒ The board provides information relating to the practice of administration in long-term care facilities by informing the public of appropriate services and expected professional standards of nursing home administrators.
- ⇒ The board reviews the domain of knowledge and skills required for contemporary administration and sets educational and examination standards reviewing 50 applicants and administering 35 state examinations per year.
- ⇒ The Standards of Practice Committee annually reviews 150 public and agency complaints regarding administrators. Public education is provided to consumers of long term health care.
- ⇒ Six approved Long-Term Care Administration academic programs and students seeking career information are provided assistance from the board.
- ⇒ The board assists 427 licensed skill nursing facilities in achieving federal compliance of employing a licensed nursing home administrator.

Budget

The board's total direct and indirect expenses for FY 2002-03 biennium are $436,000. The board staff includes 2.0 full-time equivalent employees.

Of the total budget for the biennium, $418,000 is collected as non-dedicated revenue, which is deposited into the state government special revenue fund. The board collects fees charged to applicants, prospective applicants, licensees, and sponsors of continuing education programs approved by the board. The board is responsible to collect enough revenue to recover all direct and indirect costs.

The board is responsible for the costs of services received from the Attorney General's Office, Health Professional Services Program, and the Administrative Services Unit. A direct appropriation is given to each of these programs from the state special government revenue fund. The board must ensure that sufficient revenue is collected through its fees to fund their portion of these programs costs.

Contact

Minnesota Board of Examiners for Nursing Home Administrators
2829 University Avenue Southeast, Suite 440
Minneapolis, Minnesota 55414

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

Randy Snyder, Executive Director
E-mail: Randy.Snyder@state.mn.us
Phone: (612) 617-2117
Fax: (612) 617-2119

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Department of Finance

400 Centennial Building
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Fax: (651) 296-8685
TTY: 1-800-627-3529

February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Health and Human Services omnibus bill. These agencies collectively administer $163.2 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $1 million (0.6%) increase from the FY 2002-03 biennium. The funding for these agencies will be used to provide health and supportive housing services for Minnesota Veterans, license and regulate health professionals, promote high standards for treatment of mental illness, promote the protection of children, and coordinate training and administration for eight independent EMS organizations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, eliminate duplication, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Agencies have focused reduction plans around administrative areas of the budget. In most cases this protects the core function of the agency, albeit at a reduced level. In some cases, reduced staff will have direct effects on citizens as they try to access government services.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

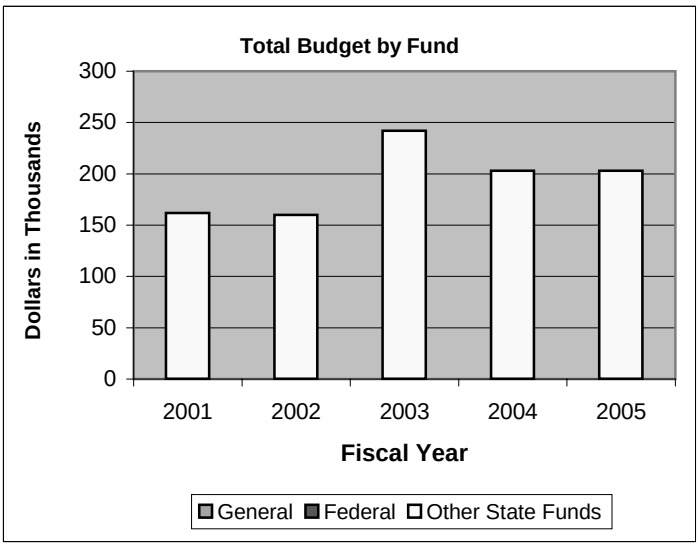
Sincerely,

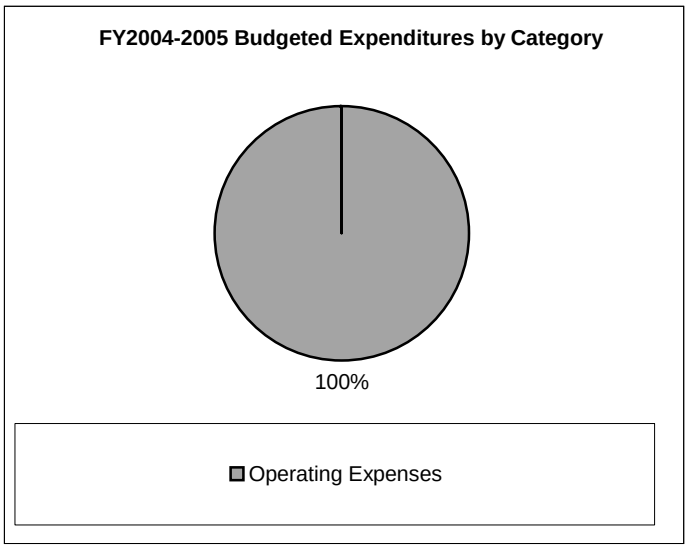
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	0	406	406
Adjusted Base Funding	0	406	406
Governor's Recommendations	0	406	406
Biennial Change, 2002-03 to 2004-05	0	4	4
Percent Change	n.m	1%	1%

Brief Explanation Of Budget Decisions:

The Nursing Home Admin Board is a fee-based organization that provides licensure and regulation services. Appropriations as recquested from the State Government Special Revenue (SGSR) fund and funding will continue at the FY 2003 level for both FY 2004 and FY 2005.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
State Government Special Revenue	153	156	242	198	198	396
Open Appropriations						
State Government Special Revenue	9	4	0	5	5	10
Total	**162**	**160**	**242**	**203**	**203**	**406**
Expenditures by Category						
Operating Expenses	162	160	242	203	203	406
Total	**162**	**160**	**242**	**203**	**203**	**406**
Expenditures by Program						
Nursing Home Admin, Board Of	162	160	242	203	203	406
Total	**162**	**160**	**242**	**203**	**203**	**406**
Revenue by Type and Fund						
Non Dedicated						
State Government Special Revenue	201	196	222	198	198	396
Subtotal Non Dedicated	201	196	222	198	198	396
Total Revenue	**201**	**196**	**222**	**198**	**198**	**396**
Full-Time Equivalents (FTE)	**1.8**	**2.0**	**2.0**	**2.0**	**2.0**	

Agency Purpose

Minnesota Statutes sections 148.52 – 148.62 and Minnesota Rules, chapter 6500 provide the Minnesota Board of Optometry authority 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 2002-03:

Total Expenses: $222,000

Total Revenue: $203,000

Staff: 1.25 Full-time equivalent employees

Minnesota Licensed Optometrist Statistics
(As of June 30, 2002)

Total Licensed: 871

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 serves consumers, licensed optometrists, applicants for optometry licensure, other governmental agencies, third party payers and sponsors of continuing education courses. Services are delivered through direct communication (telephone, mail, e-mail, and in-person).

Budget

Total direct and indirect expenses for FY 2002-03 biennium are $222,000. The board staff includes 1.25 full-time equivalent employees.

Of the total budget for the FY 2002-03 biennium, $203,000 is collected as non-dedicated revenue which is deposited into the state government special revenue fund. The board fees charged to applicants, prospective applicants, licensees, and sponsors of continuing education programs. The board is responsible to collect enough revenue to recover all direct and indirect costs.

The board is responsible for the costs of services received from the Attorney General's Office, Health Professional Services Program, and the Administrative Services Unit. A direct appropriation is given to each of these programs from the state special government revenue fund. The board must insure that sufficient revenue is collected through its fees to fund their portion of these program costs.

Contact

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

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

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

Phone: (612) 617-2173
Fax: (612) 617-2174
TDD: (612) 297-5353 or 1-800-627-3529

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Health and Human Services omnibus bill. These agencies collectively administer $163.2 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $1 million (0.6%) increase from the FY 2002-03 biennium. The funding for these agencies will be used to provide health and supportive housing services for Minnesota Veterans, license and regulate health professionals, promote high standards for treatment of mental illness, promote the protection of children, and coordinate training and administration for eight independent EMS organizations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, eliminate duplication, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Agencies have focused reduction plans around administrative areas of the budget. In most cases this protects the core function of the agency, albeit at a reduced level. In some cases, reduced staff will have direct effects on citizens as they try to access government services.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

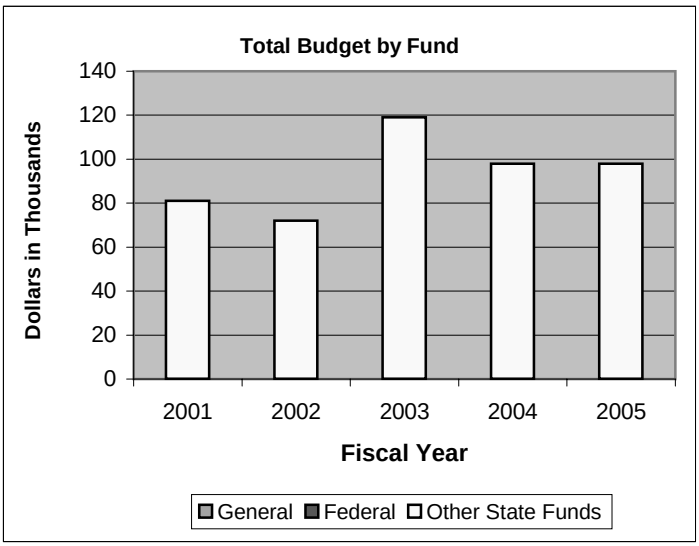
Sincerely,

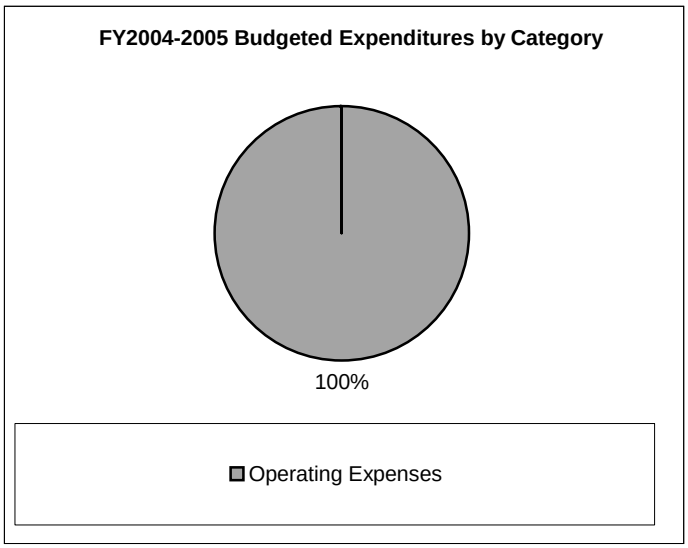
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	0	196	196
Adjusted Base Funding	0	196	196
Governor's Recommendations	0	196	196
Biennial Change, 2002-03 to 2004-05	0	5	5
Percent Change	n.m	3%	3%

Brief Explanation Of Budget Decisions:

The Optometry Board is a fee-based organization that provides licensure and regulation services. Appropriations are made from the State Government Special Revenue (SGSR) fund and funding will continue at the FY 2003 level for both FY 2004 and FY 2005.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
State Government Special Revenue	78	72	117	96	96	192
Open Appropriations						
State Government Special Revenue	3	0	2	2	2	4
Total	**81**	**72**	**119**	**98**	**98**	**196**
Expenditures by Category						
Operating Expenses	81	72	119	98	98	196
Total	**81**	**72**	**119**	**98**	**98**	**196**
Expenditures by Program						
Optometry, Board Of	81	72	119	98	98	196
Total	**81**	**72**	**119**	**98**	**98**	**196**
Revenue by Type and Fund						
Non Dedicated						
State Government Special Revenue	103	110	93	93	93	186
Subtotal Non Dedicated	103	110	93	93	93	186
Total Revenue	**103**	**110**	**93**	**93**	**93**	**186**
Full-Time Equivalents (FTE)	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**	

Agency Purpose

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

The vision of the POST Board is based on enabling legislation found in M.S. 626.84. Briefly, it is to enhance the profession of law enforcement in the state of Minnesota through the selection, education, and licensing standards of peace officers.

At A Glance

The Minnesota Board of Peace Officer Standards and Training licenses more than 10,000 peace officers and part-time peace officers. It also certifies 23 two- and four-year post-secondary institutions throughout the state that deliver professional peace officer education programs.

The licensing system in Minnesota is unique in the nation, as it requires all peace officers to obtain a post-secondary degree as part of their pre-service education. There is no state-level academy system in place as there is in most other states.

Since 1978 the Minnesota POST Board's system has served 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;
- administer a training reimbursement fund to law enforcement agencies;
- monitor compliance with standards of conduct;
- monitor continuing education requirement compliance;
- establish and maintain pre-service education curriculum; and
- perform other services as mandated by the legislature.

Operations

The POST Board meets six times yearly and sets agency policy within the framework of the agency's enabling legislation and mandate. The POST Board licenses approximately 10,000 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

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

Budget

The POST Board is funded through a Special Revenue Account from a $25 surcharge on certain criminal and traffic offenses. The law directs the state treasurer to credit 39% of the proceeds to the Peace Officer Training Account; however, the POST budget cannot exceed the legislated base appropriation. The FY 2002 budget was $4,604,000 and the agency resources were allocated as follows:

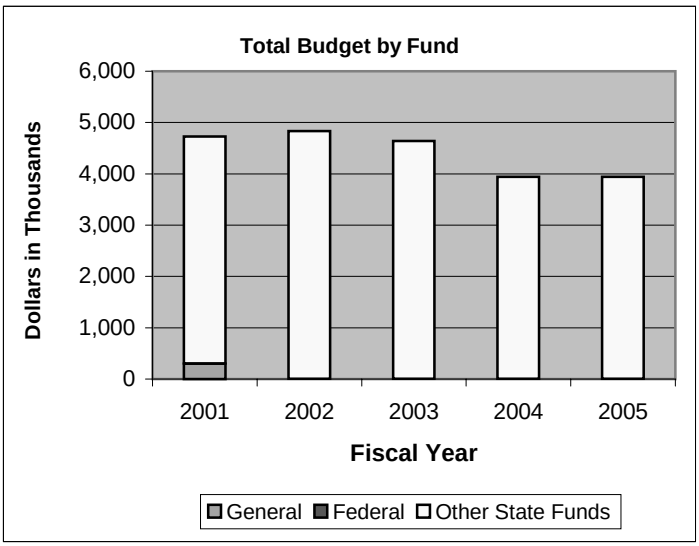
♦ Reimbursements to local governments:	$3,450,000	74.9 %
♦ General operating costs:	$995,000	21.6 %
♦ Education opportunities program:	$159,000	3.5 %

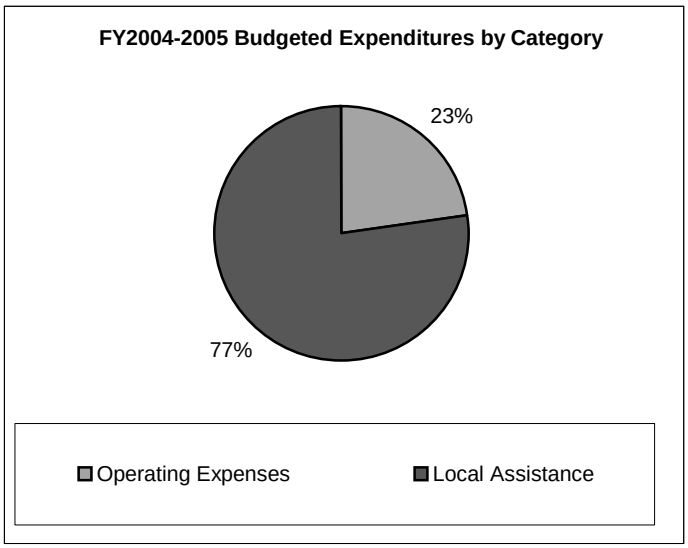
The POST Board has 13 FTEs.

Contact

For more information, contact: Neil Melton, Executive Director, (651) 643-3063.

The POST Board website at www.dps.state.mn.us/post 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 state information.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	300	0	0	0	0	0
Special Revenue	1,011	4,598	4,638	3,943	3,943	7,886
Statutory Appropriations						
Special Revenue	3,418	238	0	0	0	0
Total	**4,729**	**4,836**	**4,638**	**3,943**	**3,943**	**7,886**
Expenditures by Category						
Operating Expenses	1,011	1,227	1,029	898	898	1,796
Local Assistance	3,718	3,609	3,609	3,045	3,045	6,090
Total	**4,729**	**4,836**	**4,638**	**3,943**	**3,943**	**7,886**
Expenditures by Program						
Peace Officers Standards&Train	4,729	4,836	4,638	3,943	3,943	7,886
Total	**4,729**	**4,836**	**4,638**	**3,943**	**3,943**	**7,886**
Revenue by Type and Fund						
Non Dedicated						
General	0	420	430	430	430	860
Cambridge Deposit Fund	427	0	0	0	0	0
Subtotal Non Dedicated	427	420	430	430	430	860
Total Revenue	**427**	**420**	**430**	**430**	**430**	**860**
Full-Time Equivalents (FTE)	**13.6**	**13.4**	**13.4**	**11.4**	**11.4**	

State of Minnesota
Department of Finance

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Criminal Justice omnibus bill. These agencies collectively administer $11.043 million (Gov's Rec, all funds) for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $2.426 million (18%percent) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to regulate peace officers and partially reimburse their training costs, provide tax court services and disciplinary oversight of judges, regulate private detectives, administer sentencing guidelines, and promote passage of uniform laws.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

The funding recommended for most of these agencies will be reduced by 15%. No funding reduction is recommended for the Board on Judicial Standards to maintain minimal operations. The Office of Ombudsman for Corrections is recommended for elimination. Additional FY 2003 funding of $35,000 is recommended for the Board on Judicial Standards to pay the anticipated costs of a public hearing regarding disciplinary actions against a judge.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

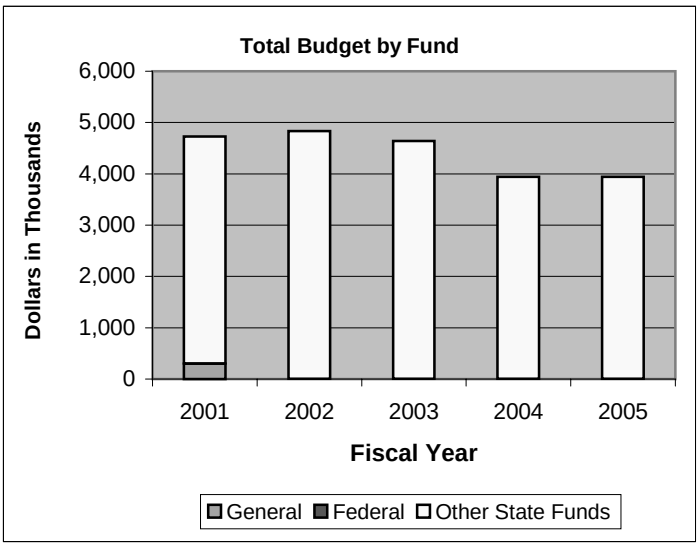
Sincerely,

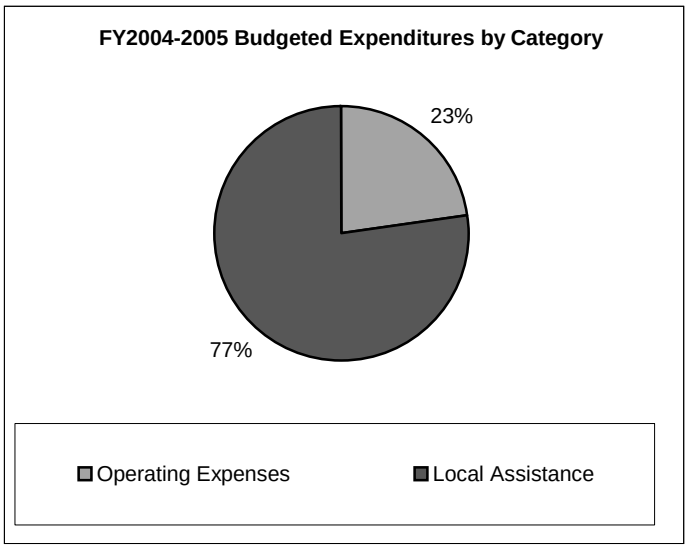
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	0	9,266	9,266
Adjusted Base Funding	0	9,266	9,266
Change Items			
Budget Reduction	0	-1,380	-1,380
Governor's Recommendations	0	7,886	7,886
Biennial Change, 2002-03 to 2004-05	0	-1,588	-1,588
Percent Change	n.m	-17%	-17%

Brief Explanation Of Budget Decisions:

The Governor recommends a budget of $3,943,000 in FY 2004 and $3,943,000 in FY 2005 for the Peace Officers Standards and Training Board. These amounts reflect a 15% base reduction for the biennium and are split proportionately between operating costs and grants. The Governor also recommends continuation of rider language in the agency appropriation that directs that the balance in the peace officer training special revenue account exceeding the appropriation be transferred to the general fund. The result of this recommendation is an additional $690,000 transferred each year to the general fund.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	300	0	0	0	0	0
Special Revenue	1,011	4,598	4,638	3,943	3,943	7,886
Statutory Appropriations						
Special Revenue	3,418	238	0	0	0	0
Total	**4,729**	**4,836**	**4,638**	**3,943**	**3,943**	**7,886**
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Revenue by Type and Fund						
Non Dedicated						
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Cambridge Deposit Fund	427	0	0	0	0	0
Subtotal Non Dedicated	427	420	430	430	430	860
Total Revenue	**427**	**420**	**430**	**430**	**430**	**860**
Full-Time Equivalents (FTE)	**13.6**	**13.4**	**13.4**	**11.4**	**11.4**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	(690)	(690)	(690)	(690)
Revenues	0	0	0	0
Net Fiscal Impact	(690)	(690)	(690)	(690)

Recommendation

The Governor recommends a budget of $3,943,000 in FY 2004 and $3,943,000 in FY 2005 for the Peace Officers Standards and Training Board. These amounts reflect a 15% base reduction for the biennium and are split proportionately between operating costs and grants. The Governor also recommends continuation of rider language in the agency appropriation that directs that the balance in the peace officer training special revenue account exceeding the appropriation be transferred to the general fund. The result of this recommendation is an additional $690,000 transferred each year to the general fund.

The Governor intends that the Board should focus its appropriated funding on maintaining its highest priority services and programs. Specific operational changes are not required by this proposal, as the Governor intends to provide as much flexibility as possible to the agency for the implementation of these reductions.

Relationship to Base Budget

This change item results in a 15% reduction to the agency's base budget. It is anticipated that the number of FTE positions will decrease by two.

Alternatives Considered

None.

Statutory Change: Not Applicable

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 more than 250,000 employees of cities, counties, schools, other local governments, and retired annuitants. It also includes 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 goals are to:

- develop creative methods that enable members to make sound retirement and life planning decisions;
- display relentless efforts to protect the fund and provide the best public pension packages; and
- deliver exceptional services any time any place.

Core Functions

The agency employs 87 full-time staff and is under the direction of an executive director responsible to a policy-setting 11-member Board of Trustees. Core functions include:

- collecting and managing revenues;
- collecting and managing information;
- issuing benefit and refund payments;
- delivering information services; and
- delivering education and training.

At A Glance

PERA is the administrator of three cost-sharing, multiple-employer retirement plans, and one multiple-employer deferred compensation 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	$784,629
Refunds	23,133
Membership Counts	
Active members	174,207
Deferred members	27,787
Annuitants	58,360
Funding Ratio	
PERA Coordinated	87.0%
Police & Fire Fund	121.5%
Correctional Fund	98.3%

The numbers listed are actual amounts for FY 2001

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 and elected officials, except county sheriffs.

Contributions

Member and employer contributions, investment earnings, and income from other sources cover the liability for present and future benefits. Each membership category within the association has a specific contribution rate set by statute.

Fund	Employee Contribution	Employer Contribution
PERA Basic Plan	8.75%	11.43%
PERA Coordinated Plan	5.10%	5.53%
Police & Fire Fund	6.20%	9.30%
Correctional Fund	5.83%	5.75%

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

An important measure of the health of a retirement system is the level of funding. 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. At the end of FY 2001, the ratio of assets to liabilities of the PERF was 87.0%. For the PEPFF, the ratio was 121.5%, and for the PECF, the ratio was 98.3%.

A second measure of the effectiveness of the association is the amount of time between when a member retires, and when they receive their first benefit payment. The shorter the time between when members are first eligible and issuing the first payment provides confidence that PERA is meeting the retirement needs of its members. At the end of FY 2002, 98% of all benefit applicants received their first payment within 14 days of their first eligible date.

Budget

PERA operates within a dedicated pension trust fund designed for the exclusive use of its members and beneficiaries. The PERA Board of Trustees annually approves an operating budget. The commissioner of Finance maintains an open appropriation account to fund expenditures. PERA FY 2003 expenditures are budgeted at $756 million for the PERF, $229 million for the PEPFF, $500,000 for the PECF, and $1.5 million for the PEDCP. Over 98% of the expenditure budget is for the payment of benefits and refunds. PERA revenues for FY 2003 are expected to be about $500 million, exclusive of investment income that may be earned.

Contact

To get additional information, please write to our office at:
PERA
60 Empire Drive, Suite 200
St. Paul, Minnesota 55103
Or
call our offices at 1 (800) 652-9026 or
(651) 296-7460.

Or visit our web site at www.mnpera.org

State of Minnesota
Department of Finance

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658 Cedar Street
St. Paul, Minnesota 55155
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Fax: (651) 296-8685
TTY: 1-800-627-3529

February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the Governor's FY 2004-05 budget proposals for the non-cabinet agencies in the state government omnibus bill. Under the Governor's recommended budget, these agencies would collectively spend $12.882 million in General Fund dollars for the FY 2004-05 biennium. The funding provided for these agencies will be used for the protection of public assets and resources, assurance of due process related to governmental rulemaking, the regulation of the gambling and racing industries, administration of campaign finance and disclosure laws, and support to small non-profit organizations that assist Minnesota veterans.

The FY 2004-05 funding recommended for these agencies represents a $6.695 million (34.2%) decrease from the FY 2002-03 biennium. The recommendations will also result in a net decrease in revenue to the General Fund of $954,000 for the biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing and reorganizing some functions. Therefore, for some of the agencies in this bill, the Governor recommends that funding and/or operations be consolidated with other related operations in the state in order to ensure cooperation and shared services to reduce costs.

In addition, the Governor recommends mitigating the impact of the state's deficit by spreading the cuts among more agencies rather than less, and by ensuring that the industries and parties that benefit from these services assist in paying for them. Therefore, for some of the agencies in this bill, the Governor recommends that dependence upon General Fund dollars be supplanted or offset with fees and user charges, and that where appropriate, some fees billed to governmental agencies be reduced.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium as well as the Governor's recommendations for state funding of pension systems.

My staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

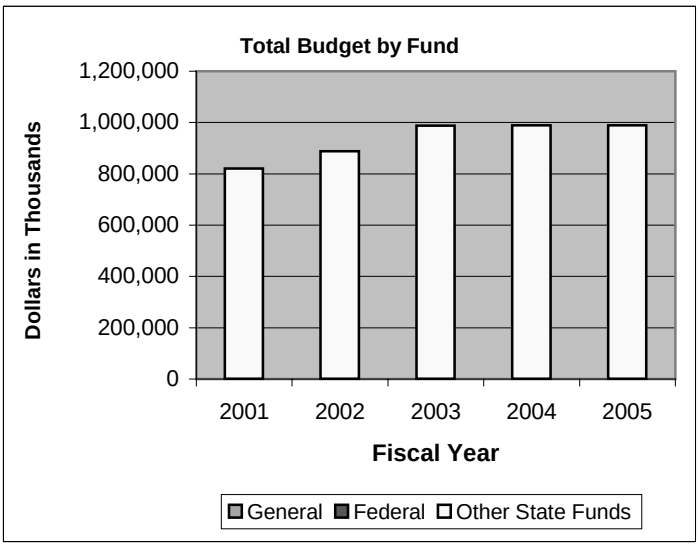
	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	0	1,977,358	1,977,358
Adjusted Base Funding	0	1,977,358	1,977,358
Governor's Recommendations	0	1,977,358	1,977,358
Biennial Change, 2002-03 to 2004-05	-70	101,275	101,205
Percent Change	-100%	5%	5%

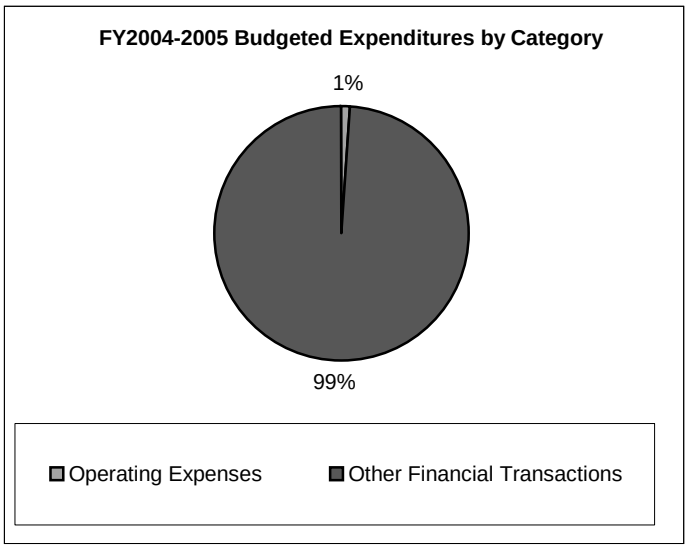
Brief Explanation Of Budget Decisions:

The Public Employees Retirement Association (PERA) is funded by its 174,000 members and 2,100 governmental employers. There are no state General Fund appropriations for this activity, nor are there any state level base adjustments.

Governor's Recommendation(s):

The Governor recommends no changes to base level funding.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	70	0	0	0	0
Open Appropriations						
Public Employees Retirement	623,689	671,422	757,129	757,679	757,679	1,515,358
Pera Correctional Plan	13	597	500	500	500	1,000
Police And Fire	196,738	214,947	229,000	229,000	229,000	458,000
Statutory Appropriations						
Pera Defined Contribution Plan	859	988	1,500	1,500	1,500	3,000
Total	**821,299**	**888,024**	**988,129**	**988,679**	**988,679**	**1,977,358**
Expenditures by Category						
Operating Expenses	9,583	10,166	11,035	11,035	11,035	22,070
Other Financial Transactions	811,716	877,858	977,094	977,644	977,644	1,955,288
Total	**821,299**	**888,024**	**988,129**	**988,679**	**988,679**	**1,977,358**
Expenditures by Program						
Public Empl Retiremnt Assn	821,299	888,024	988,129	988,679	988,679	1,977,358
Total	**821,299**	**888,024**	**988,129**	**988,679**	**988,679**	**1,977,358**
Revenue by Type and Fund						
Non Dedicated						
Pera Defined Contribution Plan	1,886	2,002	10,000	10,000	10,000	20,000
Public Employees Retirement	368,473	401,138	750,000	750,000	750,000	1,500,000
Pera Correctional Plan	13,381	14,825	10,000	10,000	10,000	20,000
Police And Fire	85,439	89,453	250,000	250,000	250,000	500,000
Subtotal Non Dedicated	469,179	507,418	1,020,000	1,020,000	1,020,000	2,040,000
Dedicated						
Public Employees Retirement	0	1,216	1,470	1,470	1,470	2,940
Subtotal Dedicated	0	1,216	1,470	1,470	1,470	2,940
Total Revenue	**469,179**	**508,634**	**1,021,470**	**1,021,470**	**1,021,470**	**2,042,940**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Full-Time Equivalents (FTE)	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
	89.2	**87.4**	**86.9**	**86.9**	**86.9**	

Agency Purpose

The Perpich Center for Arts Education (PCAE) exists to improve public education by providing quality and innovative educational experiences centered in the arts. We are charged with providing quality education centered in the arts for 310 eleventh and twelfth grade Minnesota students who are passionate about and talented in some art form. We are also charged with improving public education for all Minnesota elementary and secondary students by stimulating or providing innovative quality arts experiences for all students.

To do this, we collaborate with educational and arts organizations, teachers, artists, parents and students. We are a catalyst for collaborations throughout Minnesota and nationally. The Perpich Center operates an Arts High School, a Professional Development Institute, a Research, Assessment and Curriculum Center, and a Learning Resource Center.

At A Glance

- In 2002, 80% of the Arts High School students pursued post-secondary education immediately following graduation
- Over the past five years, $5 million has been invested in local communities, schools, teachers, and students to create educational and training programs
- 200 of Minnesota's 354 school districts served by the Comprehensive Arts Planning Program since 1985
- More than 1,600 teachers and artists currently enjoy access to borrowing materials and reference assistance as members of the Learning Resource Center

Population Served

The Arts High School (AHS) directly serves up to 310 eleventh and twelfth grade students from all eight congressional districts. We have a competitive admission process that includes an interview and takes into account the student's academic record, portfolio or performance in the art area of choice, and level of motivation. Students represent all socioeconomic levels, and 13% are students of color. They share a common passion to perform and produce art. The school also targets socioeconomically-disadvantaged elementary and middle school students from Minneapolis and St. Paul for some special performances and art-making opportunities. Indirectly, the school serves all students in Minnesota by modeling innovative programming in arts and academics.

The Professional Development Institute (PDI) serves Minnesota K-12 school districts, teachers, teaching artists, and arts administrators. Professional arts educators' organizations, higher education institutions, local arts organizations, and major arts institutions are also served. PDI offers competitive grants supporting innovative partnerships and projects. It organizes open workshops conducted at low or no cost throughout the state and at the Center to support excellence in local arts education. And, it serves as an expert resource on graduation standards in the arts.

The Research, Assessment & Curriculum Center (RACC) serves K-12 teachers and students throughout the state, higher education faculty and researchers, artists, the Department of Children, Families & Learning, national arts and education organizations, administrators, and school districts throughout the state.

The Learning Resource Center (LRC) serves Arts High School students, teachers, teaching artists, and other professionals at the Center and throughout Minnesota. Additionally, we are part of the statewide interlibrary loan network.

Services Provided

The Arts High School offers an interdisciplinary, full-time comprehensive program that leads to a high school diploma. It provides a range of academic offerings in mathematics, science, social studies, English, and world languages. Students apply in one of six arts areas, including dance, music, theater, media arts, visual arts and literary arts. Students spend most of their time at the school focusing on their primary art area. The school is designed to offer in-depth learning experiences in both the arts and academics through individualized instruction, performances and exhibitions, block scheduling, and an extended school day. The school expects its graduates to develop their own voice, to be creative thinkers and problem solvers, proficient in the application of fundamental skills, technologically sophisticated, and aware of what it takes to be a successful and productive citizen in the world after school.

In addition, the school operates a dormitory for up to 150 students who live beyond commuting distance. This is a necessary service if we are to fulfill our mission of serving students from throughout the state. In addition, in the 2001-2002 school year the Arts High School:

- provided performances or art making opportunities for over 200 area elementary and middle school students; and,
- helped over 200 Minnesota educators through workshops, onsite visits, project collaborations, and curriculum sharing conducted by AHS faculty.

The Professional Development Institute provides services to schools, teachers, teaching artists, and school administrators throughout the state that include:

- professional and technical services in the Center's six art areas; and
- grants and professional development awards to schools to develop arts education curriculum, and collaborations between schools and arts organizations and artists in their community.

PDI works with key arts organizations and higher educational institutions to positively impact arts education statewide. These partners include Bemidji State University, University of Minnesota School of Music, and Children's Theater Company of Minneapolis.

The Research, Assessment & Curriculum Center provides services that include:

- assisting the Department of Children, Families & Learning with development and implementation of state and national arts education standards and criteria for student learning and teacher competency;
- managing statewide and regional Arts Best Practice Networks;
- developing and disseminating innovative resources including arts curriculum frameworks, model assessment processes, and instructional tools and strategies to inform educational practices;
- collecting, organizing and disseminating arts and education research, and supporting teacher research;
- collaborating with higher education on major research studies in arts education and supporting conferences that examine compelling research in the arts and education; and
- providing leadership for policy development related to improved practices for the arts in education.

The Learning Resource Center library collection was originally developed for the Arts High School students and faculty for the six art areas as well as materials that support the range of academic disciplines taught at the Arts High School. Access to the Internet and several electronic databases for purposes of study and research are also available for students and Perpich Center staff. Arts High School students benefit from the information, literacy instruction and ongoing individual reference help they receive from the LRC staff. Over the last several years, increased emphasis has been directed to development of specialized collections for Minnesota educators and artists. In an effort to fulfill the agency's mission to support teaching and learning through the arts in Minnesota, the LRC offers a free membership program that allows Minnesota residents over 18 to borrow materials directly from our collection. LRC members are K-12 and post-secondary teachers, artists, and art organizations, who check out materials for use in schools from every part of the state. Given the unique nature of this library, materials are also regularly borrowed by academic and state agency libraries for their patrons through a statewide interlibrary loan network.

Key Measures

- ⇒ Positively influenced, through grants, workshops, and technical assistance, the teaching and learning of more than 18,887 teachers, teaching artists, administrators and students in 2001-2002.
- ⇒ Prepared all of our Arts High School students for success in post secondary schools and programs with 80% going on immediately to a college, university or art school.
- ⇒ Since 1999, Arts Best Practice staff have doubled the number of teachers, artists and community members who benefit from sharing curriculum and assessment resources from 1,273 to 2,663.

New measures are being developed to identify how many PCAE alumni who graduated five or more years ago are working in an art-related job, and whether art is still an important part of their lives.

Direct measures are being developed including surveying changes in school curriculum and changes in student achievement that may be attributed to changed teaching practices of PDI program participants.

Program Funding

The Perpich Center receives three types of funding:

⇒ **General Fund:** The agency received an appropriation of $7.816 million from the General Fund for FY 2003. The appropriation was reduced by $509,000 resulting from the law passed in the 2002 legislative session.

⇒ **Grants:** In FY 2003, the agency has $2.439 million from private granting agencies, primarily the Annenberg and McKnight Foundations. Ninety percent of these funds are passed through to school districts to enable arts-based education throughout Minnesota.

⇒ **Miscellaneous Fees:** Residential and activity fees raise $539,000 of revenue. The fees are used to partially offset the costs of residential, student, and other Center activities and services.

Contact

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Perpich Center for Arts Education
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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the Minnesota State Academies for the Deaf and the Blind and the Perpich Center for Arts Education. These agencies collectively spend $41.3 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $1.067 million (2.5 percent) decrease from the FY 2002-03 biennium, with a five percent reduction recommended for the Academies and a 15 percent reduction recommended for the Perpich Center. The funding provided for these agencies will be used to allow them to protect and focus on their primary classroom functions.

Recommended reductions for both agencies primarily affect their non-classroom operations. The reductions to the Academies' budgets were small, compared to most agencies, reflecting the special needs of the students these schools serve. The Perpich Center reductions mainly affect those activities beyond the scope of the Arts High School.

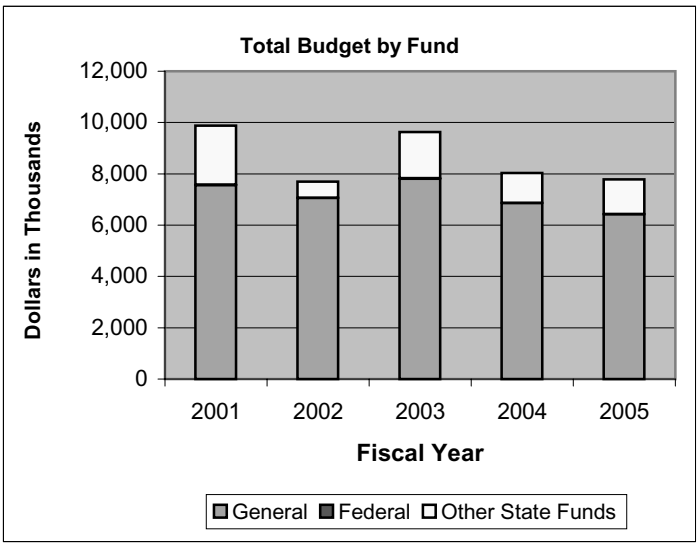
The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

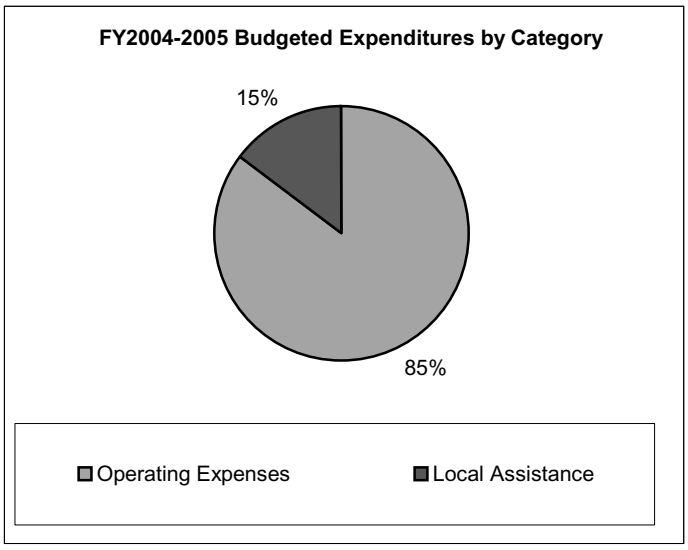
My staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	15,632	2,529	18,161
Adjusted Base Funding	15,632	2,529	18,161
Change Items			
Budget Reduction	-2,345	0	-2,345
Governor's Recommendations	13,287	2,529	15,816
Biennial Change, 2002-03 to 2004-05	-1,586	86	-1,500
Percent Change	-11%	4%	-9%





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	7,561	7,026	7,812	6,864	6,423	13,287
Statutory Appropriations						
General	0	34	1	0	0	0
Special Revenue	677	413	477	477	462	939
Federal	8	1	2	2	2	4
Miscellaneous Agency	79	68	80	110	108	218
Gift	1,555	149	1,253	577	791	1,368
Total	**9,880**	**7,691**	**9,625**	**8,030**	**7,786**	**15,816**
Expenditures by Category						
Operating Expenses	7,380	7,132	8,002	6,896	6,454	13,350
Capital Outlay & Real Property	397	0	0	0	0	0
Payments To Individuals	30	47	30	33	36	69
Local Assistance	2,037	470	1,550	1,058	1,253	2,311
Other Financial Transactions	36	42	43	43	43	86
Total	**9,880**	**7,691**	**9,625**	**8,030**	**7,786**	**15,816**
Expenditures by Program						
Center For Arts Educ	9,880	7,691	9,625	8,030	7,786	15,816
Total	**9,880**	**7,691**	**9,625**	**8,030**	**7,786**	**15,816**
Revenue by Type and Fund						
Dedicated						
General	0	35	0	0	0	0
Special Revenue	384	445	412	410	410	820
Federal	5	1	2	2	2	4
Miscellaneous Agency	82	83	85	85	85	170
Gift	1,521	2,597	0	0	0	0
Subtotal Dedicated	1,992	3,161	499	497	497	994
Total Revenue	**1,992**	**3,161**	**499**	**497**	**497**	**994**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Full-Time Equivalents (FTE)	FY2001	FY2002	FY2003	FY2004	FY2005	2004-05
	79.7	79.9	77.2	73.2	72.7	

Preliminary Proposal

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($952)	($1,393)	($1,172)	($1,172)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($952)	($1,393)	($1,172)	($1,172)

Recommendation

In FY 2004-05, the Governor recommends $13.3 million in general fund support for the Perpich Center for Arts Education (PCAE). This is a biennial reduction of $2.345 million and reflects a 15 percent base reduction. The Governor expects the agency to focus its appropriated funding on maintaining its highest priority services and minimizing reductions to the classroom at the Arts High School.

Background

The PCAE Board and staff used a multi-objective decision analysis to identify and weigh each reduction. Using this process the Board and staff assigned weights and values to all of the Center's functions and identified the areas for budget reductions.

With a cut of 15 percent for the biennium, it will be necessary to shrink the mission of the Center and focus on those objectives that can be accomplished with a more restricted budget.

The Arts High School, for example, will do exemplary work with the 300 students who attend from throughout the state. The Center's effectiveness will be diminished with connecting to other schools, students and teachers in sharing successful curriculum and instruction. In addition, with less support staff and services, the Arts High School may serve fewer at risk students and fewer students who may, for economic reasons, require more services just to attend. Transportation is an example of the kind of service that will be eliminated or run for a fee that covers the cost.

The Center's outreach with arts organizations, schools, school districts, teachers and students throughout Minnesota, will be more focused on working where the numbers or needs are the greatest and eliminate or postpone services and partnerships that benefit fewer people. While the Center will still aim for statewide impact, efforts will focus on regional activities that alternate in all parts of the state by year or biennium

Also, the PCAE's Board and administration will consider raising fees for students and other clients of the Center's services and facilities. One specific area under consideration is an increase in the fee for students living in the Dormitory. Other considerations would be to close the dormitory on all weekends or significantly reduce the number of students staying in the dormitory on weekends. Currently, the dorm is closed every third weekend.

The PCAE Board intends to reactivate its Foundation, Friends of Arts Education, and solicit support from alumni and parents.

The overall plan involves a more significant reduction in FY 2005 than FY 2004. This provides more time for the Center to plan and evaluate alternatives. The PCAE anticipates that the FY 2005 budget would be addressed, in part through one-time reductions and that the biennial reduction would be distributed equally across fiscal years in 2006 and 2007.

Relationship to Base Budget

The reductions would result in a $1.1 million biennial decrease in program budgets and elimination of approximately 10 FTE.

Key Measures

- During its existence, the Arts High School has prepared all of its students for success in post-secondary schools and programs. For the class of 2002, 80% went immediately to a college, university or art school. It is the intent of the Perpich Center's Board and administrators, that the proposed change would not alter these positive results.

- During 2001-2002, the Perpich Center positively influenced – through grants, workshops, and technical assistance – the teaching and learning of more that 18,887 teachers, teaching artists, administrators and students. The proposed reduction would reduce the number of teachers, teaching artists, administrators and students that the Perpich Center can positively influence.

Statutory Change: Not Applicable

Agency Purpose

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

The Board of Pharmacy has two budget activities: the operating activity of the board and the Administrative Services Unit (ASU). In addition to its statutory responsibilities, the Board of Pharmacy was selected to be the designated fiscal agent for the Administrative Services Unit.

At A Glance

Biennial Budget – FY 2002-03:

Total Expenses: $3.222 million

Total Revenues: $2.567 million

Staff: 17.4 Full-time equivalent employees

MN Board of Pharmacy Statistics
(As of June 30, 2002)

Total Licensed: 13,821

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 regulation of the practice of pharmacy, the inspection of licensed pharmacies, wholesalers, and manufacturers, and the distribution of prescription drugs in the public interest; and
- to have all prescription drugs provided to the public in a safe and effective manner by qualified licensees.

The mission of the Administrative Services Unit is:

- to provide centralized administrative services to the 14 health-related licensing boards and the Emergency Medical Services Regulatory Board (EMSRB) in the areas of budgeting, financial analysis, human resources transaction processing, purchasing and printing services, operations analysis, and research and policy analysis;
- to provide high quality services, by having trained staff, working together, and focusing on cooperative ventures; and
- to assist the establishment of a consortium of the boards to cooperate on matters of common interest.

Core Functions

⇒ Setting educational and examination standards for initial and continuing licensure and administering clinical portions of the examinations.

⇒ Conducting unannounced inspections of all pharmacies, drug wholesale houses, and drug manufacturers in the state.

⇒ 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, and

⇒ 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'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 competence on the part of pharmacy practitioners. 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 and located in the state of Minnesota.

Budget

Total direct and indirect expenses for FY 2002-03 biennium are $3.222 million. The board staff includes 17.4 full-time equivalent employees.

Of the total budget for the FY 2002-03 biennium, $2.423 million is collected as non-dedicated revenue and $144,000 is collected as dedicated-special revenue, which is deposited, into the state government special revenue fund. The board collects fees charged to applicants, licensees and professional corporations. The board is responsible to collect enough revenue to recover all direct and indirect costs.

The board is responsible for the costs of services received from the Attorney General's Office, Health Professional Services Program, and the Administrative Services Unit. A direct appropriation is given to each of these programs from the state government special revenue fund. The board must ensure that sufficient revenue is collected through its fees to fund their portion of these programs costs.

The Administrative Services Unit generates no revenue. Funds are appropriated to the Board of Pharmacy from the state governments special revenue fund. The 14 health-related licensing boards and EMSRB share the cost of this activity. ASU is funded by receipts from all boards through a formula designed to approximate the share of ASU services used by each board. The boards collect revenue through fees charged to licensees, applicants, and other users and deposit them into the state governments special revenue fund to cover the expenses of ASU. EMSRB pays for the services it receives through an interagency agreement.

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.

David Holmstrom, Executive Director
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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Health and Human Services omnibus bill. These agencies collectively administer $163.2 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $1 million (0.6%) increase from the FY 2002-03 biennium. The funding for these agencies will be used to provide health and supportive housing services for Minnesota Veterans, license and regulate health professionals, promote high standards for treatment of mental illness, promote the protection of children, and coordinate training and administration for eight independent EMS organizations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, eliminate duplication, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Agencies have focused reduction plans around administrative areas of the budget. In most cases this protects the core function of the agency, albeit at a reduced level. In some cases, reduced staff will have direct effects on citizens as they try to access government services.

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I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

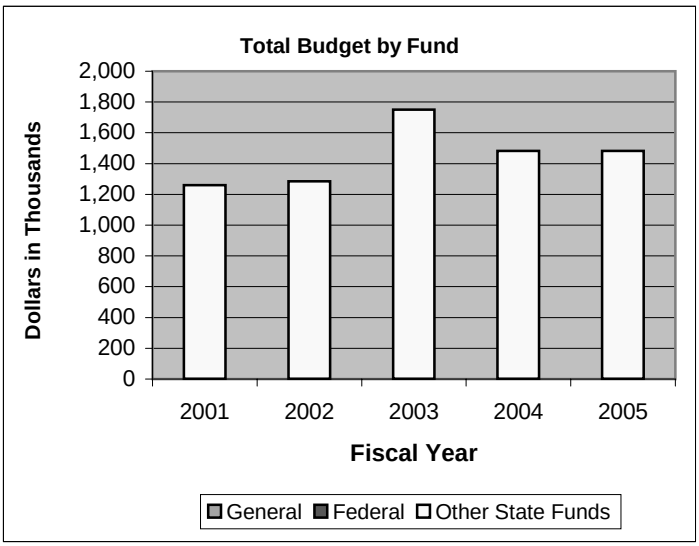
Sincerely,

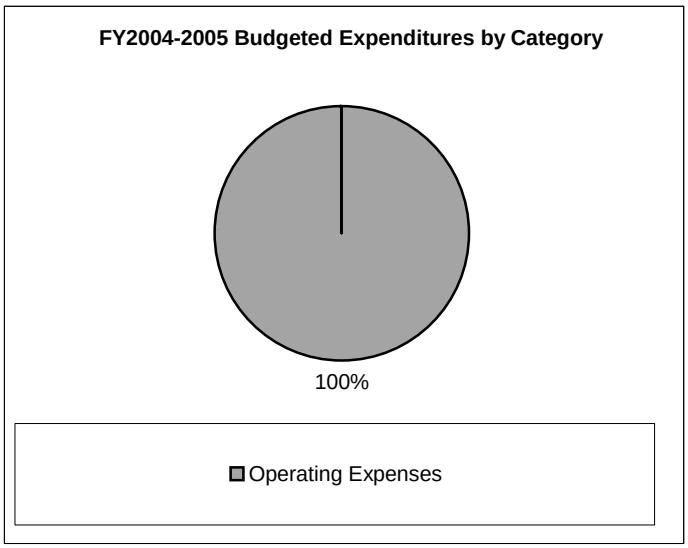
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	0	3,064	3,064
One-Time Appropriations	0	-100	-100
Adjusted Base Funding	0	2,964	2,964
Governor's Recommendations	0	2,964	2,964
Biennial Change, 2002-03 to 2004-05	0	-71	-71
Percent Change	n.m	-2%	-2%

Brief Explanation Of Budget Decisions:

The Pharmacy Board is a fee-based organization that provides licensure and regulation services. Appropriations are made from the State Government Special Revenue (SGSR) fund and funding will continue at the FY 2003 level for both FY 2004 and FY 2005.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
State Government Special Revenue	1,188	1,233	1,598	1,386	1,386	2,772
Open Appropriations						
State Government Special Revenue	29	10	23	23	23	46
Statutory Appropriations						
Special Revenue	42	42	129	73	73	146
Total	**1,259**	**1,285**	**1,750**	**1,482**	**1,482**	**2,964**
Expenditures by Category						
Operating Expenses	1,259	1,285	1,750	1,482	1,482	2,964
Total	**1,259**	**1,285**	**1,750**	**1,482**	**1,482**	**2,964**
Expenditures by Program						
Pharmacy, Board Of	1,259	1,285	1,750	1,482	1,482	2,964
Total	**1,259**	**1,285**	**1,750**	**1,482**	**1,482**	**2,964**
Revenue by Type and Fund						
Non Dedicated						
State Government Special Revenue	1,188	1,254	1,254	1,266	1,308	2,574
Subtotal Non Dedicated	1,188	1,254	1,254	1,266	1,308	2,574
Dedicated						
Special Revenue	55	71	73	73	73	146
Subtotal Dedicated	55	71	73	73	73	146
Total Revenue	**1,243**	**1,325**	**1,327**	**1,339**	**1,381**	**2,720**
Full-Time Equivalents (FTE)	**14.5**	**14.6**	**14.5**	**14.5**	**14.5**	

Agency Purpose

Minnesota Statutes 148.65 – 148.78 and Minnesota Rules 5600.0100 – 5601.3165 provide the Minnesota Board of Physical Therapy with the responsibility 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 mission of the board is:

- to ensure that Minnesota citizens receive quality physical therapy services from competent physical therapists; and
- 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 2002-03:

Total Expenses: $513,000

Total Revenues: $531,000

Staff: 2 Full-time equivalent employees

MN Licensed Physical Therapist Statistics
(As of June 1, 2002)

Total Licensed: 3,257

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;
- when warranted, providing timely and appropriate disciplinary or corrective action;
- 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 serves 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. Board functions include providing public protection through the review of and resolution of complaints and discipline of licensees when warranted; the provision of education and resource information to the public and physical therapists; the granting of initial Minnesota licenses to qualified individuals; the renewal of annual licenses; and the review and approval of continuing education courses. Services are delivered through direct communication (telephone, mail, e-mail, and in-person), the board's website, and presentations to students in Minnesota physical therapy educational programs and physical therapists.

Budget

The board's total direct and indirect expenses for FY 2002-03 biennium are $513,000. The board staff includes two full-time equivalent employees.

Of the total budget for the biennium, $531,000 is collected as non-dedicated revenue, which is deposited, into the state government special revenue fund. The board collects fees charged to applicants, prospective applicants, licensees, and sponsors of continuing education programs approved by the board. The board is responsible to collect enough revenue to recover all direct and indirect costs.

The board is responsible for the costs of services received from the Attorney General's Office, Health Professional Services Program, and the Administrative Services Unit. A direct appropriation is given to each of these programs from the state government special revenue fund. The board must ensure that sufficient revenue is collected through its fees to fund their portion of these programs costs.

Contact

Minnesota Board of Physical Therapy
2829 University Avenue Southeast
Suite 315
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, rules and Minnesota statutes, public notices, search and verification of licensure status and forms.

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

State of Minnesota
Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 296-5900
Fax: (651) 296-8685
TTY: 1-800-627-3529

February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Health and Human Services omnibus bill. These agencies collectively administer $163.2 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $1 million (0.6%) increase from the FY 2002-03 biennium. The funding for these agencies will be used to provide health and supportive housing services for Minnesota Veterans, license and regulate health professionals, promote high standards for treatment of mental illness, promote the protection of children, and coordinate training and administration for eight independent EMS organizations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, eliminate duplication, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Agencies have focused reduction plans around administrative areas of the budget. In most cases this protects the core function of the agency, albeit at a reduced level. In some cases, reduced staff will have direct effects on citizens as they try to access government services.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

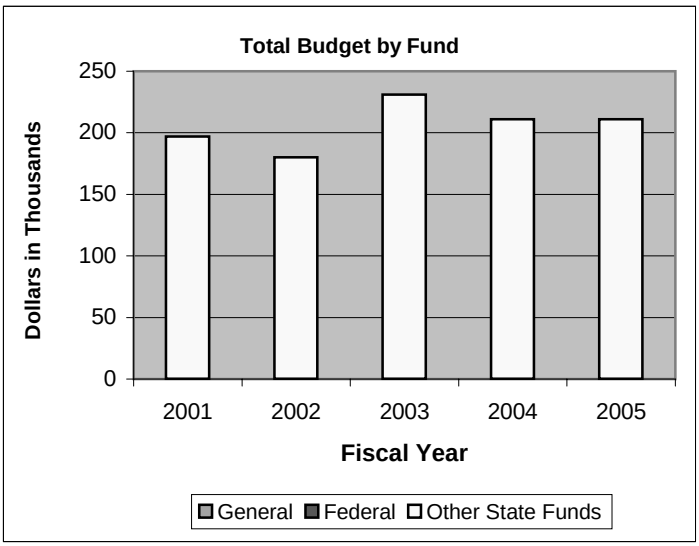
Sincerely,

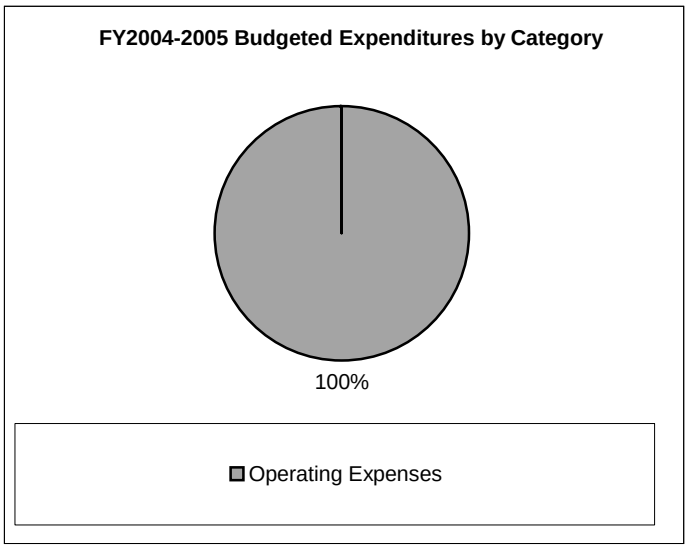
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	0	422	422
Adjusted Base Funding	0	422	422
Governor's Recommendations	0	422	422
Biennial Change, 2002-03 to 2004-05	0	11	11
Percent Change	n.m	3%	3%

Brief Explanation Of Budget Decisions:

The Physical Therapy Board is a fee-based organization that provides licensure and regulation services. Appropriations are made from the State Government Special Revenue (SGSR) fund and funding will continue at the FY 2003 level for both FY 2004 and FY 2005.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
State Government Special Revenue	197	171	217	197	197	394
Open Appropriations						
State Government Special Revenue	0	9	14	14	14	28
Total	**197**	**180**	**231**	**211**	**211**	**422**
Expenditures by Category						
Operating Expenses	197	180	231	211	211	422
Total	**197**	**180**	**231**	**211**	**211**	**422**
Expenditures by Program						
Physical Therapy Bd	197	180	231	211	211	422
Total	**197**	**180**	**231**	**211**	**211**	**422**
Revenue by Type and Fund						
Non Dedicated						
State Government Special Revenue	262	270	263	263	263	526
Subtotal Non Dedicated	262	270	263	263	263	526
Total Revenue	**262**	**270**	**263**	**263**	**263**	**526**
Full-Time Equivalents (FTE)	**1.8**	**2.2**	**2.1**	**2.1**	**2.1**	

Agency Purpose

The Minnesota Statutes 153.01 – 153.26 and Minnesota Rules 6900 provide the Minnesota Board of Podiatric medicine responsibility to act as the official licensure agency for podiatrists. It 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 2002-03:

Total Expenses: $132,000

Total Revenues: $137,000

Staff: .50 Full-time equivalent employee

Minnesota Licensed Podiatrists Statistics
(As of June 30, 2002)

Total Licensed: 174

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

Services are delivered by issuing licenses to qualified individuals, renewal certificates to licensees meeting continuing education requirements, temporary permits to individuals doing residencies, and license verifications to credentialing services and hospitals. The agency protects the public by investigating complaints and holding educational and disciplinary conferences with licensees. Disciplinary actions and Agreements for Corrective Action further protect the public.

Budget

The board's FY 2002-03 budget totals $132,000. The board staff is comprised of .50 full-time equivalent employees.

Of the total budget for the biennium, $137,000 is collected as non-dedicated revenue which is deposited into the state government special revenue fund. The board collects fees charged to applicants, permit holders, licensees, and organizations seeking license verifications. The board is responsible for collecting enough revenue to recover all direct and indirect costs.

The board is responsible for the costs of services received from the Attorney General's Office, Health Professional Services Program, and the Administrative Services Unit. A direct appropriation is given to each of these programs from the state government special revenue fund. The board must ensure that sufficient revenue is collected through its fees to fund their portion of these program costs.

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
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February 18, 2003

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St. Paul, Minnesota

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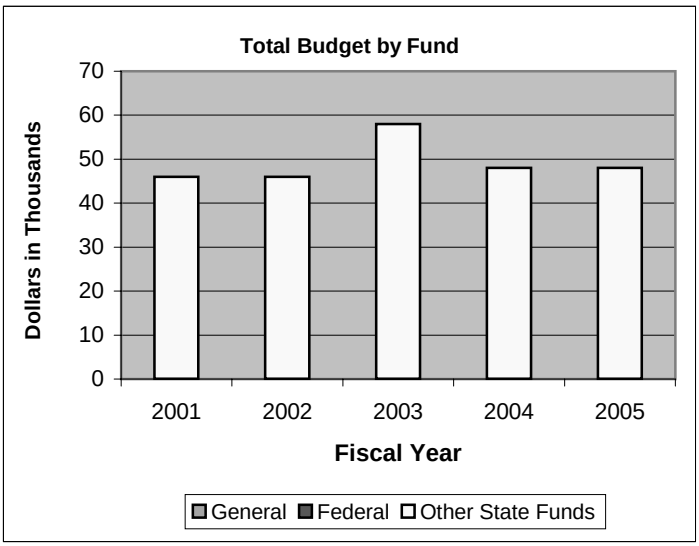
Sincerely,

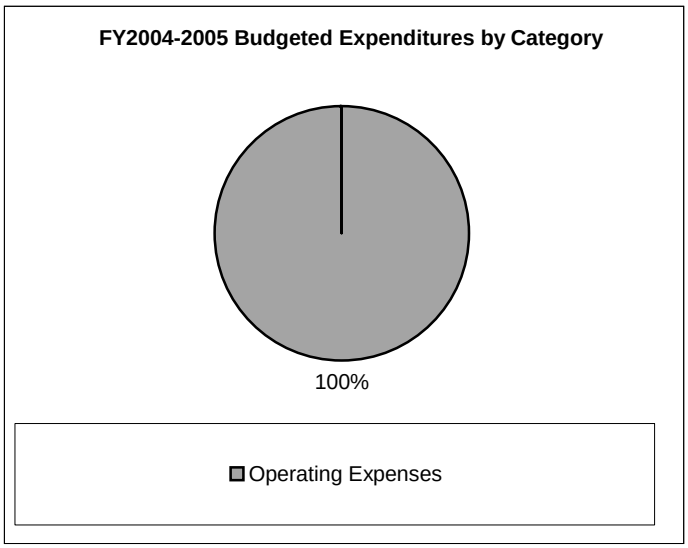
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	0	96	96
Adjusted Base Funding	0	96	96
Governor's Recommendations	0	96	96
Biennial Change, 2002-03 to 2004-05	0	-8	-8
Percent Change	n.m	-8%	-8%

Brief Explanation Of Budget Decisions:

The Podiatry Board is a fee-based organization that provides licensure and regulation services. Appropriations are made from the State Government Special Revenue (SGSR) fund and funding will continue at the FY 2003 level for both FY 2004 and FY 2005. The 8% reduction indicated above reflects a decrease in appropriation in FY 2003. The reduced amount has been carried into the new biennium.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
State Government Special Revenue	42	43	55	45	45	90
Open Appropriations						
State Government Special Revenue	4	3	3	3	3	6
Total	**46**	**46**	**58**	**48**	**48**	**96**
Expenditures by Category						
Operating Expenses	46	46	58	48	48	96
Total	**46**	**46**	**58**	**48**	**48**	**96**
Expenditures by Program						
Podiatry, Board Of	46	46	58	48	48	96
Total	**46**	**46**	**58**	**48**	**48**	**96**
Revenue by Type and Fund						
Non Dedicated						
State Government Special Revenue	53	77	72	76	74	150
Subtotal Non Dedicated	53	77	72	76	74	150
Total Revenue	**53**	**77**	**72**	**76**	**74**	**150**
Full-Time Equivalents (FTE)	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	

Agency Purpose

The mission of the Pollution Control Agency (PCA) is to help Minnesotans protect the environment. Established in 1967, the agency's purpose is to protect Minnesota's environment through monitoring environmental quality, providing Minnesotan citizens and businesses with the information they need to protect and improve the environment, and by developing and enforcing environmental regulations.

The vision for the PCA is based on enabling legislation establishing the agency, and is comprised of four parts:

- fishable and swimmable lakes and rivers;
- clean and clear air;
- uncontaminated groundwater and land; and
- healthy ecosystems.

The results of PCA's efforts are obvious: the air, land, and water are cleaner now than they were 30 years ago, in spite of a growing population and substantial economic growth.

At A Glance

- Responsible for state financed clean-up at 265 contaminated sites and oversight for an additional 3,000 sites.
- Performing permitting, inspection, compliance determination and enforcement activities for nearly 7,400 facilities that impact air, water and land.
- Monitoring at more than 500 sites across the state to determine environmental conditions of air, surface waters, and groundwater.
- Coordinating volunteer monitoring at 800 lakes for water clarity.
- Certifying facility operators and providing training to over 4,200 regulated parties.

Core Functions

The PCA's mission is implemented through the following service strategies or core functions:

⇒ Issuing permits that require the prevention, control or cleanup of pollution; limit releases of pollutants; direct the construction or operation of a facility; and control the storage, collection, transporting and processing of waste.

⇒ Inspecting permitted facilities to ensure they comply with the terms of their permits, and if they are not, taking actions to return them to compliance.

⇒ Forming alliances with local governments, businesses, environmental partners and the public to collectively focus on behavior change, because we all share responsibility for the environment.

⇒ Evaluating environmental conditions in a local, state, regional, and global context; integrating data and trend analysis into PCA planning and decisions; measuring and reporting on environmental progress; and identifying new environmental problems.

⇒ Ensuring that all citizens have access to the best scientific information to effectively participate in managing their own human health and environmental risks.

Operations

The PCA Citizens' Board sets agency policy and takes action on certain other significant or controversial issues. The Commissioner directs the work of the agency's staff.

The PCA has slightly more than 730 staff who work at eight offices throughout Minnesota.

The Majors and Remediation Division deals with large industries and municipalities, focusing on major discharge and emission sources in the state. Air quality and land programs are based in this division. Emergency response, closed landfill cleanup, Superfund, leaking storage tank cleanup and small business assistance are also based in this division. Most of these staff are based in St. Paul.

The Regional Environmental Management Division focuses on smaller sources of pollution, such as small cities, businesses and individuals. Water quality and solid waste programs are based in this division as well as environmental review, noise monitoring, feedlots, stormwater, mobile air sources and other programs targeting non-point source pollution. This office has staff located throughout the state: Duluth, Brainerd, Rochester, Mankato, Detroit Lakes, Willmar, Marshall and St. Paul.

The Environmental Outcomes Division monitors and evaluates the physical, chemical and biological conditions of Minnesota's environment. With this information, they identify potential impacts to human health and the environment, help set environmental goals, establish environmental standards and help develop permit limits, and report results to staff, stakeholders and citizens. Core groups of these staff are located in St. Paul, with many others in regional offices.

The Policy and Planning Division assists in the development and implementation of legislation, rules and policies to address environmental problems. Staff also oversee agency-wide planning to analyze and address emerging environmental issues. These staff are located in St. Paul.

The Fiscal Services Division oversees the PCA's finances and its business operations (vehicle fleet, leases, mail and shipping, etc.). Human resources processes and issues are also handled in this division. These staff are located in St. Paul.

The PCA also has staff who assist the divisions by providing training, communications and information technology. The Customer Assistance Center responds to requests for information and assistance from citizens.

Budget

In the 1970s, the PCA was primarily funded through the General Fund and federal grants. Since then, the PCA has successfully used rules and permits to limit pollution from big facilities. In the 1980s, environmental fees and taxes were established to fund these types of programs.

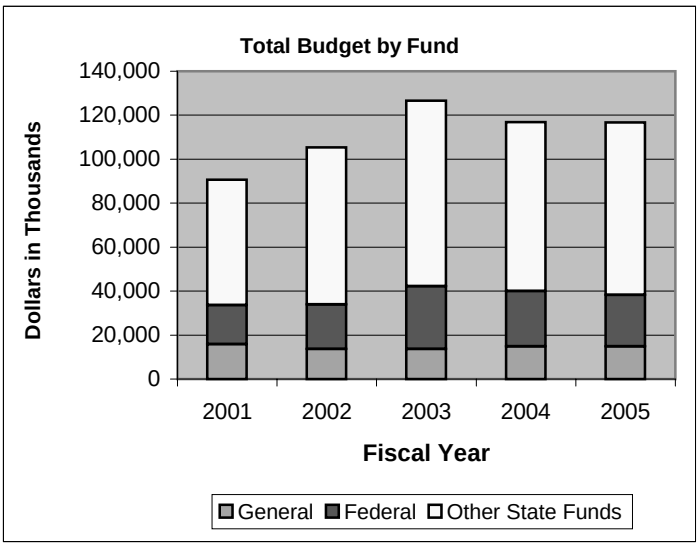
In addition, there has been a shift in the sources of pollution in Minnesota. Today, the major sources of air and water pollution are non-point sources, which do not pay environmental fees. In 2002, the Legislative Auditor recommended revisiting how the PCA is funded to better address today's environmental priorities.

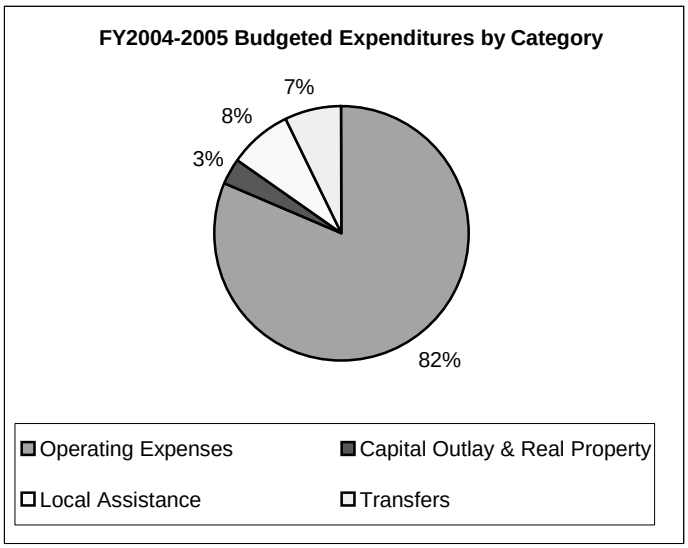
Contact

For more information, contact: Ralph Heussner, Communications Director at (651) 296-6977.

The PCA web site at www.pca.state.mn.us gives visitors easy access to useful information about Minnesota's environment. 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 this agency measures whether it is meeting its statewide goals, please refer to www.departmentresults.state.mn.us





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	649	0	0	822	160	982
General	15,931	13,704	13,615	14,819	14,819	29,638
Minnesota Resources	50	0	0	0	0	0
Petroleum Tank Release Cleanup	5,775	3,204	3,923	0	0	0
State Government Special Revenue	45	41	54	48	48	96
Special Revenue	15	0	87	0	0	0
Environmental	24,674	19,733	25,341	27,107	27,193	54,300
Remediation	0	0	0	11,404	11,404	22,808
Metro Landfill Contingency	0	1,000	0	0	0	0
Solid Waste	7,155	7,657	8,993	0	0	0
Open Appropriations						
Remediation	0	0	0	4,998	7,000	11,998
Solid Waste	4,294	6,497	7,000	0	0	0
Statutory Appropriations						
Public Facilities Authority	714	2,785	1,106	987	968	1,955
Petroleum Tank Release Cleanup	0	2,969	3,922	0	0	0
State Government Special Revenue	1	1	1	1	1	2
Special Revenue	3,405	12,470	14,274	11,766	11,766	23,532
Federal	17,681	20,147	28,609	25,152	23,444	48,596
Environmental	1,029	3,925	7,578	5,945	5,945	11,890
Remediation	0	0	0	13,831	14,024	27,855
Metro Landfill Contingency	0	627	250	0	0	0
Solid Waste	9,249	10,661	11,852	0	0	0
Total	**90,667**	**105,421**	**126,605**	**116,880**	**116,772**	**233,652**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Category	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Operating Expenses	77,421	90,049	108,588	96,697	93,045	189,742
Capital Outlay & Real Property	3,743	3,740	6,762	591	7,301	7,892
Local Assistance	9,228	9,520	10,961	11,086	7,920	19,006
Other Financial Transactions	275	2,112	294	248	248	496
Transfers	0	0	0	8,258	8,258	16,516
Total	**90,667**	**105,421**	**126,605**	**116,880**	**116,772**	**233,652**
Expenditures by Program						
Water	20,329	24,674	29,569	33,443	30,290	63,733
Air	7,650	8,442	10,861	9,544	9,477	19,021
Land	41,498	48,759	55,639	47,801	51,767	99,568
Multimedia	8,985	10,700	16,713	13,977	13,123	27,100
Administrative Support	12,205	12,846	13,823	12,115	12,115	24,230
Total	**90,667**	**105,421**	**126,605**	**116,880**	**116,772**	**233,652**
Revenue by Type and Fund						
Non Dedicated						
General	9	579	318	318	318	636
Petroleum Tank Release Cleanup	120	54	58	48	48	96
State Government Special Revenue	40	36	37	37	37	74
Cambridge Deposit Fund	998	0	0	0	0	0
Environmental	14,686	15,436	16,106	22,632	24,307	46,939
Remediation	0	0	0	4,098	2,982	7,080
Metro Landfill Contingency	220	440	273	0	0	0
Solid Waste	4,032	2,742	1,560	0	0	0
Subtotal Non Dedicated	20,105	19,287	18,352	27,133	27,692	54,825
Dedicated						
Special Revenue	4,831	10,879	13,247	11,766	11,766	23,532
Federal	18,355	20,254	27,299	25,152	23,444	48,596
Environmental	3,061	2,324	2,426	243	243	486
Remediation	0	0	0	751	546	1,297
Subtotal Dedicated	26,247	33,457	42,972	37,912	35,999	73,911
Total Revenue	**46,352**	**52,744**	**61,324**	**65,045**	**63,691**	**128,736**
Full-Time Equivalents (FTE)	**748.0**	**694.0**	**767.6**	**747.0**	**746.4**	

Program Description

This program protects and improves Minnesota's rivers, lakes, wetlands, and ground water so they support healthy aquatic life and public uses. This program receives its authority through delegation of the Federal Clean Water Act (CWA) from the U.S. Environmental Protection Agency and state statutes.

The Pollution Control Agency (PCA) establishes designated uses for each water body, such as for swimming, drinking and fishing. In order to meet each use, the PCA must set a standard for the pollutants that impact the designated use. The PCA then monitors these waters to determine whether or not they meet the standards.

Monitoring indicates which water bodies are not meeting their designated uses. About two-thirds of Minnesota's assessed water bodies meet water quality standards and their designated uses. The remaining third have been placed on an impaired waters list for which a clean-up plan must be developed and implemented.

Program at a Glance

- Water quality point source permitting, compliance determination and enforcement
- River basin and watershed planning/ studies of impaired waters
- 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)
- Storm Water Program development, permitting, compliance determination and enforcement

The PCA's mission is to restore these impaired waters while preventing degradation of those not yet impaired. This is accomplished by regulating municipal and industrial discharges, controlling urban and rural sources of pollution such as runoff and failing individual sewage treatment systems, and monitoring and assessing water quality to provide information upon which to make social, financial, technical, and environmental management decisions.

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 PCA.

Services Provided

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

- issue permits under the federal CWA, including inspections and enforcement follow-up as necessary (1,400 wastewater and industrial permits);
- issue storm water permits under the federal CWA, including inspections and enforcement follow-up as necessary (over 2,900 municipalities, industries, and construction sites); under federal law, the next phase of this program will regulate another 9,200 of these activities starting in 2003;
- issue permits under the federal CWA or state law for over 500 animal feedlots, including inspections and enforcement follow-up as necessary, with 30,000 feedlots registered under state law, administered by the PCA and county governments;
- develop river basin 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 feed lot upgrades at over 350 project sites in the past five years; and
- initiate over 105 impaired water studies (TMDLs) to determine sources of impairment.

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. The PCA continues to work extensively with these sources. In addition, the PCA is addressing more dispersed sources of pollutants, such as urban and agricultural storm water runoff, individual sewage systems, feedlots, and forestry as examples. More emphasis and funding have been directed to these sources of pollutants reaching our waters.

Although individual sources within these land uses are often small, their cumulative impacts are significant. The emphasis placed on these new sources during the past years does not replace the work that must continue to be directed at municipal and industrial sources. One issue for municipal sources that remains to be addressed is the small un-sewered or under-sewered community.

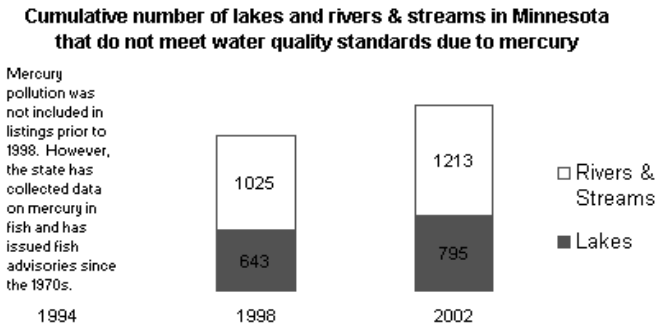
During the past year, emphasis has been placed on increasing the percentage of up-to-date permits that currently exists in Minnesota. The PCA is addressing this problem through a recently developed "Water Quality Point-Source Permitting and Compliance/Enforcement Plan" that can be found on the PCA web site at: http://www.pca.state.mn.us/publications/reports/water-pointsourceplan.pdf.

During the last biennium, the U.S. Environmental Protection Agency placed more emphasis on parts of the Clean Water Act which require a significant amount of activity, but with no new additional federal funding. Funding for these programs, as well as other water programs, is an ongoing problem. One area where new federal emphasis is being placed is the Storm Water Program.

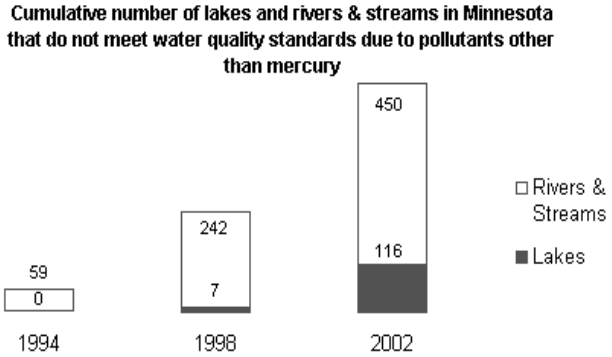
Another area where this has occurred is in the listing of impaired waters in the state. The Clean Water Act requires states to not only list the impaired waters, but to develop clean-up plans, and eventually implement those plans. Currently the state list includes more than 500 water bodies impaired by conventional pollutants.

Key Measures

The PCA assesses waters and lists the impaired waters every two years in accordance with the CWA. Once listed, the PCA is required to identify all of the sources for the pollutant causing the poor water quality and allocate responsibility for addressing the impairment. Once the allocation study is complete, the PCA works with stakeholders to remediate the impairment, leading to the water returning to its designated use. The PCA has completed studies on 20 rivers and streams and is now implementing clean-up efforts on these. In addition, the PCA currently has 85 studies underway to determine the sources of impairment.

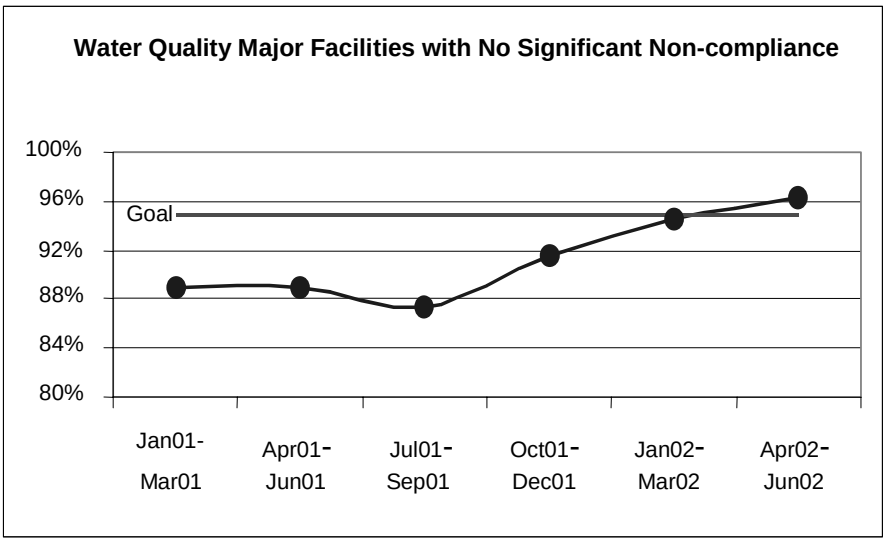


Target: PCA expects that only one of these bodies of water will be cleaned up by 2010.



Target: PCA expects that 63 rivers & streams will be cleaned up by 2005. By 2010, PCA expects that 134 rivers & streams and 46 lakes will be cleaned up.

The PCA has set of goal of 95% compliance with effluent limits for all water quality major facilities. Since January 2002, the PCA has achieved the goal and is striving to stay above the goal.



Program Funding

This program is funded by a mix of federal (43%) and state (57%) funds.

Contact

For more information, contact Ralph Heussner, Communications Director at (651) 296-6977 or toll-free at 1 (800) 657-3864.

The PCA 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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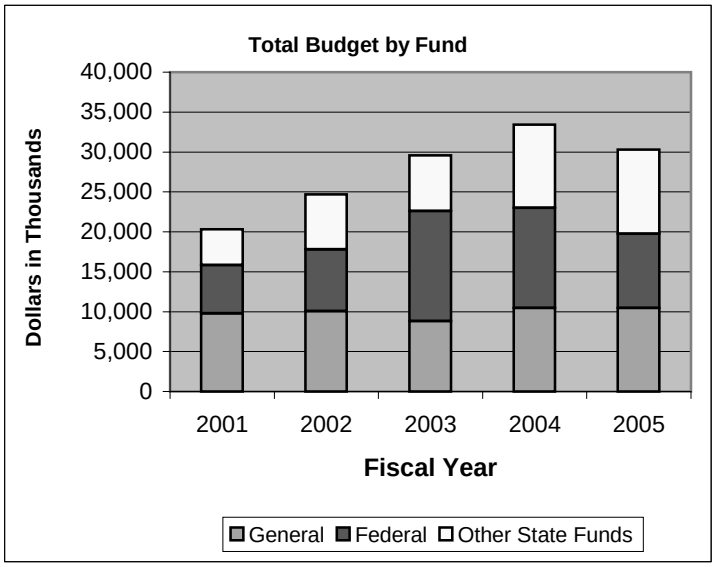
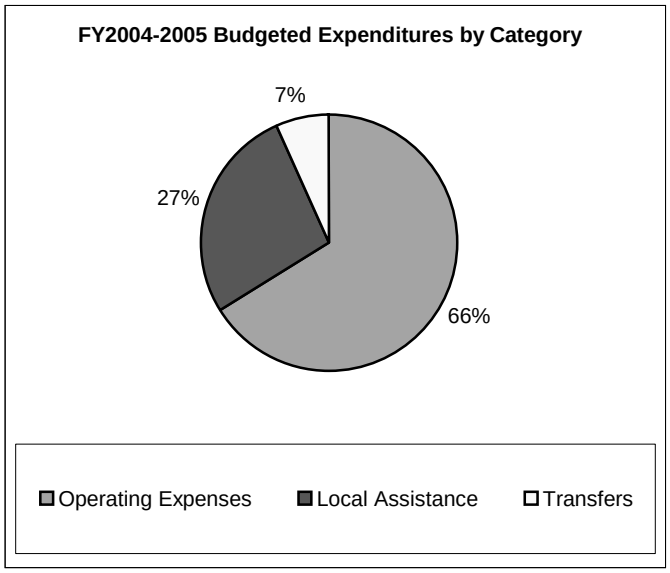




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	649	0	0	0	0	0
General	9,796	10,049	8,835	10,467	10,467	20,934
Petroleum Tank Release Cleanup	26	0	0	0	0	0
State Government Special Revenue	45	41	54	48	48	96
Special Revenue	15	0	87	0	0	0
Environmental	2,630	3,367	5,315	9,368	9,461	18,829
Solid Waste	104	0	0	0	0	0
Statutory Appropriations						
Public Facilities Authority	714	2,785	1,106	987	968	1,955
Special Revenue	320	699	386	43	43	86
Federal	6,030	7,733	13,786	12,530	9,303	21,833
Total	**20,329**	**24,674**	**29,569**	**33,443**	**30,290**	**63,733**

Expenditures by Category						
Operating Expenses	13,990	15,529	20,061	21,103	21,116	42,219
Local Assistance	6,339	7,145	9,508	10,243	7,077	17,320
Other Financial Transactions	0	2,000	0	0	0	0
Transfers	0	0	0	2,097	2,097	4,194
Total	**20,329**	**24,674**	**29,569**	**33,443**	**30,290**	**63,733**

Expenditures by Activity						
Water	20,329	24,674	29,569	33,443	30,290	63,733
Total	**20,329**	**24,674**	**29,569**	**33,443**	**30,290**	**63,733**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	0	4	12	12	12	24
State Government Special Revenue	40	36	37	37	37	74
Environmental	3,022	3,240	3,822	9,507	9,507	19,014
Subtotal Non Dedicated	3,062	3,280	3,871	9,556	9,556	19,112
Dedicated						
Special Revenue	689	646	43	43	43	86
Federal	5,362	7,841	13,617	12,551	9,329	21,880
Environmental	0	1	1	0	0	0
Subtotal Dedicated	6,051	8,488	13,661	12,594	9,372	21,966
Total Revenue	**9,113**	**11,768**	**17,532**	**22,150**	**18,928**	**41,078**
Full-Time Equivalents (FTE)	**196.4**	**183.3**	**192.1**	**191.9**	**196.4**	

Program Description

The state's air quality is being degraded from 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.

Program at a Glance

- Air quality point source permitting, compliance determination and enforcement
- Small sources of air pollution – including vehicles
- Air monitoring
- Develop and implement air toxic (e.g., mercury, benzene) reduction efforts
- Monitor research on global climate change and educate Minnesotans on how to reduce greenhouse gases

In 1990, the CAA was amended to dramatically expand the air program in Minnesota and nationwide through the assessment of air emission fees, new permit and compliance requirements, and activities to control emissions of hazardous air pollutants. In addition, the CAA amendments created programs to focus on small sources and vehicles that contribute significantly to air problems. In 1997, the U.S. Environmental Protection Agency (EPA) developed new, more restrictive standards for ozone and particulate matter. In 1998, the EPA finalized a new program to reduce regional haze and also began considering global climate change, an issue of developing environmental concern.

The primary goals of this program are to:

- assess the risk to human health and the environment from air pollution by monitoring air quality;
- minimize or abate the impacts of air pollution through the development of strategies and programs to reduce emissions of specific air pollutants; and
- regulate pollution from industrial sources through permits, inspections, and enforcement.

Population Served

This program serves all citizens of the state. Further, certain groups of citizens (e.g., the very young and very old, people who suffer from asthma, heart disease, and even athletes who participate in outdoor activities) are more vulnerable than others to the harmful effects of air pollution.

As a result of their daily activities, citizens are responsible for emitting large amounts of air pollution. Approximately 40% of air pollutants in Minnesota are emitted from mobile sources, which include automobiles, trucks, buses, and recreational equipment. More information about air quality in Minnesota is available on the Pollution Control Agency (PCA) web site at http://www.pca.state.mn.us/air/index.html.

The program also regulates industrial sources of air pollution. At present, there are more than 2,400 facilities that need some type of air permit. Of those, 345 are large enough to need a federal air quality permit (252 of these had been issued as of 7-1-02). These 252 permits account for about 82% of pollutant emissions from industrial sources.

Services Provided

The PCA's regulatory program for air quality is based on the CAA. It consists of issuing permits, determining compliance with those permits, taking enforcement action when necessary, and monitoring air quality. In addition, special projects are undertaken to address specific air pollutants, such as development and implementation of a mercury reduction strategy.

The PCA will continue to focus on its regulatory program functions (permitting, inspections, compliance/enforcement, etc.). The PCA will also continue to analyze information to identify and target categories of sources that are frequently out of compliance. For facilities with federal air quality permits, compliance rates are currently at approximately 95%.

The PCA's air quality monitoring program helps the agency and others identify air quality problems and evaluate ongoing programs. More information about air monitoring is available on the PCA web site at http://data.pca.state.mn.us/pca/emissearch.html.

When monitoring does indicate a problem, the PCA revises its State Implementation Plan for air quality, which is submitted to the EPA. This plan spells out what actions will be taken to ensure that all areas of the state fully comply with air quality standards and regulations.

Other services provided include:

- continuing to update and improve air quality rules;
- pursuing mobile source pollution prevention strategies to reduce ozone, air toxics, fine particulate, and climate change pollution;
- assisting local units of government with monitoring and resolution of noise issues;
- developing a plan for reducing regional haze and fine particulate matter (e.g., reduce fine particulate emissions from off-road construction equipment); and
- implementing mercury reduction strategies (e.g., work with industry to promote the voluntary phase-out of mercury in products).

Historical Perspective

One of the major changes in the 1990s CAA was the creation of a national permit program (Title V) for large sources that emit air pollutants. Now that air pollution is managed by this system, permits are issued by states; or when a state fails to carry out the CAA satisfactorily, by EPA. All Title V air quality permits required by the 1990 CAA were to have been issued in Minnesota by 2000.

In Minnesota, about one-third of the permits for major facilities still need to be issued. In addition, these permits are issued for five years, so that some of the first to be issued now need to be renewed. A similar situation exists in many states. When the EPA developed the rules for this program, they underestimated the amount of work involved. The effort required to respond to public concern about controversial facilities was also underestimated. The PCA intends to finish issuing the initial round of permits by the end of 2003.

Last year, for the first time since the 1970s, the PCA had to issue air quality alerts in the Twin Cities due to excessively high levels of ozone (smog) pollution. In addition, there have also been alerts in 2002 for both ozone and particulate matter. Daily air quality readings are available on the PCA 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 the federal ozone air quality standard. If this were to happen, it will result in extra work for the PCA (developing new rules to control Volatile Organic Compounds (VOC) and Nitrogen Oxides (Nox) emissions) and extra regulations for industry and citizens (i.e., implementation of a new inspection/maintenance program for autos, and imposition of Reasonably Available Control Technology requirements on industry for control of VOC and NOx emissions). A Minnesota Chamber study estimated that the additional effort might cost from $189 – $266 million dollars annually.

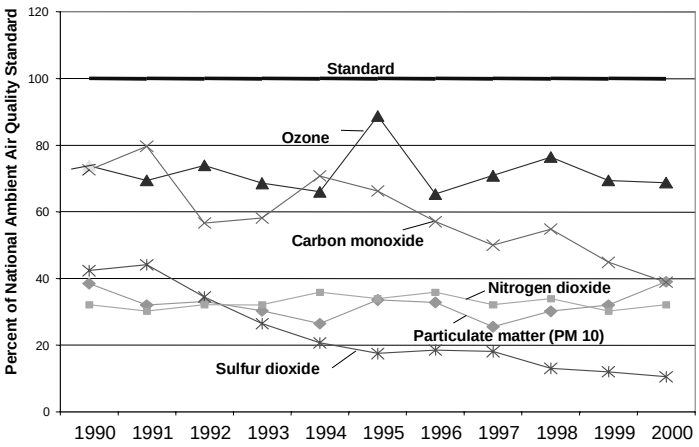
Also of increasing concern is fine particle pollution. The EPA recently issued stricter standards for particles less than 2.5 microns in diameter. Minnesota is expected to meet the new standard. However, a substantial and growing body of scientific literature shows that fine particles in the air cause premature death and increased hospital admissions from heart and respiratory disease, even at levels below the new federal standard. For both ozone and particulate matter, Minnesotans will need to decide on what policy approaches to take to address the potential human health impacts of these emerging pollution problems.

Key Measures

The following graph shows the ambient levels of key air pollutants in the Metropolitan area over the last decade.

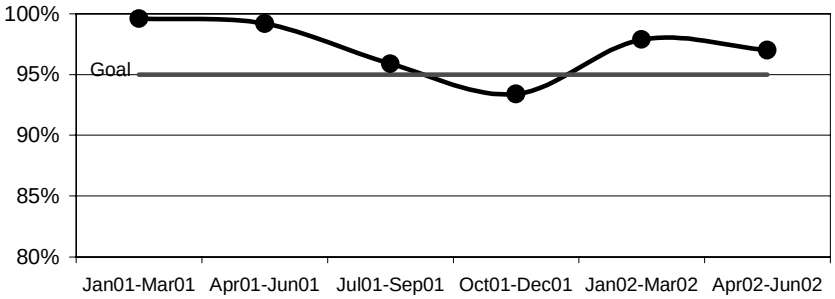
Trends in key air pollutants in the Twin Cities area

1990 – 2000



The graph below shows the compliance rates of major air sources with their air permit requirements.

Air Quality Major Facilities with No Emission Violations



Program Funding

This program is funded by a mix of federal (4%) and state (96%) funds.

Contact

For more information, contact Communications Director Ralph Heussner at (651) 296-6977 or toll-free at 1 (800) 657-3864.

The PCA 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, PCA initiatives, details about environmental quality and current "hot topics."

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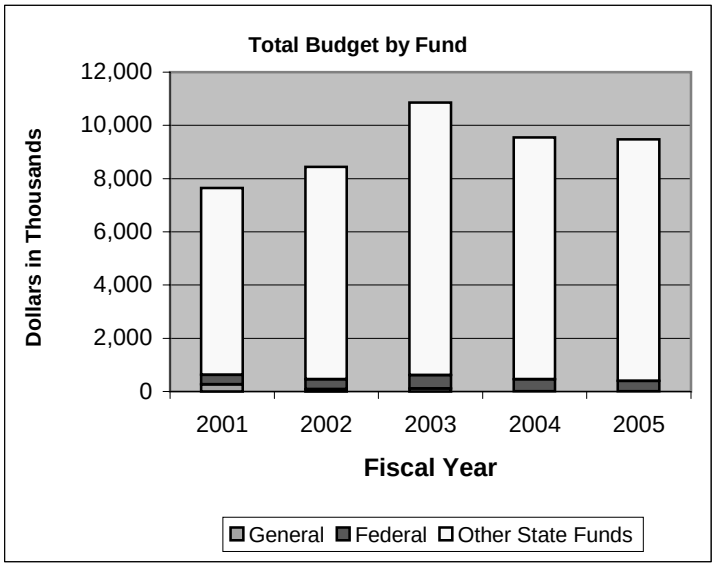
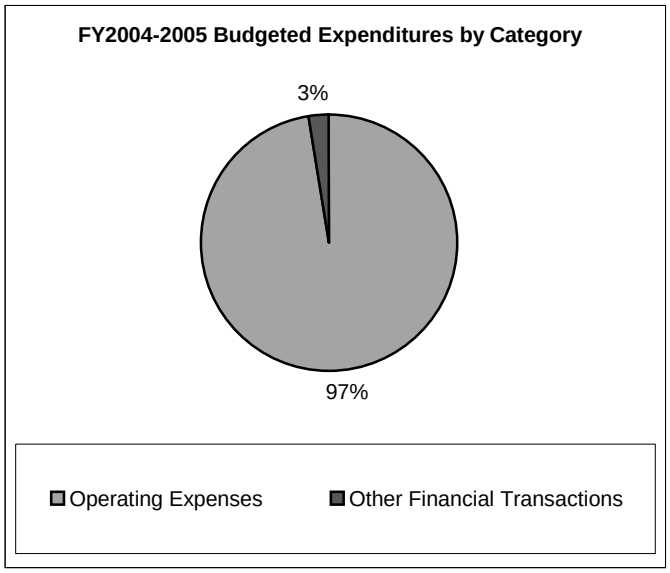




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	261	89	108	0	0	0
Environmental	6,591	7,726	9,573	8,645	8,640	17,285
Statutory Appropriations						
Special Revenue	160	143	426	194	194	388
Federal	360	371	511	455	393	848
Environmental	278	113	243	250	250	500
Total	**7,650**	**8,442**	**10,861**	**9,544**	**9,477**	**19,021**
Expenditures by Category						
Operating Expenses	7,375	8,324	10,620	9,296	9,229	18,525
Local Assistance	0	6	0	0	0	0
Other Financial Transactions	275	112	241	248	248	496
Total	**7,650**	**8,442**	**10,861**	**9,544**	**9,477**	**19,021**
Expenditures by Activity						
Air	7,650	8,442	10,861	9,544	9,477	19,021
Total	**7,650**	**8,442**	**10,861**	**9,544**	**9,477**	**19,021**
Revenue by Type and Fund						
Non Dedicated						
Environmental	8,706	9,631	9,130	10,361	10,036	20,397
Subtotal Non Dedicated	8,706	9,631	9,130	10,361	10,036	20,397
Dedicated						
Special Revenue	135	246	75	75	75	150
Federal	86	486	118	455	393	848
Environmental	225	256	243	243	243	486
Subtotal Dedicated	446	988	436	773	711	1,484
Total Revenue	**9,152**	**10,619**	**9,566**	**11,134**	**10,747**	**21,881**
Full-Time Equivalents (FTE)	**92.2**	**79.2**	**93.4**	**88.2**	**88.0**	

Program Description

Clean and useable land is important to the environmental, social, and economic welfare of Minnesota. The purpose of the Pollution Control Agency's (PCA) land program is to protect the environment, public health, and quality of life of all citizens by cleaning up contaminated land sites and preventing future contamination.

The PCA's integrated system of land program 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. Through this system, the PCA seeks to:

- develop and maintain state and local capabilities to clean up spills of hazardous materials and petroleum products, due to accidents or natural disasters;
- develop capabilities to respond to spread of hazardous materials due to epidemics or terrorist actions;
- ensure proper shipping, handling, and storage of hazardous materials and bulk petroleum products;
- ensure proper disposal of wastes; and
- clean up, or provide incentives for voluntary cleanup of hazardous waste, petroleum, and solid waste releases which occurred before preventative land program authorities had been established.

Program at a Glance

- Cleanup programs: to address hazardous waste and petroleum product releases:
  - ⇒ Superfund
  - ⇒ Voluntary Investigation and Cleanup (VIC)
  - ⇒ Voluntary Petroleum Investigation and Cleanup (VPIC)
  - ⇒ Leaking Underground Storage Tanks (LUST)
- Storage tank leak prevention through training and regulation;
- Closed landfill remediation and maintenance;
- Emergency response to pollutant spills; and
- Solid waste and hazardous waste permitting, compliance determination, and enforcement.

Population Served

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

The program also regulates a large and diverse array of businesses and industries in Minnesota. The list below provides a snapshot of those being served by PCA land programs:

- hazardous waste related businesses and industries; including 9,000 hazardous waste handlers, about 30 treatment, storage and disposal facilities, 80 large quantity generators, 450 small quantity generators, and 8,500 very small quantity generators;
- solid waste facilities, with 28 permitted facilities owned by business or municipalities;
- business, industry, or citizen-owned leaking underground tank sites, with 2,400 - 2,500 investigations or cleanups addressed annually and 11,500 total sites cleaned up by end of FY 2002;
- citizens and businesses, with 2,300 emergency spills reported annually;
- parties responsible for 97 active Superfund sites, with 132 sites already cleaned up; and
- industry, with about 200 voluntary investigation and cleanup applications that are reviewed and processed annually.

Services Provided

Prevention:

⇒ The PCA conducts regulatory and training programs to prevent the release of petroleum, solid waste, and hazardous waste to Minnesota's soil, ground water and surface water, protecting public health and the environment.

⇒ The PCA licenses hazardous waste handlers and monitors hazardous wastes "cradle to grave" via a computerized system and in cooperation with metropolitan counties.

⇒ The PCA issues permits to and inspects solid waste, hazardous waste, and large aboveground storage tank facilities, and completes follow-up with enforcement action as necessary.

Cleanup:

- ⇒ The PCA oversees investigations and corrective actions by responsible parties at release sites and provides expedited assistance when requested.
- ⇒ At release sites where a responsible person is not found or the responsible person is uncooperative, the PCA hires contractors to conduct site investigations and complete risk-based corrective actions.
- ⇒ When natural disasters strike, the PCA oversees disposal of debris and is currently preparing for debris management resulting from potential terrorist activities.
- ⇒ The PCA assists developers in returning contaminated sites to productive use through its voluntary investigation and cleanup programs.
- ⇒ The PCA hires contractors to conduct cleanups at 107 closed landfills; and when possible, the PCA recovers the cost of Closed Landfill Program cleanups from insurance policies held by the landfill owners.
- ⇒ The PCA works with the state's Petroleum Board to provide financial reimbursements to responsible parties conducting approved cleanups at petroleum leak sites.

Historical Perspective

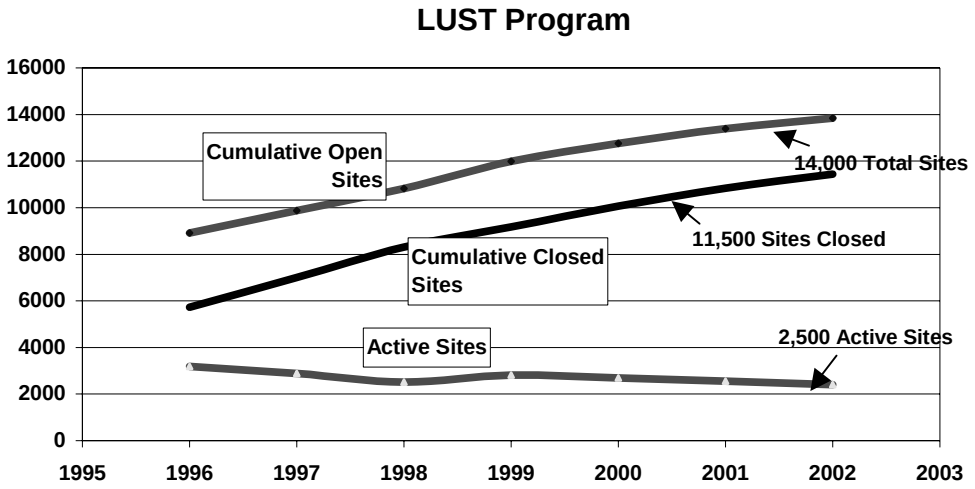
In the past, thousands of locations across the state posed acute or potential risks due to spilling, dumping, or poor management of wastes and petroleum products. From the mid-1970s through the mid-1990s, Congress and the Minnesota Legislature provided a range of legal authorities to the PCA to ensure that these risks to the environment and citizens were eliminated or controlled. Now, due to the network of land program activities within the PCA, risks from contaminant releases to the land have been largely eliminated or controlled, and an infrastructure exists to ensure that they remain so.

Reductions in federal and state funding have left the PCA with many challenges related to the operation and management of the Hazardous Waste (HW) Program. The HW Program has fulfilled its original purpose of keeping waste from large handlers out of the environment. However, mismanagement by smaller generators continues to be a problem. The challenge now is to maintain past gains with large facilities while improving hazardous waste management by small generators.

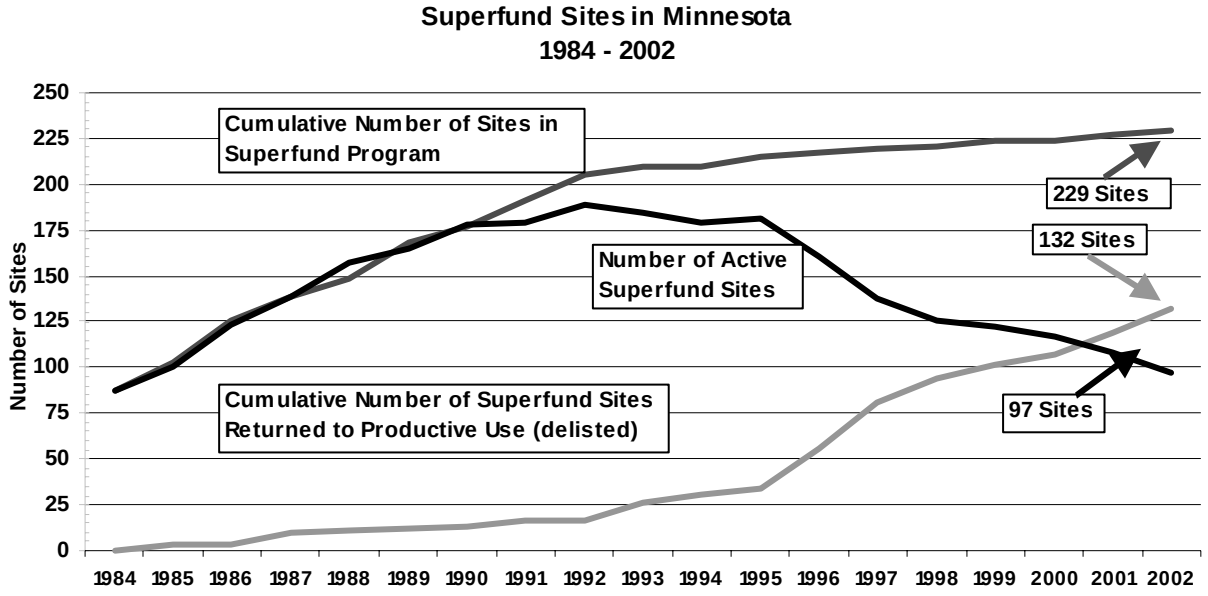
The PCA continues to make significant progress cleaning up contaminated sites through five remediation programs: Superfund Program, VIC Program, Resource Recovery and Conservation Act Corrective Action Program, Closed Landfill Program, and LUST Program. More details about these programs are available on the PCA web site at http://www.pca.state.mn.us/cleanup/index.html.

Key Measures

The following graph shows the PCA and regulated community progress over the last seven years in addressing LUST release sites.



The graph below shows the progress of the Superfund Program, over the last 16 years, in cleaning up hazardous waste contaminated sites in the state.



The graph below shows the compliance rate of hazardous waste handlers that have been inspected by the PCA.

Program Funding

This program is funded by a mix of federal (9%) and state (91%) funds.

Contact

For more information, contact Communications Director Ralph Heussner at (651) 296-6977 or toll-free at 1 (800) 657-3864.

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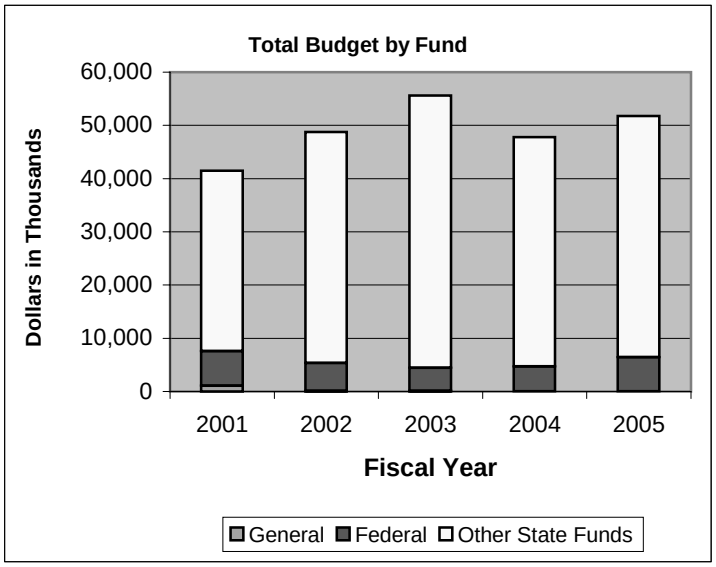
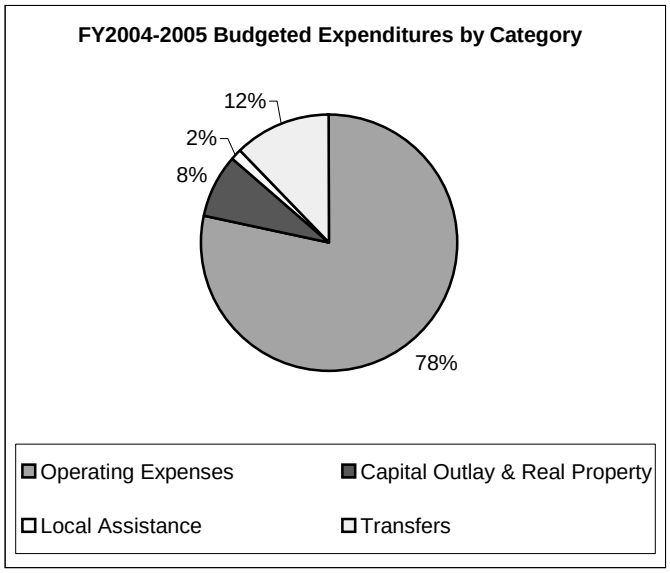




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,075	97	96	0	0	0
Minnesota Resources	50	0	0	0	0	0
Petroleum Tank Release Cleanup	5,088	3,204	3,923	0	0	0
Environmental	9,235	6,917	7,850	7,058	7,051	14,109
Remediation	0	0	0	11,404	11,404	22,808
Metro Landfill Contingency	0	1,000	0	0	0	0
Solid Waste	5,174	7,295	8,993	0	0	0
Open Appropriations						
Remediation	0	0	0	4,998	7,000	11,998
Solid Waste	4,294	6,497	7,000	0	0	0
Statutory Appropriations						
Petroleum Tank Release Cleanup	0	2,969	3,922	0	0	0
Special Revenue	454	698	375	370	370	740
Federal	6,522	5,256	4,346	4,672	6,450	11,122
Environmental	521	3,639	7,144	5,685	5,685	11,370
Remediation	0	0	0	13,614	13,807	27,421
Metro Landfill Contingency	0	627	250	0	0	0
Solid Waste	9,085	10,560	11,740	0	0	0
Total	**41,498**	**48,759**	**55,639**	**47,801**	**51,767**	**99,568**

Expenditures by Category						
Operating Expenses	35,486	42,918	47,624	40,391	37,647	78,038
Capital Outlay & Real Property	3,743	3,740	6,762	591	7,301	7,892
Local Assistance	2,269	2,101	1,200	800	800	1,600
Other Financial Transactions	0	0	53	0	0	0
Transfers	0	0	0	6,019	6,019	12,038
Total	**41,498**	**48,759**	**55,639**	**47,801**	**51,767**	**99,568**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Activity	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Land	41,498	48,759	55,639	47,801	51,767	99,568
Total	**41,498**	**48,759**	**55,639**	**47,801**	**51,767**	**99,568**

Revenue by Type and Fund						
Non Dedicated						
General	0	16	6	6	6	12
Petroleum Tank Release Cleanup	120	54	58	48	48	96
Cambridge Deposit Fund	8	0	0	0	0	0
Environmental	2,958	2,556	2,944	2,754	4,754	7,508
Remediation	0	0	0	4,098	2,982	7,080
Metro Landfill Contingency	220	440	273	0	0	0
Solid Waste	4,032	2,742	1,560	0	0	0
Subtotal Non Dedicated	7,338	5,808	4,841	6,906	7,790	14,696
Dedicated						
Special Revenue	582	599	325	370	370	740
Federal	6,243	5,420	4,074	4,677	6,450	11,127
Environmental	1,810	1,927	1,850	0	0	0
Subtotal Dedicated	8,635	7,946	6,249	5,047	6,820	11,867
Total Revenue	**15,973**	**13,754**	**11,090**	**11,953**	**14,610**	**26,563**
Full-Time Equivalents (FTE)	**256.4**	**221.7**	**227.3**	**220.2**	**221.7**	

Program Description

Multimedia activities provide scientific and technical support to staff throughout the Pollution Control Agency's (PCA's) air, land and water programs. This support allows PCA to properly regulate Minnesota citizens and businesses and effectively clean up contaminated sites. This staff assesses the impacts of pollutants on all media — air, water, land — rather than each in isolation. This program collects data on environmental conditions and presents the data in a form that is useful to PCA, policy makers, and the public.

Multimedia program staff evaluate the environmental risk of proposed projects, and identify pollution trends and emerging environmental issues. Multimedia activities include maintaining authorization to run federal programs, enacting new rules and seeking statutory changes as needed. Training in all state and federal requirements provided to regulated parties enables them to do their part in protecting and improving the environment.

Program at a Glance

- Policy evaluation and development
- Environmental review of proposed projects
- Training of the regulated community
- Assessments for impact on the environment to support regulatory and cleanup project decisions by PCA programs: monitoring oversight, discharge standards, effluent limits, air quality modeling review, risk assessment, ecological risk assessment, fish kill investigations, and others
- Mercury reduction strategies

Population Served

⇒ Area residents benefit from assessments for impact on the environment that have been completed (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 information contained in reports that analyze monitoring data collected at 500 monitoring sites operated by the PCA.

⇒ Parties regulated by the PCA receive training — 3,060 people received training in 2002.

⇒ Industry receives assistance on pollution prevention and innovation projects.

⇒ Members of the public are given the opportunity to express their opinions during customer research efforts, such as the survey in which 1,600 citizens and 2,400 stakeholders were asked their opinions on various funding options for environmental protection activities.

Services Provided

Multimedia environmental activities include the following services:

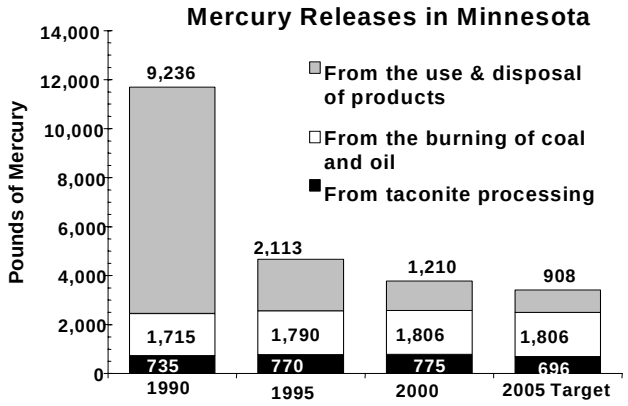
- analyzing environmental data on the condition of the environment and the stressors that impact it to describe trends, and processing the data in a way that is of value to PCA, policy makers and citizens;
- using critical data to set standards in water, air and land to protect Minnesota's resources (These standards are used to assess and identify pollution, help set priorities for treatment and cleanup actions, and set discharge and emission limits. One approach in standards development is setting Total Maximum Daily Loads [TMDLs] that can go into an impaired water body, an approach which identifies sources of pollutants and how much each source must reduce its contribution to a water body in order to meet water quality standards. A list of impaired water bodies was prepared based on monitoring data.);
- conducting risk evaluations and providing technical support to regulatory activities;
- providing data analysis and developing reduction and prevention strategies that focus on preventing pollution from occurring;
- conducting environmental assessments that help affected persons understand the potential impact of a proposed project;
- conducting public participation efforts aimed at learning the environmental values and views of citizens;
- developing intervention strategies to correct undesirable environmental conditions;
- developing administrative and technical rules to meet minimum federal program standards to maintain state authorization to run federal programs and to address environmental issues;
- protecting Minnesota's citizens and their environment (four rules were completed over the past two years, and 20 are currently in development);

- completing environmental reviews, which allowed permittees, including local government, to initiate requested projects (54 environmental reviews were completed over the past two years); and
- implementing the Mercury Reduction Initiative and other mercury control programs.

Historical Perspective

The PCA 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 presents the need for new approaches to solving and preventing problems. Staff is able to provide data and information to support environmental permitting and cleanup decisions as well as to develop intervention, reduction, and prevention strategies for whatever issues arise.

Key Measures



Mercury comes from a variety of sources and impacts all media. This graph shows significant progress on multimedia efforts to reduce mercury in the

Scientific/Technical evaluations to help PCA decide on regulatory limits and cleanup plans

- 17 air toxics reviews
- 65 air dispersion model results to develop air quality pemit limits
- 45 remediation project assessments for human health and ecological impacts
- 366 effluent limit reviews to develop water quality permit limits

Program Funding

This program is funded by a mix of federal (62%) and state (38%) funds.

Contact

For more information, contact Ralph Heussner, Communications Director at (651) 296-6977 or toll-free at 1 (800) 657-3864.

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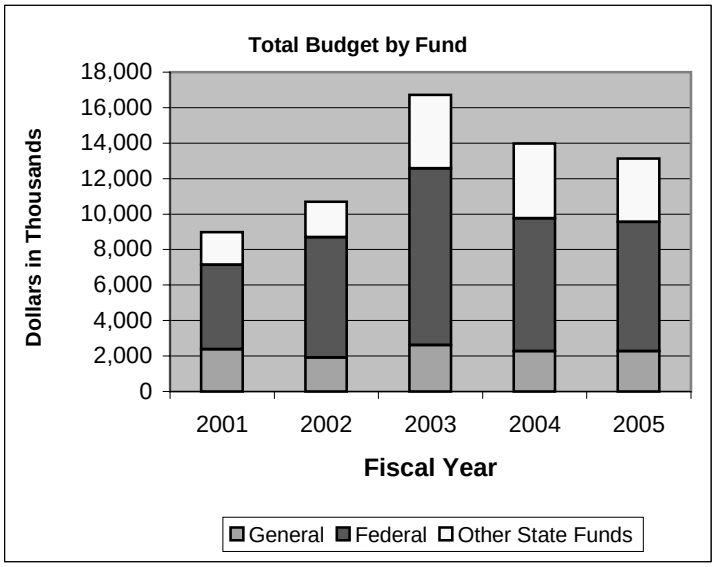
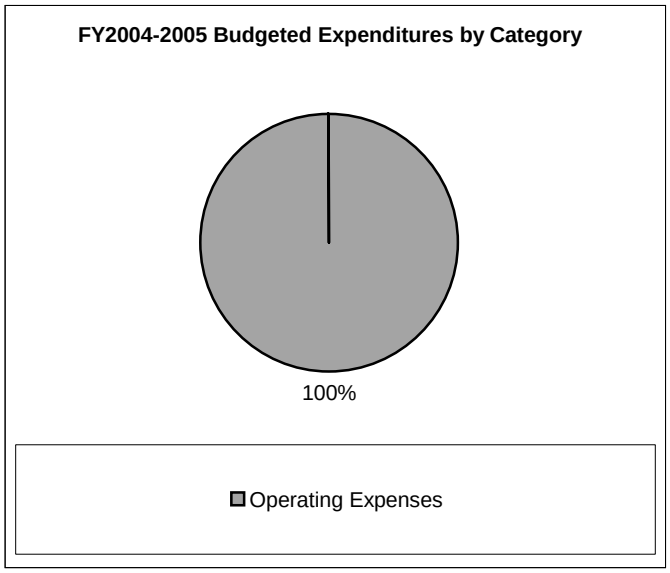
For information on how this agency measures some of its efforts to meet statewide goals, please visit http://www.departmentresults.state.mn.us.

POLLUTION CONTROL AGENCY

Program: MULTIMEDIA

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	0	0	0	822	160	982
General	2,379	1,910	2,611	2,265	2,265	4,530
Environmental	1,756	1,723	2,603	2,036	2,041	4,077
Statutory Appropriations						
Special Revenue	81	280	1,533	1,359	1,359	2,718
Federal	4,769	6,787	9,966	7,495	7,298	14,793
Total	**8,985**	**10,700**	**16,713**	**13,977**	**13,123**	**27,100**
Expenditures by Category						
Operating Expenses	8,365	10,432	16,460	13,934	13,080	27,014
Local Assistance	620	268	253	43	43	86
Total	**8,985**	**10,700**	**16,713**	**13,977**	**13,123**	**27,100**
Expenditures by Activity						
Multimedia	8,985	10,700	16,713	13,977	13,123	27,100
Total	**8,985**	**10,700**	**16,713**	**13,977**	**13,123**	**27,100**
Revenue by Type and Fund						
Non Dedicated						
General	0	551	300	300	300	600
Cambridge Deposit Fund	988	0	0	0	0	0
Environmental	0	9	210	10	10	20
Subtotal Non Dedicated	988	560	510	310	310	620
Dedicated						
Special Revenue	161	375	1,454	1,478	1,478	2,956
Federal	6,664	6,507	9,490	7,469	7,272	14,741
Subtotal Dedicated	6,825	6,882	10,944	8,947	8,750	17,697
Total Revenue	**7,813**	**7,442**	**11,454**	**9,257**	**9,060**	**18,317**
Full-Time Equivalents (FTE)	**107.8**	**126.7**	**160.9**	**152.8**	**146.5**	

Program Description

The activities and services included in this program include the Commissioner's Office, the Citizens' Board, fiscal management, human resources management, information systems management, organizational development and training, communications services and business systems. The Administrative Support program provides leadership and policy direction, through the Commissioner's Office, and agency-wide program coordination and support for the delivery of environmental programs in St. Paul and offices located throughout the state.

Program at a Glance

- The PCA Citizens' Board sets policy and resolves certain controversial matters in the PCA's regulatory work.
- The Commissioner's Office leads the work of the PCA.
- Fiscal Services, Business Systems, Human Resources, Organizational Development and Training, Information Systems, and Communication Services support all program operations of the PCA.

Population Served

This program serves the general public by leading the development of environmental goals and priorities for the state. The Citizens' Board serves individuals and groups of citizens, representatives of local units of government, industries, and industrial organizations as they make environmental decisions. The general public and individual citizens are also served through Information Systems and Communication Services as people search the Pollution Control Agency (PCA) web site, read publications produced, or participate in public meetings. It also provides management systems and services to support implementation of all PCA programs.

Services Provided

The PCA commissioner, along with the deputy and assistant commissioners, leads and directs the work of the PCA. The Commissioner's Office also provides leadership in implementing business and management practices in order to provide effective and efficient environmental programs. This approach relies on strategic planning, process design, and performance measurement. Minnesota ranked third in the 2001 State of the States report by the Resource Renewal Institute, which ranks states efforts in protecting the nation's environment and fostering sustainable growth.

⇒ The Citizens' Board sets agency policy and makes decisions on varied and complex pollution problems. The Board provides a venue for the public to participate in key environmental decisions.

⇒ Communications Services support agency programs by providing public information, media relations, community involvement, coordination of public hearing events, and publication management.

⇒ The Customer Assistance Center provides answers to the most commonly asked questions from regulated parties and the public in a timely manner.

⇒ Information Systems keep the PCA tied to the world electronically. Large volumes of data are stored and made available to agency staff for environmental assessment, permit writing, compliance determination and enforcement. Information is also made available to the public in report form through web access. The web is also an important link for PCA clientele to conduct business with the agency. This requires effective, well-maintained systems.

⇒ Cost effective and environmentally sound business solutions meet the agency's business needs and model effective environmental business practices. This is seen in the purchase of alternative technology vehicles, purchase of office supplies that have been made with recycled materials (green procurement), and implementing recycling processes to reduce waste generation. In FY 2000, 74% of waste from the PCA was recycled.

⇒ Funds are expended as appropriated, managed according to general government accounting practices, and paid in a timely and accurate way to vendors.

⇒ Human Resources and Organizational Development and Training provide support to PCA leaders in human resource issues, in the assessment of individual and group development needs, and how to fill those needs for 730 staff.

Historical Perspective

"During the past decade, PCA has experienced a variety of funding challenges. The agency's water and hazardous waste fee revenues have not kept pace with inflation, and legislators have had to transfer money into these fee accounts on many occasions to address potential deficits. Water quality fees have not increased since 1992, and several PCA proposals for fee increases have not been enacted by the legislature. Meanwhile, cost increases have strained PCA's staffing resources." (Excerpt from State of Minnesota Office of the Legislative Auditor, Program Evaluation Report, Minnesota Pollution Control Agency Funding, January 2002, Summary p. x) http://www.auditor.leg.state.mn.us/ped/2002/pe0202.htm

The PCA web site was released in January 1997. Since that date the site has experienced a continuing increase in size, complexity, and use. In addition to general environmental information, the web site also provides electronic government services to a variety of PCA customers. Citizens participating in the Citizens Lake Monitoring Program can directly enter their monitoring results on the web site.

The PCA historically distributed 14 separate newsletters to regulated parties throughout the state. It was no longer possible to continue staffing or funding the 14 newsletters, so the technical assistance and trend information was consolidated into a single quarterly magazine, "Minnesota Environment."

Key Measures

⇒ Fee revenues are collected from approximately 6,300 fee payers at a collection rate of 99.5%.

⇒ The PCA provides information to Minnesota citizens.

- The quarterly "Minnesota Environment" magazine is mailed to 26,000 subscribers.
- In 2001, there were 14,528,574 hits on the PCA web site, up from 8,769,791 in 1999.
- The Customer Assistance Center responded to 8,786 inquiries in 2001 with 99% of the responses made within 24 hours.
- An estimated 80,000 citizens visited the PCA state fair booth which focused on transportation and energy impacts on air quality.

⇒ The PCA exceeded the federal standard that requires state agencies to acquire 75% of light duty vehicles annually as alternative fuel vehicles.

Program Funding

This program is funded by a mix of federal (36%) and state (64%) funds.

Contact

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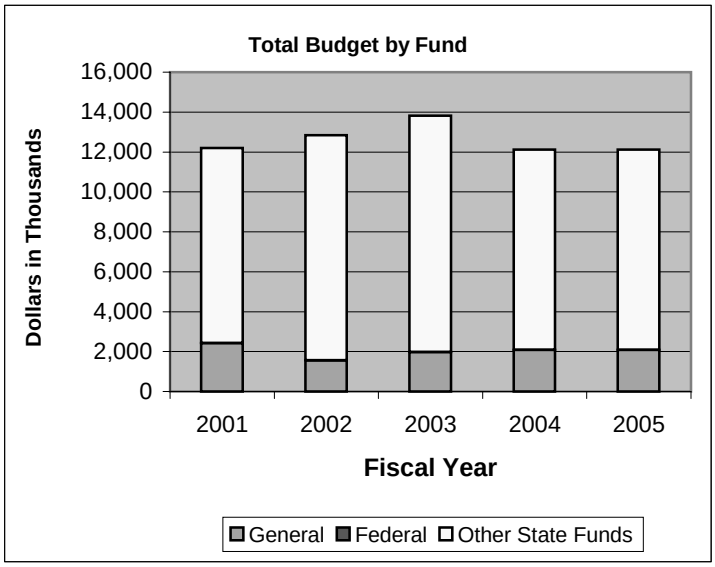
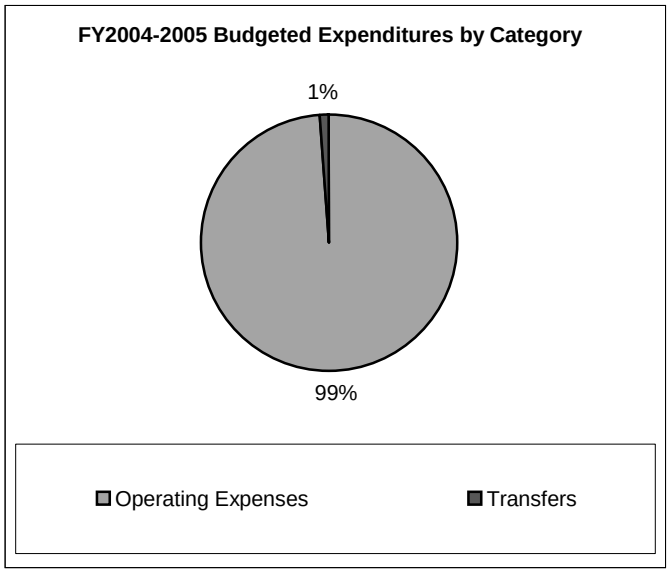




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,420	1,559	1,965	2,087	2,087	4,174
Petroleum Tank Release Cleanup	661	0	0	0	0	0
Environmental	4,462	0	0	0	0	0
Solid Waste	1,877	362	0	0	0	0
Statutory Appropriations						
State Government Special Revenue	1	1	1	1	1	2
Special Revenue	2,390	10,650	11,554	9,800	9,800	19,600
Environmental	230	173	191	10	10	20
Remediation	0	0	0	217	217	434
Solid Waste	164	101	112	0	0	0
Total	**12,205**	**12,846**	**13,823**	**12,115**	**12,115**	**24,230**
Expenditures by Category						
Operating Expenses	12,205	12,846	13,823	11,973	11,973	23,946
Transfers	0	0	0	142	142	284
Total	**12,205**	**12,846**	**13,823**	**12,115**	**12,115**	**24,230**
Expenditures by Activity						
Administrative Support	12,205	12,846	13,823	12,115	12,115	24,230
Total	**12,205**	**12,846**	**13,823**	**12,115**	**12,115**	**24,230**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	9	8	0	0	0	0
Cambridge Deposit Fund	2	0	0	0	0	0
Subtotal Non Dedicated	11	8	0	0	0	0
Dedicated						
Special Revenue	3,264	9,013	11,350	9,800	9,800	19,600
Environmental	1,026	140	332	0	0	0
Remediation	0	0	0	751	546	1,297
Subtotal Dedicated	4,290	9,153	11,682	10,551	10,346	20,897
Total Revenue	**4,301**	**9,161**	**11,682**	**10,551**	**10,346**	**20,897**
Full-Time Equivalents (FTE)	**95.2**	**83.1**	**93.9**	**93.9**	**93.8**	

Minnesota Pollution Control Agency

Office of the Commissioner

520 Lafayette Road North, Saint Paul, Minnesota 55155-4194
(651) 296-6300, toll-free 1-800-657-3864, www.pca.state.mn.us

February 18, 2003

The 2003 Minnesota Legislature:

I am pleased to present the Governor's recommendation for the Minnesota Pollution Control Agency's (PCA) budget for the FY 2004-05 biennium. The Governor recommends a proposed total budget of $233.65 million over the FY 2004-05 biennium. The PCA's *General Fund* budget request is for $29.638 million. The funds available to the PCA for this biennium will be used to maintain the PCA's mission, core functions, and address the state's highest environmental priorities.

In building this proposed budget, the agency has avoided across-the-board reductions. Instead, we have prioritized programs based on a review of state and federal requirements, condition of the environment, environmental concerns expressed by citizens, socioeconomic conditions, and effectiveness of the activity in addressing environmental risk. Based on this prioritization, reductions were taken in low priority programs.

In keeping with our prioritization, the proposed budget reflects PCA's focus on water and air pollution from large industrial or municipal sources (known as "point" sources) as well as smaller, more dispersed sources (referred to as "nonpoint" sources). It also reflects our efforts to move solid and hazardous waste regulatory and remediation programs to maintenance levels. Within each of these areas, the agency will continue to monitor the health of our environment, measure the effectiveness of our programs, and report on our results.

Specific environmental priorities for this biennium include:

⇒ **Water Quality Point Source Permitting.** The proposed budget retains the level of effort in water quality point source regulation that reduced the permitting backlog by 33%, while maintaining a compliance rate of nearly 90%.

⇒ **Storm Water Permitting**. This budget provides funding to implement Phase II of the federally-required Storm Water Program. Stormwater, and other types of "nonpoint" source pollution, are the most significant contributors to the degradation of Minnesota's water resources.

⇒ **Feedlot Program County Grants**. Delegated counties are the local resource for implementing feedlot regulations and providing technical assistance. As such, they are key to the overall success of the Feedlot Program in Minnesota. Although not part of the budget proposal, the PCA will reallocate resources internally by reducing six FTE in feedlot staffing and redirecting that funding in the form of grants to those counties delegated to run the Feedlot Program.

Funding Environmental Protection

This budget represents a proposed simplification and consolidation of the PCA's funding structure to ensure the Agency has the flexibility to apply resources to the highest environmental priorities. The current structure is the result of 35+ years of short- and long-term funding fixes, fees, and taxes, and has become an impediment to effective and transparent environmental management. The consolidation proposed for this biennium leverages existing revenues to provide stable funding for priority programs, and reinforces Agency accountability and results.

The fund consolidation contemplated in this budget was not developed by the PCA alone. In 2001, the legislature recognized the problems inherent in the Agency's current funding structure, and commissioned a legislative audit that was completed in January 2002. As a result of the audit, legislative committee leaders joined with the PCA and invited stakeholders to develop the criteria and principles to guide appropriate funding structure options. I am very appreciative of the guidance provided by the Funding Options Working Group, and our proposal for PCA fund consolidation is based on their recommendations.

Under the proposal for fund consolidation, fees, taxes, and special revenues related to environmental protection would be pooled into a restructured Environmental Fund. The Governor could then recommend, and the legislature could appropriate, funding according to environmental priorities. Funding sources related to cleanup of contaminated sites and landfills would similarly be pooled into a Remediation Fund. This fund would ensure resources are available to construct final cleanup remedies and reduce cleanup programs to long-term maintenance levels within the next four years.

Conclusion

The development of this budget proposal provided PCA an opportunity to look critically at our mission, core functions, program priorities, and results. The PCA defined priorities based on sound science, as well as input from citizens and stakeholders. Our proposed budget will help the agency maintain past environmental improvements, move priority programs forward, and continue to meet Minnesotan's expectations for a cleaner, healthier place to live and do business. I look forward to working with you on the implementation of this budget.

Sincerely,

Sheryl A. Corrigan
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	31,170	195,844	227,014
Biennial Appropriations	2,600	0	2,600
One-Time Appropriations	-1,000	-200	-1,200
Transfers Between Agencies	0	-2,082	-2,082
Adjusted Base Funding	32,770	193,562	226,332
Change Items			
Budget Reduction	-3,008	2,444	-564
Environmental Funding Consolidation	0	0	0
Water			
Stormwater Regulatory Program	0	7,026	7,026
Air			
General Fund Mercury Reduction	-124	0	-124
Multimedia			
LCMR-Surface Water Monitoring	0	982	982
Governor's Recommendations	29,638	204,014	233,652
Biennial Change, 2002-03 to 2004-05	2,319	-693	1,626
Percent Change	8%	0%	1%

Brief Explanation Of Budget Decisions:

Expenditures FY2004-05

The proposed budget reduction amount does not include $685,000 per year for Debt Service payments which will be reimbursed from the old Solid Waste Fund.

Base Adjustments:

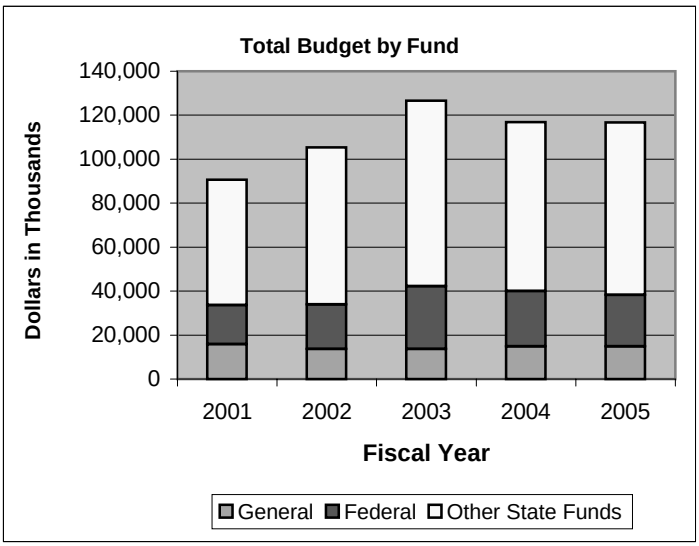
- Biennial Appropriations represents restoring General Fund Clean Water Partnership Grants appropriation to base level.
- One-Time Appropriations represents Environmental Fund Lake Superior LaMP (LCMR) and $500,000 per year reduction to the County Feedlot Grant Program.
- Household Hazardous Waste Program appropriated to Office of Environmental Assistance beginning fiscal year 2004 ($2,082,000).

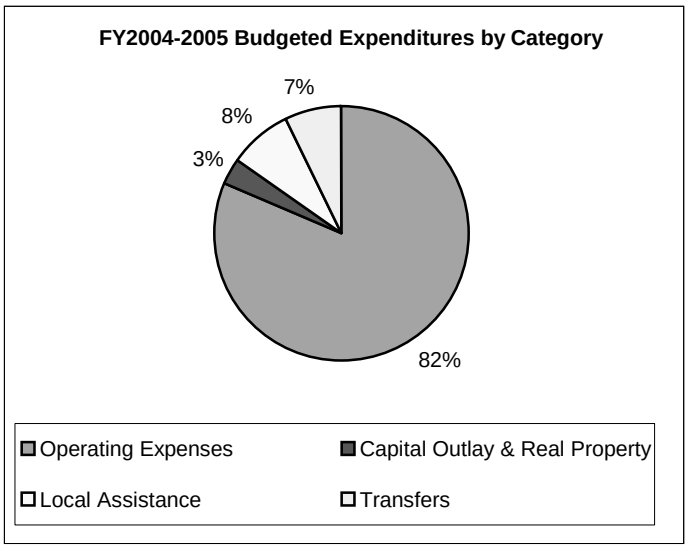
	FY 2004-05 Revenues ($000s)		
	General Fund	Other Funds	Total
FY 2004-05 Current Law Revenues	636	114,650	115,286
Change Items			
Environmental Funding Consolidation	0	6,326	6,326
Water			
Stormwater Regulatory Program	0	7,124	7,124
FY 2004-05 Total Revenues	636	128,100	128,736
Biennial Change 2002-03 to 2004-05	(261)	13,450	13,450
Percent Change	(29%)	11%	12%

Revenue Summary

- Debt Service Account in the General Fund will be reimbursed $685,000 from the old Solid Waste Fund (now Environmental Fund). The revenues to the General Fund are not to the PCA and therefore are not included in the above chart.

- Transfers of $5 million each year for FY04 and FY05 from the old Solid Waste Fund balance will be made to the General Fund. The revenues to the General Fund are not to the PCA and therefore are not included in the above chart.
- Motor Vehicle Title Transfer Fees are collected by Public Safety. Therefore, the reduction of these receipts is not part of the PCA revenues and is not included in the above chart.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
Environment & Natural Resource	649	0	0	822	160	982
General	15,931	13,704	13,615	14,819	14,819	29,638
Minnesota Resources	50	0	0	0	0	0
Petroleum Tank Release Cleanup	5,775	3,204	3,923	0	0	0
State Government Special Revenue	45	41	54	48	48	96
Special Revenue	15	0	87	0	0	0
Environmental	24,674	19,733	25,341	27,107	27,193	54,300
Remediation	0	0	0	11,404	11,404	22,808
Metro Landfill Contingency	0	1,000	0	0	0	0
Solid Waste	7,155	7,657	8,993	0	0	0
Open Appropriations						
Remediation	0	0	0	4,998	7,000	11,998
Solid Waste	4,294	6,497	7,000	0	0	0
Statutory Appropriations						
Public Facilities Authority	714	2,785	1,106	987	968	1,955
Petroleum Tank Release Cleanup	0	2,969	3,922	0	0	0
State Government Special Revenue	1	1	1	1	1	2
Special Revenue	3,405	12,470	14,274	11,766	11,766	23,532
Federal	17,681	20,147	28,609	25,152	23,444	48,596
Environmental	1,029	3,925	7,578	5,945	5,945	11,890
Remediation	0	0	0	13,831	14,024	27,855
Metro Landfill Contingency	0	627	250	0	0	0
Solid Waste	9,249	10,661	11,852	0	0	0
Total	**90,667**	**105,421**	**126,605**	**116,880**	**116,772**	**233,652**

POLLUTION CONTROL AGENCY

Fiscal Report

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Category	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Operating Expenses	77,421	90,049	108,588	96,697	93,045	189,742
Capital Outlay & Real Property	3,743	3,740	6,762	591	7,301	7,892
Local Assistance	9,228	9,520	10,961	11,086	7,920	19,006
Other Financial Transactions	275	2,112	294	248	248	496
Transfers	0	0	0	8,258	8,258	16,516
Total	**90,667**	**105,421**	**126,605**	**116,880**	**116,772**	**233,652**
Expenditures by Program						
Water	20,329	24,674	29,569	33,443	30,290	63,733
Air	7,650	8,442	10,861	9,544	9,477	19,021
Land	41,498	48,759	55,639	47,801	51,767	99,568
Multimedia	8,985	10,700	16,713	13,977	13,123	27,100
Administrative Support	12,205	12,846	13,823	12,115	12,115	24,230
Total	**90,667**	**105,421**	**126,605**	**116,880**	**116,772**	**233,652**
Revenue by Type and Fund						
Non Dedicated						
General	9	579	318	318	318	636
Petroleum Tank Release Cleanup	120	54	58	48	48	96
State Government Special Revenue	40	36	37	37	37	74
Cambridge Deposit Fund	998	0	0	0	0	0
Environmental	14,686	15,436	16,106	22,632	24,307	46,939
Remediation	0	0	0	4,098	2,982	7,080
Metro Landfill Contingency	220	440	273	0	0	0
Solid Waste	4,032	2,742	1,560	0	0	0
Subtotal Non Dedicated	20,105	19,287	18,352	27,133	27,692	54,825
Dedicated						
Special Revenue	4,831	10,879	13,247	11,766	11,766	23,532
Federal	18,355	20,254	27,299	25,152	23,444	48,596
Environmental	3,061	2,324	2,426	243	243	486
Remediation	0	0	0	751	546	1,297
Subtotal Dedicated	26,247	33,457	42,972	37,912	35,999	73,911
Total Revenue	**46,352**	**52,744**	**61,324**	**65,045**	**63,691**	**128,736**
Full-Time Equivalents (FTE)	**748.0**	**694.0**	**767.6**	**747.0**	**746.4**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($2,189)	($2,189)	($2,189)	($2,189)
Revenues				
Environmental Fund				
Expenditures	6,611	6,611	1,611	1,611
Revenues				
Remediation Fund				
Expenditures	(5,389)	(5,389)	(5,389)	(5,389)
Revenues				
Net Fiscal Impact	($967)	($967)	($5,967)	($5,967)

Recommendation

The Governor recommends a reduction in general fund expenditures of $2,189,000 in FY 2004 and $2,189,000 in FY 2005 to the budget of the Pollution Control Agency (PCA). In addition, the Governor recommends that the Motor Vehicle Title Transfer fee be redirected to the General Fund. The Governor also recommend that $10,000,000 of the balance of the old Solid Waste Fund (now Environmental Fund) be transferred to the General Fund.

Background

Since the 1980s, the PCA's budget has shifted to a mostly "polluter-pays" system of fees and taxes. Currently, about 10% of the PCA's annual budget is General Fund, which is used primarily to support activities designed to protect water quality from point or nonpoint source pollution. Point sources of pollution are pipes or stacks discharging into the environment and nonpoint source pollution is caused by the combined actions of individual or small sources. Statewide citizen survey after survey (the most recent being July 2002) indicates that protecting the water is Minnesotans' highest environmental priority and that citizens are concerned that the quality of their water is deteriorating. In 1998, a little more than 1,200 lakes, rivers, and streams no longer met their intended uses.

Thus, in making the required $2,189,000 per year reduction in General Fund, the PCA strove to preserve funding to protect water quality protection programs by recommending a shift of $1,280,000 per year from General Fund appropriations for water quality to the old Solid Waste Fund. In addition, the PCA will reduce General Funds for emergency response $224,000 per year, but shift those expenses to the old Solid Waste Fund given the direct protection of citizen's health and safety, a critical function.

The proposed budget also recommends that the Debt Service Account of the General Fund be reimbursed $685,000 from the old Solid Waste Fund for past sales of bonds used to support PCA's Closed Landfill Program. In addition, $5 million each year from the fund balance of the old Solid Waste Fund would be transferred to the General Fund for FY 2004 and FY 2005.

The permanent redirection of the Motor Vehicle Title Transfer fee from the Environmental Fund to the General Fund will eliminate revenues and programs. The PCA believes it is able to manage the reductions through reassignments to funded vacancies, rather than layoffs.

- **Waste tire permitting, compliance and enforcement** (1.8 FTE). ($139,000 per year). The program is currently in maintenance mode after successfully cleaning up 15 million tires. The PCA will continue to respond to emergencies, such as tire dump fires but the PCA will no longer permit 12 tire processors or license 120 tire transporters.

- **Licensing and technical support for used oil management** (1.7 FTE) and reimbursement of service station owners for management of contaminated used oil. ($177,000 per year) The used oil program at PCA

has provided technical assistance, training and licensing for businesses and the public. It has been a maintenance program for the last few years. The Governor's recommendation includes revoking the rule requiring licensing for used oil filter haulers (7045.0990, subpart 4). The PCA would also eliminate direct technical assistance for individuals and businesses provided by training and Customer Assistance Center staff. (Approximately 10 contacts/month, mostly businesses), and reimbursements of services stations for contaminated used oil would cease ($51,000 per year, .2 FTE). (Approximately 2-3 reimbursements per year). Money remaining after reimbursements would no longer be transferred to OEA for education on waste oil management.

- **Increased air toxics monitoring in Twin Cities Metropolitan Area**. ($125,000 per year, 1.2 FTE). In 2001, the PCA was directed to begin increased monitoring of air pollutants in the metropolitan area. Legislators were responding to environmental data which highlighted potential air quality concerns in the Twin Cities. In addition, citizen groups had become increasingly concerned about the effects of air pollution on public health. A December 2002 report titled "Air Toxics Monitoring in the Twin Cities Area, Preliminary Report" was submitted to the Legislature, as required by law, but enhanced monitoring efforts will cease.

- **State fund-financed cleanups at Superfund Sites**. ($2,000,000 per year) This program identifies and oversees the investigation and cleanup of abandoned or uncontrolled hazardous waste sites that release hazardous substances, pollutants or contaminants that may threaten public health and the environment. Federally funded and responsible party cleanup work would be prioritized over state fund financed work and would continue forward. For the state fund-financed work no cleanup activities would be conducted at the remaining 32 fund-financed sites with the exception of limited work at one dry cleaning site with funds from the Dry Cleaning Account. This reduction also impacts Department of Agriculture cleanup of sites contaminated with agricultural chemicals.

- **Voluntary Investigation and Cleanup (VIC).** (15 FTE) ($1,200,000 per year) Without fund consolidation 15 FTE would be eliminated in the VIC program, representing an 80% reduction of staff in brownfield cleanup work. The reductions are being made in VIC because Superfund sites are being cleaned up to mitigate public health and environmental risks to acceptable levels while Brownfields are being cleaned up for development purposes and do not pose the same level of risk to public health or the environment. However, because this is a fee-for-service program, with reduction of program activity there will be a corresponding loss of revenue to the Remediation Fund.

The old Solid Waste Fund receives 50% of the Solid Waste Tax. This fund carries a balance as of the November 2002 forecast. The recommendation includes an increase of expenditures from this fund to accommodate the shift of water quality and emergency response activities to this fund. The increased expenditures will be offset by a decrease in lower priority environmental activities, affecting one closed landfill site, where PCA has not come to an agreement with the private owner for Minnesota to assume responsibility for cleanup of this site.

Relationship to Base Budget

The recommendation to shift water quality and emergency response activities is key to enabling the PCA to focus resources on the highest environmental priorities.

Key Measures

Continued work on A and B level contaminated sites.

Statutory Change: Not applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
Petro Fund				
Expenditures	($7,513)	($7,513)	$0	$0
Revenues	0	0	0	0
Environmental Fund				
Expenditures	(25,735)	(25,576)	(25,735)	(25,735)
Revenues	(19,093)	(18,515)	(18,025)	(17,553)
Metro Landfill Contingency Trust Fund				
Expenditures	(5,400)	0	0	0
Revenues	(515)	(363)	(402)	(442)
Solid Waste Fund				
Expenditures	(19,945)	(27,699)	(26,196)	(21,296)
Revenues	(2,148)	(1,232)	(982)	(1,119)
Environmental Fund (Restructured)				
Expenditures	22,971	22,971	22,971	22,971
Revenues	19,070	20,745	20,442	20,157
Remediation Fund				
Expenditures	35,622	37,817	28,960	24,060
Revenues	4,849	3,528	3,130	3,120
Net Fiscal Impact	($2,163)	($4,163)	($4,163)	($4,163)

Note: The above table does not represent the total impact to the specified funds. The table includes only Pollution Control Agency (PCA) expenditures and not expenditures for other agencies. The Revenues only include receipts collected by PCA and not those collected by all other agencies that deposit to the specified funds. Although it appears that state expenditures increase, the recommendation does not result in an increase in expenditures beyond those identified below. The balance of the restructured Environmental Fund is $23.1 million in FY 2004, $10.3 million in FY 2005, $13.4 million in FY 2006, and $21.8 in FY 2007. The Remediation Fund has a negative balance of $26.1 million, which represents the negative if bonding not realized.

Recommendation

The Governor recommends environmental fund simplification that will enhance the PCA's ability to direct resources toward priority programs.

Background

The environmental funds simplification proposal includes the following changes:

- Restructure the Environmental Fund and create a new Remediation Fund to improve the ability of the PCA and the affected agencies to direct money to the highest environmental priorities;
- Rename the solid waste tax to the "environmental tax" to reflect the broader purposes for which it is spent;
- Increasing water quality permit application fees from $240 to $1,000 (a $760 increase), resulting in a $152 increase per permittee per year over the five year permit cycle and directing those revenues to the Environmental Fund;
- Upon sunset of the Hazardous Waste Generator Tax in January 2004, combine the Hazardous Waste Fee and the Hazardous Waste Generator Tax into one fee that raises the amount of revenue needed. This recommendation would continue current revenue generation of $2 million from the old Hazardous Waste Generator Tax, directed to the Environmental Fund;
- Redirect half of all insurance recovery lawsuit proceeds associated with the Closed Landfill Cleanup Program from FY 2002 onward to the Closed Landfill Investment Fund and the remainder into the reserves for the Remediation Fund. (This transfer will assure that these proceeds will be used for the state's perpetual care at eligible landfill sites, which currently represents a thirty-year $231 million liability to the state.)
- Abolish the Solid Waste Fund and redirect $15.7 million of the reserves into the Remediation Fund; $5.280 million of the balance (from the remaining half of the insurance recovery proceeds) into the Closed Landfill Investment Fund, and the remaining balance into the Environmental Fund; and

- Abolishing the Metropolitan Landfill Contingency Action Trust Fund, and transfer the balance to the Remediation Fund, MLCAT account.

In 2000, PCA proposed a restructuring of existing environmental funding sources that would enable environmental agencies to propose, and the legislature to allocate, resources based on environmental priorities rather than the funding source. As a result, the legislature directed the Legislative Auditor to study how the PCA is funded and to assess possible funding alternatives. The audit found that "determining the right mix of funding sources for PCA will require legislative judgements about some fundamental issues." After reviewing the audit results in 2001, the house and senate environment and environmental finance committees, in cooperation with the PCA, worked with those paying fees or taxes to develop a common understanding of the current funding structure and issues, and analyze possible options. The PCA Funding Options Workgroup, composed of businesses, farmers, counties, cities, and environmental groups suggested that "simplicity" and "shared responsibility" are the key elements of funding for environmental protection and ranked existing and new funding sources on that basis. In addition, the Funding Options Workgroup strongly indicated that sources of funding must be able to meet the needs of nonpoint pollution, the majority of the pollution remaining in the state.

It is possible to meet these needs within the current funding sources by restructuring the separate accounts within the Environmental Fund and managing the revenues at the fund level, which includes broadly based fees and taxes, such as the solid waste tax. (See web site address below for graphic depicting this fund structure compared to existing fund structure.) Most Minnesotans pay the solid waste tax. A recent survey commissioned for the Funding Options Workgroup indicates the public supports using the solid waste tax for more environmental purposes. Renaming the solid waste tax to the "environmental tax," provides "truth in taxation" and the opportunity for the legislature to focus on the level of appropriation needed to support environmental priorities. Currently, the amount of money in numerous dedicated accounts drives where the environmental protection work is done, instead of the environmental protection priority.

Relationship to Base Budget

This proposal is based on existing funding sources and existing appropriations for environmental protection activities, with key exceptions as related below. The proposal reduces the current five funds (one with 14 accounts) down to three funds. The PCA would continue to receive General Fund appropriations.

Key Measures

The Funding Options Working Group established the following criteria as the measure of success for the new funding structure. These criteria are very similar to those recommended to the legislature by the Legislative Auditor:

- understandability and simplicity of the funding structure to the general public, fee payers, and legislature;
- fiscally sustainable over time with sufficient revenues to address the problems;
- equity between sector impacts and population (who causes pollution—point vs. nonpoint); and
- linkage between revenue sources and uses; incentives for environmental impact.

Fund statements that detail revenues and legislative appropriations (available to the public at http://www.finance.state.mn.us) provide the linkage between revenue sources and uses. More detailed fund statements are available on the PCA's web site http://www.pca.state.mn.us. In addition, the PCA has revised its biennial report, "A Guide to MPCA Programs", to include budget and FTE associated with environmental protection activities and results. Lastly, the PCA is implementing and publishing program measurements to allow interested citizens to review PCA's progress in achieving environmental outcomes.

Alternatives Considered

The 2002 Legislative Audit on PCA Funding, Appendix C identified new funding sources that could be considered in addition to the fees and taxes that currently support environmental protection activities.

Statutory Change: M.S. 16A, 115B, 116, 116J, 270B, 297H, 325E, 469, and 473; and Laws of 1999, M.S. ch. 231, sec. 143.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Environmental Fund				
Expenditures	$3,470	$3,556	$3,562	$3,562
Revenues	3,562	3,562	3,562	3,562
Net Fiscal Impact	($92)	($6)	0	0

Note: The revenues represent new fee income from all fee payers.

Recommendation

The Governor recommends implementation of the Phase II Stormwater Program, a federally required program and the new application fee necessary to implement the program.

Background

Phase I of the U.S. Environmental Protection Agency's (EPA's) stormwater program was promulgated in 1990 pursuant to the federal Clean Water Act. The Phase I program applied only to the cities of Minneapolis and St. Paul, approximately 2,200 industrial sites, and approximately 900 new construction sites each year that disturbed greater than five acres. This results in about 3,100 revenue generating permits per year (2,200 industrial annual fees, plus 900 construction projects per year).

In 2003, the Stormwater Phase II Final Rule takes effect. It is the next step in EPA's effort to preserve, protect and improve water resources from polluted stormwater runoff. The Phase II Program expands the Phase I Program by requiring an estimated 250 additional municipalities and other owners of stormwater infrastructure to implement programs and practices to control polluted stormwater runoff. A temporary exclusion in federal law expires on 3-10-03, resulting in an additional 1,700 industrial sites (those owned by municipalities) being regulated. In addition, approximately 5,000 additional construction stormwater sites per year will fall under EPA's new regulations, including sites that disturb between one and five acres of land.

The Stormwater Phase II Final Rule will:

- ⇒ Authorize the Pollution Control Agency (PCA) to collect and be appropriated fees collected from regulated parties under the Stormwater Program for issuing construction, industrial, and municipal general permits;
- ⇒ Affirm PCA's authority to issue general permits;
- ⇒ Establish effectiveness monitoring and oversight for implementation of best management practices for stormwater;
- ⇒ Require PCA to set new application fees for construction site general permits of $400, and new annual fees for industrial facilities general permits of $400, with no fees for municipal general permits for a consistent fee structure across phase I and phase II. These fees would replace fees currently charged for regulated parties under phase I.
- ⇒ Allow for the pass-through of funds from construction and industrial permit fees to soil and water conservation districts or local units of government as contracts or joint powers agreements for inspections, compliance, and other assistance in program implementation;
- ⇒ Authorize PCA to allow conditional exclusion from Minn. R. 7050.0180, 7050.0185, and 7050.0186 for general stormwater permits that have Best Management Practices in place. This will ensure Minnesota waters are protected until those rules are amended.

The PCA is required to implement this program as part of Minnesota's National Pollutant Discharge Elimination System (NPDES) authority. In total, the PCA anticipates having approximately 6,950 additional permittees per year covered under general stormwater permits. Authorization to collect and utilize fees from previously unregulated parties is needed to enact this federally mandated program and to enhance environmental protection related to polluted stormwater discharges. Fees will be used for additional staff to run the program; however, the

PCA will utilize existing staff in other downsized program areas and not increase the overall complement of PCA staff. Contracts or joint powers agreements to Soil and Water Conservation Districts and local units of government will be used to assist the PCA in administering the inspection, compliance and assistance aspects of the program. Fees may also be used to support municipalities in educating the public regarding storm water impacts.

The recommendation includes funding for monitoring the establishment and effectiveness of best management practices. This will be in lieu of asking each permittee to monitor the effectiveness of their best management practices. The PCA will develop and implement, primarily through contracts, the water monitoring necessary to document effectiveness of best management practices for stormwater pollutant reduction.

Conditional exclusion from Minn. R. 7050.0180, 7050.0185 and 7050.0186 for stormwater general permits (containing best management practices) is needed because these rules were written prior to general permit authorization and would be extremely difficult and expensive to implement for the varied and numerous sources of pollution that the agency is now required to permit. Legislative action is required to clarify how the PCA will permit these newly regulated sources of pollutants and provide direction to the PCA for rulemaking.

Relationship to Base Budget

The PCA currently has authority to assess stormwater permit fees to municipalities, industries, and construction sites under the Phase I Stormwater program. This change item recommends that fees collected from regulated parties become part of the PCA's base budget. The PCA's total permit fees for the stormwater program will generate an estimated $3.562 million per year. The fees cover MPCA staff resources, education, monitoring to demonstrate the effectiveness of best management practices in reducing stormwater pollutant loads to surface water, and pass through funds to Soil and Water Conservation Districts and local units of government where PCA needs their assistance to administer the program.

Key Measures

- ⇒ The PCA will comply with the stormwater requirements for Minnesota's delegated National Pollutant Discharge Elimination System permit program.
- ⇒ Once the Phase II program is implemented, the PCA will issue an estimated 5,900 general construction stormwater permits per year. In addition, the PCA will cover up to 3,900 industrial facilities under a general permit—the exact number depending on how many may qualify for exemptions based on "no exposure" to precipitation and runoff. In addition to these fee-paying permittees, approximately 250 municipal systems will be covered under a general permit with no fees. These numbers compare with the current 900 construction permits per year and 2,200 industrial facilities, all under general permits, and just two individual permits for municipal systems.
- ⇒ Municipal programs will comply with PCA general permit requirements, will implement compliance and enforcement activities at the local level, and will not duplicate PCA program requirements.
- ⇒ Reductions in polluted runoff (sediments, nutrients, metals, organics) from urban areas, construction sites, and industrial sites will result in improvements in water quality of receiving waters. For example, stormwater controls achieve 93% reductions in sediment release. Phase 2 stormwater implementation is expected to result in reduction of between 800,000 and 1,600,000 tons of sediment. In Minneapolis, implementation of structural and non-structural stormwater best management practices at Cedar Lake also resulted in a 40% reduction in phosphorus.

Alternatives Considered

- ⇒ Return stormwater delegation to the EPA. This option would give up both state and local control to the federal government, so the program may be designed in a way that is not palatable to Minnesota's citizens. Regulated parties suggested that this be an option that PCA not pursue.

Statutory Change: MS Revision to M.S. 116.074 subd. 4.d.(a) to authorize collection of fees from newly-regulated entities, M.S. Ch.116 to allow conditional exclusion of Minn. R. 7050.0180, 7050.0185, and 7050.0186, and to provide direction on stormwater rulemaking.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($62)	($62)	($62)	($62)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($62)	($62)	($62)	($62)

Recommendation
The Governor recommends a reduction of $62,000 per year in general fund expenditures by reducing the Mercury Reduction program.

Background
After working one and one-half years with a stakeholder group comprised of industry, environmental groups and other units of government, the PCA was appropriated funding beginning in 2000 to implement strategies recommended by the stakeholder advisory group. These strategies were to designed to reduce mercury contamination, particularly in fish, in the state.

A Legislative progress report was required in 2001. The next progress report is due in 2005. Since the last report, the MPCA budgeted funds to support, along with DNR and the taconite industry, research efforts to identify mercury reduction opportunities that would result in fewer mercury emissions from taconite production. This industry sector is the second largest source of mercury in Minnesota.

With federal funding, state grants, and industry gifts, the PCA also implemented a “Mercury Free Zone” program, using the only dog in North America that is trained to detect mercury. (The only other dog trained for this purpose is in Sweden). “Clancy” has been very successful in removing mercury from schools where susceptible populations are at risk. This program is focused on switching out products used in schools that contain mercury and to eliminate the risk of contamination from spills. The key indicator is that over 6,000 teachers, administrators, and students have been educated about the dangers of mercury. Over 500 lbs. of mercury have been removed directly from these schools. The federal funding is ending in the next year.

Relationship to Base Budget
The original appropriation for Mercury Reduction was $181,000 in FY2000. The appropriation decreased to $142,000 in FY 2001, $135,000 in FY 2002 to the on-going base amount of $62,000 in FY 2003.

Key Measures
⇒ Numbers of people directly educated (currently 6,000); millions of people have seen, heard or read about Clancy in press coverage.
⇒ Pounds of mercury removed from the environment (500 lbs).
⇒ The number of schools pledging to be mercury free (currently 174).

Alternatives Considered
♦ Eliminating the “mercury free zone” program

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Environment & Natural Resource Trust Fund				
Expenditures	$822	$160	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$822	$160	0	0

Recommendation
The Governor has recommended the elimination of the dedicated funding for the Future Resources Fund. The Governor is not making specific recommendations on LCMR projects at this point, but intends to provide a statement of the administration's priorities for Environmental Trust Fund projects at a later time.

Background
LCMR has recommended that $982,000 will be available for accelerating and enhancing surface water monitoring for lakes and streams.

Sound water management decisions depend on adequate information. This project will provide much needed data by accelerating existing monitoring efforts, leveraging partnerships, developing innovative assessment tools, and enabling citizen monitoring.

Relationship to Base Budget
The MPCA spends approximately $250,000 and 5.5 FTE each year on stream monitoring and assessment, and $35,000 and 2 FTE on detailed lake assessments and trend analysis. Note: This does not include the time spent on general support (database management, equipment maintenance, etc.) or specific problem investigation. The MPCA is also spending $210,000 between July 2002 and June 2003 to collaboratively develop a volunteer monitoring manual to assist in the training effort. MPCA's baseline efforts for stream and lake assessments will continue. This initiative would augment the MPCA's current efforts, allowing those efforts to be accelerated and improved.

Key Measures
- Accelerate development of biological index from 2010 to 2007.
- Increase the number of lakes we have information on by applying remote sensing technology.
- Increase the number of citizen volunteers for surface water quality monitoring.

Alternatives Considered
Not applicable

Statutory Change:
Not Applicable

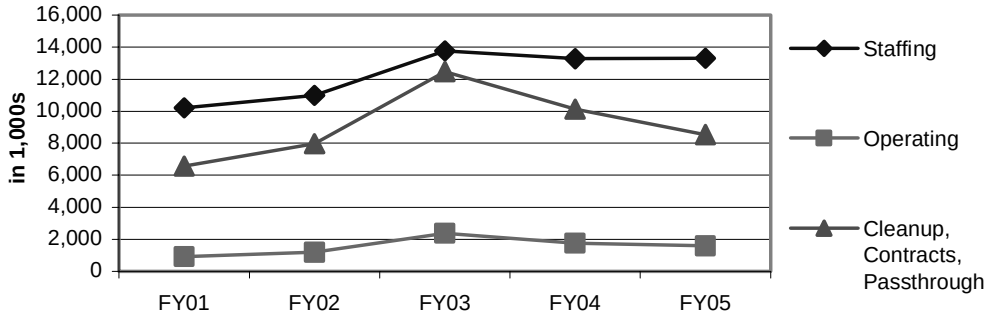
In the 2002-2003 biennium, the Pollution Control Agency (PCA) received approximately 21% of its resources from the federal government. This funding comes to the PCA in the form of several large, media specific grants, as well as smaller, specific purpose grants. The majority of these grants are made by the United States Environmental Protection Agency (EPA). The funds are important because they enable the PCA to carry out activities specified in the current Environmental Performance Partnership Agreement (EnPPA) – our annual agreement with the EPA to strategically address shared-priority environmental issues at a state level – and other EPA initiatives. The EnPPA serves as the program "work plan" for the Performance Partnership Grant.

The PCA again received a Performance Partnership Grant (PPG), this time with a budget period that aligned with federal fiscal years 2004 and 2005. The PPG combines six specific grants into one award, increasing the PCA's flexibility to use federal funds across PCA programs while maintaining its commitments on deliverables. In effect, having one award and work plan reduces the administrative requirements of what once were multiple federal grants. There are, however, approximately 50 other grants--including cleanup and Water's nonpoint source implementation programs--that are not included in the PPG.

The PCA also received a one-time, three-year award in FY03 for Node Development and Enforcement Data Readiness. Node implementation is a new, nationwide effort to link states and EPA together through a focus on data standards, integration, and information exchange technology. The PCA is in its first year of its transition from using multiple methods of transmitting information – an often time consuming and labor-intensive process – to the use of single Node technology. Node implementation will automate most transfers of data and will integrate data quality measures into the process. This will enhance both internal and external communication. Additionally, use of this integrated system will enhance the efficiency of planning and data entry, and facilitate data use by enforcement staff.

Ongoing federal grant program allocations are anticipated to remain stable, with two notable observations. First, the federal allocations are not adjusted for inflation resulting in a decreased level of effort over time. And, while most of the increased spending in FY03 is attributed to 319 water program pass-through grants, the increased spending for operating costs and staffing in FY04-05 is ascribed to a greater effort in identifying anticipated federal grants whether they have been applied for or not.

FEDERAL FUND DISTRIBUTION BY CATEGORY



FEDERAL FUND DIRECT EXPENDITURES BY CATEGORY

Table 1	FY 2002-03	FY 2004-05	Change from 2002-03 to 04-05
Operating Costs & Staffing	28,301	29,946	1,645
Cleanup, Contracts, and Pass-Through Grants	20,455	18,650	(1,805)
Totals	**48,756**	**48,596**	**(160)**

Land Program activities expect relatively stable grant funding over the next biennium. The Leaking Underground Storage Tanks (LUST) trust grant funding will decrease by $50,000 in FY04, and it is anticipated that it will decrease by $50,000 again over the next period. Total federal Superfund dollars will begin to decline as the number of federal Superfund sites in Minnesota decreases. However, a predicted area of growth in Land activities is in funding to address cleanup issues for developed, contaminated and then abandoned commercial properties – "Brownfields" – during this and the next biennium.

Air Program activities expect relatively stable grant funding in the coming biennium for the Section 105/Air Pollution Control program funding portion of the PPG. The PCA received funding for the ambient monitoring of fine particulate matter (PM2.5) which is part of the Section 103/Air Research and Development Program grant. It is anticipated that the funding for the PM2.5 program will be converted from the 103 to the 105 grant program over the next grant period. This will be added to the PPG in the future.

Water Program activities experienced some increased funding in the past biennium. The Water 106/Water Pollution Control funding portion of the PPG received a one-time increase of $1.1 million in FY 2003. Funding levels are expected to remain stable in other water program areas.

It is anticipated that the PCA will continue to receive a number of competitive grants through the Great Lakes National Program Office (GLNPO) of EPA Region 5. GLNPO projects bring together Federal, state, tribal, local, and industry partners in an integrated, ecosystem approach to protect, maintain, and restore the chemical, biological, and physical integrity of the Great Lakes. The PCA is a leader in receiving these competitive grant awards.

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
Reimbursement of Technical Services	0	SO	295	392	429	377
Water Quality Management Planning	0	SO	233	194	177	176
Non-Point Source Implementation Grants	2,936	SO	2,923	3,000	3,000	3,000
Non-Point Source Implementation Grants	664	GPS	3,986	8,800	7,114	4,114
Wetlands Protection Development Grants	0	SO	54	300	407	325
National Pollutant Discharge Elimination	0	SO	103	287	658	372
Great Lakes Programs	4	SO	100	354	397	399

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
Beach Monitoring and Notification Grants	0	SO	0	104	272	272
Environmental Protection: Consolidated Research	0	SO	260	258	5	0
Air Pollution Control: Research	0	SO	52	58	58	27
Performance Partnership Grants	4,633	SO	5,990	8,257	7,000	7,000
Surveys, Studies, Investigations and Special Purpose Grants	1	SO	647	1,267	965	1,024
Training and Fellowship Grants for EPA	0	SO	24	40	40	40
One Stop Reporting	0	SO	332	170	304	162
Toxic Substances Compliance Monitoring Cooperative Agreements	19	SO	12	43	0	0
Brownfield Pilots Cooperative Agreements	0	SO	0	0	350	350
Pollution Prevention Grants Program	43	SO	58	103	83	83
State and Tribal Environmental Justice	0	SO	40	33	0	0
Superfund State Site-Specific Cooperative Agreements	622	SO	4,143	2,467	2,836	4,716
Leaking Underground Storage Tank Trust Fund Program	90	SO	982	1,172	1,057	1,007
Environmental Education Grants	7	SO	20	0	0	0
Total (Federal Direct)	9,019		20,254	27,299	25,152	23,444
Total (Federal Indirect – Special Revenue (P02)	0		3,045	5,065	3,515	3,515
Agency Total	9,019		23,299	32,364	28,667	26,959

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

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*;
- 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:

$292,000 General Fund – fee supported program.

Annual Business Processes:

Over 300 licenses for investigative and security services managed and monitored.

Over 40 new investigative and protective licenses issued.

Over 130 investigative and protective licenses reissued.

Training program review and approval for 50 training providers of mandatory training of 70 initial and continuing training and over 20 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 program for stands compliance.
⇒ 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.
⇒ 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.

Budget

The board's 2002-03 budget total is $292,000. Agency staff includes two full time equivalent employees.

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

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Criminal Justice omnibus bill. These agencies collectively administer $11.043 million (Gov's Rec, all funds) for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $2.426 million (18%percent) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to regulate peace officers and partially reimburse their training costs, provide tax court services and disciplinary oversight of judges, regulate private detectives, administer sentencing guidelines, and promote passage of uniform laws.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

The funding recommended for most of these agencies will be reduced by 15%. No funding reduction is recommended for the Board on Judicial Standards to maintain minimal operations. The Office of Ombudsman for Corrections is recommended for elimination. Additional FY 2003 funding of $35,000 is recommended for the Board on Judicial Standards to pay the anticipated costs of a public hearing regarding disciplinary actions against a judge.

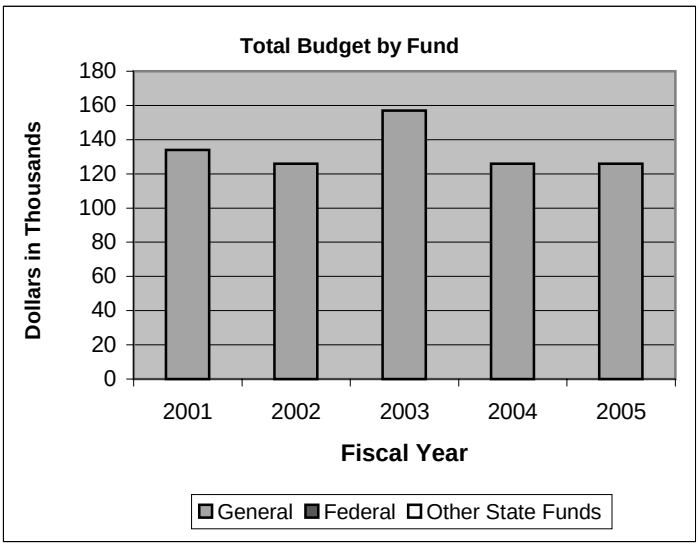
The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

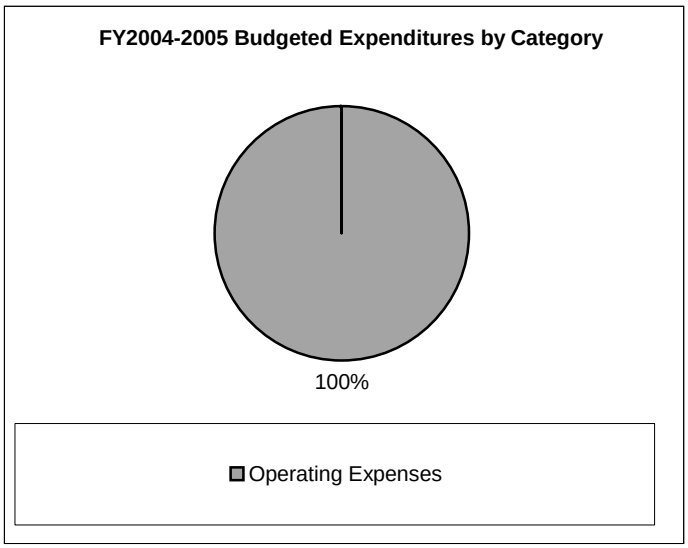
I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	296	0	296
Adjusted Base Funding	296	0	296
Change Items			
Board Operations Reductions	-44	0	-44
Governor's Recommendations	252	0	252
Biennial Change, 2002-03 to 2004-05	-31	0	-31
Percent Change	-11%	n.m.	-11%





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	134	126	157	126	126	252
Total	**134**	**126**	**157**	**126**	**126**	**252**
Expenditures by Category						
Operating Expenses	134	126	157	126	126	252
Total	**134**	**126**	**157**	**126**	**126**	**252**
Expenditures by Program						
Priv Detect/Protect Agents Bd	134	126	157	126	126	252
Total	**134**	**126**	**157**	**126**	**126**	**252**
Revenue by Type and Fund						
Non Dedicated						
General	0	129	130	130	130	260
Cambridge Deposit Fund	99	0	0	0	0	0
Subtotal Non Dedicated	99	129	130	130	130	260
Total Revenue	**99**	**129**	**130**	**130**	**130**	**260**
Full-Time Equivalents (FTE)	**1.9**	**1.9**	**1.9**	**1.9**	**1.9**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($22)	($22)	($22)	($22)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($22)	($22)	($22)	($22)

Recommendation
The Governor recommends an appropriation of $252,000, $126,000 in FY 2004 and $126,000 in FY 2005. This appropriation is a reduction of $22,000 per year from the base appropriation as part of overall reductions to General Fund expenditures. The board will reduce its level of operations through a number of strategies.

Relationship to Base Budget
The FY 2004-05 General Fund base budget for this activity is $148,000 per year. The proposed appropriation will be $126,000 per year. Most of the operating costs of the board relate to its two staff positions.

In order to reduce operating costs, the board may have to consider eliminating or reducing the scope of one support staff position. A reduction of support staff could impact the Board's operations in three ways:
1. basic office services such as answering telephone calls, depositing funds and providing mailing activities,
2. basic regulatory support services, such as the intake and initial processing of applications and compliance monitoring, business communications, and agency record keeping, and
3. operation of the mandatory training program for license holders and their employees would be eliminated. The board's ability to operate and review license holders' training programs could be reduced.

If the board eliminated the support staff position, significant changes to board operations would be required. The board would shift from meeting monthly to quarterly. With a quarterly business meeting schedule, there would be delays in presentation of new applicants to the board. With more expansive time between reissuance reviews, there will be less frequent monitoring of licensees.

Key Measures
The board has responsibility for providing an important regulatory program in Minnesota. Qualified and trained security and investigative personnel are key factors in ensuring the public's safety. A reduction in the level of support staff will cause services to be reduced to focus on the core functions of licensure and providing as much compliance monitoring as is possible to ensure that 300+ license holders are in compliance. The board will have less ability to oversee training, meaning that an estimated 6,000-7,000 persons would not be required to undergo training in areas such as emergency response, legal authority, privacy and firearms.

Alternatives Considered
Given the board's budget and the large share of operating costs that relate to staff, there are no alternative budget items to consider for reduction.

Statutory Change: Not Applicable.

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 2002-03:

Total Expenses: $2.186 million

Total Revenue: $2.275 million

Staff: 8.86 Full-time equivalent employees

Minnesota Licensed Psychologists Statistics
(As of June 30, 2002)

Total Licensed: 3,683

Core Functions

The board accomplishes its mission by:

- reviewing applicant's 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 and approving continuing education for licensees; and
- accepting and investigating complaints from the public (including other licensees), which allege violations of the Psychology Practice Act.

Operations

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.

The agency 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, the 11 member Board of Psychology admits an applicant to examination or to licensure. Licenses are renewed biennially after licensees meet all renewal requirements, including providing documentation of the required amount 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 practice or a licensee's license to practice psychology.

Budget

Total direct and indirect expenses for FY 2002-03 biennium are $2.186 million. The board staff includes 8.86 full-time equivalent employees.

Of the total budget for the FY 2002-03 biennium, $2.275 million is collected as non-dedicated revenue which is deposited into the state government special revenue fund. The board collects fees charged to applicants, prospective applicants, licensees, sponsors of continuing education activities, companies seeking verifications of licensure, civil penalties imposed in disciplinary actions, and professional psychological corporations. The board is responsible to collect enough revenue to recover all direct and indirect costs.

The board is responsible for the costs of services received from the Attorney General's Office, Health Professional Services Program, and the Administrative Services Unit. A direct appropriation is given to each of these programs from the state government special revenue fund. The board must insure that sufficient revenue is collected through its fees to fund their portion of these program costs.

Contact

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Health and Human Services omnibus bill. These agencies collectively administer $163.2 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $1 million (0.6%) increase from the FY 2002-03 biennium. The funding for these agencies will be used to provide health and supportive housing services for Minnesota Veterans, license and regulate health professionals, promote high standards for treatment of mental illness, promote the protection of children, and coordinate training and administration for eight independent EMS organizations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, eliminate duplication, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Agencies have focused reduction plans around administrative areas of the budget. In most cases this protects the core function of the agency, albeit at a reduced level. In some cases, reduced staff will have direct effects on citizens as they try to access government services.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

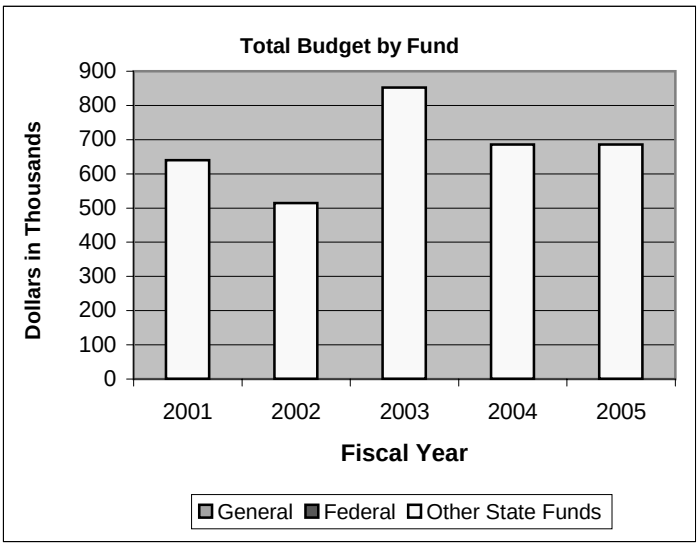
Sincerely,

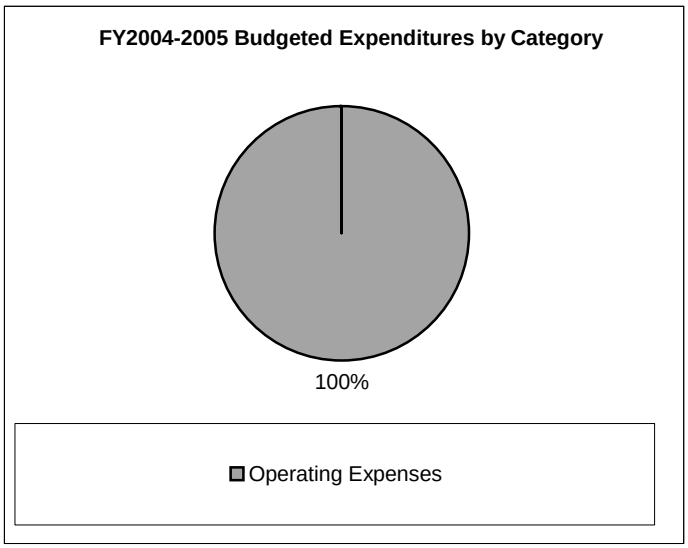
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	0	1,372	1,372
Adjusted Base Funding	0	1,372	1,372
Governor's Recommendations	0	1,372	1,372
Biennial Change, 2002-03 to 2004-05	0	5	5
Percent Change	n.m	0%	0%

Brief Explanation Of Budget Decisions:

The Psychology Board is a fee-based organization that provides licensure and regulation services. Appropriations are made from the State Government Special Revenue (SGSR) fund and funding will continue at the FY 2003 level for both FY 2004 and FY 2005.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
State Government Special Revenue	580	503	846	680	680	1,360
Open Appropriations						
State Government Special Revenue	20	12	6	6	6	12
Statutory Appropriations						
Special Revenue	40	0	0	0	0	0
Total	**640**	**515**	**852**	**686**	**686**	**1,372**
Expenditures by Category						
Operating Expenses	640	515	852	686	686	1,372
Total	**640**	**515**	**852**	**686**	**686**	**1,372**
Expenditures by Program						
Psychology, Board Of	640	515	852	686	686	1,372
Total	**640**	**515**	**852**	**686**	**686**	**1,372**
Revenue by Type and Fund						
Non Dedicated						
State Government Special Revenue	1,066	1,139	1,136	1,100	1,027	2,127
Subtotal Non Dedicated	1,066	1,139	1,136	1,100	1,027	2,127
Dedicated						
Special Revenue	28	0	0	0	0	0
Subtotal Dedicated	28	0	0	0	0	0
Total Revenue	**1,094**	**1,139**	**1,136**	**1,100**	**1,027**	**2,127**
Full-Time Equivalents (FTE)	**7.5**	**7.0**	**7.0**	**7.0**	**7.0**	

Agency Purpose

The Public Defense Board 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 173,000 cases per year.

At A Glance

Two Year State Budget:

- $105 million - General Fund

Annual Caseloads

- 186,000 District Public Defense Cases
- 2,509 Parole Revocation Hearings
- 958 Appellate Files Opened
- 409 Appellate cases with a brief filed
- 1,050 Prison Discipline Hearings
- 315 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 prison clients who appeal their convictions; post conviction proceedings; prisoners who need assistance with legal problems; individuals who are subject to supervised release/parole revocations; and individuals who are subject to community notification hearings and prison disciplinary proceedings.

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 (65%), as well as support staff. During FY 2002 the districts provided service for 186,000 cases a 24% increase over FY 2001. Public defenders now carry more than double the board caseload standards. This program also includes partial funding for five non-profit 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; and to prisoners who need assistance with legal problems (Legal Assistance to Minnesota Prisoners-L.A.M.P.); to defendants in supervised release/parole revocation proceedings; to individuals subject to community notification and prisoners subject to prison disciplinary proceedings (Legal Advocacy Project-L.A.P.). Appellate caseloads increased 24% between FY 2001 and FY 2002.

Budget

The FY 2002-03 budget totals $104 million. Agency staff includes 590 full-time equivalent employees. This includes 390 attorney positions, most of which are part-time.

The entire agency is funded through the General Fund.

Contact

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331 Second Avenue South, Suite 900
Minneapolis, Minnesota 55401

World Wide Web Home Page: PUBDEF--Minnesota Public Defenders' Home on the Web
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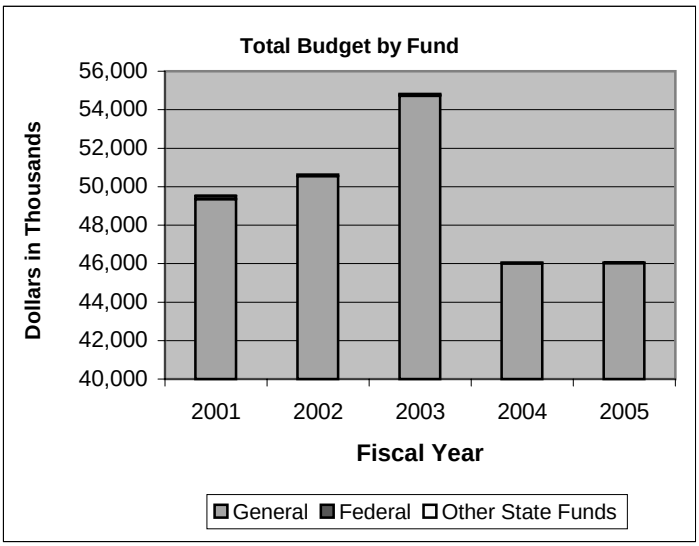
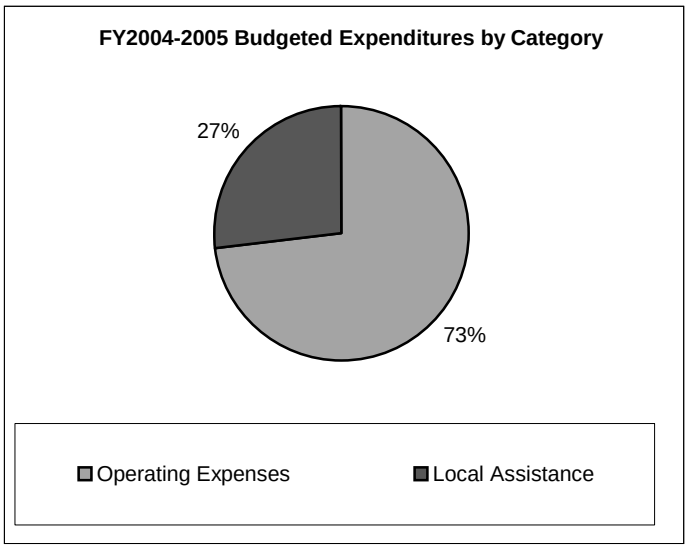




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	48,837	50,093	54,259	45,552	45,553	91,105
Statutory Appropriations						
General	518	455	463	460	460	920
Federal	158	79	48	40	40	80
Gift	11	3	56	4	4	8
Total	**49,524**	**50,630**	**54,826**	**46,056**	**46,057**	**92,113**
Expenditures by Category						
Operating Expenses	34,725	35,935	40,213	33,635	33,636	67,271
Local Assistance	14,799	14,695	14,613	12,421	12,421	24,842
Total	**49,524**	**50,630**	**54,826**	**46,056**	**46,057**	**92,113**
Expenditures by Program						
State Public Defender	3,249	3,733	4,005	3,590	3,590	7,180
Public Defense Board	2,344	1,733	2,286	2,502	2,502	5,004
District Public Defense	43,931	45,164	48,535	48,003	48,003	96,006
Unallocated Reduction	0	0	0	-8,039	-8,038	-16,077
Total	**49,524**	**50,630**	**54,826**	**46,056**	**46,057**	**92,113**
Revenue by Type and Fund						
Dedicated						
Federal	130	66	40	40	40	80
Gift	15	11	32	4	4	8
Subtotal Dedicated	145	77	72	44	44	88
Total Revenue	**145**	**77**	**72**	**44**	**44**	**88**
Full-Time Equivalents (FTE)	**483.8**	**503.7**	**500.0**	**500.0**	**500.0**	

Program Description

The Appellate Office provides services to indigent clients in criminal appeals, post conviction proceedings in the District Courts. It also provides representation to defendants in supervised release/parole revocation proceedings, individuals subject to community notification, and prisoners subject to prison disciplinary proceedings (Legal Advocacy Project (L.A.P.) and prisoners with other legal problems (Legal Assistance to Minnesota Prisoners-L.A.M.P.)

Program at a Glance

- 958 appellate cases opened in FY 2002
- 409 cases with at least one brief filed in FY 2002
- 2,509 parole revocation cases opened FY 2002

Population Served

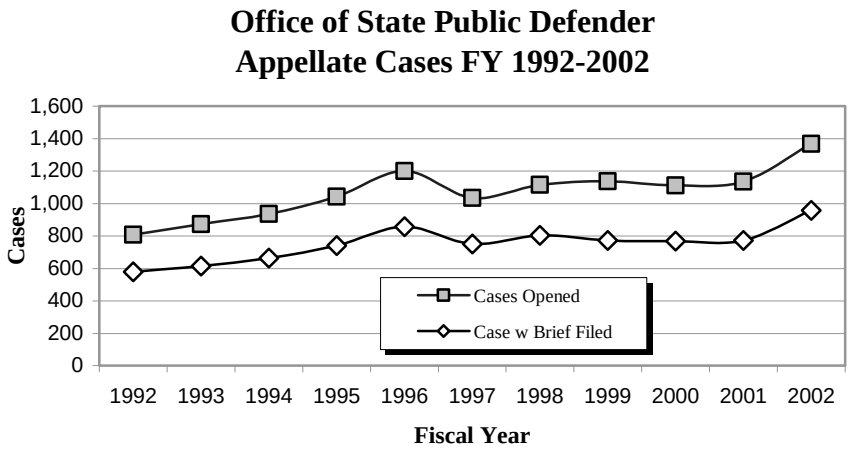
In recent years, there has been a major legislative effort to increase penalties for existing crimes. In addition, new statutory penalties have been enacted to deal with specific populations or issues. Increased penalties and stronger enforcement have resulted in a significant increase in the population of the state's prisons and jails. The Minnesota Department of Corrections (DOC) records indicate that there are 6,871 inmates in the state's correctional facilities, a 32% increase over the 1997 population. This population is the client base for the Appellate Office. Appellate cases have increased substantially in recent years. From FY 2001 to FY 2002, the number of appellate files opened increased by 24% and the number of cases involving at least one legal brief increased by 13%. Trial court related cases increased by 57%. This includes such issues as conditional release, jail credit, and plea withdrawals. From FY 2001 to FY 2002 the number of parole revocation hearings increased by 21%.

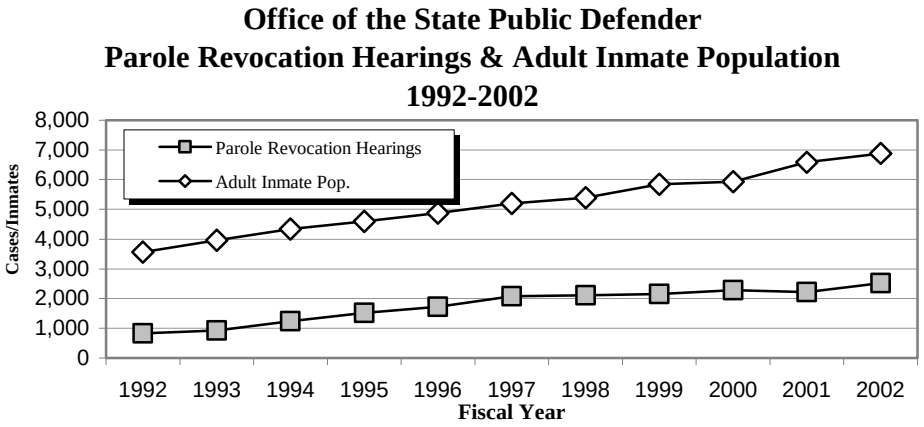
Services Provided

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; and to prisoners who need assistance with legal problems (Legal Assistance to Minnesota Prisoners-L.A.M.P.); to defendants in supervised release/parole revocation proceedings; to individuals subject to community notification and prisoners subject to prison disciplinary proceedings (Legal Advocacy Project-L.A.P.); and to prisoners with other legal problems (L.A.M.P.)

Historical Perspective

In recent years, there has been a significant emphasis on both the local and national level to increase the penalties for crimes against persons, especially in the categories involving drugs, women and children. Stiffer penalties and stricter enforcement have also resulted in a significant increase in the population of our jails and prisons. In addition, longer sentences have increased the demand for appeals. This is the client base for the public defender system at the appellate level. Since FY 1992 appeals are up 65% and parole revocation hearings are up 200%.

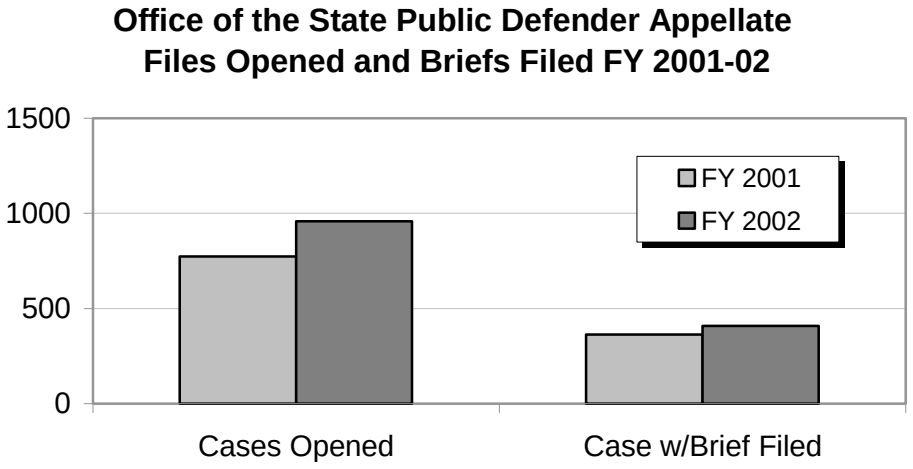




Key Measures

⇒ Appellate cases increased 24% from FY 2001 to FY 2002.
⇒ Cases with briefs filed increased 14% from FY 2001 to FY 2002.
⇒ Parole revocation hearings increased 14% from FY 2001 to FY 2002.

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 and job sharing with district public defenders. Currently, the office staff has 28.5 FTE attorneys, (an increase of 2 FTEs over the past nine years) and a budget of approximately $3.9 million. Approximately 7% 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 meet court-imposed deadlines for appellate matters.

Contact

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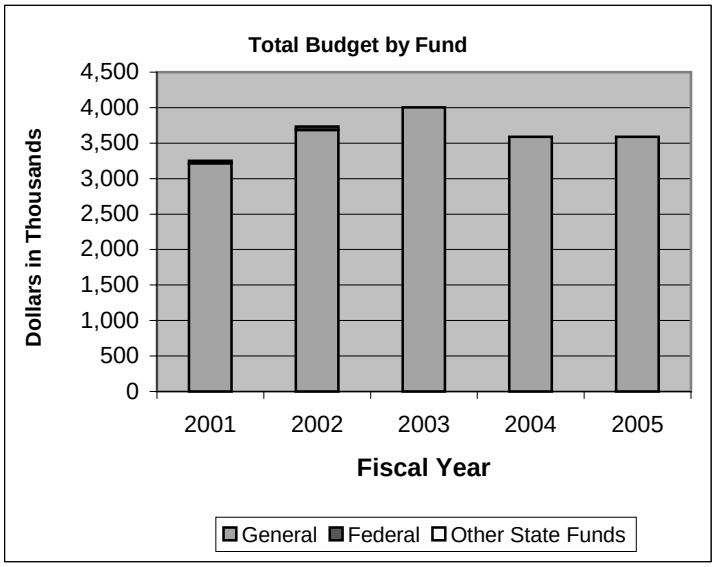

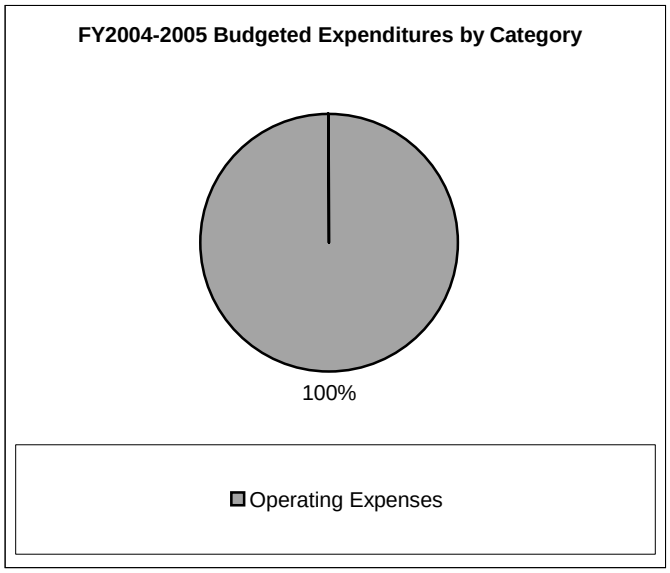

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,213	3,685	4,005	3,590	3,590	7,180
Statutory Appropriations						
Federal	36	48	0	0	0	0
Total	**3,249**	**3,733**	**4,005**	**3,590**	**3,590**	**7,180**
Expenditures by Category						
Operating Expenses	3,249	3,733	4,005	3,590	3,590	7,180
Total	**3,249**	**3,733**	**4,005**	**3,590**	**3,590**	**7,180**
Expenditures by Activity						
State Public Defender	3,249	3,733	4,005	3,590	3,590	7,180
Total	**3,249**	**3,733**	**4,005**	**3,590**	**3,590**	**7,180**
Full-Time Equivalents (FTE)	**39.9**	**40.2**	**40.2**	**40.2**	**40.2**	

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.

Program at a Glance

- Budget 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 10 district offices, appellate office and five public defense

Services Provided

The Administrative Services Office provides staff support to all public defender organizations, as well as implements the board's policies. In addition, it is responsible for management of the agency systems related to 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 has five senior administrative staff and, excluding the information systems budget, it operates on less than 3% of the agency's budget.

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 MIS systems. Caseload standards have also been adopted. During FY 2002 the board completed negotiations with two new 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 two 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 and other state agencies, and with making our case and client statistics-gathering software accessible to all full-time and part-time staff statewide.

Changes in criminal justice information systems directly impact the public defender system. 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. When resources are provided to other agencies and the courts related to information systems, they also must be provided to public defense, otherwise the efficiency goals that are put forth by these cannot be achieved.

The board is accomplishing its mission and supporting district and appellate public defender programs with a minimal staff. There are 13 staff people that support an annual budget of $53 million, and affecting 500 state and over 200 county employees. Currently, less than 4% of the budget is expended on central administration and information systems.

Key Measures

⇒ 12 main offices and 16 regional offices supported by five Information Technology (IT) staff.

⇒ A staff of 13 and 4% 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 that is smaller than any administrative staff for a similar size agency. There are 13 staff people that support an annual budget of $47 million and affecting 500 state and over 200 county employees. Currently, less than 4% of the budget is expended on central administration and information systems.

Contact

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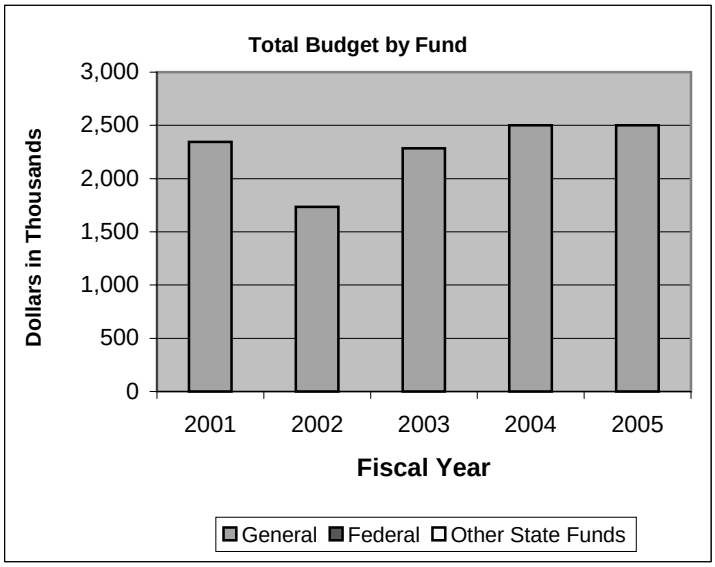
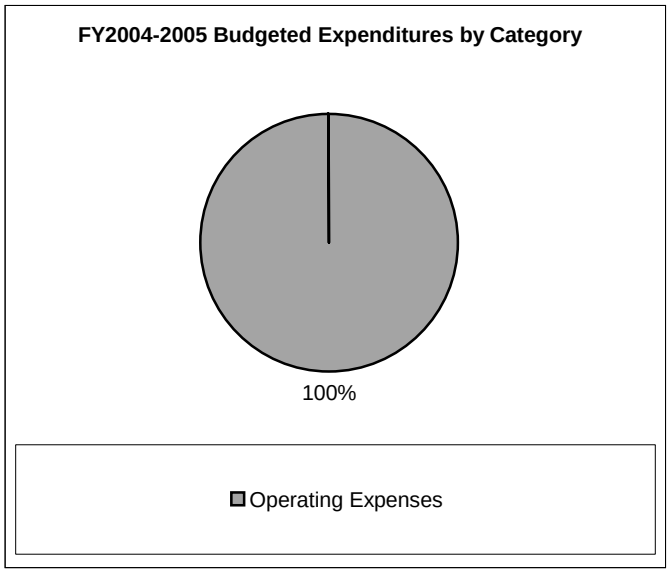




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,344	1,733	2,286	2,502	2,502	5,004
Total	**2,344**	**1,733**	**2,286**	**2,502**	**2,502**	**5,004**
Expenditures by Category						
Operating Expenses	2,344	1,733	2,286	2,502	2,502	5,004
Total	**2,344**	**1,733**	**2,286**	**2,502**	**2,502**	**5,004**
Expenditures by Activity						
Public Defense Board	2,344	1,733	2,286	2,502	2,502	5,004
Total	**2,344**	**1,733**	**2,286**	**2,502**	**2,502**	**5,004**
Full-Time Equivalents (FTE)	**14.6**	**13.9**	**13.8**	**13.8**	**13.8**	

Program Description

The 10 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 (65%), as well as support staff. During FY 2002 the districts provided service for 186,000 cases. This was a 24% increase over FY 2001. Currently, public defenders carry more than double the number of case units that is recommended under the board's Weighted Caseload Standards and American Bar Association Standards.

Program at a Glance

- 186,000 cases opened in FY 2002
- 24% increase in cases FY 2001 to FY 2002
- Largest user of court system
- Presence in every county in the state

Population Served

Trial level public defense serves the attorney needs of 186,000 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 a line item appropriation that funds 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. 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.

Historical Perspective

In the last 10 years, the state has assumed the cost of providing these services from the counties. This process was completed on 1-1-95. 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. A major reason for state assumption of public defense costs was to bring about equity within the judicial system. It was (and is) believed that the quality of representation should not be determined by the property values in a particular judicial district or county. Over the last several years, statutory changes, increased caseloads, new judgeships, new calendars, changes in court proceedings, regional demographic changes, and changes in local police and prosecutorial strategies have all combined to push the public defender system to the brink of collapse. Caseloads continue to exceed more than double the board's caseload standards. There were eighteen new judgeships created in the last biennium without corresponding increases for public defender staff. Finally, the increased demands for representation and complexity of juvenile welfare cases have overburdened the public defense system. Under this stress and without additional resources the public defense system is in serious jeopardy of failing, and with it the entire criminal justice system. While caseloads continue to exceed the standards, the Chief District Public Defenders have responded with increased use of paralegals, other non-attorney professionals, and increased use of technology improvements. These alternatives have helped but they have not alleviated the primary problem, and that is not enough attorney time. These strategies have reached their limit.

The board is the largest user of the state court system, so changes in court procedures, calendaring of cases, and technology advances, directly impact the board's ability to provide quality legal services to its clients. New judgeships, proposals for special courts (I.e. Drug Court), prosecution task forces, changes in juvenile court proceedings, or technology changes in the area of scheduling need to be examined as to their financial and resource implications for the public defense system. 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.

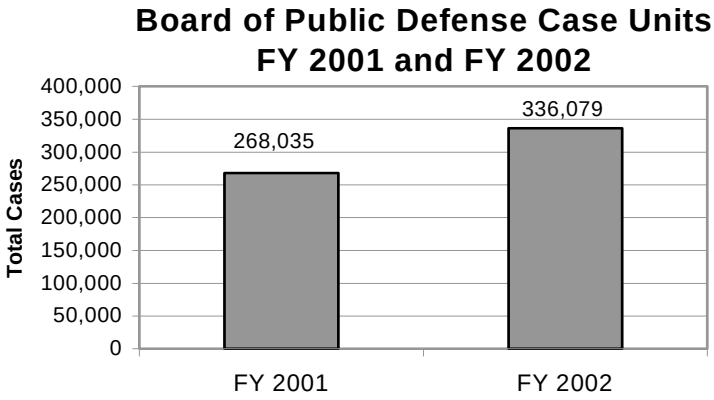
The public defender system does not and cannot control its client intake or workload. These important variables are controlled by external circumstances, such as: local government decisions that increase police and prosecution, new constitutional mandates, legislative policies, Supreme Court Rules, sentencing guideline changes, statutory changes, judicial calendaring changes, and Department of Corrections policies, all of which the board has no control. Among the new challenges are issues such as race bias, gangs, and felony DWIs, and permanency hearings in child protection cases. In the past several years, there has been a significant influx of money to local prosecutors and police on a local, state and national level to combat crime. There has not been the same funding balance accorded to the public defense field. The political and economic issues that will continue to affect the public defense field are related to social values and funding sources.

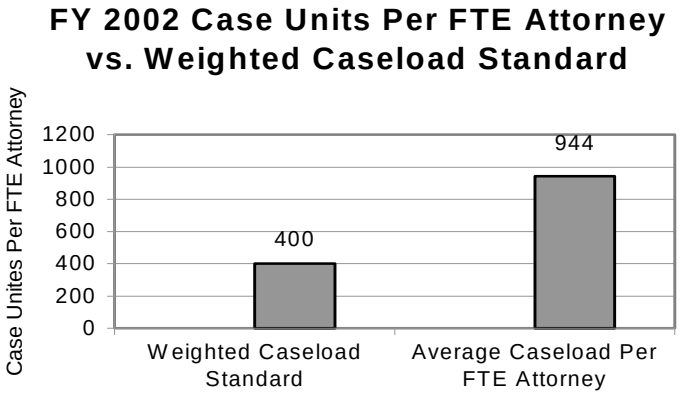
Since 1999 employees of the Board of Public Defense are organized into two separate bargaining units representing attorneys, and support staff. Teamsters Local 320 is the exclusive representative for both of these employee groups. Negotiations between the board and the unions were recently completed with the approval of a two-year contract for FY 2002 and 2003. These contracts call for regular salary increases, the same as for all other state employees, and are basically the same as the other contracts that the state has with its employees.

Key Measures

⇒ District public defenders now carry caseloads that average twice the recommended standards.
⇒ Caseloads increased 24% from FY 2001 to FY 2002.
⇒ Part time public defenders provided in excess of 30,000 uncompensated hours in FY 2002.

Program Funding





The current appropriation for this program is approximately $47 million annually. State imposed increased costs related to insurance, as well as negotiated agreements with employee groups have strained district budgets. The state's lack of past funding for compensation increases other than cost of living adjustments has also placed an enormous burden on district budgets. These past funding deficiencies along with the marked increase in caseloads make it difficult to maintain the viability of the public defense system. Caseloads and hours for part-time (as well as full-time) defenders continue to increase making 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 criminal justice system which has begun to experience major delays in processing defendants, and has the very real potential to be shut down.

Contact

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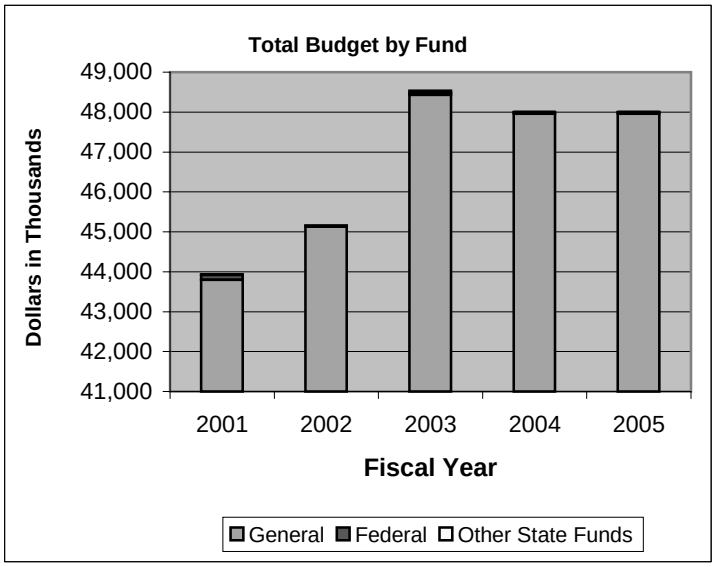

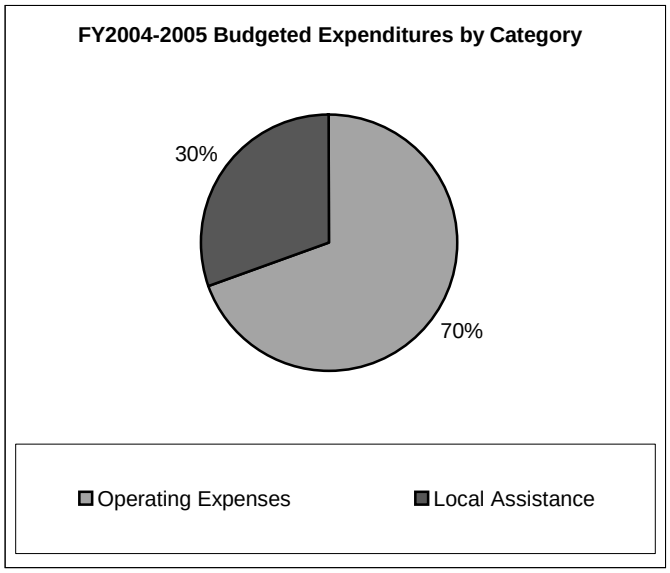

Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	43,280	44,675	47,968	47,499	47,499	94,998
Statutory Appropriations						
General	518	455	463	460	460	920
Federal	122	31	48	40	40	80
Gift	11	3	56	4	4	8
Total	**43,931**	**45,164**	**48,535**	**48,003**	**48,003**	**96,006**
Expenditures by Category						
Operating Expenses	29,132	30,469	33,922	33,390	33,390	66,780
Local Assistance	14,799	14,695	14,613	14,613	14,613	29,226
Total	**43,931**	**45,164**	**48,535**	**48,003**	**48,003**	**96,006**
Expenditures by Activity						
District Public Defense	43,931	45,164	48,535	48,003	48,003	96,006
Total	**43,931**	**45,164**	**48,535**	**48,003**	**48,003**	**96,006**
Revenue by Type and Fund						
Dedicated						
Federal	130	66	40	40	40	80
Gift	15	11	32	4	4	8
Subtotal Dedicated	145	77	72	44	44	88
Total Revenue	**145**	**77**	**72**	**44**	**44**	**88**
Full-Time Equivalents (FTE)	**429.3**	**449.6**	**446.0**	**446.0**	**446.0**	

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	0	0	-8,039	-8,038	-16,077
Total	**0**	**0**	**0**	**-8,039**	**-8,038**	**-16,077**
Expenditures by Category						
Operating Expenses	0	0	0	-5,847	-5,846	-11,693
Local Assistance	0	0	0	-2,192	-2,192	-4,384
Total	**0**	**0**	**0**	**-8,039**	**-8,038**	**-16,077**
Expenditures by Activity						
Unallocated Reduction	0	0	0	-8,039	-8,038	-16,077
Total	**0**	**0**	**0**	**-8,039**	**-8,038**	**-16,077**

State of Minnesota
Department of Finance

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the Supreme Court, Court of Appeals, District Courts, Legal Profession Boards, and Board of Public Defense. The Governor respects the separation of powers and the desire of officials in the judicial and legislative branches and other constitutional officers 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 balanced budget.

The Governor's general recommendations for the judicial and legislative branches and other constitutional officers reflect his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions individually redesign their operations to increase efficiencies while minimizing the disruption to public services as much as possible. They should also consider collaboration with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

For the Supreme Court, Court of Appeals, and the District Courts, the Governor recommends a 10% reduction in appropriations for the FY 2004-05 biennium. For the Board of Public Defense, the Governor recommends a 15% reduction in appropriations for the FY 2004-05 biennium. The Legal Profession Boards are fully funded by fees collected under court rules, so no further actions are required on their budgets. The Governor makes no recommendation regarding the specific initiatives put forward by these agencies.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	108,032	88	108,120
Legislatively Mandated Base	70	0	70
Adjusted Base Funding	108,102	88	108,190
Change Items			
Budget Reductions	-16,077	0	-16,077
Governor's Recommendations	92,025	88	92,113
Biennial Change, 2002-03 to 2004-05	-13,245	-98	-13,343
Percent Change	-13%	-53%	-13%

Brief Explanation of Budget Decisions:

The adjustment to the base is a $70,000 increase in FY 2004-05 tails required under 2002 legislation.

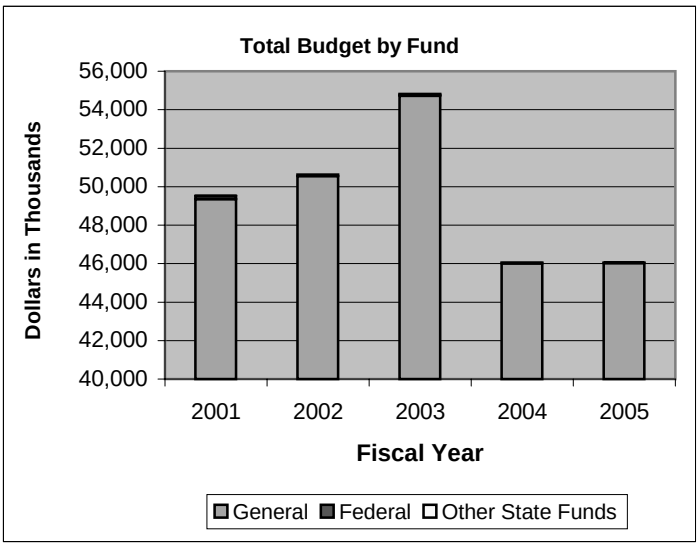
Reductions in other funds reflects changes in dedicated funding sources such as loss of federal training revenues and gift fund revenues.

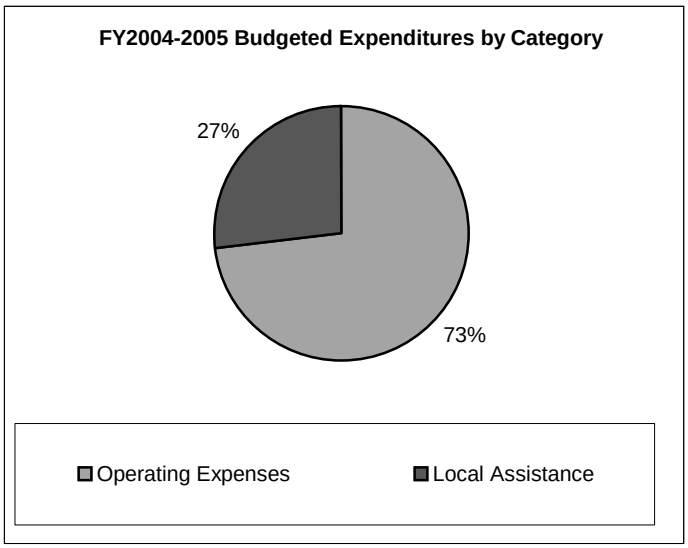
The Governor recommends a 15% reduction in funding totaling $16,077,000.

Agency Request:

The Governor has submitted the Public Defense Board's request to the Legislature. A narrative summary of the agency's request is included after the transmittal letter in this document. Additional detail on the Public Defense Board's change items may be found on the Department of Finance's budget web site at http://www.budget.state.mn.us/budget/operating/. The following table summarizes the agency's request:

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
FY 2003 Funding Level (Biennial Base)	108,032	88	108,120
Legislatively Mandated Base	70	0	70
Adjusted Base Funding	108,102	88	108,190
Agency Change Items			
Public Defense System Viability	30,087	0	30,087
Information Systems Maintenance	995	0	995
Public Defense Corporations	878	0	878
FY 2004-05 Total Agency Request	140,062	88	140,150
Biennial Change 2002-03 to 2004-05	34,792	-98	34,694
Percent Change	33%	-53%	33%





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	48,837	50,093	54,259	45,552	45,553	91,105
Statutory Appropriations						
General	518	455	463	460	460	920
Federal	158	79	48	40	40	80
Gift	11	3	56	4	4	8
Total	**49,524**	**50,630**	**54,826**	**46,056**	**46,057**	**92,113**
Expenditures by Category						
Operating Expenses	34,725	35,935	40,213	33,635	33,636	67,271
Local Assistance	14,799	14,695	14,613	12,421	12,421	24,842
Total	**49,524**	**50,630**	**54,826**	**46,056**	**46,057**	**92,113**
Expenditures by Program						
State Public Defender	3,249	3,733	4,005	3,590	3,590	7,180
Public Defense Board	2,344	1,733	2,286	2,502	2,502	5,004
District Public Defense	43,931	45,164	48,535	48,003	48,003	96,006
Unallocated Reduction	0	0	0	-8,039	-8,038	-16,077
Total	**49,524**	**50,630**	**54,826**	**46,056**	**46,057**	**92,113**
Revenue by Type and Fund						
Dedicated						
Federal	130	66	40	40	40	80
Gift	15	11	32	4	4	8
Subtotal Dedicated	145	77	72	44	44	88
Total Revenue	**145**	**77**	**72**	**44**	**44**	**88**
Full-Time Equivalents (FTE)	**483.8**	**503.7**	**500.0**	**500.0**	**500.0**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(8,039)	(8,038)	(8,038)	(8,038)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(8,039)	(8,038)	(8,038)	(8,038)

Recommendation
The Governor recommends a 15% reduction in the agency's base budget, to be distributed proportionately between operating costs and grants. The Governor makes no specific recommendations on the agency's change requests.

Background
The Governor respects the separation of powers and the desire of officials in the judicial and legislative branches and other constitutional officers 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 and balanced budget.

The Governor's general recommendations for the judicial and legislative branches and other constitutional officers reflect his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions individually redesign their operations to increase efficiencies while minimizing the disruption to public services as much as possible. They should also consider collaboration with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Relationship to Base Budget
This reduction represents 15% of the base funding for the FY 2004-05 biennium.

Statutory Change: Not Applicable

STATE OF MINNESOTA
BOARD OF PUBLIC DEFENSE

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February 18, 2003

The 2003 Minnesota Legislature:

The purpose of this correspondence is to transmit to you the FY 2004-05 biennial budget request for the state of Minnesota Board of Public Defense.

The public defense system is the largest customer of the courts and public defenders provide service in every courthouse in Minnesota, handling over 175,000 cases per year. The Judicial District Public Defender Offices provide services to indigent clients charged with crimes in felony, gross misdemeanor, misdemeanor and juvenile cases. The Appellate Office 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. The budget 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 annual base budget of the board for the FY 2004-05 biennium is $53.591 million. In addition, the board is requesting $14.71 million in FY 2004 and $17.25 million in FY 2005 to address increased caseloads, increased time commitments, technology needs and the need to maintain the public defense corporations.

The public defense system is in crisis. Caseloads are in excess of double the Board's Weighted Caseload Standards, and American Bar Association Standards. In FY 2002 part-time district public defenders provided more than 25,000 uncompensated hours. In a recent Legislative Auditor's Report on the District Courts, 70% of judges stated that a major cause for delay in the criminal justice system was that there were too few public defenders. Seventy percent of judges also thought that attorneys do not have adequate time to prepare their cases, resulting again in delays in the system. At the same time insurance cost increases over the past four years (19%, 21%, 16%, and 20%), annualized cost of FY 2003 budget reductions, and annualized personnel costs have combined to create a budget deficit of $3.5 million annually. In order for the board to continue current staffing and services will require $3.5 million over the current annual base budget.

PUBLIC DEFENDER VIABILITY

The board is requesting an additional $13.65 million in FY 2004, and $16.481 million in FY 2005 to maintain the viability of the public defender system. This request is an attempt to maintain Minnesota's public defender system and its 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; caseloads in excess of double the board's adopted caseload standards, hours put in by part-time defenders that the state does not pay for, and personnel costs of existing staff. During FY 2003, district public defenders will provide service in over 175,000 cases. Under Board and American Bar Association standards, this will equate to 323,000 case units with each "unit" representing the equivalent of a misdemeanor case. Caseloads are on track to rise 19% between FY 2001 and FY 2003. The result is a caseload average of more than 850 units or more than double what the Board of Public Defense Weighted Caseload Standards and American Bar Association standards call for. During FY 2002, part time defenders provided more than 25,000 uncompensated hours.

Increased caseloads, new judgeships, new crimes, additional court calendars, and changes in court procedures (especially in the juvenile area) continue to hamper the board's ability to provide adequate services to its clients and the criminal justice system. Client services deteriorate and the entire criminal justice system stops while waiting for public defenders. Part-time public defenders find it difficult to continue to provide this service. 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.

On the appellate level, lawyers on average carry a caseload that is more than double the American Bar Association Caseload Standard. The Minnesota Department of Corrections (DOC) records indicate that the inmate population in the state's correctional facilities has increased 32% between 1997 and 2002. This population is the client base for the Appellate Office. From FY 2001 to FY 2002, the number of appellate files opened, increased by 24%, the number of briefs filed increased 13%, and the number of parole revocation hearings increased by 14%. In addition, trial court related cases increased by 57% from FY 2001 to FY 2002.

Since 1999 the board has had labor agreements in place similar to those in other state agencies. Since 2001 these agreements have treated board employees like other state employees. In this time the board has not received the full funding necessary to accommodate salary and benefit increases. These increases along with the budget reductions taken in FY 2003 have combined to create the deficit situation referred to above. Without this additional funding, positions will go unfilled, and layoffs will be likely. In many instances this will bring the court system to a standstill.

Recognizing the difficult budget situation that the state finds itself in, the board is not requesting funding to achieve the caseload standards. It is requesting funding to address the tremendous growth in caseloads, new judgeships, equalize caseloads among districts and to allow the board to continue to employ current staff.

INFORMATION SYSTEMS FUNDING

The board is requesting $686,000 in FY 2004, and $309,000 in FY 2005 to be able to take advantage of technology changes in the court and criminal justice areas. The board is requesting funding in order to maintain existing information systems, and replace obsolete hardware and software. The request would; replace the Law Office Data Base (case information) which is written in an obsolete 10 year old programming language. It would also provide for the increased cost of data lines allowing communication via internet, ongoing software licensing, a regular replacement schedule of computers, programming assistance to maintain current programs, and a project manager to handle the daily operations of the office. The board's Information Systems staff maintains 94 computer servers in 28 locations across Minnesota, as well as developing and maintaining web services for about 8,000 visitors per day. The Information Systems staff has developed and is maintaining five large custom-designed computer applications related to caseloads, case data, and time keeping. These projects have become integral to the day-to-day operations of public defense in Minnesota. The failure of these systems jeopardizes the smooth functioning of our offices statewide. The arrival of CriMNet and one of its components, MNCIS, requires extensive policy development focus and participation by the Board's Information Systems Director, thus the need for a project manager.

PUBLIC DEFENSE CORPORATIONS

The board is requesting $418,000 in FY 2004 and $460,000 in FY 2005 for the public defense corporations. There are five public defense corporations across the state. There are two serving the metropolitan area of the Twin Cities and three serving predominantly Native American communities in northern Minnesota. The request is made up of three items: 1) funding to enable the corporations to hire a minimal number of new staff to keep up with the caseloads; 2) one-time funding to provide for technology upgrades; and 3) funding to maintain the salaries of the employees of these corporations. The public defense corporations serve a client base that is often

times intimidated, uncomfortable or does not understand the court system. This funding will allow the corporations to continue to provide quality legal services by providing additional attorney time and investigation services. It will allow the corporations to keep up with the changing technology involved in court proceedings and the practice of law. Finally it will allow the corporations retain qualified attorneys and staff. It is important to note that most, if not all, of the criminal cases, which the public defense corporations handle, would end up on the public defense system if the corporations should fail to carry out their services.

Thank you for your consideration of this budget proposal. I look forward to working with you.

Sincerely,

Kevin Kajer
Chief Administrator

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$13,650	$16,481	$16,481	$16,481
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$13,650	$16,481	$16,481	$16,481

Recommendation
Agency Request: Submitted for Reference Only

Background
The request is an attempt to have the public defense system keep up with the growing demands that have been placed upon it by increased caseloads, additional judgeships, and additional resources provided to police and prosecution. It is an attempt to maintain Minnesota's public defender system and its 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; caseloads in excess of double the board's adopted caseload standards, hours put in by part time defenders that the state does not pay for, and salary and insurance increases related to contracts. During FY 2002, district public defenders provided service in over 186,000 cases. Under Board and American Bar Association standards, this equated to 336,000 case units with each "unit" representing the equivalent of a misdemeanor case.

Caseloads rose 25% between FY 2001 and FY 2002. The results is a caseload average of 872 units or more than double what the Board of Public Defense Weighted Caseload Standards and A.B.A. standards call for. In addition, every full-time managing attorney in the state carries a full caseload that is more than double the caseload standards. During FY 2002, part-time defenders provided more than 25,000 uncompensated hours. Increased caseloads, new judgeships, new crimes, additional court calendars, and changes in court procedures (especially in the juvenile area) continue to hamper the board's ability to provide adequate services to its clients and the criminal justice system. These factors also limit the board's ability to provide for caseload equity, and to maintain the state's part-time public defender system. Client services deteriorate and the entire criminal justice system stops while waiting for public defenders. Part-time public defenders find it difficult to continue. 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.

On the appellate level, lawyers on average carry a caseload that is more than double the American Bar Association Caseload Standard. The Minnesota Department of Corrections (DOC) records indicate that there are 6,871 inmates in the state's correctional facilities, a 32% increase over the 1997 population. This population is the client base for the Appellate Office. Appellate cases have increased substantially in recent years. From FY 2001-02, the number of appellate files opened, increased by 24%, the number of briefs filed increased 13%, and the number of parole revocation hearings increased by 14%. In addition, trial court related cases increased by 57% from FY 2001-02.

Finally, the board now has labor agreements in place similar to those in other state agencies. These agreements treat board employees like other state employees including regular salary increases. The request would provide funding for the cost of the salary and insurance cost increases for employees. Without this 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.

Relationship to Base Budget
The board is attempting to address those issues that most affect the public defender system and the criminal justice system as a whole. Without the resources to address these issues the board will be forced, to hold positions vacant, and in all likelihood, layoff staff. Excessive caseloads, and the additional time commitments created by new calendars and court procedures will bring the criminal justice system to a standstill, because the

board will not have the staff available to provide defense services on the trial and appellate levels. Recognizing the difficult budget situation that the state finds itself in, the board is not requesting funding to achieve the caseload standards. It is requesting funding to address the tremendous growth in caseloads, new judgeships, and equalize caseloads among district. The request would also allow the board to continue to employ current staff.

Key Measures

- 25% increase in caseloads on the trial level from FY 2001-02
- 24% increase in caseloads on the appellate level from FY 2001-02
- Caseloads in excess of double the board's and ABA Standards
- 18 new judgeships created over the last four years

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; local government decisions that increase police and prosecution, new constitutional mandates, legislative policies, or Supreme Court Rules, sentencing guideline changes, statutory changes, judicial calendaring changes and Department of Corrections policies, all of which the board has no control of. 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.

The board is the largest user of the state court system, so changes in court procedures calendars, and technology advances directly impact the board's ability to provide quality legal services to its clients. New judgeships, proposals for special courts, changes in juvenile court proceedings or technology changes in the area of scheduling need to be examined as to their financial and resource implications for the public defense system. Court cases are continued, jails sit filled, and appeals and complaints rise where the pubic defense system lacks the staff to handle cases, court calendars and trial appearances.

Statutory Change Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$608	$309	$309	$309
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$608	$309	$309	$309

Recommendation
Agency Request: Submitted for Reference Only

Background
The board is requesting funding in order to maintain existing information systems, and replace obsolete hardware and software. The board's Information Systems staff maintains 100 computer servers in 28 locations across Minnesota, as well as developing and maintaining web services for about 8,000 visitors per day. The I.S. staff has developed and is maintaining five large custom-designed computer applications:

- our case and client information management system (Law Office Database or LODB) at use in our main offices
- the Web version of the LODB in use by our part-time defenders
- the Central Office Database which collects case and client statistics and makes them available for reporting
- Depot Data Services which interface with the Supreme Court and capture court staff keystrokes thus eliminating the need for PD staff to re-enter the same data
- Time management for defenders, case management for dispositional advisors and investigators, and case and budget reporting for Public Defense Corporations.

These projects have become integral to the day-to-day operations of public defense in Minnesota. They must be funded and supported in order to avoid jeopardizing the smooth functioning of our offices statewide.

The arrival of CriMNet and one of its components, MNCIS, requires extensive policy development focus and participation by the board's I.S. Director. As a result of the I.S. Director's time spent representing Public Defense in the CriMNet development process, the I.S. staff complement must be increased to include a Project Manager to handle the daily operations of the office. Second, there is a need to replace the LODB which is written in an obsolete 10 year old programming language. Other essential areas requiring funding include increased expense of employee education, increased cost of data lines allowing communication via internet, contract programming assistance to maintain our programming, software licensing and the replacement of servers. This includes scheduled replacements as well as unforeseen circumstances. The board has not had funds appropriated for regular ongoing replacement of computer equipment.

Relationship to Base Budget
The board has a staff of six IT staff, a director, a programmer, a programmer/help desk position, and three network engineers. It is by far the smallest IT staff of any similar size agency in state government.

Alternatives Considered
There are no alternatives. Funding is needed to maintain current systems and equipment.

Technology Funding Detail (Dollars in Thousands)

Funding Distribution	2004-2005 Biennium		2006-2007 Biennium		2008-2009 Biennium	
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personnel	$72	$76	$76	$76	$76	$760
Supplies	0	0	0	0	0	0
Hardware	167	76	76	76	76	76
Software	262	50	50	50	50	50
Facilities	0	0	0	0	0	0
Services	107	107	107	107	107	107
Training	0	0	0	0	0	0
Grants	0	0	0	0	0	0
TOTAL	**$608**	**$309**	**0**	**0**	**0**	**0**

Office of Technology Analysis

The Office of Technology recommends funding this project.

- ROI information is documented but lacks hard dollar numbers.
- This is a maintenance and enhancement of the CriMNet network.
- Agency has made very good use of the strategic planning process (SIRMP) to establish direction, assessment and planning of projects.

Statutory Change: "Not Applicable".

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$418	$460	$460	$460
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$418	$460	$460	$460

Recommendation
Agency Request: Submitted for Reference Only

Background
There are five public defense corporations across the state. There are two serving the metropolitan area of the Twin Cities and three serving predominantly Native American communities in northern Minnesota. These non-profit public defense corporations provide cost-effective quality legal defense services primarily to the state's minority communities. The request is made up of three items: 1) Funding to enable the corporations to hire a minimal number of new staff. This would include adding an investigator to three of the corporations, and four new attorneys, and would allow the filling of a vacant receptionist position; 2) One time funding to provide for technology upgrades; and 3) This request would also provide funding to maintain the salaries of the employees of these corporations to the average of six other non-profit legal service providers in Wisconsin, Iowa, and Illinois.

The public defense corporations serve a minority client base that is often times intimidated, uncomfortable or does not understand the court system. Like the district public defenders, the public policy approach of imposing greater sanctions, along with the increased resources for police and prosecution, has placed a great demand on the corporations' service delivery systems.

This funding will allow the corporations to continue to provide quality legal services by providing additional attorney time and investigation services. It will allow the corporations to keep up with the changing technology involved in court proceedings and the practice of law. Finally it will allow help the corporations retain qualified attorneys and staff, something that has been a major problem in recent years.

Alternatives Considered
It is important to note that most, if not all, of the criminal cases, which the public defense corporations handle, would end up on the public defense system if the corporations should fail to carry out their services.

Statutory Change: "Not Applicable".

Agency Purpose

The mission of the Department of Public Safety (DPS) is simple - to keep Minnesotans safe and provide world-class customer service. This mission is achieved through three primary functions: service, enforcement and prevention.

⇒ The primary *activity* of DPS is service.
⇒ The primary *responsibility* of the DPS is enforcement.
⇒ The primary *goal* of the DPS is prevention.

Core Functions

The Department of Public Safety 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 operations for disasters;
- 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 financial advocacy and assistance to crime victims; and
- administering crime prevention grant programs.

At A Glance

Vehicle title and registration processing time fell from 33 days in 2000 to 12 days in 2001.

6,772 DWI arrests were made by the State Patrol in 2001.

Over 15,000 DNA samples are maintained in an offender database by the Bureau of Criminal Apprehension.

More than 200 locally-based crime victim programs received funding and provided services to approximately 200,000 individuals in 2001.

Seat belt usage has increased 10% in Minnesota since 1998 to 74%.

$52 million in federal and state funding was disbursed to cities and counties for the 2001 floods.

444 fire investigations were conducted by the State Fire Marshal's Office in 2001. 152 of these were determined to be arson.

DPS works to ensure that these core functions incorporate innovation, stewardship, collaboration, and communication.

The Department of Public Safety took on a new role after September 11th as Minnesota's Office of Homeland Security. Governor Ventura appointed Commissioner Charlie Weaver to be the Director 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.

Operations

Service to the citizens of Minnesota is the Department of Public Safety'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.
Bureau of Criminal Apprehension provides complete investigative assistance to local agencies, forensic laboratory services, criminal history information, and training to peace officers.
Drug Policy and Violence Prevention is a catalyst for statewide approaches to reducing and preventing crime, violence, and drug abuse through identifying causes, recommending policies, and coordinating statewide and community strategies.
Driver and Vehicle Services provides vehicle registration, driver's license and driver evaluation services. Driving records and accident reports are also maintained.
Emergency Management coordinates emergency operations around the state, including planning and preparing for disasters and responding to and recovering from disasters.

Minnesota Center for Crime Victim Services provides advocacy and funding to victims of crimes. These services include direct compensation for losses incurred as a result of crime, grants to local victim support and advocacy programs, and support of emergency shelters for victims of domestic abuse.
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.
The Department of Public Safety also has five internal support divisions that provide services relating to communication, fiscal administration, human resource management, internal affairs, and technical support. Homeland Security efforts are coordinated through the commissioner's office but involve many of our divisions.

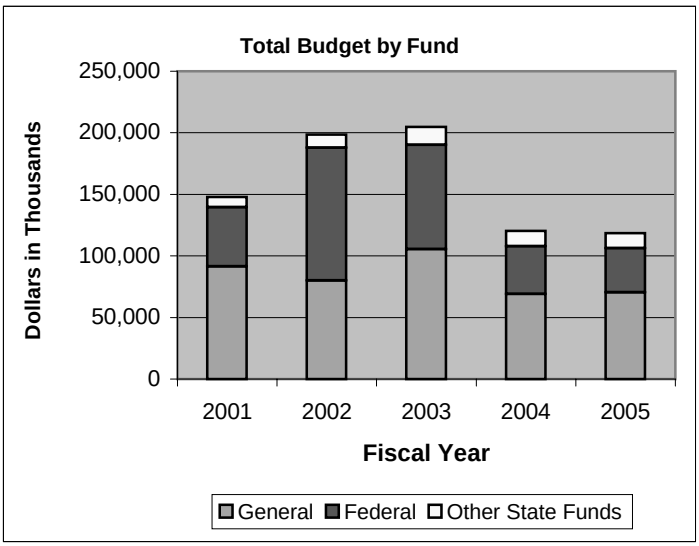
Contact

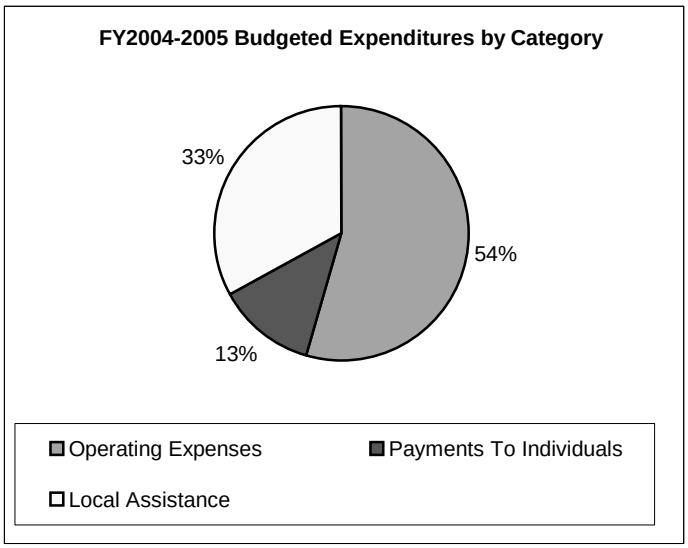
Department of Public Safety
1000 North Central Life Tower
445 Minnesota Street
Saint Paul, Minnesota 55101

World Wide Web Home Page:
http://www.dps.state.mn.us

Rich Stanek, Commissioner
Phone (651) 296-6642 Fax (651) 297-5728

For information on how this agency measures whether it is meeting its statewide goals, please refer to http://www.departmentresults.state.mn.us





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Carry Forward						
General	0	0	0	16	17	33
Direct Appropriations						
General	89,984	79,010	100,934	67,580	68,706	136,286
State Government Special Revenue	2	2	12	7	7	14
Special Revenue	2,258	1,332	2,551	635	635	1,270
Trunk Highway	139	346	369	361	361	722
Environmental	46	43	53	49	49	98
Statutory Appropriations						
General	1,597	1,032	4,530	1,577	1,602	3,179
State Government Special Revenue	0	0	96	96	96	192
Special Revenue	5,751	9,044	11,534	11,258	11,088	22,346
Federal	47,854	107,719	84,684	38,654	36,068	74,722
Gift	270	10	44	4	4	8
Total	**147,901**	**198,538**	**204,807**	**120,237**	**118,633**	**238,870**

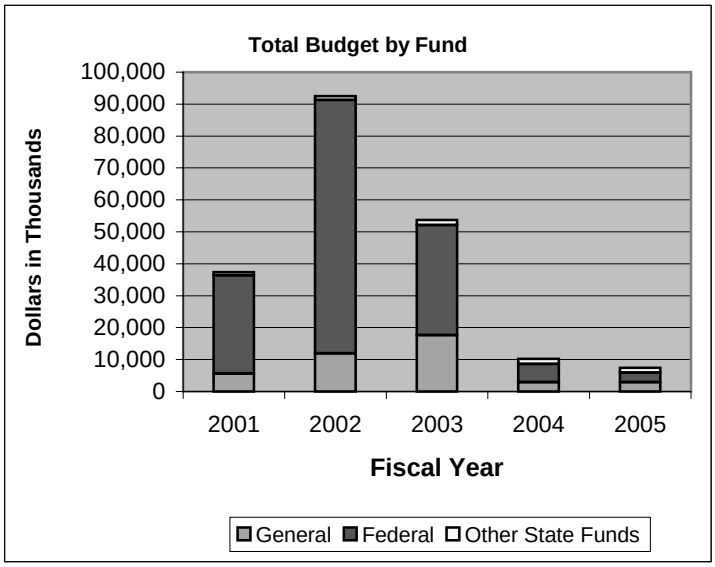
Expenditures by Category						
Operating Expenses	65,276	53,043	77,154	64,940	66,059	130,999
Payments To Individuals	19,182	17,477	19,884	15,379	15,379	30,758
Local Assistance	63,443	128,018	107,769	41,063	38,340	79,403
Transfers	0	0	0	-1,145	-1,145	-2,290
Total	**147,901**	**198,538**	**204,807**	**120,237**	**118,633**	**238,870**

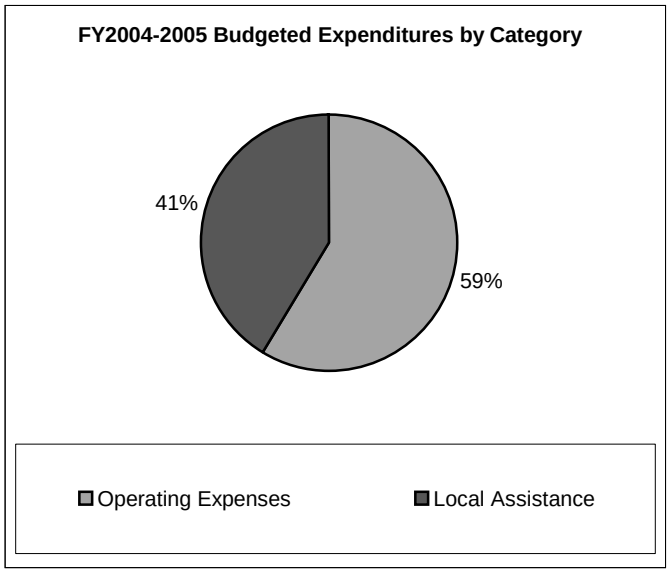
Expenditures by Program						
Emergency Management	37,394	92,514	53,687	10,207	7,464	17,671
Criminal Apprehension	47,130	34,787	56,914	47,564	48,543	96,107
Fire Marshal	3,985	3,990	4,264	4,448	4,458	8,906
Alcohol & Gambling Enforcement	2,462	2,352	2,775	2,458	2,458	4,916
Crime Victims Services	43,188	44,580	52,312	34,582	34,881	69,463
Law Enforc. & Community Grants	13,742	20,315	34,855	20,978	20,829	41,807
Total	**147,901**	**198,538**	**204,807**	**120,237**	**118,633**	**238,870**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	129	2,532	2,726	4,894	4,894	9,788
Cambridge Deposit Fund	2,290	-4	0	0	0	0
Subtotal Non Dedicated	2,419	2,528	2,726	4,894	4,894	9,788
Dedicated						
General	1,888	1,729	2,600	1,409	1,403	2,812
State Government Special Revenue	0	0	96	96	96	192
Special Revenue	8,679	9,475	10,437	11,333	11,180	22,513
Federal	47,996	107,512	84,493	38,638	36,054	74,692
Gift	283	10	5	4	4	8
Subtotal Dedicated	58,846	118,726	97,631	51,480	48,737	100,217
Total Revenue	**61,265**	**121,254**	**100,357**	**56,374**	**53,631**	**110,005**
Full-Time Equivalents (FTE)	**431.2**	**469.3**	**508.6**	**462.1**	**451.8**	

Budget Activities Included:

⇒ Emergency Management Performance Grants
⇒ Emergency Response Commission
⇒ Nuclear Plant Preparedness





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Carry Forward						
General	0	0	0	16	17	33
Direct Appropriations						
General	5,591	11,934	17,678	2,854	2,854	5,708
Environmental	46	43	53	49	49	98
Statutory Appropriations						
Special Revenue	968	1,186	1,568	1,544	1,544	3,088
Federal	30,789	79,351	34,388	5,744	3,000	8,744
Total	**37,394**	**92,514**	**53,687**	**10,207**	**7,464**	**17,671**

Expenditures by Category						
Operating Expenses	5,603	4,977	9,468	5,260	5,093	10,353
Payments To Individuals	1	0	0	0	0	0
Local Assistance	31,790	87,537	44,219	4,947	2,371	7,318
Total	**37,394**	**92,514**	**53,687**	**10,207**	**7,464**	**17,671**

Expenditures by Activity						
Emerg. Mgmt. Performance Grts.	35,913	90,907	51,647	8,216	5,487	13,703
Emergency Response Commission	545	447	564	539	525	1,064
Nuclear Plant Preparedness	936	1,160	1,476	1,452	1,452	2,904
Total	**37,394**	**92,514**	**53,687**	**10,207**	**7,464**	**17,671**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	0	574	626	626	626	1,252
Cambridge Deposit Fund	588	-1	0	0	0	0
Subtotal Non Dedicated	588	573	626	626	626	1,252
Dedicated						
Special Revenue	921	1,197	1,544	1,544	1,544	3,088
Federal	30,872	79,229	34,295	5,744	3,000	8,744
Subtotal Dedicated	31,793	80,426	35,839	7,288	4,544	11,832
Total Revenue	**32,381**	**80,999**	**36,465**	**7,914**	**5,170**	**13,084**
Full-Time Equivalents (FTE)	**53.2**	**49.0**	**57.2**	**47.3**	**45.8**	

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

Primarily the EMPG activity serves local government (counties, cities and townships), certain private, nonprofit entities, other state agencies, and the private sector.

Activity at a Glance

- 16 presidential declarations for Minnesota since 1992
- 1,300 individual disaster declaration applicants (local governments, state agencies, and private, non-profit entities) currently being served assistance
- 110 training classes conducted, October 1999 to present
- $77.1 million in total federal disaster assistance disbursed in FY2002
- 5,226 individuals trained, October 1999 to present

Services Provided

Principal EMPG services include:

- coordinating state agency disaster preparedness, response, recovery, and mitigation efforts;
- assisting local government with emergency plan development and providing training and on-site assistance;
- providing local financial assistance through a number of federal and state grant programs;
- coordinating with federal, state, and local governments and the private sector
- providing a 24/7 central point of contact for receipt of emergency notifications and requests for assistance;
- coordinating the damage assessment process, preparing requests for federal and state disaster assistance, and administering disaster relief programs following presidential declarations; and
- reducing the potential for future disaster damage.

Historical Perspective

As indicated above, the federal government makes EMPG grant monies available to states on a 50-50-match basis. The federal EMPG program has been in existence for over 40 years, with the objective of helping to ensure that states maintain at least minimal emergency management staff and capabilities. At one time, Minnesota's (federal) EMPG award was equal to the amount it requested. However, in recent years Minnesota's annual award has either remained constant or been reduced. As a result, the division has had to eliminate certain staff positions and reduce the amount of federal EMPG funding passed through to local governments.

Key Measures

1. Preparation time for federal disaster assistance requests.

The 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. Preparation of requests for federal disaster assistance is a complex process. The likelihood that a request will be approved *decreases* as more time elapses between the disaster event and the submission of the request. Also, in times of disaster, it is imperative that assistance be provided to disaster victims, whether they are individual citizens, local governments, or private, nonprofit entities, as quickly as possible.

Recent record of performance for submission of requests for federal assistance:

Federal Fiscal Year	Disaster Event	Original/Amended Requests Submitted Within 30 Days? Yes	No
2000	*Original* presidential declaration (DR-1333) on 6/27/00 for (7) counties in southeast Minnesota, for flooding caused by excessive rainfall; declaration amended three times to add counties and/or to make some previously-declared counties eligible for other disaster assistance programs.	4	0
2001	*Original* presidential declaration (DR-1370) on 5/16/01 for 31 counties, for severe winter storms, flooding and tornadoes; declaration amended seven times to add counties and/or to make some previously-declared counties eligible for other disaster assistance programs.	8	0
2002 (to-date)	*Original* presidential declaration (DR-1419) on 6/14/02 for (1) County; to-date, declaration has been amended five times to add counties and/or to make some previously declared counties eligible for other disaster assistance programs.	6	0
Total number/percentage of original/amended requests submitted for federal assistance:		**18/100%**	**0/0%**

2. The number of emergency management classes offered.
Division of Emergency Management will offer a minimum of 20 emergency management classes by September 30th of each year. These classes are an important tool for increasing the knowledge and skills of local and state emergency management personnel. The training provides practical information that such personnel can use on a daily basis, and helps them to respond more effectively when major emergencies/disasters strike. In recent years, the annual Governor's Emergency Management Conference has been used very effectively as a venue for training large numbers of emergency management personnel in multiple subject areas.

Recent record of performance of the delivery of FEMA and state-developed emergency management training classes:

Federal Fiscal Year	Number of Classes	Number of Students
2000	35	1,313
2001	37	1,466
2002	38	2,447

Activity Funding
This activity is funded by a mix of General Fund appropriations (21%) and Federal Funds (79%).

Contact
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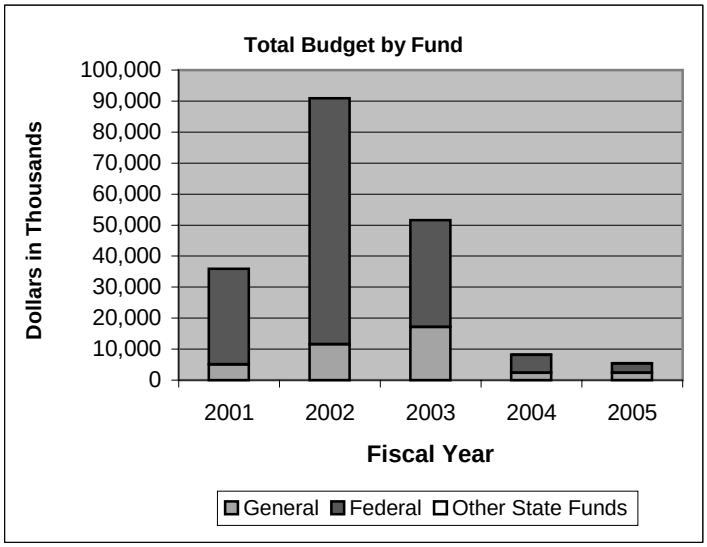

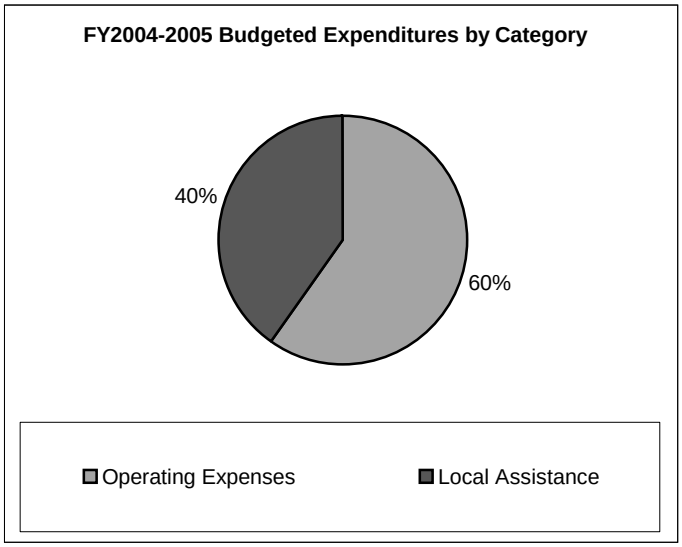

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Carry Forward						
General	0	0	0	16	17	33
Direct Appropriations						
General	5,092	11,530	17,167	2,364	2,378	4,742
Statutory Appropriations						
Special Revenue	32	26	92	92	92	184
Federal	30,789	79,351	34,388	5,744	3,000	8,744
Total	**35,913**	**90,907**	**51,647**	**8,216**	**5,487**	**13,703**
Expenditures by Category						
Operating Expenses	4,617	4,093	8,359	4,176	4,023	8,199
Payments To Individuals	1	0	0	0	0	0
Local Assistance	31,295	86,814	43,288	4,040	1,464	5,504
Total	**35,913**	**90,907**	**51,647**	**8,216**	**5,487**	**13,703**
Revenue by Type and Fund						
Dedicated						
Special Revenue	45	22	92	92	92	184
Federal	30,872	79,229	34,295	5,744	3,000	8,744
Subtotal Dedicated	30,917	79,251	34,387	5,836	3,092	8,928
Total Revenue	30,917	79,251	34,387	5,836	3,092	8,928
Full-Time Equivalents (FTE)	**43.6**	**39.9**	**46.2**	**36.2**	**34.7**	

Activity Description

The Emergency Response Commission (ERC) exists for the purpose of implementing the provisions of the (federal) Emergency Planning and Community Right-to-Know Act (EPCRA) in Minnesota. EPCRA was enacted in response to the disastrous toxic chemical release in Bhopal, India that resulted in many fatalities. EPCRA is intended to help ensure that local communities have the information they need to respond effectively to a serious hazardous chemical accident. Lastly, the ERC generates revenue from fees that are assessed on facilities that use, store, or accidentally release hazardous materials.

Activity at a Glance

- 5,500 facilities are included in the ERC database
- $573,000 in total fees were collected in FY2002

Population Served

The entire population of Minnesota is potentially served by the ERC, because all Minnesotans depend on state and local government first responders (fire fighters, law enforcement, and emergency medical services personnel) to have the hazardous chemical information they need to protect the public in the event of an accident. Further, the ERC enables the general public, the legislature, and regulatory and public health agencies to know where and what hazardous materials are being used in Minnesota, the quantity of those materials, and whether those quantities are increasing or decreasing. Lastly, the ERC permits local government first responders to obtain specific information about the hazardous chemicals that are on-site at each individual facility in their communities.

Services Provided

Principal ERC activity services include:

- collecting and maintaining in a database, information about hazardous materials that are used, stored at facilities, or released into the environment;
- 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;
- reviewing local emergency operations plans to ensure that they include the hazardous materials accident/incident response information required by EPCRA and M.S. 299K, to enable first responders to adequately protect the public;
- conducting annual training designed to improve compliance with state and federal hazardous materials reporting requirements; and
- collecting fees intended to cover some of the commission's cost of data management, administration, operating the state emergency management center, and maintaining the state's regional hazardous materials incident response teams.

Historical Perspective

"Community Right-to-Know" has always been a critical component of the ERC. 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 response, both the federal government and the ERC have worked to make the information in question more easily accessible. However, the events of September 11th have prompted both the public and the private sector to review the hazardous materials information that is currently available to the general public, and to reconsider whether such information *should* be readily available. As part of that effort, the ERC has chosen to remove some sensitive information from its web site. It is clear that there will need to be a continuing review of this issue in order to arrive at an appropriate balance between the community's right-to-know, and the need to limit access to information that might be used by those with criminal intent.

Key Measures

Accuracy and completeness of the Emergency Response Commission database.

⇒ Each year the ERC database will be reviewed and adjusted to ensure that the information it contains is both accurate and complete. At the present time, over 5,500 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

ERC. The information contained in those reports is entered into the database. Each year, there are facilities that no longer need to report, while new facilities become subject to the reporting requirements. The ERC database must be reviewed and updated annually in order to ensure that the information it contains is accurate and complete. Information in the ERC database is used by emergency management planners and emergency response agency commanders to further their knowledge of the potential hazards in their community. The ERC 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.

⇒ FY2000 – The database was comprehensively reviewed and updated; 1,200 facilities were added as active reporters.

⇒ FY 2001 – The database was reviewed and 350 potential data errors were detected. The questionable information was sent to facilities for correction and clarification. Once the requested information was returned, it was entered into the database.

Activity Funding

This activity is funded by a mix of General Funds (91%) and Environmental Funds (9%).

Contact

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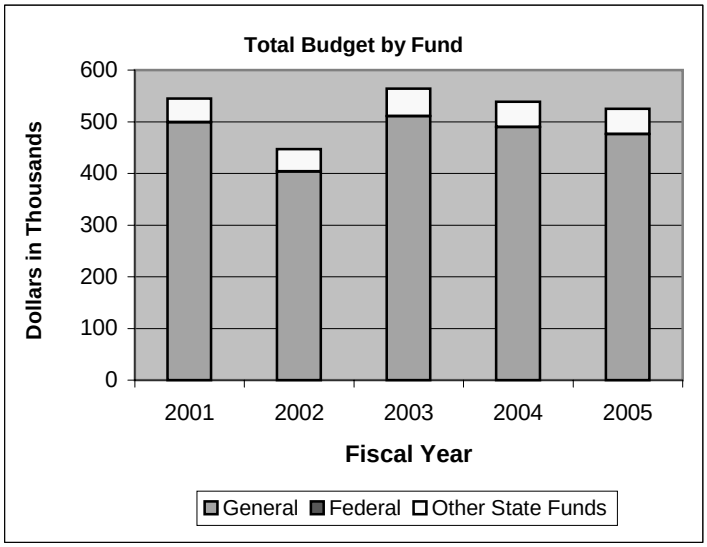
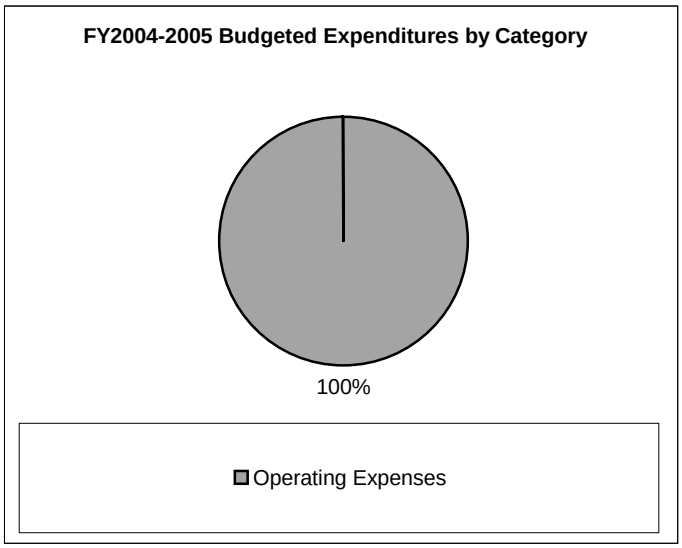
PUBLIC SAFETY DEPT
Program: EMERGENCY MANAGEMENT
Activity: EMERGENCY RESPONSE COMMISSION

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	499	404	511	490	476	966
Environmental	46	43	53	49	49	98
Total	**545**	**447**	**564**	**539**	**525**	**1,064**
Expenditures by Category						
Operating Expenses	545	447	564	539	525	1,064
Total	**545**	**447**	**564**	**539**	**525**	**1,064**
Revenue by Type and Fund						
Non Dedicated						
General	0	574	626	626	626	1,252
Cambridge Deposit Fund	588	-1	0	0	0	0
Subtotal Non Dedicated	588	573	626	626	626	1,252
Full-Time Equivalents (FTE)	**4.7**	**3.6**	**4.9**	**5.0**	**5.0**	

Activity Description

Nuclear plant preparedness exists to coordinate a variety of preparedness activities designed to ensure that both the state and local governments are prepared to respond effectively in the event of a nuclear power plant accident/incident. This activity was established by the legislature when two nuclear power plants in Minnesota began operating and there was the potential for an accident/incident that could affect the safety of citizens living adjacent to the plants. Lastly, 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.
- 10 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 power plant. The EPZ for the Prairie Island plant includes Dakota County and Goodhue County, and the EPZ for the Monticello plant includes Sherburne and Wright County. It is those 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 of the 36 counties that are located in the Ingestion Pathway Zone (IPZ). The IPZ is that area in which there is the potential 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 impact many other 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;
- 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 agencies; and
- ensuring that all state and federal regulations and requirements relating to nuclear power plants are met.

Historical Perspective

In recent years, the planning and preparedness requirements placed on state and local government have increased significantly. As a consequence, such governments have gradually been incurring additional costs. In recognition of this fact, the fee assessed on the utility that owns the Prairie Island and the Monticello nuclear plants was increased last year.

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.

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 on-site in the state emergency operations center (EOC) 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 *areas requiring corrective action* (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			0 (projected)	0 (projected)
Total number of exercise ARCAs & Deficiencies:			**4**	**0**

*This ARCA is currently being appealed by the state.

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.

Contact

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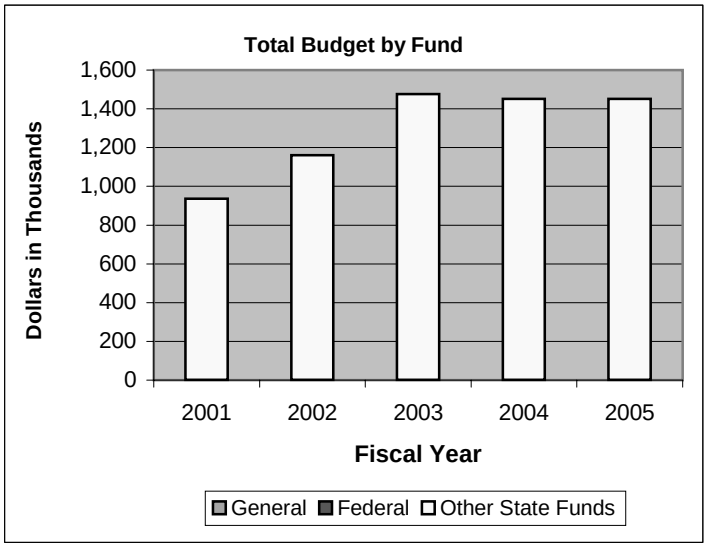
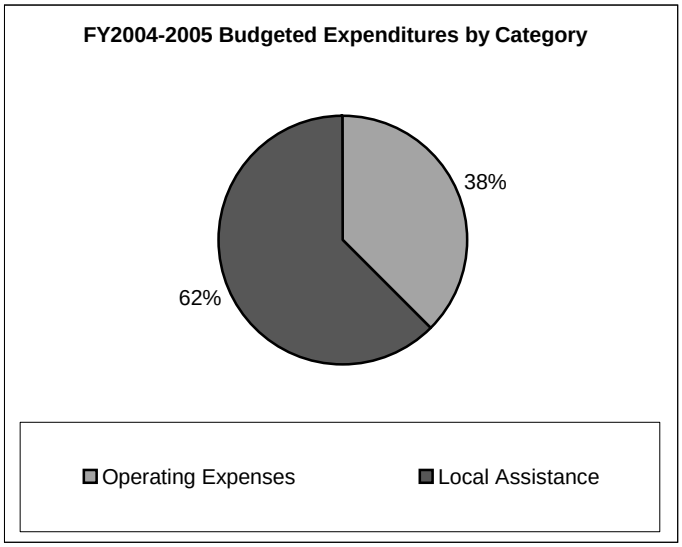
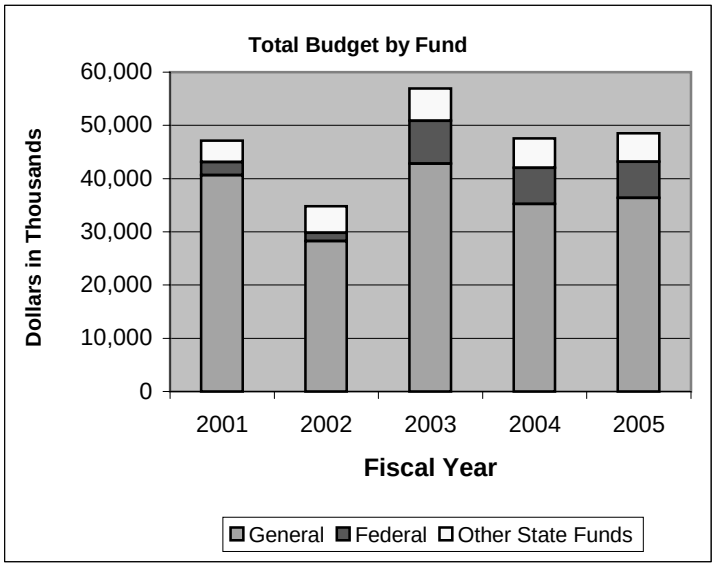


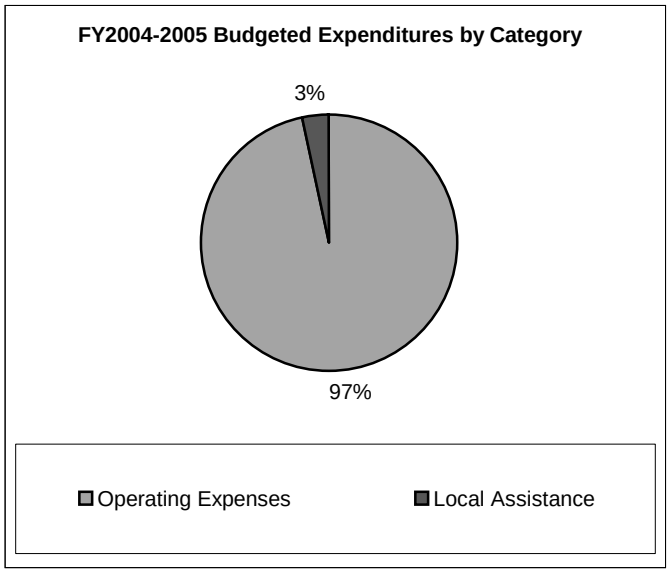


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Special Revenue	936	1,160	1,476	1,452	1,452	2,904
Total	**936**	**1,160**	**1,476**	**1,452**	**1,452**	**2,904**
Expenditures by Category						
Operating Expenses	441	437	545	545	545	1,090
Local Assistance	495	723	931	907	907	1,814
Total	**936**	**1,160**	**1,476**	**1,452**	**1,452**	**2,904**
Revenue by Type and Fund						
Dedicated						
Special Revenue	876	1,175	1,452	1,452	1,452	2,904
Subtotal Dedicated	876	1,175	1,452	1,452	1,452	2,904
Total Revenue	876	1,175	1,452	1,452	1,452	2,904
Full-Time Equivalents (FTE)	**4.9**	**5.5**	**6.1**	**6.1**	**6.1**	

Budget Activities Included:

⇒ Forensic Science Laboratory
⇒ Criminal Justice Information System
⇒ Criminal Investigations
⇒ Police Training and Development
⇒ Criminal Apprehension Support





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	39,432	27,652	39,685	33,774	34,905	68,679
State Government Special Revenue	2	2	12	7	7	14
Special Revenue	558	475	627	635	635	1,270
Trunk Highway	139	346	369	361	361	722
Statutory Appropriations						
General	1,215	597	3,100	1,428	1,453	2,881
Special Revenue	3,079	4,130	5,010	4,560	4,380	8,940
Federal	2,449	1,576	8,100	6,797	6,800	13,597
Gift	256	9	11	2	2	4
Total	**47,130**	**34,787**	**56,914**	**47,564**	**48,543**	**96,107**
Expenditures by Category						
Operating Expenses	45,820	34,066	51,719	45,978	46,957	92,935
Payments To Individuals	2	3	0	0	0	0
Local Assistance	1,308	718	5,195	1,586	1,586	3,172
Total	**47,130**	**34,787**	**56,914**	**47,564**	**48,543**	**96,107**
Expenditures by Activity						
Forensic Science Laboratory	9,850	7,692	9,838	9,737	9,700	19,437
Criminal Justice Inform. Sys.	24,562	16,119	34,692	25,722	26,889	52,611
Criminal Investigations	10,659	8,773	9,859	9,968	9,816	19,784
Police Training & Development	1,381	1,497	1,703	1,278	1,263	2,541
Criminal Apprehension Support	678	706	822	859	875	1,734
Total	**47,130**	**34,787**	**56,914**	**47,564**	**48,543**	**96,107**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	62	278	252	252	252	504
Cambridge Deposit Fund	234	-3	0	0	0	0
Subtotal Non Dedicated	296	275	252	252	252	504
Dedicated						
General	1,358	1,312	1,220	1,302	1,296	2,598
Special Revenue	3,382	3,677	3,837	3,738	3,575	7,313
Federal	2,453	1,555	7,972	6,797	6,800	13,597
Gift	266	6	2	2	2	4
Subtotal Dedicated	7,459	6,550	13,031	11,839	11,673	23,512
Total Revenue	**7,755**	**6,825**	**13,283**	**12,091**	**11,925**	**24,016**
Full-Time Equivalents (FTE)	**258.1**	**295.5**	**322.4**	**299.6**	**293.6**	

Activity Description

The Forensic Science Service provides scientific examinations of physical evidence from Minnesota's law enforcement agencies. It provides expert witness testimony to the courts, assists law enforcement in the processing of major crime scenes to recover evidence, and instructs law enforcement in the proper collection and presentation of physical evidence.

Activity at a Glance

- Served 713 law enforcement agencies from all 87 counties in FY2002
- Examined 11,740 cases and made 184 court appearances in FY2002

Population Served

The laboratory serves the entire criminal justice community in Minnesota. The lab also collaborates 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 samples 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 Bureau of Criminal Apprehension (BCA) Forensic Science Service operates a full service forensic science lab in St. Paul and a partial service regional lab in Bemidji. Laboratory 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 biology/DNA. Scientists also provide expert witness courtroom testimony at trial in each of these areas. The St. Paul lab is accredited by the American Society of Crime Laboratory Directors Laboratory Accreditation Board.

Crime scene processing service is provided by scientists who have received additional training in the identification and collection of physical evidence from potential homicides throughout the state. Teams from both St. Paul and Bemidji are on-call 24 hours a day to respond to requests for assistance.

The BCA lab operates a statewide DWI testing program. The BCA lab maintains 198 intoxilyzers (breath alcohol testing instruments) at 195 law enforcement agency locations throughout the state. The lab certifies officers to operate the instruments. Last year the lab trained 303 officers at a one-week training program and re-certified 1,518 officers through a half-day course. Trained operators performed 27,000 tests in 2001. In addition, the lab analyzes blood and urine samples for alcohol and drug levels for DWI cases in the state (5,286 cases).

The BCA lab maintains a DNA offender database referred to as CODIS (Combined DNA Index System). The database has over 17,000 offenders DNA 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 one million offenders from all fifty states.

The BCA lab maintains a cartridge case database originally called DRUGFIRE that was operated by the FBI. Through a cooperative agreement between the FBI and the ATF, the system has been replaced by the NIBIN system operated by ATF. With over 281 submissions in FY02, the system is used to link firearms related cases.

The BCA lab maintains a database of latent fingerprints that are searched against all the fingerprints in the MAFIN system (Midwestern Automated Fingerprint Identification Network) which is operated by the BCA Criminal Justice Information System Division. Thousands of latent fingerprints are entered every year and searched against that database (all arrest fingerprints are searched against the unsolved latent fingerprint database).

The laboratory provides scientists as 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

In August of 2001, the lab opened a regional lab in Bemidji. Services provided from this regional lab include drugs, latent prints, firearms, and DNA. The scientists from the Bemidji facility also serve on the crime scene response teams, increasing the speed at which the BCA can respond to crime scenes in the northern half of the state. The American Society of Crime Laboratory Directors Laboratory Accreditation Board (ASCLD/LAB) accredits the St. Paul lab. The Bemidji lab will apply for accreditation in 2004.

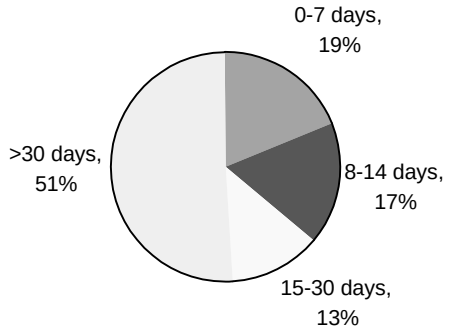
In July of 2002, the number of offenders required to provide DNA was expanded from all violent offenders (4,000 a year) to all felony-level offenders (21,000 per year). No funding was provided for the analysis of these samples; therefore, the BCA will be seeking federal grants to comply with this mandate. The felony DNA legislation expires on June 30, 2003. To reduce collection costs for local agencies, the lab has developed a technique involving the swabbing of the inside of the cheek rather than drawing blood.

With stricter, felony-level DWI provisions going into effect in August of 2002, the BCA lab is anticipating increased court testimony as a result of that change.

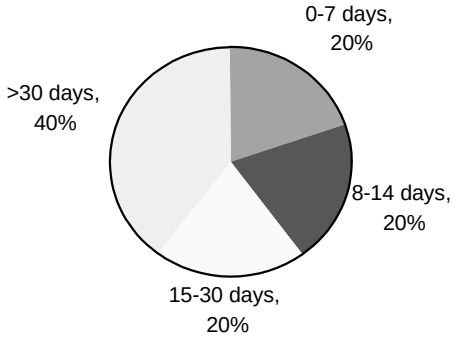
Key Measures

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 49% in FY2002 to 60% in FY2003.

FY02 Case Turn-around



FY03 Case Turn-around



Activity Funding

This activity is funded by a mix of General Fund appropriations (89%), Special Revenue Funds (6%), Trunk Highway (4%), and Federal Funds (1%). Two of the services provided are funded in part from Special Revenue Fund accounts: DWI alcohol lab analysis and alcohol breathe testing certification classes. DWI alcohol lab analysis is funded through driver license reinstatement fees and the alcohol certification classes through fee collections. DWI alcohol lab analysis is also funded in part from the Trunk Highway Fund as it relates to State Patrol DWI arrest activity.

Contact

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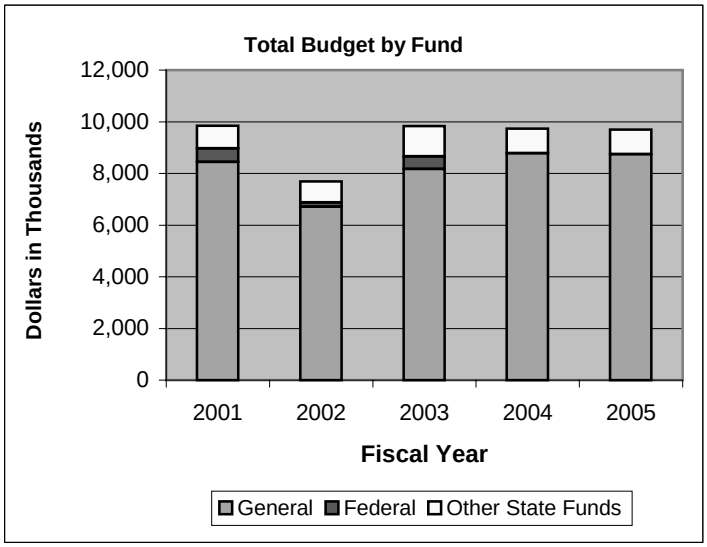
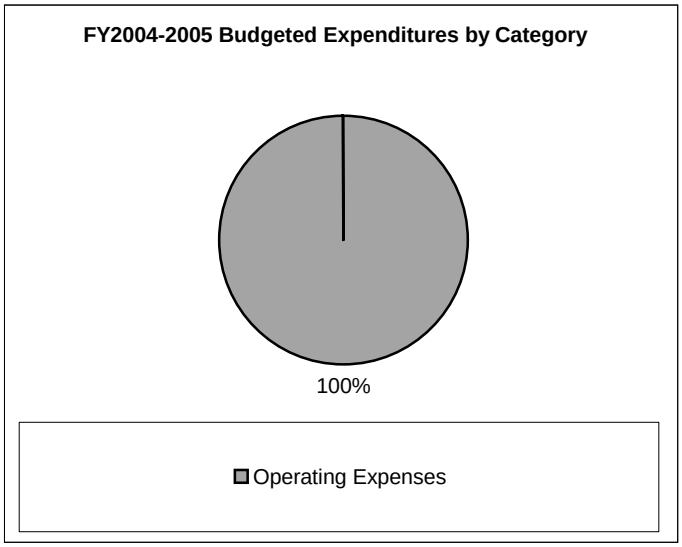
http://www.dps.state.mn.us/bca/lab/documents/Lab-Intro.html





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	8,437	6,713	8,149	8,756	8,719	17,475
Special Revenue	455	416	488	500	500	1,000
Trunk Highway	139	346	369	361	361	722
Statutory Appropriations						
General	4	0	20	20	20	40
Special Revenue	32	48	316	100	100	200
Federal	527	160	492	0	0	0
Gift	256	9	4	0	0	0
Total	**9,850**	**7,692**	**9,838**	**9,737**	**9,700**	**19,437**

Expenditures by Category						
Operating Expenses	9,850	7,692	9,838	9,737	9,700	19,437
Total	**9,850**	**7,692**	**9,838**	**9,737**	**9,700**	**19,437**

Revenue by Type and Fund						
Dedicated						
General	0	13	10	10	10	20
Special Revenue	105	100	100	100	100	200
Federal	527	160	492	0	0	0
Gift	265	4	0	0	0	0
Subtotal Dedicated	897	277	602	110	110	220
Total Revenue	897	277	602	110	110	220

Full-Time Equivalents (FTE)	**78.7**	**84.9**	**89.3**	**77.1**	**75.1**

Activity Description

The Criminal Justice Information Systems Unit (CJIS) 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.

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.

Activity at a Glance

- 102,000 fingerprint cards were received in 2001. In 2002, 66% have been received electronically from 120 booking agencies equipped with livescan devices.
- 121,000 background checks were conducted at the Bureau of Criminal Apprehension (BCA) plus 170,000 background checks were electronically conducted by the Department of Human Services in 2001.
- 625 agencies and 8,500 devices (terminals and mobile data computers) are connected to the statewide Criminal Justice Data Network.
- 115,000 records are in the Minnesota Repository of Arrest Photos (MRAP).

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;
- legislatively mandated background checks for teachers, school bus drivers, security guards, etc.;
- 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; and
- operational processing of all fingerprint cards (electronic and paper) to create a central repository for identification and criminal histories.

Historical Perspective

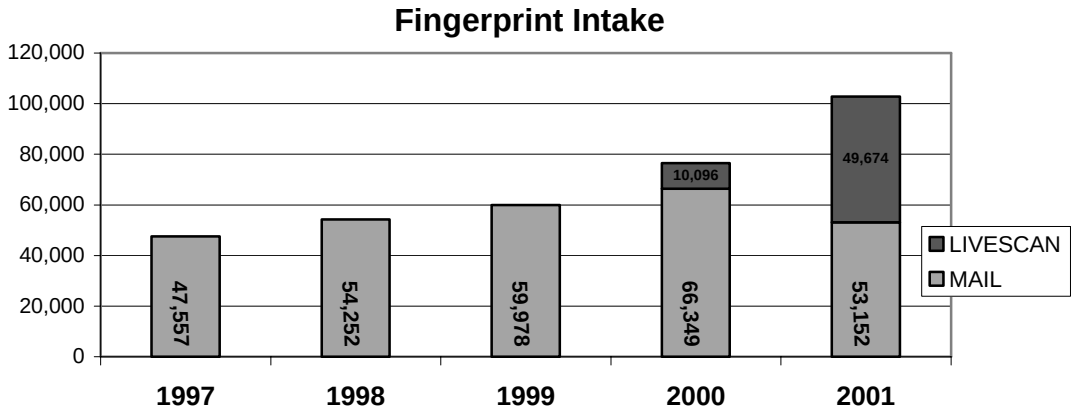
In the wake of the September 11th attacks, it became apparent that federal detainees held in Minnesota jails were not being checked against the CJIS files of Minnesota offenders, nor were the fingerprints being forwarded to the FBI in a timely manner. Given the ability of CJIS to submit fingerprints to the FBI within hours of booking, CJIS will begin accepting fingerprints on these detainees from the jail booking agencies.

CJIS is also very involved in CriMNet, the integration of state and federal criminal justice information systems, through its work to address court disposition data that is suspended from entry into the statewide criminal history system because of erroneous data or fingerprint identification.

During the last legislative session, CJIS was given the additional responsibility of collecting data on the number of permits to carry concealed weapons, and racial profiling throughout the state.

Key Measures

1. **The number of fingerprints processed.** Fingerprint intake has grown by over 116% since 1997 due to the BCA's efforts to promote the importance of submitting fingerprints and the deployment of electronic fingerprint capture devices (livescan). Additionally, the number of fingerprint images has increased 30% for the first six months of 2002 compared to the first six months of 2001.



2. **The number of non-criminal justice background checks completed.** Over 300,000 non-criminal background checks were completed in FY 2002.

3. **The number of transactions the CJDN network supports.** In FY 2002, CJDN had approximately 1,000,000 transactions per day and 10,000 devices.

Activity Funding

This activity is funded by a mix of General Fund appropriations (78%), Special Revenue Funds (14%), and Federal Funds (8%). 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.

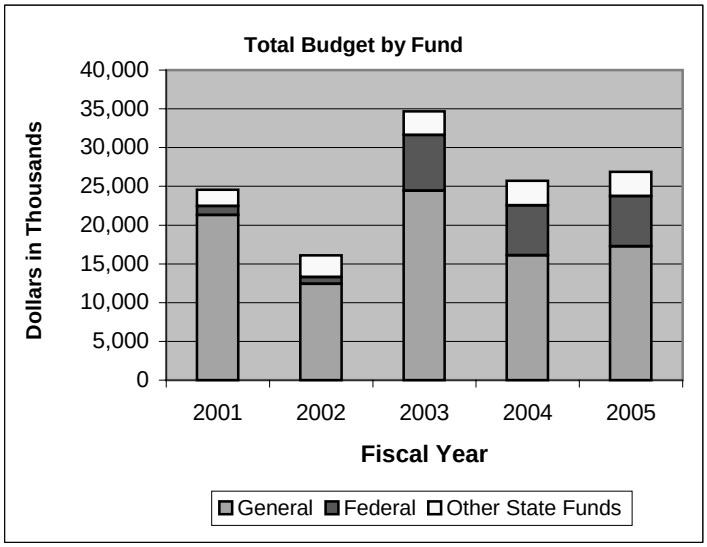
Contact

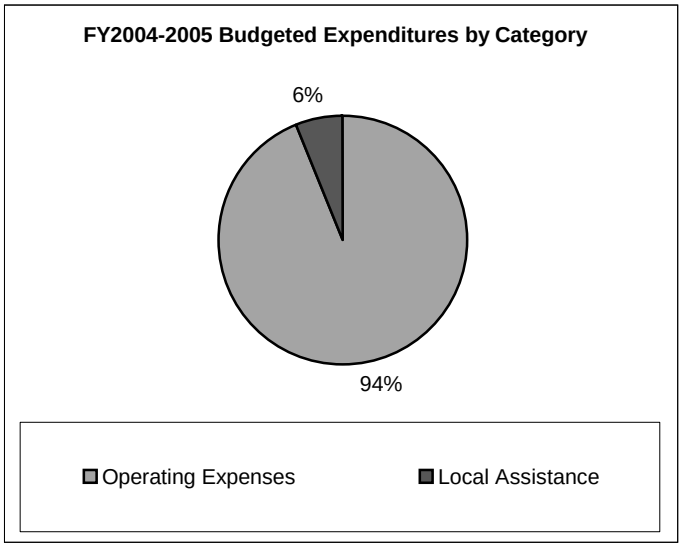
Robert Johnson
Director, CJIS
(651) 642-0670

http://www.dps.state.mn.us/bca/CJIS/Documents/CJIS-Intro.html

PUBLIC SAFETY DEPT
Program: CRIMINAL APPREHENSION
Activity: CRIMINAL JUSTICE INFORM. SYS.

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	20,159	11,826	21,373	14,681	15,836	30,517
Statutory Appropriations						
General	1,155	597	3,080	1,408	1,433	2,841
Special Revenue	2,091	2,813	3,059	3,181	3,168	6,349
Federal	1,157	883	7,180	6,452	6,452	12,904
Total	**24,562**	**16,119**	**34,692**	**25,722**	**26,889**	**52,611**
Expenditures by Category						
Operating Expenses	23,438	15,400	29,499	24,140	25,307	49,447
Payments To Individuals	2	3	0	0	0	0
Local Assistance	1,122	716	5,193	1,582	1,582	3,164
Total	**24,562**	**16,119**	**34,692**	**25,722**	**26,889**	**52,611**
Revenue by Type and Fund						
Non Dedicated						
General	1	240	211	211	211	422
Cambridge Deposit Fund	234	-3	0	0	0	0
Subtotal Non Dedicated	235	237	211	211	211	422
Dedicated						
General	1,346	1,299	1,200	1,282	1,276	2,558
Special Revenue	2,408	2,728	2,685	2,856	2,843	5,699
Federal	1,155	882	7,180	6,452	6,452	12,904
Gift	1	2	0	0	0	0
Subtotal Dedicated	4,910	4,911	11,065	10,590	10,571	21,161
Total Revenue	**5,145**	**5,148**	**11,276**	**10,801**	**10,782**	**21,583**
Full-Time Equivalents (FTE)	**58.3**	**92.4**	**113.3**	**109.3**	**109.3**	

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 computer 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.
- In a 2001 client survey, Minnesota sheriffs were asked to "rate the quality of investigative assistance provided by the BCA." Results: Excellent (60) Good (6) Fair (1).

Population Served

The investigative units serve the entire criminal justice community in the state. Field offices are located in Bemidji, Brainerd, Center City, Duluth, Hastings, Mankato, Marshall, Moorhead, Rochester, St. Cloud, Thief River Falls, 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.

Special Operations provides 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. Agents also provide advanced surveillance, computer, and other technical assistance in support of investigations throughout the state.

Special Investigations primarily conducts investigations of upper-level, interstate, and international drug trafficking organizations operating within the state. Agents in this unit also conduct juvenile prostitution, anti-terrorism, and fugitive investigations.

The **St. Paul Regional Office** investigates murders, sexual assaults, and other violent crimes throughout the southern half of the state. This office also directs the Criminal Assessment Program (CAP) which includes criminal profiling, the Predatory Offender Registration Program, the Missing Children Program, and the Cold Homicide Case Unit. The **Bemidji Regional Office** provides the same investigative services to the northern half of the state.

Special Agents partner with multi-jurisdictional task forces such as Drug Enforcement Agency Task Force, Federal Bureau of Investigation (FBI) Violent Crime/Fugitive Task Force, and the FBI Joint Terrorism Task Force.

Historical Perspective

⇒ The BCA has 69 agents. Approximately half are assigned to our 12 field offices. These field offices geographically located to provide timely responses to requests for investigative assistance by local agencies.

⇒ In recent years, the BCA has been called upon to provide advanced technological assistance for reactive and proactive investigations. This type of investigative service includes wiretaps, specialized surveillance, and analyses of computers used in crimes against persons.

⇒ In 1989, the BCA Crime Scene Team was formed and responded to eight death, kidnapping, or otherwise violent crime scenes. In 2001, the team responded to 96 such requests for assistance.

⇒ The Predatory Offender Registration System was established at the BCA in 1991 with 300 registered offenders. Today, there are 12,500 offenders registered. In the past year, all registration records were made immediately accessible on-line to over 140 local law enforcement agencies throughout the state. The plan is to expand accessibility to other agencies.

Key Measures

The number of law enforcement and criminal justice agencies that have immediate, on-line access to the 12,500 Predatory Offender Registration records. The goal is to increase this number from 152 agencies to 383 agencies by June 30, 2003.

Activity Funding

This activity is funded by a mix of General Fund appropriations (85%), Special Revenue Funds (10%), and Federal Funds (5%). A portion of the Special Revenue funding is from deposition 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.

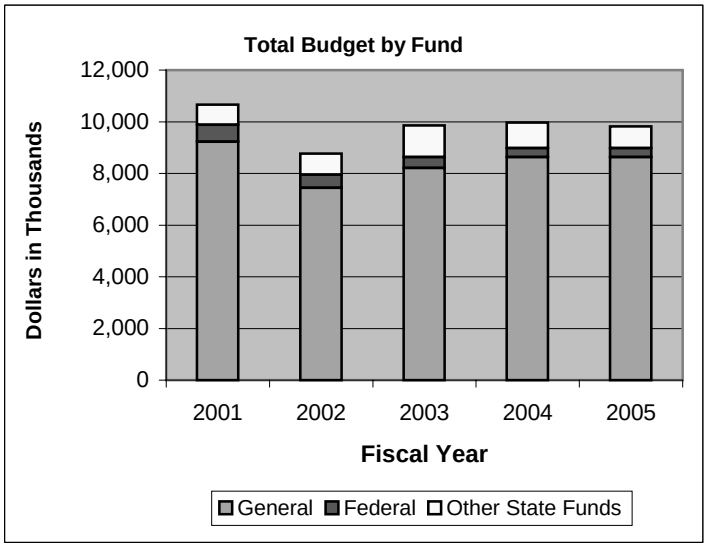
Contact

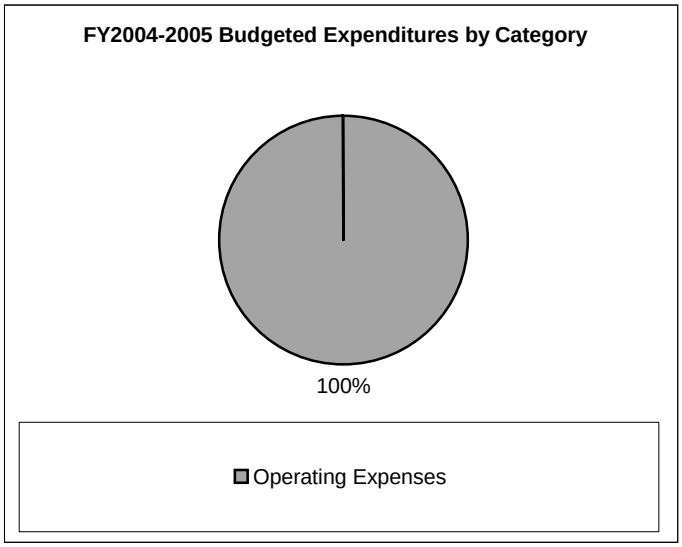
Timothy O'Malley
Assistant Superintendent
(651) 642-0600

http://www.dps.state.mn.us/bca/invest/documents/Inv-Intro.html

PUBLIC SAFETY DEPT
Program: CRIMINAL APPREHENSION
Activity: CRIMINAL INVESTIGATIONS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	9,166	7,440	8,206	8,628	8,628	17,256
Statutory Appropriations						
General	56	0	0	0	0	0
Special Revenue	782	817	1,225	995	840	1,835
Federal	655	516	428	345	348	693
Total	**10,659**	**8,773**	**9,859**	**9,968**	**9,816**	**19,784**
Expenditures by Category						
Operating Expenses	10,473	8,771	9,857	9,964	9,812	19,776
Local Assistance	186	2	2	4	4	8
Total	**10,659**	**8,773**	**9,859**	**9,968**	**9,816**	**19,784**
Revenue by Type and Fund						
Non Dedicated						
General	61	38	41	41	41	82
Subtotal Non Dedicated	61	38	41	41	41	82
Dedicated						
General	12	0	10	10	10	20
Special Revenue	821	395	730	550	400	950
Federal	662	498	300	345	348	693
Subtotal Dedicated	1,495	893	1,040	905	758	1,663
Total Revenue	**1,556**	**931**	**1,081**	**946**	**799**	**1,745**
Full-Time Equivalents (FTE)	**102.8**	**99.2**	**100.7**	**96.1**	**92.4**	

Activity Description

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, evidence collection, 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

- 80 courses offered to 2,808 students in FY2002
- Four major conferences held FY 2002 (150+ participants)
- 688 new businesses joined Minnesota Crime Alert Network in FY 2002
- 220,830 crime prevention and narcotics informational materials distributed

BCA Drug Abuse Resistance Education (D.A.R.E.) training specialists prepare officers to teach elementary and junior high school children effective strategies to build student self-esteem, avoid drug abuse, and remain non-violent.

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.

This unit also oversees 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: 1) the Amber Alert program, which is a collaboration between law enforcement and local broadcasters to alert the public through an early warning system when a child has been abducted 2) the Missing Persons' Clearinghouse, a web site where citizens can forward tips relating to missing children.

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 and Development 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. The unit makes use of emerging technologies to improve its effectiveness and offers some interactive web-based training for sworn personnel. This year, the unit has also coordinated in-service training for all Bureau supervisors on identified management and supervisory issues.

Historical Perspective

The major recent changes to the Training and Development Unit have come in the form of technology advances. A new registration system was developed that has increased staff efficiency by consolidating and computerizing major tasks. Web-based training has increased efficiency in the BCA and reduced costs for local law enforcement agencies. Other recent innovations include the unit's collaboration with federal and private entities to produce educational materials on narcotics identification.

Key Measures

⇒ Evaluation rating for courses offered by the Training and Development Unit (average was 8.5 in FY2002 on a scale of 1 to 10).

⇒ The number of Crime Watch and narcotics informational materials disseminated (220,000 in FY2002).

⇒ The number of members on the Minnesota Crime Alert Network (7,817 members in FY2002).

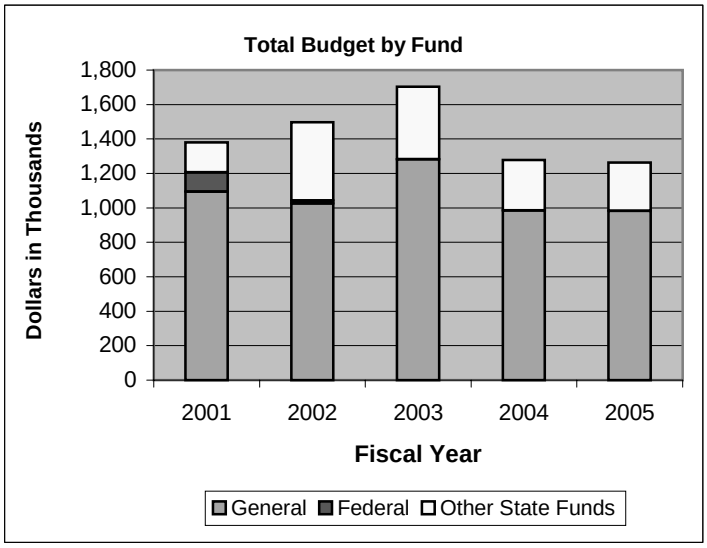
Activity Funding

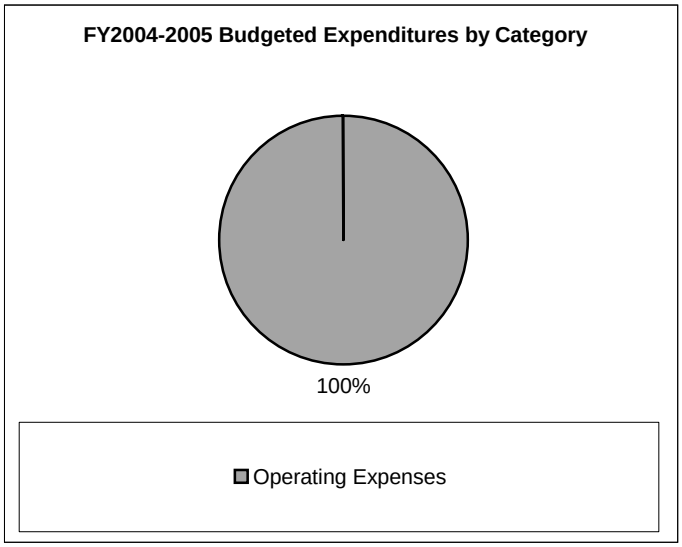
This activity is funded by a mix of General Fund appropriations (75%) and Special Revenue Funds (25%). A portion of the costs of providing peace officer training is recovered through fees. A fee is charged to the members of the Crime Alert Network to recover a portion of the costs for sending electronic transmissions of information regarding crime, including missing children and crime prevention information.

Contact

Linda Finney
Special Agent in Charge
(651) 642-0660

http://www.dps.state.mn.us/bca





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,095	1,026	1,282	985	982	1,967
State Government Special Revenue	2	2	12	7	7	14
Statutory Appropriations						
Special Revenue	174	452	402	284	272	556
Federal	110	17	0	0	0	0
Gift	0	0	7	2	2	4
Total	**1,381**	**1,497**	**1,703**	**1,278**	**1,263**	**2,541**
Expenditures by Category						
Operating Expenses	1,381	1,497	1,703	1,278	1,263	2,541
Total	**1,381**	**1,497**	**1,703**	**1,278**	**1,263**	**2,541**
Revenue by Type and Fund						
Dedicated						
Special Revenue	48	454	302	232	232	464
Federal	109	15	0	0	0	0
Gift	0	0	2	2	2	4
Subtotal Dedicated	157	469	304	234	234	468
Total Revenue	157	469	304	234	234	468
Full-Time Equivalents (FTE)	**11.5**	**11.6**	**11.6**	**9.6**	**9.3**	

Activity Description

The support division sets policy and provides leadership and managerial support to the Bureau of Criminal Apprehension (BCA). It also provides daily financial, administrative, human resources, data practices, and legislative support.

Population Served

The entire criminal justice community (1,400 autonomous agencies) is served by the various BCA activities. This division 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 that communities are safer.

Activity at a Glance

- A recent survey of sheriffs showed that 97% of sheriffs rated overall satisfaction with BCA services as Excellent/Good
- $100,000 each year is used to assist agencies with unanticipated costs associated with complex investigations (299C.065)
- $50,000 each year is used to assist local agencies with witness/victim protection costs (299C.065)

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 & Training Board; Private Detective and Protective Agents' Services Board; Narcotics Enforcement Coordinating Committee; Gang Strike Force; and numerous national, state, and local criminal justice policy development and implementation organizations. This division 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, and 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, as well as the business community.

It is the responsibility of this division 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. BCA Support also administers the Undercover Buy Fund and the Witness/Victim Protection program (299C.065), which provide resources to local agencies to assist in the investigation of violent crimes and other complex, long-term, and multi-jurisdictional investigations.

Historical Perspective

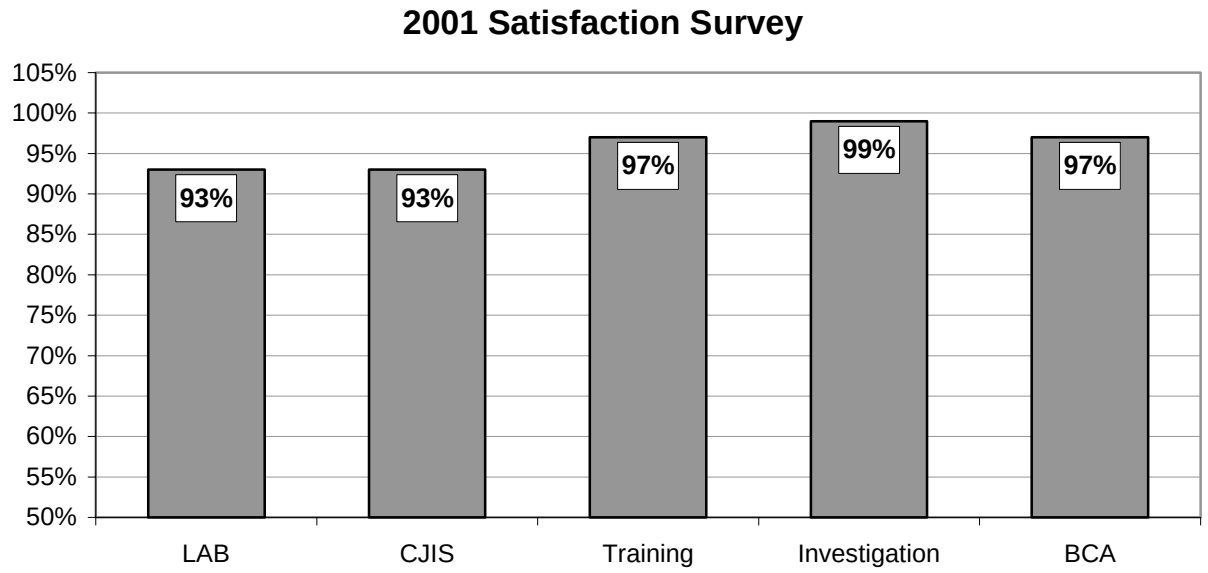
During the past two years, BCA Support has been involved in the design, construction, and opening of the remote facility in Bemidji, which opened in August of 2001. The facility provides forensic laboratory services, information systems training/auditing, and investigative support to the northern half of Minnesota. This division is also currently involved in construction, coordination, staffing, equipping, and planning the move of staff and equipment, including highly sensitive computer and scientific equipment, to the new St. Paul facility, slated to open in August 2003.

BCA Support continually responds to changes and trends in criminal activity which changes the needs of its clientele. Overall, new challenges for the BCA include: growth in methamphetamine labs; expanded DNA collection; upgraded technology; and the increased number of background checks.

The BCA continues to explore creative means of funding critical activities through federal grants, foundations, dedicated receipts, and forfeited property. During the previous year, the BCA has worked closely with the business community to develop a reward program called Spotlight on Crime (299C.066). Spotlight on Crime funds provide cash rewards for information that helps solve violent crimes. This program is a collaboration between members of the Minnesota Business Partnership and public safety officials.

Key Measures

Satisfaction of clientele. The BCA measured satisfaction of its clientele through a survey of state sheriffs in 2001. The chart below indicates the percentage in each area that was rated excellent/good.



Activity Funding

This activity is funded by a mix of General Fund appropriations (89%) and Special Revenue Funds (11%). The Special Revenue Funds are use to assist law enforcement agencies with unanticipated costs associated with complex investigations. These reimbursements are funded through the driver license reinstatement fees.

Contact

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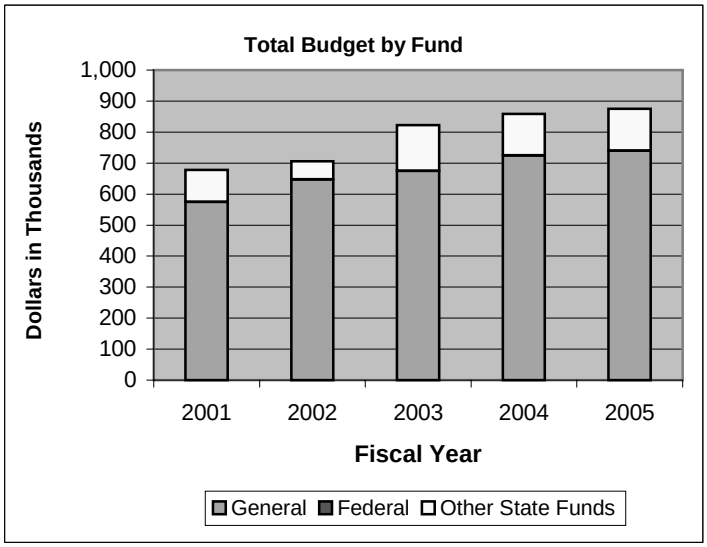
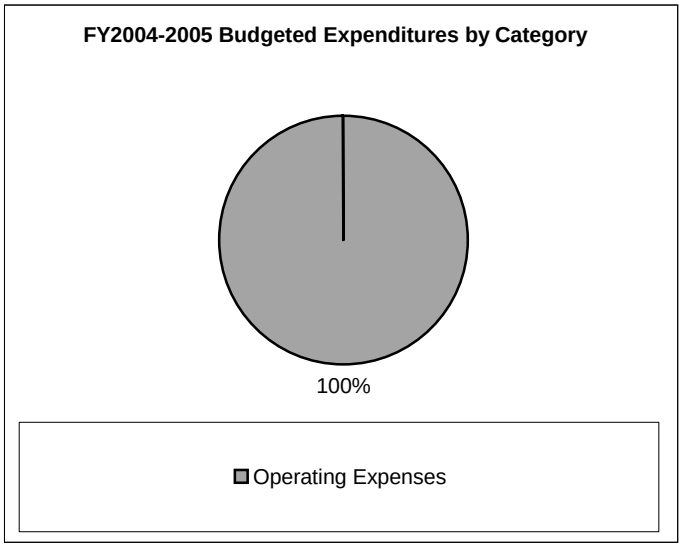
Superintendent
(651) 641-0600

http://www.dps.state.mn.us/bca/bca.html

PUBLIC SAFETY DEPT
Program: CRIMINAL APPREHENSION
Activity: CRIMINAL APPREHENSION SUPPORT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	575	647	675	724	740	1,464
Special Revenue	103	59	139	135	135	270
Statutory Appropriations						
Special Revenue	0	0	8	0	0	0
Total	**678**	**706**	**822**	**859**	**875**	**1,734**
Expenditures by Category						
Operating Expenses	678	706	822	859	875	1,734
Total	**678**	**706**	**822**	**859**	**875**	**1,734**
Revenue by Type and Fund						
Dedicated						
Special Revenue	0	0	20	0	0	0
Subtotal Dedicated	0	0	20	0	0	0
Total Revenue	**0**	**0**	**20**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**6.8**	**7.4**	**7.5**	**7.5**	**7.5**	

Program Description

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, ten fire/arson investigators and one arson investigation 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** – 21 inspectors and three 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. They also inspect flammable/combustible liquid and liquefied petroleum (LPG) installations plans for compliance with the Minnesota Uniform Fire Code. In addition, inspectors also conduct site visits and 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 supervisor and two sprinkler plan reviewers 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. One statewide field inspector is responsible for ensuring that properly designed systems are properly installed.

⇒ **Juvenile Firesetter Intervention** – One deputy state fire marshal is responsible for this program. Juvenile firesetting is a significant problem in our state. In calendar year 2000, 318 fires involved children playing with fire; these fires resulted in $2.6 million in direct dollar loss. This position works with families and children, fire and law enforcement, mental health associations, and the juvenile justice system to promote fire safety.

⇒ **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 160,000 incident reports annually and provides technical assistance to all Minnesota fire departments.

⇒ **Fireworks –** SFM is required to enforce guidelines on 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 outlining the number of shells used, property damage, injuries, and product defects.

⇒ **Public Fire Safety Education –** SFM and local fire service communities combine efforts to help Minnesotans achieve safer, healthier lives and environments. Fire and life safety education is an on-going challenge. SFM is involved in many fire education events/programs throughout the state.

Program at a Glance

- Fire arson investigators were called to 443 fire scenes in 2001; 163 of these were determined to be arson and accounted for $97.8 million in property loss.
- SFM inspection teams completed 6,727 inspections in 2001; these inspections found 13,790 violations.
- There were 47 fires deaths in 2001; 41 (87%) were in residential dwellings.
- Total fire dollar loss in 2001 was $174 million.

Historical Perspective

The SFM Division was created through legislation in 1905; by 1913, a funding mechanism was deemed necessary and the State Fire Marshal Tax was implemented. Insurance companies pay ½ of 1% of property insurance premiums written in the state. The division's activities are funded through a General Fund appropriation.

⇒ **Health Care Inspections –** This program, which includes seven inspectors, one supervisor, and one support staff person, is funded by an interagency agreement between the Department of Health and SFM that has been in effect since 1986. This is a federal appropriation to the Minnesota Department of Health from the federal Center for Medicare/Medicaid Services. Health care inspections include hospitals, nursing homes, and foster care and group homes.

- ⇒ **School Inspections** – In 1990, the Department of Children, Families and Learning (CFL) and SFM entered into a contract agreement to inspect public schools and to review school plans and specifications for new construction and remodeling projects to ensure fire safety, code compliance, and appropriate use of state health and safety money. Three SFM deputies do school inspections, one deputy reviews plans, and one supervisor is partially funded. A new scenario for a funding source is being developed for the balance of FY 2003, between SFM and CFL.
- ⇒ **Fire Protection Systems –** In 1992, the legislature authorized SFM to regulate the fire sprinkler protection industry through licensing and/or certification of contractors and installers and plan review functions.
- ⇒ **Daycare Inspections –** SFM is required to ensure that all daycare facilities in the state are inspected by local fire departments or SFM; 2002 legislation allows authorized fire inspectors to collect a fee of up to $50 for each daycare inspection to help recover the costs associated to these inspections. On average, SFM conducts 1,500 daycare inspections per year.

Key Measures

- ⇒ **The number of plan reviews necessary per permit.**
  Expansion of the construction industry has dramatically increased the demands on this program. Permits issued have increased. Plan reviews conducted are approximately 1½ times the number of permits issued and approximately 45% of all plans received require more than one review. Due to the number of plans submitted, reviews have been as much as six weeks behind. Revenue collected for this program in FY 2002 and FY 2003 was in excess of $431,000 (estimate), while the General Fund appropriation to fund this program is $247,000. SFM's goal is to reduce the number of reviews necessary per plan submission. In addition, a dedicated revenue account would allow this program adequate staffing to address the needs of the industry, fire service, and the general public.
- ⇒ **The number of fire departments that report data to the Minnesota Fire Incident Reporting System (MFIRS).**
  89% of Minnesota's 789 fire departments currently report into the MFIRS system. This division will encourage and assist local fire departments with participating in MFIRS and strive to increase our reporting percentage by 5% in the next biennium. Increased participation allows SFM to have a better awareness of the fire problem in Minnesota.
- ⇒ **The number of arson prosecutions.**
  The goal is that SFM investigators will increase the number of arson cases that are suitable for prosecution. In 2001, 443 fires were investigated, 163 of these fires were determined to be arson.

Program Funding

This program is funded by a mix of General Fund appropriations (82%), Special Revenue Funds (12%), and Federal Funds (6%). The funding mix is changing in FY 2003 for the school inspection program. CFL is no longer providing direct funding from their General Fund appropriations for school inspections. As of October 2002, school districts must contract with SFM for school inspections. Receipts from school district contracts will be deposited in a Special Revenue Fund account. The SFM conducts three separate inspection programs from Special Revenue Fund accounts in FY 2003: schools; daycare; and health care facilities.

Effective August 2002, the SFM may recover the cost of Uniform Fire Code inspections of daycare facilities. Receipts from the inspection fees will be deposited in a Special Revenue fund account.

Fire safety health care inspections under contract with the Department of Health are funded from a Special Revenue Fund account in FY 2003. In prior years, health care inspections were federally funded.

Contact

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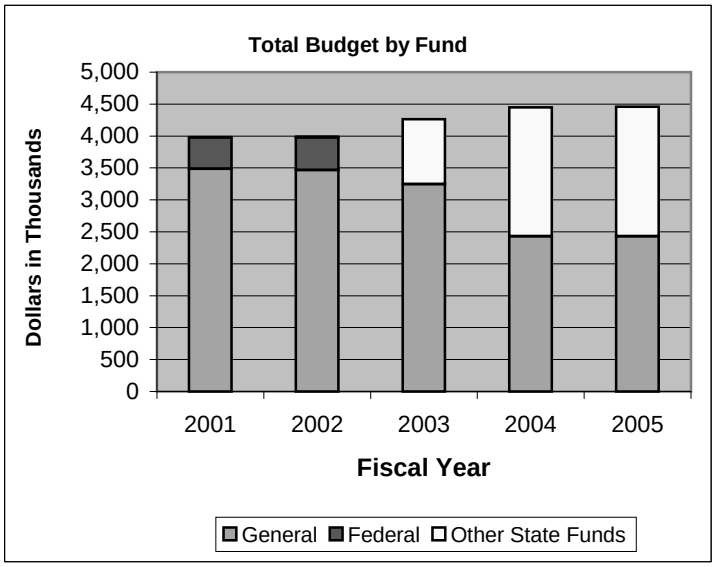
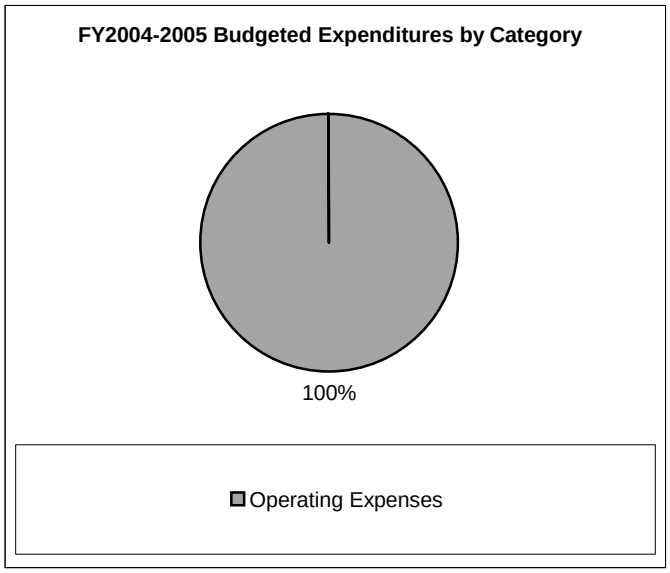
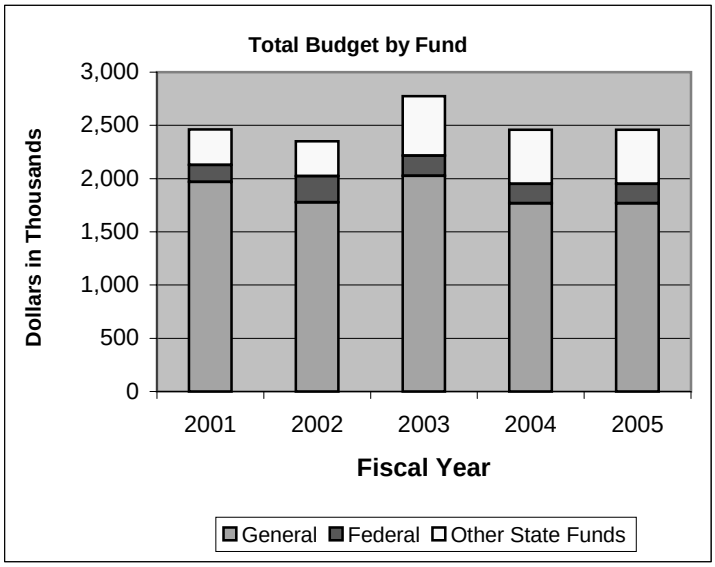


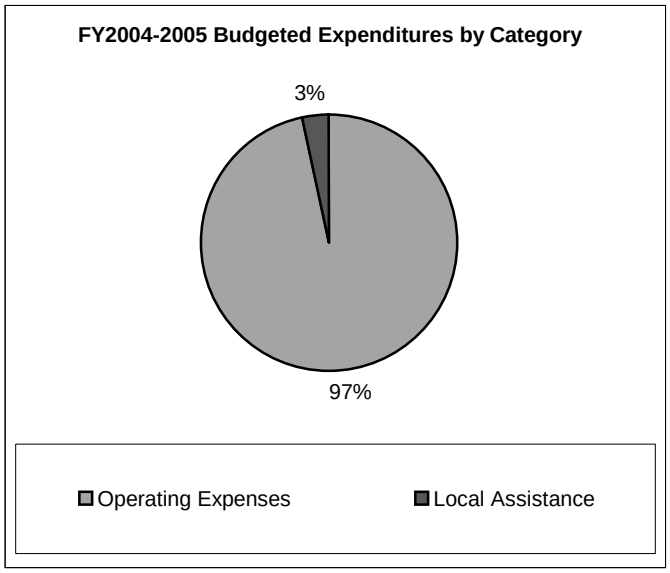


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,166	3,139	3,107	2,427	2,427	4,854
Statutory Appropriations						
General	321	329	138	2	2	4
Special Revenue	0	10	1,018	2,019	2,029	4,048
Federal	489	512	0	0	0	0
Gift	9	0	1	0	0	0
Total	**3,985**	**3,990**	**4,264**	**4,448**	**4,458**	**8,906**
Expenditures by Category						
Operating Expenses	3,985	3,990	4,264	4,448	4,458	8,906
Total	**3,985**	**3,990**	**4,264**	**4,448**	**4,458**	**8,906**
Expenditures by Activity						
Fire Prevention Protection & I	3,985	3,990	4,264	4,448	4,458	8,906
Total	**3,985**	**3,990**	**4,264**	**4,448**	**4,458**	**8,906**
Revenue by Type and Fund						
Non Dedicated						
General	1	425	474	474	474	948
Cambridge Deposit Fund	414	0	0	0	0	0
Subtotal Non Dedicated	415	425	474	474	474	948
Dedicated						
General	322	329	130	2	2	4
Special Revenue	1	11	1,018	2,019	2,029	4,048
Federal	471	524	0	0	0	0
Gift	0	0	1	0	0	0
Subtotal Dedicated	794	864	1,149	2,021	2,031	4,052
Total Revenue	**1,209**	**1,289**	**1,623**	**2,495**	**2,505**	**5,000**
Full-Time Equivalents (FTE)	**53.3**	**50.8**	**50.5**	**44.8**	**43.2**	

Budget Activities Included:

⇒ Gambling Enforcement
⇒ Alcohol Enforcement





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,908	1,672	1,879	1,622	1,622	3,244
Statutory Appropriations						
General	61	106	147	147	147	294
Special Revenue	334	330	559	507	507	1,014
Federal	159	244	190	182	182	364
Total	**2,462**	**2,352**	**2,775**	**2,458**	**2,458**	**4,916**
Expenditures by Category						
Operating Expenses	2,390	2,352	2,695	2,378	2,378	4,756
Local Assistance	72	0	80	80	80	160
Total	**2,462**	**2,352**	**2,775**	**2,458**	**2,458**	**4,916**
Expenditures by Activity						
Gambling Enforcement	1,833	1,684	2,117	1,830	1,830	3,660
Alcohol Enforcement	629	668	658	628	628	1,256
Total	**2,462**	**2,352**	**2,775**	**2,458**	**2,458**	**4,916**
Revenue by Type and Fund						
Non Dedicated						
General	66	1,213	1,348	1,346	1,346	2,692
Cambridge Deposit Fund	1,054	0	0	0	0	0
Subtotal Non Dedicated	1,120	1,213	1,348	1,346	1,346	2,692
Dedicated						
General	205	88	105	105	105	210
Special Revenue	309	338	367	361	361	722
Federal	159	244	190	182	182	364
Subtotal Dedicated	673	670	662	648	648	1,296
Total Revenue	**1,793**	**1,883**	**2,010**	**1,994**	**1,994**	**3,988**
Full-Time Equivalents (FTE)	**26.2**	**27.3**	**27.8**	**25.0**	**23.8**	

Activity Description

Gambling Enforcement conducts background investigations and criminal investigations relating to lawful gambling, the Minnesota Lottery, parimutuel 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

- 26,000 background check requests processed in FY2002
- 10,500 background check fingerprint submissions processed in FY2002
- 229 criminal gambling incidents were reported in FY2002
- 121 civil gambling incidents were reported in FY2002

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 form of gambling and tribal gaming and investigation 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

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 sizeable gambling industry would not be policed given competing priorities. The Gambling Enforcement Division was created so that would not happen. A part of that policing effort occurs in the licensing process, and it has proven to be an excellent front-end control mechanism.

Key Measures

1. **The number of background checks conducted.** Annually, the Gambling Enforcement Division conducts approximately 17,000 background history checks on individuals involved in the gaming industry in Minnesota.

2. **The number of civil and criminal incidents reported.** Of the 350 incidents reported to the Gambling Enforcement Division in FY2002, 229 were criminal and 121 were civil.

Activity Funding

This activity is funded by a mix of General Fund appropriations (78%) and Special Revenue Funds (22%). 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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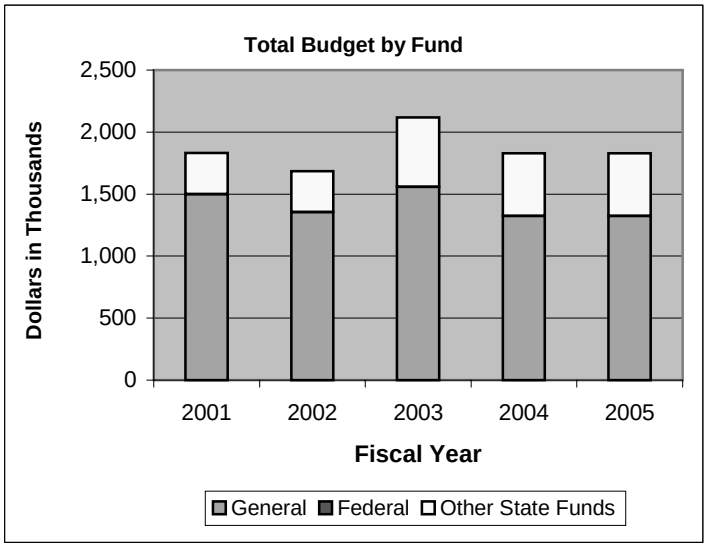

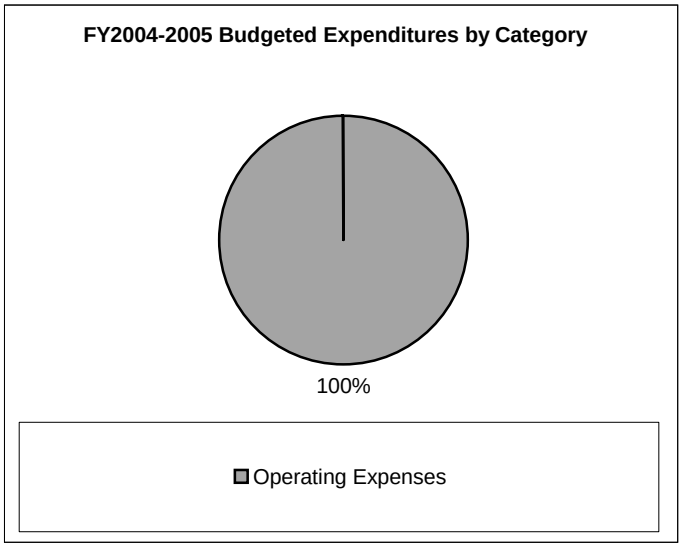

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,438	1,248	1,411	1,176	1,176	2,352
Statutory Appropriations						
General	61	106	147	147	147	294
Special Revenue	334	330	559	507	507	1,014
Total	**1,833**	**1,684**	**2,117**	**1,830**	**1,830**	**3,660**
Expenditures by Category						
Operating Expenses	1,833	1,684	2,117	1,830	1,830	3,660
Total	**1,833**	**1,684**	**2,117**	**1,830**	**1,830**	**3,660**
Revenue by Type and Fund						
Non Dedicated						
General	66	219	386	386	386	772
Cambridge Deposit Fund	163	0	0	0	0	0
Subtotal Non Dedicated	229	219	386	386	386	772
Dedicated						
General	205	88	95	95	95	190
Special Revenue	309	338	367	361	361	722
Subtotal Dedicated	514	426	462	456	456	912
Total Revenue	**743**	**645**	**848**	**842**	**842**	**1,684**
Full-Time Equivalents (FTE)	**18.1**	**18.4**	**18.8**	**16.7**	**15.9**	

Activity Description

The Alcohol Enforcement Division maintains the integrity of the liquor industry, which consists of Minnesota's three tier structure: 1) Manufacturers and Importers, 2) Wholesalers, and 3) Retailers through licensing, enforcement, and regulation.

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.

Activity at a Glance

- Provides consistent, prompt world-class customer service to approximately 12,000 liquor licensees, 853 cities, and 87 county officials
- Conducted approximately 2,698 underage compliance checks in 2001 in municipalities with a 91% compliance rate

Services Provided

Alcohol Enforcement provides uniform direction and response to local units of government to encourage local alcohol issues to remain localized when appropriate.

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 members 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, illegal alcohol promotion and advertising, and delinquent licensees buying alcohol from illegal sources, thereby violating Minnesota's three-tier structure.

Alcohol Enforcement in coordination with the Office of Traffic Safety, participates in an ongoing grant program through the Office of Federal Juvenile Justice and Delinquency Prevention Program to reduce the incidence of underage sale of alcohol at licensed liquor establishments. Local law enforcement agency resources are utilized and compensated for enforcing Minnesota's underage drinking laws, by conducting compliance checks at licensed liquor establishments.

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 & 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 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, records, verifies accuracy and validity, and acts as the sole state repository for 7,000 intoxicating liquor licenses and permits, liquor liability insurance, and 16,000 brand labels. It 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

To provide a safe environment for Minnesota alcohol consumers and citizens in general, the liquor industry requires consistent interpretation, 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 in 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 collaboration with the Office of Federal Juvenile Justice and Delinquency Prevention Program, as well as other various 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 2000, 2,757 compliance checks were conducted under the continuing federal grant program with a 12% failure rate. In 2001, 2,698 underage compliance checks were conducted with a 9% failure rate. Approximately 50 municipalities participate in the compliance check grant program. Communities participating are awarded a specific dollar amount for conducting compliance checks, providing the statistics regarding the compliance checks, and any civil or criminal action taken by the local licensing authority. If no civil action is taken against a licensee that fails an underage compliance check, then Alcohol Enforcement has the authority to do so.

Activity Funding

This activity is funded by a mix of General Fund appropriations (67%) and Federal Funds (33%).

Contact

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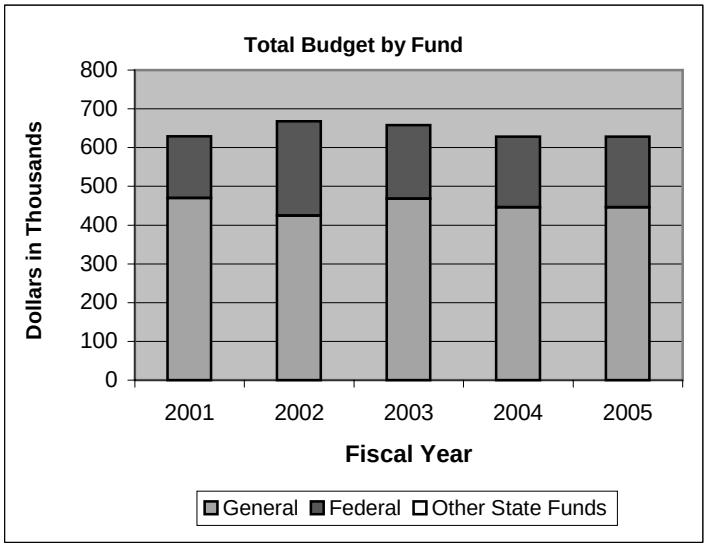
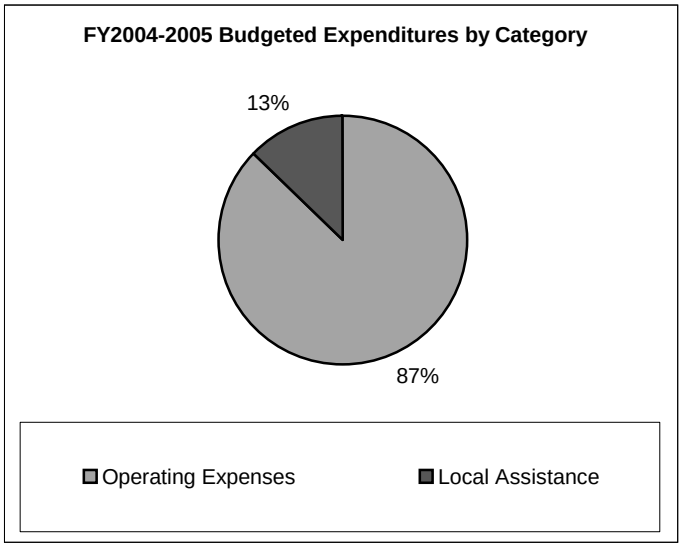
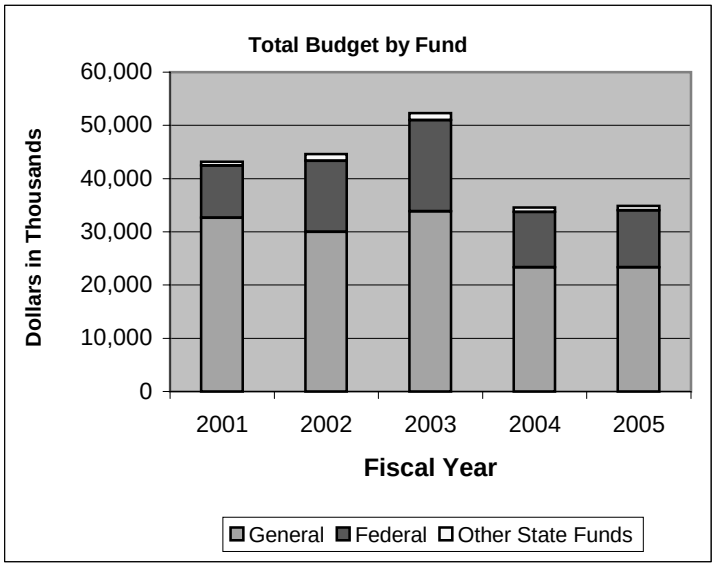


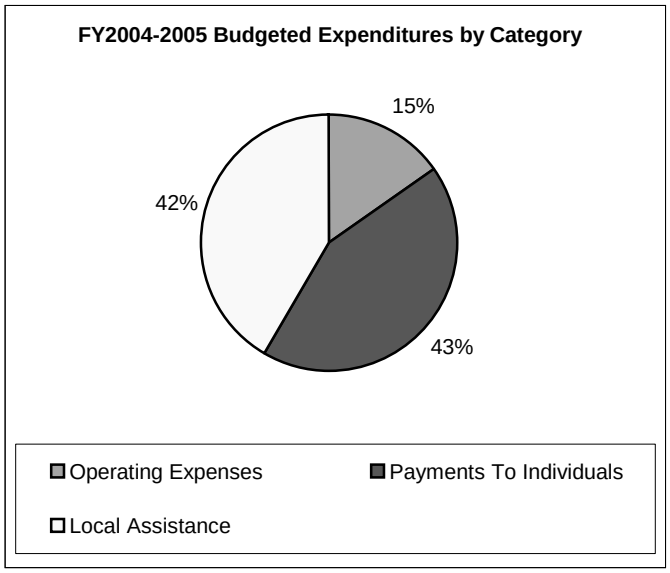


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	470	424	468	446	446	892
Statutory Appropriations						
Federal	159	244	190	182	182	364
Total	**629**	**668**	**658**	**628**	**628**	**1,256**
Expenditures by Category						
Operating Expenses	557	668	578	548	548	1,096
Local Assistance	72	0	80	80	80	160
Total	**629**	**668**	**658**	**628**	**628**	**1,256**
Revenue by Type and Fund						
Non Dedicated						
General	0	994	962	960	960	1,920
Cambridge Deposit Fund	891	0	0	0	0	0
Subtotal Non Dedicated	891	994	962	960	960	1,920
Dedicated						
General	0	0	10	10	10	20
Federal	159	244	190	182	182	364
Subtotal Dedicated	159	244	200	192	192	384
Total Revenue	**1,050**	**1,238**	**1,162**	**1,152**	**1,152**	**2,304**
Full-Time Equivalents (FTE)	**8.1**	**8.9**	**9.0**	**8.3**	**7.9**	

Budget Activities Included:

⇒ Crime Victims Services
⇒ Crime Victims Assistance
⇒ Battered Women





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	32,635	30,020	32,719	23,339	23,339	46,678
Statutory Appropriations						
General	0	0	1,145	0	0	0
State Government Special Revenue	0	0	96	96	96	192
Special Revenue	760	1,257	1,207	768	768	1,536
Federal	9,788	13,302	17,113	10,377	10,676	21,053
Gift	5	1	32	2	2	4
Total	**43,188**	**44,580**	**52,312**	**34,582**	**34,881**	**69,463**
Expenditures by Category						
Operating Expenses	5,520	6,188	6,920	5,367	5,666	11,033
Payments To Individuals	19,179	17,474	19,884	15,379	15,379	30,758
Local Assistance	18,489	20,918	25,508	14,981	14,981	29,962
Transfers	0	0	0	-1,145	-1,145	-2,290
Total	**43,188**	**44,580**	**52,312**	**34,582**	**34,881**	**69,463**
Expenditures by Activity						
Crime Victims Services	4,040	4,264	4,579	4,263	4,560	8,823
Crime Victims Assistance	11,018	14,862	18,528	9,075	9,076	18,151
Battered Women	28,130	25,454	29,205	21,244	21,245	42,489
Total	**43,188**	**44,580**	**52,312**	**34,582**	**34,881**	**69,463**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	0	27	19	19	19	38
Subtotal Non Dedicated	0	27	19	19	19	38
Dedicated						
General	3	0	1,145	0	0	0
State Government Special Revenue	0	0	96	96	96	192
Special Revenue	511	509	511	511	511	1,022
Federal	9,795	13,292	17,135	10,366	10,665	21,031
Gift	17	4	2	2	2	4
Subtotal Dedicated	10,326	13,805	18,889	10,975	11,274	22,249
Total Revenue	**10,326**	**13,832**	**18,908**	**10,994**	**11,293**	**22,287**
Full-Time Equivalents (FTE)	**28.6**	**30.3**	**33.6**	**29.3**	**29.3**	

Activity Description

The Crime Victims Reparations Program provides financial assistance to victims of violent crime. These victims suffer temporary economic hardships for a variety of reasons. This program helps to eliminate some of those added burdens resulting from their victimization. M.S. 611A.51-611A.67 governs this program.

Activity at a Glance

- 1,800 individuals file claims for reimbursement each year
- $2.9 million in claims was paid out in FY 2002

Population Served

Victims, and families 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 seek reimbursement if victims do not have alternative source of payment.

Services Provided

The Reparations Board makes reimbursement payments directly to victims, their families and service providers. 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 program was created by the legislature in 1974. Since that time, over 25,000 victims of violent crime have applied for assistance. An automated reparation claims system was installed in FY 2001 for the purpose of reducing the time required for processing claims. The program conducts outreach activities throughout the state to make sure that crime victims in every region obtain information about the reparations program.

Key Measures

⇒ **The number of days it takes to process claims.** The reparations program would like to reduce the processing time from the current average of 175 days to the national standard of 90 days.

Activity Funding

This activity is funded by a mix of General Fund appropriations (62%), Special Revenue Funds (21%) and Federal Funds (17%). The source of the Special Revenue Funds is unclaimed restitution payments held by the courts (Crime Victim Account), court-ordered restitution and contributions from an inmate's wages (Crime Victim Account), and subrogation payments (Crime Victim Account).

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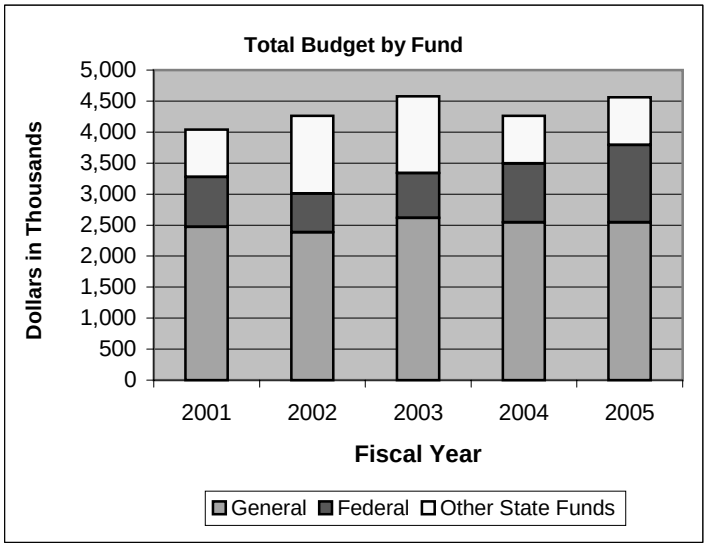
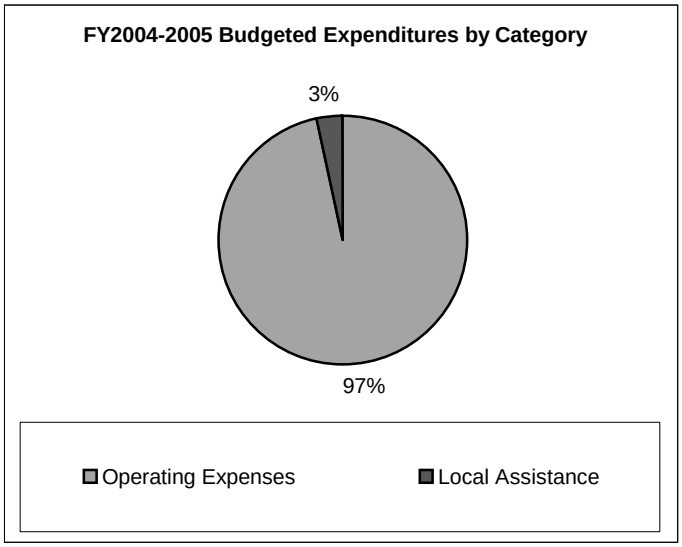
http://www.dps.state.mn.us/mccvs

PUBLIC SAFETY DEPT
Program: CRIME VICTIMS SERVICES
Activity: CRIME VICTIMS SERVICES

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,474	2,386	2,614	2,545	2,543	5,088
Statutory Appropriations						
Special Revenue	760	1,257	1,207	768	768	1,536
Federal	801	620	726	948	1,247	2,195
Gift	5	1	32	2	2	4
Total	**4,040**	**4,264**	**4,579**	**4,263**	**4,560**	**8,823**
Expenditures by Category						
Operating Expenses	3,895	4,125	4,418	4,113	4,410	8,523
Local Assistance	145	139	161	150	150	300
Total	**4,040**	**4,264**	**4,579**	**4,263**	**4,560**	**8,823**
Revenue by Type and Fund						
Non Dedicated						
General	0	11	14	14	14	28
Subtotal Non Dedicated	0	11	14	14	14	28
Dedicated						
General	3	0	0	0	0	0
Special Revenue	511	509	511	511	511	1,022
Federal	801	620	726	948	1,247	2,195
Gift	17	4	2	2	2	4
Subtotal Dedicated	1,332	1,133	1,239	1,461	1,760	3,221
Total Revenue	**1,332**	**1,144**	**1,253**	**1,475**	**1,774**	**3,249**
Full-Time Equivalents (FTE)	**11.0**	**13.2**	**15.3**	**15.3**	**15.3**	

Activity Description
State and federal grants for crime victim assistance are administered by the Minnesota Center for Crime Victim Services (MCCVS) and support the efforts of local programs to serve crime victims.

Population Served
The Center funds over 400 programs that serve sexual assault, general crime, battering, and child abuse victims. Each year, approximately 197,000 victims receive services through these various programs.

Activity at a Glance

- Over 400 crime victim programs received funding in FY 2002.
- Approximately 197,000 individual crime victims received services in FY 2002.
- Approximately $18 million in state and federal funds was distributed in FY 2002 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, and child care assistance. The role of MCCVS is to administer funding but also to provide monitoring, evaluation, training, and technical assistance to grantees.

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. Currently, the Minnesota Center for Crime Victim Services administers approximately $18,000,000 in state and federal grant funds each year. Forty-eight percent of the funds go to programs serving victims of battering, 23% to programs serving victims of sexual assault, 15% to programs serving victims of general crime such as homicide and drunk driving and 14% to programs serving abused children and providing supervised visitation services. Funding from the Minnesota Legislature has been relatively consistent with the exception of this past session when state grant funding was reduced by $384,000 for FY 2002 and $768,000 for FY 2003.

Key Measures
- Completion of 160 site visits per year
- Provision of ten training and technical assistance sessions for grantees
- Completion and implementation of fully-automated grants management system

Activity Funding
This activity is funded by a mix of General Fund appropriations (31%) and Federal Funds (69%).

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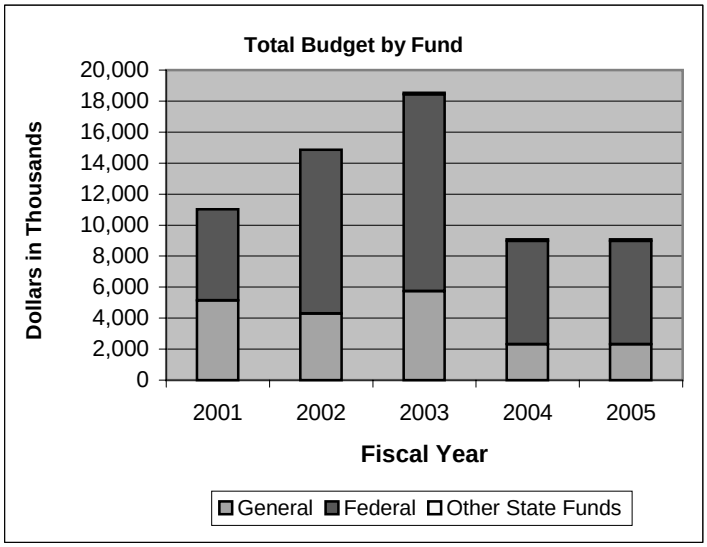
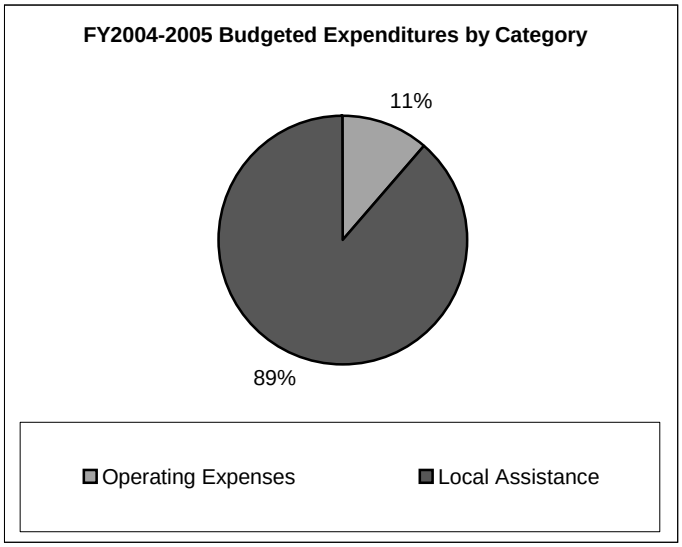
PUBLIC SAFETY DEPT
Program: CRIME VICTIMS SERVICES
Activity: CRIME VICTIMS ASSISTANCE

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	5,146	4,297	4,592	2,305	2,306	4,611
Statutory Appropriations						
General	0	0	1,145	0	0	0
State Government Special Revenue	0	0	96	96	96	192
Federal	5,872	10,565	12,695	6,674	6,674	13,348
Total	**11,018**	**14,862**	**18,528**	**9,075**	**9,076**	**18,151**
Expenditures by Category						
Operating Expenses	1,559	1,987	2,407	1,169	1,170	2,339
Local Assistance	9,459	12,875	16,121	9,051	9,051	18,102
Transfers	0	0	0	-1,145	-1,145	-2,290
Total	**11,018**	**14,862**	**18,528**	**9,075**	**9,076**	**18,151**
Revenue by Type and Fund						
Non Dedicated						
General	0	3	3	3	3	6
Subtotal Non Dedicated	0	3	3	3	3	6
Dedicated						
General	0	0	1,145	0	0	0
State Government Special Revenue	0	0	96	96	96	192
Federal	5,879	10,555	12,717	6,663	6,663	13,326
Subtotal Dedicated	5,879	10,555	13,958	6,759	6,759	13,518
Total Revenue	**5,879**	**10,558**	**13,961**	**6,762**	**6,762**	**13,524**
Full-Time Equivalents (FTE)	**16.6**	**16.1**	**17.3**	**13.0**	**13.0**	

Activity Description

The battered women's shelter per diem program is administered by the Minnesota Center for Crime Victim Services (MCCVS). Per diem payments are made to programs that provide 24-hour emergency housing and support services to victims of domestic abuse and their children. Per diem payments reimburse providers for the costs of food, lodging, and security.

Activity at a Glance

- Programs receiving per diem in FY 2002 include: 27 emergency shelters, 32 hotel/motel programs, and 13 private safe homes
- Approximately 5500 women and 6,400 children received shelter services in FY 2002
- Bed days of shelter in FY 2002 were 215,544

Population Served

Shelter programs are located throughout the state and serve victims of domestic abuse and their children. Of the 27 emergency shelters, 12 are located in the metropolitan area and 15 are located in greater Minnesota.

Services Provided

The MCCVS designates shelters and safe homes. Each shelter and safe home must meet and maintain standards set by the Center. MCCVS monitors the services provided through site visits and regular contact with the programs. The per diem rates are established by MCCVS based on the overall funds allocated by the legislature and the costs to operate the shelters. Payments are made directly to shelter/safe home providers.

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. With this change, programs are eligible for a maximum per diem rate and a cap on total revenue received.

In addition to per diem payments, 25 of Minnesota's 27 free standing shelters receive an annual grant to offset expenses not covered by per diem. This activity is described under the Crime Victims Assistance portion of the budget and is not included in this description. In 2002, the Minnesota Legislature passed legislation that changes the per diem program to a grant program effective 7-1-03. This means that beginning in July of 2003, funding provided through the per diem program will be combined with the shelter grant program described previously and shelters will receive both sources of funding through a grant contract.

Key Measures

⇒ **The number of bed days of shelter provided.** The total number of bed days provided for the past three Years is as follows: FY 2000 = 205,084; FY 2001 = 216,385; FY 2002 = 215,544. The estimated number of bed days of shelter provided for FY 2004 and FY 2005 is 220,000 per year.

Activity Funding

This activity is funded by a mix of General Fund appropriations (89%) and Federal Funds (11%).

Contact

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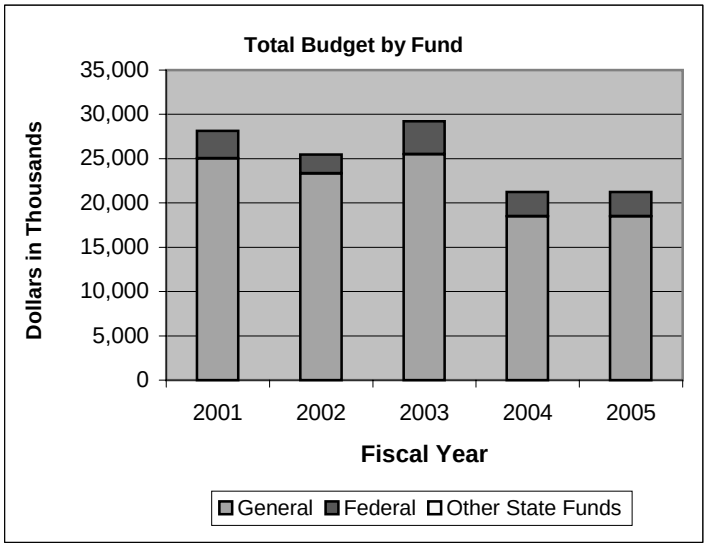

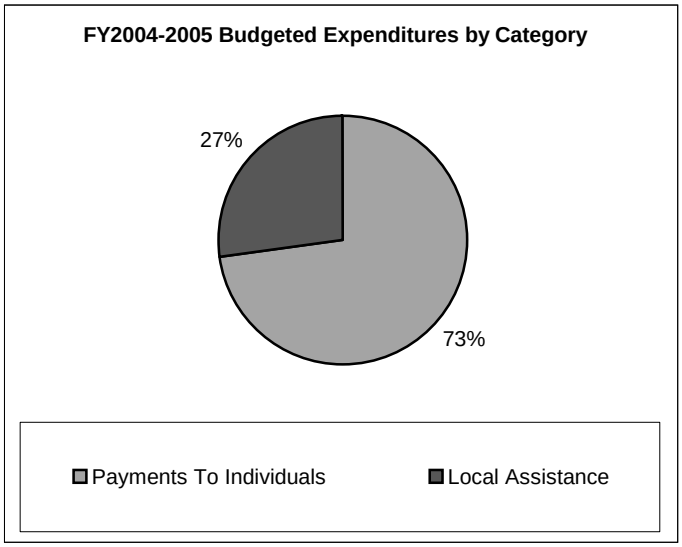

Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	25,015	23,337	25,513	18,489	18,490	36,979
Statutory Appropriations						
Federal	3,115	2,117	3,692	2,755	2,755	5,510
Total	**28,130**	**25,454**	**29,205**	**21,244**	**21,245**	**42,489**
Expenditures by Category						
Operating Expenses	66	76	95	85	86	171
Payments To Individuals	19,179	17,474	19,884	15,379	15,379	30,758
Local Assistance	8,885	7,904	9,226	5,780	5,780	11,560
Total	**28,130**	**25,454**	**29,205**	**21,244**	**21,245**	**42,489**
Revenue by Type and Fund						
Non Dedicated						
General	0	13	2	2	2	4
Subtotal Non Dedicated	0	13	2	2	2	4
Dedicated						
Federal	3,115	2,117	3,692	2,755	2,755	5,510
Subtotal Dedicated	3,115	2,117	3,692	2,755	2,755	5,510
Total Revenue	**3,115**	**2,130**	**3,694**	**2,757**	**2,757**	**5,514**
Full-Time Equivalents (FTE)	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**	

Program Description

The Office of Drug Policy and Violence Prevention (ODPVP) administers the law enforcement and community grants and serves as a catalyst for statewide approaches to reducing and preventing crime, violence and drug abuse through identifying causes, recommending policies and providing funding to test promising initiatives.

Program at a Glance

- Administered over 300 grants in FY 2002
- Administered over $9.6 million in FY 2002 in state funds
- Administered over $15 million in FY 2002 in federal funds

Population Served

The ODPVP works 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 and local units of government and public and private nonprofit agencies for a broad array of programming designed to prevent and/or reduce crime, increase community livability and improve the criminal justice system. ODPVP provides 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, ODPVP 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, amount of drugs seized etc. They also include outcome measures such as reduced truancy, improved sense of safety, reduced police contacts, reduced time from arrest to case disposition etc. ODPVP 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.

⇒ **Implementation of grants management system.** ODPVP continues to develop and implement a fully-automated grants management system.

Program Funding

This program is funded by a mix of General Fund appropriations (19%), Special Revenue Fund accounts (13%) and Federal Funds (68%). The source of the Special Revenue Funds is surcharges on automobile comprehensive insurance policies (Automobile Theft Prevention Account) and surcharges on criminal and traffic offenses (Criminal Justice Special Projects Account).

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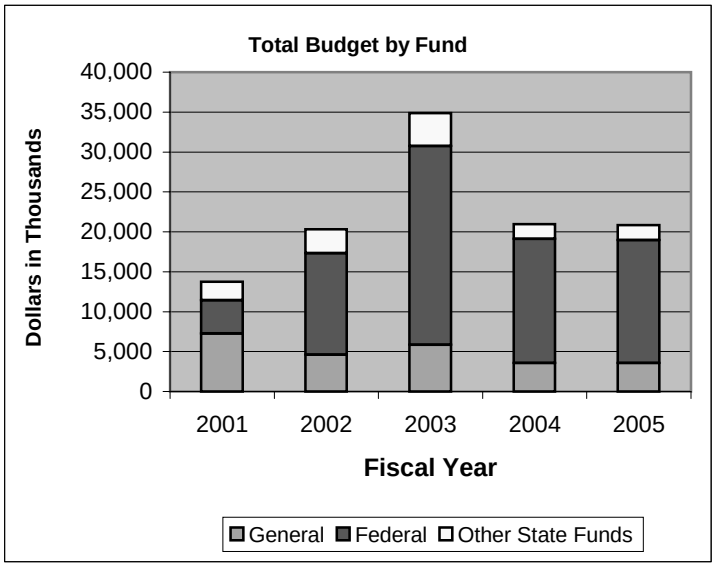

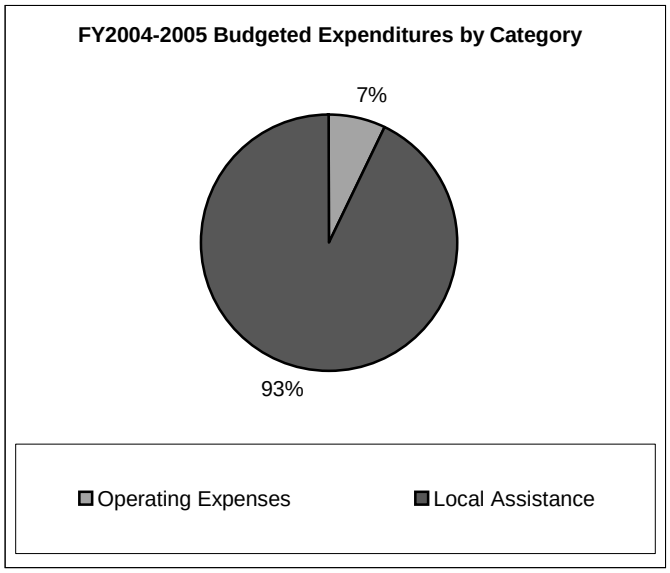

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	7,252	4,593	5,866	3,564	3,559	7,123
Special Revenue	1,700	857	1,924	0	0	0
Statutory Appropriations						
Special Revenue	610	2,131	2,172	1,860	1,860	3,720
Federal	4,180	12,734	24,893	15,554	15,410	30,964
Total	**13,742**	**20,315**	**34,855**	**20,978**	**20,829**	**41,807**
Expenditures by Category						
Operating Expenses	1,958	1,470	2,088	1,509	1,507	3,016
Local Assistance	11,784	18,845	32,767	19,469	19,322	38,791
Total	**13,742**	**20,315**	**34,855**	**20,978**	**20,829**	**41,807**
Expenditures by Activity						
Law Enforc. & Community Grants	13,742	20,315	34,855	20,978	20,829	41,807
Total	**13,742**	**20,315**	**34,855**	**20,978**	**20,829**	**41,807**
Revenue by Type and Fund						
Non Dedicated						
General	0	15	7	2,177	2,177	4,354
Subtotal Non Dedicated	0	15	7	2,177	2,177	4,354
Dedicated						
Special Revenue	3,555	3,743	3,160	3,160	3,160	6,320
Federal	4,246	12,668	24,901	15,549	15,407	30,956
Subtotal Dedicated	7,801	16,411	28,061	18,709	18,567	37,276
Total Revenue	**7,801**	**16,426**	**28,068**	**20,886**	**20,744**	**41,630**
Full-Time Equivalents (FTE)	**11.8**	**16.4**	**17.1**	**16.1**	**16.1**	

MINNESOTA DEPARTMENT OF PUBLIC SAFETY

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February 11, 2003

Dear 2003 Legislature:

This is the submission of the Governor's recommendation of the 2004-05 biennial budget for the Department of Public Safety (DPS). Developing a budget plan for the DPS reduction was a challenge. Our goal was to protect the core services of the department - keeping Minnesotans safe and providing quality service - while meeting our budgetary responsibility. Through teamwork and innovation, we've met this challenge and created opportunities to improve services.

The Department's budget request for the 2004-05 biennium is $560.226 million. The budget breakdown consists of 34% Trunk Highway Funds, 6.6% Highway User Tax Distribution Funds, 24% Federal Funds, 28% in General Funds, 8% in Special Revenue Funds and .1% other funds.

For 2004-05, DPS proposes a reduction in the General Fund appropriation for the department of $21.660 million for the biennium, as well as the transfer to the General Fund from the Special Revenue Fund\ Criminal Justice Project Account of up to $2.170 million each year in revenue collections. In addition, with the Bureau of Criminal Apprehension (BCA) moving to a new building in the fall of 2003, the BCA will be paying an additional $6.546 million in rent payments that will be offset by $5.809 million in budget reallocations within the BCA base budget and by $0.737 million in sub-leasing of office space to other agencies.

DPS began with reviewing a wide variety of alternatives, including the elimination of whole programs, divisions or service areas. The biggest cuts were to areas going through a period of reform, that also have additional funding sources.

First, DPS proposes a reduction to the Minnesota Center for Crime Victim Services (MCCVS) per diem budget by $2 million. Per diem, once an entitlement program, will become a grant program on July 1, 2003. This change involved a great deal of staff time focused on the appropriate level of funding for per diem, the role of the state in program delivery and the effectiveness of the services.

Program changes will include the elimination of depreciation expenses (the state has no responsibility for shelter capital costs) and a new funding formula. These changes will minimize the impact of the cut and provide greater funding equity among the programs. The changes were developed with the input of all shelter programs in the state.

The second reduction in MCCVS was to crime victim assistance program grants. As a result of the cut, the Center will have a competitive grant process for the first time. This process will allow local communities to have more input into the way services are delivered in their communities, encourage programs to become more innovative and ensure greater equity in funding distribution. To further offset the cut, we will be focused on securing additional federal funds, as well as pursuing other alternative funding resources.

The next largest reduction was to the BCA programs. A total of $5.809 million in program dollars had to be reallocated to offset the BCA rent differential for the new building. Although reductions were made in several general program areas, the most significant reduction was to the CriMNet backbone in FY 2005.

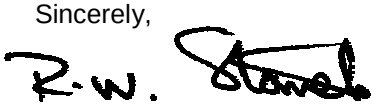
As the CriMNet program evolves from concept to reality, DPS and other partners in CriMNet are developing a clearer vision of the program goals and the related funding strategy. Rather than a large, expensive, central office, the new vision of CriMNet is a decentralized model, focused on the delivery of service in local communities. In addition, we have recently developed new opportunities to leverage greater local support, increase private and federal partnerships, as well as increase the exchange with our internal governmental partners. All of these changes will offset the impact of the reduction, increase the support of the project, produce better decisions, create more stability and ensure the project's success.

DPS' last significant reduction involves the Division of Emergency Management. In past years, DPS worked to create a disaster assistance fund. During times of large surpluses, the legislature adopted funds in 2004-05 to provide the match money needed for federal dollars available to communities hit by a disaster. In these dire financial times, we suggest a reversion back to the former process.

Other smaller, but significant, program reductions included a reduction in staff and rent to Alcohol and Gambling Enforcement, a reduction in grants and staff to Law Enforcement and Community Grants. The Fire Marshall's office budget was also significantly reduced in the area of hotel, motel and resort fire safety inspections; however, DPS proposes that inspection fees be charged in the future to offset the budget reduction and to recover the cost of the inspections.

I believe the department has responsibly met the budget challenge. In addition, we've created an opportunity to strengthen our services so that we can more effectively and efficiently keep Minnesotans safe and provide quality customer service.

Sincerely,



Rich Stanek, Commissioner
Department of Public Safety

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	185,260	100,080	285,340
Agency Technical Reallocations	2,668	0	2,668
One-Time Appropriations	-31,035	-3,848	-34,883
Adjusted Base Funding	156,893	96,232	253,125
Change Items			
Budget Reduction Plan-General Fund (CJ)	-3,312	1,500	-1,812
Budget Reduction Plan-Grants (CJ)	-14,158	0	-14,158
Criminal Apprehension			
BCA Building Lease Adjustment	0	0	0
BCA Lab- Use Of DWI Reinstatement Fee	0	84	84
BCA Reimb- Use Of DWI Reinstatement Fee	0	72	72
CJDN Fee Increases	158	316	474
Fire Marshal			
Fire Protection Certification Exam Fee	0	24	24
Fire Safety Inspections- Public Schools	0	1,144	1,144
Law Enforc. & Community Grants			
Peace Officer Death Benefit Acct (CJ)	-83	0	-83
Governor's Recommendations	139,498	99,372	238,870
Biennial Change, 2002-03 to 2004-05	-46,008	-118,467	-164,475
Percent Change	-25%	-54%	-41%

Brief Explanation Of Budget Decisions:

A total of $31.035 million in one-time General Fund appropriation base level reductions FY 2004-05 and $3.848 million in direct appropriation reductions from the Special Revenue Fund. The General Fund base adjustments for one-time appropriations are made each year in the following programs:

Emergency Management program, original base of $1.283 million for disaster assistance state match, base was to be increased by $3.717 million each year of the FY 2004-05 biennium. The FY 2003 appropriation was reduced by $200,000 and the FY 2004-05 budget was to be reduced by an additional $3.427million per year leaving a base budget of $1.373 million per year for FY 2004-05. One-time appropriations of $12.245 million in FY 2003 were removed from the base budget for FY 2004-05.

Criminal Apprehension program, a one-time appropriation in FY 2003 of $1.5 million for CriMNet local planning grant funding was removed from the base. The base was adjusted in FY 2004-05 for the CriMNet project tails with a CriMNet backbone project reduction in FY 2004 of $629,000 and an increase in FY 2005 of $3.480 million and a CriMNet policy group increase of $22,000 in FY 2004 and $44,000 in FY 2005. One-time anti-terrorism act funding of $150,000 for DNA testing was removed from the base.

Law Enforcement & Community Grants program, one-time appropriation of $250,000 for COPS, HEAT, and Financial Crimes grants and $750,000 for Criminal Gang Strike Force grants were removed from the base. The original base of $1.595 million for Criminal Gang Strike Force grants was reduced in FY 2003 by $117,000 with a reduction of only $80,000 from the base in FY 2004-05 leaving a base budget of $1.515 million each year for the FY 2004-05 biennium. Office of Drug Policy and Violence Prevention grants base of $2.377 million was reduced by $142,000 in FY 2003 and the base was to be reduced by $243,000 for the FY 2004-05 leaving a base budget of $2.134 million per year for the FY 2004-05 biennium.

Crime Victim Services program, one-time appropriations of $1 million for battered women shelter per diem payments and for a $75,000 grant to the City of St. Paul were removed from the base. The original base of $17.979 million for battered women shelter per diem payments was reduced in FY 2003 by $600,000 and for the FY 2004-05 biennium leaving a base budget of $17.379 million per year for the FY 2004-05 biennium. The original base for Crime Victim Service grants of $9.597 million was reduced in FY 2003 by $768,000 and was to

be reduced by $2 million each year of the FY 2004-05 biennium with reductions in grants and administration of the program. Crime victim assistance administration is being reduced by $143,000 each year and grants by a total of $1.857 million per year leaving a base budget of $7.74 million each year for grants.

A one-time appropriation reduction of $1.924 million each year is made in Law Enforcement and Community Grant program\ the Criminal Justice Project account in the Special Revenue Fund.

Agency technical reallocations of appropriations were made in the base moving dollars from the Administration and Related Services program, Technical Support Services activity of $1,496,000 in General Fund dollars to the Criminal Apprehension program, Criminal Justice Information Systems activity. This reallocation of appropriations was made as part of an overall reorganization effort to place the appropriate technology staff with the assigned information technology systems. A General Fund appropriation transfer of $162,000 from Crime Victim Services to Administration and Related Services was made to cover the cost of support services provided to the Crime Victim Services program. Also a General Fund appropriation transfer of $102,000 was transferred from the Fire Marshal program to the Emergency Management program as part of an overall reorganization effort to streamline the hazardous materials response activity in Minnesota.

Federal Fund revenues in the FY 2004-05 base are 44.1% less than the revenues in the FY 2002-03 biennium. Federal Fund revenues in the Emergency Management program are $104.995 million less in FY 2004-05. No federal disaster assistance revenues from the Federal Emergency Management Administration are projected in FY 2004-05.

	FY 2004-05 Revenues ($000s)		
	General Fund	**Other Funds**	**Total**
FY 2004-05 Current Law Revenues	8,102	94,421	102,523
Change Items			
Criminal Apprehension			
-Criminal Justice Data Network Fee Increases	158	316	474
Fire Marshal			
-Hotel, Motel, Resort Inspection Fees	0	1,500	1,500
-Fire Safety Inspections- Public Schools	0	1,144	1,144
-Fire Protection Certification Exam Fee	0	24	24
Law Enforcement and Community Grants			
-Criminal Justice Project Acct.-surcharge on fines	4,340	0	4,340
FY 2004-05 Total Revenues	12,600	97,405	110,005
Biennial Change 2002-03 to 2004-05	3,013	(114,619)	(111,606)
Percent Change	31%	(54%)	(50%)

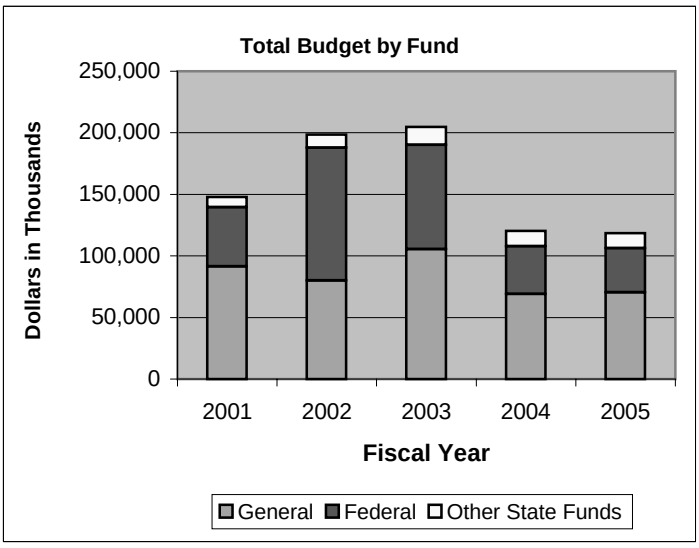
The budget includes fee increases for the Criminal Justice Data network (CJDN) and related services, such as secure Internet and dial-up access to the Criminal Justice Information System (CJIS), having non-criminal justice agencies pay for full costs of their connectivity to CJDN, increasing the fees for electronically processing applicant fingerprints with the Federal Bureau of Investigation (FBI), and charging fees for fingerprinting individuals (except when clarifying identity).

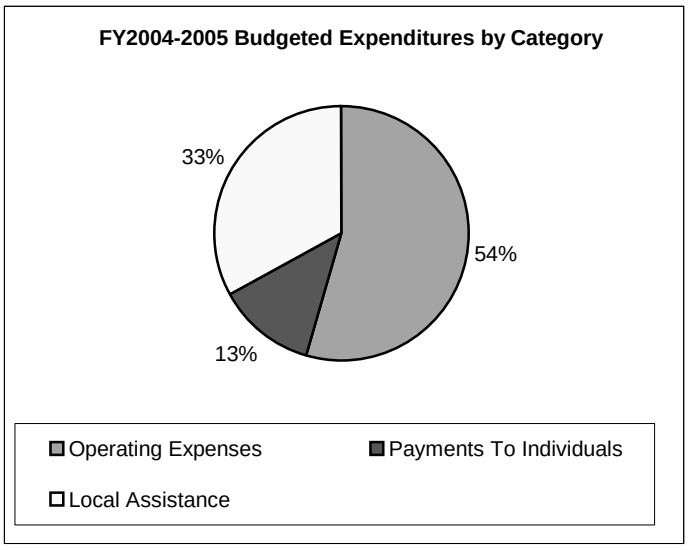
The budget includes authority for the State Fire Marshall to fund the fire safety inspections of hotels, motels, and resorts through inspection fees that are assessed every three years at the time of the fire safety inspections.

The budget includes a proposal that a dedicated fire marshal special revenue account be established in the Department of Public Safety and a fee structure be authorized for funding fire and life safety inspections in public schools.

The budget includes a proposal that a dedicated fire marshal special revenue account be established in the Department of Public Safety and a fee structure be authorized for administering the Fire Protection Systems Licensing Program.

The plan also includes the transfer of the funds in the Criminal Justice Project account in the Special Revenue Fund to the General Fund. The racial profiling study was funded in FY 2002-03 from this account. No programs are being funded from this account in FY 2004-05.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Carry Forward						
General	0	0	0	16	17	33
Direct Appropriations						
General	89,984	79,010	100,934	67,580	68,706	136,286
State Government Special Revenue	2	2	12	7	7	14
Special Revenue	2,258	1,332	2,551	635	635	1,270
Trunk Highway	139	346	369	361	361	722
Environmental	46	43	53	49	49	98
Statutory Appropriations						
General	1,597	1,032	4,530	1,577	1,602	3,179
State Government Special Revenue	0	0	96	96	96	192
Special Revenue	5,751	9,044	11,534	11,258	11,088	22,346
Federal	47,854	107,719	84,684	38,654	36,068	74,722
Gift	270	10	44	4	4	8
Total	**147,901**	**198,538**	**204,807**	**120,237**	**118,633**	**238,870**

Expenditures by Category						
Operating Expenses	65,276	53,043	77,154	64,940	66,059	130,999
Payments To Individuals	19,182	17,477	19,884	15,379	15,379	30,758
Local Assistance	63,443	128,018	107,769	41,063	38,340	79,403
Transfers	0	0	0	-1,145	-1,145	-2,290
Total	**147,901**	**198,538**	**204,807**	**120,237**	**118,633**	**238,870**

Expenditures by Program						
Emergency Management	37,394	92,514	53,687	10,207	7,464	17,671
Criminal Apprehension	47,130	34,787	56,914	47,564	48,543	96,107
Fire Marshal	3,985	3,990	4,264	4,448	4,458	8,906
Alcohol & Gambling Enforcement	2,462	2,352	2,775	2,458	2,458	4,916
Crime Victims Services	43,188	44,580	52,312	34,582	34,881	69,463
Law Enforc. & Community Grants	13,742	20,315	34,855	20,978	20,829	41,807
Total	**147,901**	**198,538**	**204,807**	**120,237**	**118,633**	**238,870**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	129	2,532	2,726	4,894	4,894	9,788
Cambridge Deposit Fund	2,290	-4	0	0	0	0
Subtotal Non Dedicated	2,419	2,528	2,726	4,894	4,894	9,788
Dedicated						
General	1,888	1,729	2,600	1,409	1,403	2,812
State Government Special Revenue	0	0	96	96	96	192
Special Revenue	8,679	9,475	10,437	11,333	11,180	22,513
Federal	47,996	107,512	84,493	38,638	36,054	74,692
Gift	283	10	5	4	4	8
Subtotal Dedicated	58,846	118,726	97,631	51,480	48,737	100,217
Total Revenue	**61,265**	**121,254**	**100,357**	**56,374**	**53,631**	**110,005**
Full-Time Equivalents (FTE)	**431.2**	**469.3**	**508.6**	**462.1**	**451.8**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($1,656)	($1,656)	($1,656)	($1,656)
Revenues	2,170	2,170	2,170	2,170
Other Fund				
Expenditures-Special Revenue	750	750	750	750
Revenues-Spec.Rev.Fire Insp.	750	750	750	750
Net Fiscal Impact	($3,826)	($3,826)	($3,826)	($3,826)

Recommendation

The Governor recommends a reduction in General Fund appropriations of $1,656,000 each year for operating costs of the Criminal Justice activities of the Department of Public Safety. The Governor also recommends the transfer to the General Fund from the Criminal Justice Project Account in the Special Revenue Fund of up to $2,170,000 each year in revenue collections.

Relationship to Base Budget

This proposal includes a number of direct appropriation expenditure reductions in the following programs. Additional reductions are also included in the following descriptions with respect to grant programs. The reductions to grant programs are included in a separate initiative but are described in this initiative as well for completeness.

- **Criminal Apprehension -** $935,000 each year and 4.0 FTEs. 2.5% of base level of funding
  Expenditure reductions of $150,000 in criminal justice information systems activity and $295,000 in police training and development activities will be made in compensation and operating expenses. A $490,000 reduction will also be made in the criminal justice information systems activity for interagency agreements.
- **Fire Marshal -** $750,000 each year and 10.0 FTEs. 24% of base level of funding
  These reductions will eliminate direct appropriations for the mandatory (M.S. 299F.46) inspection of hotels, motels, and resorts from the General Fund. Instead, this proposal includes authority to fund this inspection program through inspection fees that are assessed every three years at the time of the fire safety inspections. The revenues collected would be annual appropriated to the commissioner of Public Safety for the purpose of conducting fire safety inspections of hotels, motels, and resorts.
- **Alcohol & Gambling Enforcement -** $158,000 each year and 1.0 FTEs. 8% of base level of funding
  Alcohol enforcement activities will be reduced.
- **Law Enforcement & Community Grants -** $634,000 each year and 1.0 FTE. 28% of grant funding for prevention grants.
  A $38,000 reduction (10% of the administrative base) will be made in the administration of the Criminal Gang Strike Force Oversite Council. A $596,000 budget reduction will be made in prevention grant programs.
- **Crime Victims Services -** $5,085,000 each year. 18% of base level of funding
  A $2,000,000 reduction (12% reduction) will be made in funding for per diem grant payments to battered women shelters. A $2,820,000 (37%) reduction in crime victim assistance program grants and a $265,000 reduction in compensation that is equivalent to approximately 4.5 FTE's would be made under this plan.

Increased revenues to the General Fund of $2,170,000 per year are from the following sources:

⇒ The plan also includes the transfer of the funds in the Criminal Justice Project account in the Special Revenue Fund to the General Fund. The racial profiling study was funded in FY 2002-03 from this account. No programs are being funded from this account in FY 2004-05.

Key Measures

Criminal Apprehension - Reductions are being made in the compensation and operating expenses. Reductions may mean that potentially fewer police training courses maybe offered to local law enforcement agencies. Expanded access to the Criminal Justice Data Network maybe delayed. The pass-through of $490,000 each year to the Supreme Court will be discontinued.

Fire Marshal - Fire safety inspections of hotels, motels, and resorts will now be funded through inspections fees. More than 3,000 fire code violations were noted in these facilities in 2001. Historically some of the most disastrous fires (fire deaths) have been in hotels, motels, and resorts.

Alcohol and Gambling Enforcement - Gambling enforcement activities will be reduced. Special Agents assigned to gambling enforcement activity will be reduced by one agent. Response to criminal complaints will be reduced and reprioritized.

Law Enforcement and Community Grants - Twenty-eight percent of the state funding for prevention grants is being eliminated. State and local units of government, as well as public and nonprofit agencies, will receive fewer grant dollars for the reduction and prevention of crime, violence, and drug abuse. These grant funds have been used as a statewide match to the federal Byrne Program. A 28% reduction in these funds will result in the increase of up to $595,000 in hard cash match that eligible state and local agencies will need to provide in order to qualify for a Byrne grant.

Crime Victims Services - A $2,000,000 reduction in funding for per diem payments to battered women shelters is part of the budget reduction plan. Nine of the 21 shelter have had historically less than an 80% occupancy rate. Adequate shelter space will be maintained throughout the state. A $2,820,000 (37%) reduction will be made in grants that support crime victim assistance programs. Staff reduction of 4.5 FTE's and $265,000 are included in the plan.

Statutory Change: M.S. 2002 sect. 299F.46 and 357.021, subd. 7.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($7,079)	($7,079)	($7,079)	($7,079)
Revenues	0	0	0	0
Net Fiscal Impact	($7,079)	($7,079)	($7,079)	($7,079)

Recommendation
The Governor recommends $7,079,000 reduction each year in appropriations from the General Fund for grants in the Department of Public Safety.

Relationship to Base Budget
Direct appropriation expenditure reductions were made in the following programs:

- **Emergency Management -** $1,173,000 each year. 85% of grant funding
  Eliminate all but $200,000 of the state matching funds for federally funded disaster assistance program. The state has provided 15% of match along with the local's 10% share of the project costs.
- **Criminal Apprehension -** $935,000 each year and 4.0 FTEs. 2.5% of base level of funding
  Of that amount, a $490,000 reduction will be made in the criminal justice information systems activity for interagency agreements.
- **Law Enforcement & Community Grants -** $634,000 each year and 1.0 FTE. 28% of grant funding for prevention grants.
  Of this amount, a $596,000 budget reduction will be made in prevention grant programs.
- **Crime Victims Services -** $5,085,000 each year. 18% of base level of funding
  A $2,000,000 reduction (12% reduction) will be made in funding for per diem payments to battered women shelters. A $2,820,000 (37%) reduction in crime victim assistance program grants and a $265,000 reduction in compensation that is equivalent to approximately 4.5 FTEs would be made under this plan.

Key Measures
Emergency Management - Elimination of all but $200,000 of the state matching funds for federally funded disaster assistance program will not impact the state's preparation time for federal disaster assistance requests. Local units of government may need to assume up to 25% of the project costs up from the current 10% match requirement.

Criminal Apprehension -The pass through of $490,000 each year to the Supreme Court will be discontinued.

Law Enforcement and Community Grants - Twenty-eight percent of the state funding for prevention grants is being eliminated. State and local units of government, as well as public and nonprofit agencies will receive fewer grant dollars for the reduction and prevention of crime, violence, and drug abuse. These grant funds have been used as statewide match to the federal Byrne Program. A 28% reduction in these funds will result in the increase of up to $595,000 in hard cash match that eligible state and local agencies will need to provide in order to qualify for a Byrne grant.

Crime Victims Services - A $2,000,000 reduction in funding for per diem payments to battered women shelters is part of the budget reduction plan. Nine of the 21 shelter have had historically less than an 80% occupancy rate. Adequate shelter space will be maintained throughout the state. A $2,820,000 (37%) reduction will be made in grants that support crime victim assistance programs. Staff reduction of 4.5 FTEs and $265,000 are included in the plan.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$1,500	($1,500)	$0	$0
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$1,500	($1,500)	$0	$0

Recommendation
The Governor recommends the reallocation of funds within the Criminal Apprehension program for rent increases for the new Bureau of Criminal Apprehension (BCA) building. This reallocation is needed to cover the increased square footage in the new facility, the higher rent rate, and the additional cost of debt service on the bonds used to finance the facility.

Background
The new BCA facility is scheduled for completion in the fall of 2003. This facility has three times the space of the current facility (63,027 sq. ft. to 184,255 sq. ft.). The cost per square foot will be higher in the new facility. In addition, the cost will be increased due to legislative action in the 2002 session that changed the previous cash allocation to bonds which now means the costs will also include the debt service on those bonds. Although the rent supplement was part of the original request, no additional funds were allocated to address the increased rent costs that the BCA will experience.

Relationship to Base Budget
The BCA currently pays $719,289 per year for 63,027 sq. feet of space. The estimated costs of the new facility are $3,963,099 in FY 2004 and $4,022,043 in FY 2005 for 184,255 sq. feet of useable space. An additional $3,243,810 in FY 2004 and $3,302,754 in FY 2005 will need to be reallocated within the Criminal Apprehension base budget to cover these increased costs. Sub-leasing office space in the new facility is also proposed.

Alternatives Considered
The agency proposes to sublease office space in the building to a number of programs\agencies:

Program\Agency	Sq. Ft.	FY 2004 $21.51 @ sq. ft.	FY 2005 $21.83 @ sq. ft.	Total
Alcohol & Gambling	3,000	$64,530	$65,490	$130,020
CriMNet	2,500	$53,775	$54,575	$108,350
Criminal Gang Strike Force-metro team	7,500	$161,325	$163,725	$325,050
POST Board	4,000	$86,040	$87,320	$173,360
Total	17,000	$365,670	$371,110	$736,780

Additional budget reductions options have been developed to address the remaining budget issue (see table on next page) and would have the following impact on key performance measurers:

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(a) CriMNet lease savings
The CriMNet Office will realize lease savings from moving to new BCA building from its current space.

(b) Suspending the CriMNet Suspense File Project
The suspense project is the ultimate integrity test of arrest and conviction records, used for criminal justice and non-criminal justice background checks. The CriMNet project is based on accurate suspense files. Within the next two months, the project was going to move to real-time notice to law enforcement of suspense accuracies or

inaccuracies. The budget reduction of $500,000 each year would extend the project out another two years beyond the 2004-05 biennium.

(c) Reduction in funding for CriMNet Backbone project
As the CriMNet program evolves from concept to reality, we are developing a more clear vision of the program goals and the related funding strategy. Rather than a large, expensive, central office, the new vision of CriMNet is a decentralized model, focused on the delivery of service in local communities. In addition, we have recently developed new opportunities to leverage greater local support, increase private and federal partnerships, as well as increase the exchange with our internal governmental partners. All of these changes will offset the impact of the cut, increase the support of the project, produce better decisions, create more stability and ensure the project's success.

(d) DWI Program and Forensic Lab
Reductions in Forensic Laboratory dollars will impact the turn-around time on DWI cases. This may impact every law enforcement agency in the state in terms of their ability to prosecute DWI's. BCA conducts nearly all alcohol blood/urine tests in the state. Each year approximately 250 Minnesotans die as a result of alcohol-related crashes.

The reallocations will allow the lease differential to be absorbed within the 2004-2005 biennium, and will position the BCA to fully fund the lease in future years.

Additional budget reduction options to offset lease differentials

Item	FY 2004	FY 2005	Total
Lease Differential	$3,243,810	$3,302,754	$6,546,564
Sub-lease office space	($365,670)	($371,110)	($736,780)
Additional Options			
(a) CriMNet lease savings (from moving to new BCA building from current space)	($171,735)	($158,935)	($330,670)
(b) CriMNet Suspense File Project (5.0 FTE)	($500,000)	($500,000)	($1,000,000)
(c) CriMNet Backbone Base of $1,371,000 FY 04 Base of $5,480,000 FY05	($0)	($3,000,000)	($3,000,000)
(d) DWI Lab Analysis (3.4 FTE) Base of $1,357,000	($357,000)	($357,000)	($714,000)
(d) Forensic Lab (4.0 FTE)	($349,405)	($415,709)	($765,114)
Total	$1,500,000	($1,500,000)	$0

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	$42	$42	$42	$42
Revenues				
Net Fiscal Impact	$42	$42	$42	$42

Recommendation
The Governor recommends a base adjustment in special revenue funds collected from drivers convicted of DWI (reinstatement fee) to increase the allotment related to the Bureau of Criminal Apprehension (BCA) laboratory. The proposal will allow the lab to cover salaries paid from this account.

Background
A percentage of the reinstatement fees collected under M.S. 171.29 is allotted to the laboratory to provide support for costs associated with laboratory testing of impaired driving incidents. This fund has provided a static level of funding to the laboratory. Originally this account provided salaries for eight scientists along with support funds for training, supplies, etc. Today the fund is only able to support salaries and will not even be sufficient to do that in the 2004-2005 biennium. This revenue neutral base adjustment will allow the forensic science laboratory to maintain the current level of service provided by these scientists.

Relationship to Base Budget
This is a small but strategically significant change in the overall base budget of the laboratory. Receipts have consistently exceeded the amount necessary to support the current allotment and a carry forward, estimated to be about $144,000, will make this adjustment revenue neutral.

Key Measures
This adjustment will assist the forensic science laboratory in maintaining current service levels to law enforcement.

Alternatives Considered
One forensic scientist would be laid off resulting in a reduced level of service to law enforcement.

Statutory Change:

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	$36	$36	$33	$33
Revenues				
Net Fiscal Impact	$36	$36	$33	$33

Recommendation
The Governor recommends an increase in the direct appropriation cap collected from drivers convicted of DWI (reinstatement fee) to increase the allotment related to the local reimbursement fund. The proposal will allow the Bureau of Criminal Apprehension (BCA) to continue grants to local law enforcement for extraordinary expenses, multi- jurisdictional criminal activity, and witness/victim protection expenses.

Background
A percentage of the reinstatement fees collected under M.S. 171.29 are allotted to the BCA for grants to local agencies as provided in M.S. 299C.065. All of these funds are granted directly to local law enforcement for unexpected costs related to criminal activities and witness/victim protection activities. These include cases such as the Katie Poirier investigation/prosecution in Carlton County and the Coppage family investigation/prosecution of the murder of five children in St. Paul.

Receipts have consistently exceeded the amount necessary to support the current allotment. This change item will make this adjustment revenue neutral while providing critical funds to local law enforcement.

Relationship to Base Budget
This change item increases the direct appropriation cap to meet current funding needs. This will increase the base budget from $99,000 to $135,000 each year.

Key Measures
This adjustment will assist the BCA in maintaining current service levels and grants to local law enforcement agencies.

Alternatives Considered
Continue to fund local law enforcement agencies at a rate less than requested.

Statutory Change:

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$82	$76	$76	$76
Revenues	82	76	76	76
Other Fund				
Expenditures	158	158	158	158
Revenues	158	158	158	158
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends that fees be charged to provide additional technological options for users of the Criminal Justice Data network. Fee revenues will be used to cover the costs of the added service options.

Background

Criminal Justice Information System Access

- MN Statute 299C.46 provides for the establishment and management of the Criminal Justice Data Communications (CJDN) network. M.S. 299C.46 subd. 3. (b) and 299C.48 allow the commissioner of Public Safety to set fees for the access and operational use of the CJDN. Currently the fees for criminal justice agencies are set at $50 per month for access and $40 per month per terminal or $30 per month per mobile data computer. Recently two changes have occurred that necessitate or facilitate new connectivity to the CJDN. First, the Federal Bureau of Investigation (FBI) now allows secured connection via Internet or dial-up. Second, the statute 299C.46 has been amended (subd. 2a) to allow non-criminal justice agencies that are statutorily mandated to perform background checks to have access to the data on the CJDN.

The proposal covers a number of different components:

- Fees be set for secure Internet and dial-up access to the Criminal Justice Information System (CJIS).
- Non-criminal justice agencies pay for full costs of their connectivity to the Criminal Justice Data network (CJDN).
- Increase in fees for electronically processing applicant fingerprints with the Federal Bureau of Investigation (FBI).
- Charging fees for fingerprinting individuals (except when clarifying identity).

Recommendation is to set new fees for these changes.

Criminal Justice Agency Access:

- direct connection to the CJDN – no change;
- Internet - $15 per month per device plus the cost of security hardware and software; and
- dial-up - $35 per month per device plus the cost of security hardware and software.

The CJDN network was initially set-up to provide service to the criminal justice community. Today over 8000 devices are directly connected to the CJDN. The CJDN is viewed as the core network backbone on which CriMNet will run. The data that is accessed by this connection is provided by the criminal justice community.

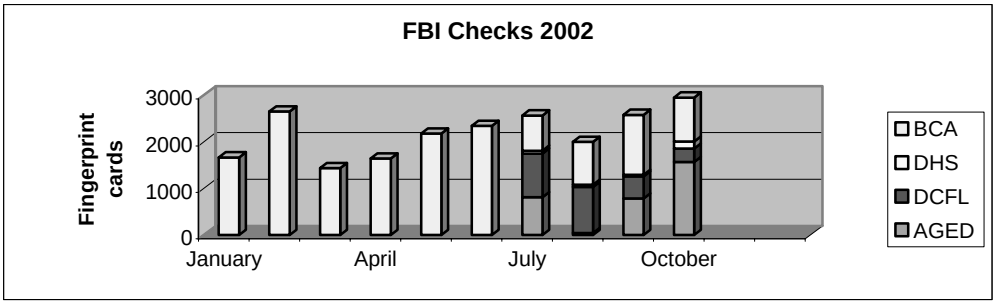
The number of connections (devices) for this new connectivity is unknown at this time as we previously were not allowed to provide this method of access. Without advertising this capability we have about 50 agencies requesting this type of connectivity.

⇒ Non-Criminal Justice Agency Access:

- direct circuit connections to the CJDN - full access and operating costs;
- Internet - $35 per device per month plus the cost of security hardware and software; and
- dial-up -$55 per device per month plus the cost of security hardware and software.

In most cases, the non-criminal justice community charges a fee for the service that they are using this data for, therefore, they have the ability to recover their costs. While the number of these connections are low at this time, we expect that with the increasing demand for background checks, this area will increase. Either they need to pay their way or an increase in funding to subsidize their connectivity will be required.

⇒ Applicant Fingerprint Cards
We are currently averaging 2,200 applicant fingerprint cards per month that are sent to the FBI. Currently those cards are mailed to the FBI. The turnaround for a response is as short as two weeks and as long as a couple of months with the average about 6-8 weeks. This delay in getting a response many times allows an individual to be in a position that they should not be in until the results are returned. We have had instances where an individual has been working in the gaming industry pending their background check. When the check comes back we find out that there was a warrant out for their arrest in another state. By the time we get the information back they have left the employment of the casino.



M.S. 299C.10 allows the Bureau of Criminal Apprehension (BCA) to charge for processing background checks. The current part of the fee for processing FBI fingerprint cards is $24 per card. Most of that money goes to the FBI. We currently keep $2 for our handling charge. The proposal would be to increase the fee by $5. The increase in fee would allow the BCA to hire staff to process the cards electronically with the FBI via the Interim Distributed Imaging System (IDIS). We need to scan in the prints, key in the demographic data, and process the results. This would allow 50% of the responses to be processed within one business day and 90% of the responses to be processed within 96 hours.

⇒ Charging for Taking Fingerprints
The BCA's current policy is to only take fingerprints when there is a question of whether or not the person is the subject of a criminal history record. These prints are taken at no cost in order to make an identification. Currently the BCA does not take fingerprints for employers that require their employee to be printed for either employment or licensing. In these cases the requestor is referred to local law enforcement offices. We have heard that many of the local law enforcement offices do not want to perform this service. We get three to four calls a day requesting this service. In reviewing some of the local agencies (Ramsey County and Hennepin County) we have found that they charge $15. Ramsey County does approximately 10 per day. We are proposing a charge of $10 to cover costs.

Relationship to Base Budget

Most of these fees will simply cover projected expenses and increasing costs of newer communications technology.

Key Measures

Connections to CJIS:

This would make criminal justice information available to as many criminal justice agencies as possible. Many small police departments cannot afford the cost of a direct connect circuit and the associated equipment costs, but can afford the dial-up or Internet connection. Newer security technologies now allow us to provide cost effective secure services.

Applicant Fingerprint Cards to FBI:
This would allow 50% of the responses to be processed within one business day and 90% of the responses to be processed within 96 hours.

Fingerprint Public:
This would provide a service to our client base. We would expect that the number per week would be between 15 and 150.

Alternatives Considered
None.

Statutory Change: M.S. 299C.10 and 299C.46

Technology Funding Detail (Dollars in Thousands)

Funding Distribution	2004-2005 Biennium		2006-2007 Biennium		2008-2009 Biennium	
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personnel	146	146	146	146	146	146
Supplies	4	4	4	4	4	4
Hardware	70	64	64	64	64	64
Software	1	1	1	1	1	1
Facilities	0	0	0	0	0	0
Services	19	19	19	19	19	19
Training	0	0	0	0	0	0
Grants	0	0	0	0	0	0
TOTAL	**240**	**234**	**234**	**234**	**234**	**234**

Office of Technology Analysis
The Office of Technology recommends the fee increases proposed. The Department of Public Safety needs to align its divisions under a department wide strategy.

- ROI - Agency indicates the proposed fee structures will offset/recover the cost of new hardware and services.
- Project constitutes an enhancement/expansion of connectivity to the CJDN.
- Divisions have made ***moderate*** use of the strategic planning process (SIRMP) to establish direction, assessment and planning of projects

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	$12	$12	$12	$12
Revenues	12	12	12	12
Net Fiscal Impact	0	0	0	0

Recommendation
The Governor recommends a dedicated fire marshal special revenue account be established in the Department of Public Safety and a fee structure be authorized for administering the Fire Protection Systems Licensing Program.

Background
The purpose of this proposal is to create a dedicated account to fund the costs associated with the development and administration of the Journeyman Sprinkler Fitter and Fire Protection Contractor Managing Employee examinations, which are required for certification and licensure of individuals by M.S. 299M, and Minnesota Rules Chapter 7512.

A private contractor has administered and conducted these examinations since inception of the Fire Protection Systems Program. For financial reasons, the contractor is no longer willing to provide this service. No other private contractor is available; therefore, the State Fire Marshal Division is proposed to assume this function.

Because of the private contractor's involvement, state funding has not previously been provided to conduct and administer the examinations. This account will provide new revenue to perform this function, covering staff time, exam development, printing, mailing, travel, necessary computer hardware and software, and administrative costs. In the past, the private contractor charged a fee of $90 per candidate per exam. The commissioner proposes to reduce that charge to $55 per candidate per exam. The fire protection industry supports this change.

Relationship to Base Budget
There would be no fiscal impact to the General Fund. M.S. 299M permits the collection of this fee; however, it also requires that all revenue be deposited in the General Fund. This is new money not previously collected by the division, thus there would not be a negative impact on the General Fund.

Key Measures
A dedicated account would provide the resources necessary to develop, conduct, and administer the examinations required for licensure/certification.

Costs to candidates for licensure / certification would be reduced by approximately 40%.

Alternatives Considered
The services of a private contractor have previously been used to develop, conduct and administer these examinations. For financial reasons, the contractor is no longer willing to provide this service. No other private contractor is available to perform this function.

Statutory Change: M.S. 299M.11

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	$572	$572	$572	$572
Revenues	572	572	572	572
Net Fiscal Impact	0	0	0	0

Recommendation
The Governor recommends a dedicated fire marshal special revenue account be established in the Department of Public Safety and a fee structure be authorized for funding fire and life safety inspections in public schools.

Background
Since 1990, the State Fire Marshal Division has been inspecting public schools through an interagency agreement with the Department of Children, Families and Learning (DCFL). This has been a successful and popular program that protects the fire and life safety of students, teachers, and staff in schools. In July 2002, CFL redirected these funds to other purposes in response to budget reductions, and ended the interagency agreement with the State Fire Marshal Division.

Funding for this program is proposed to be provided by local school districts; however, districts do not oppose this fee collection. The current, temporary, practice during FY2003 of contracting with school districts adds to the administrative costs of the program. Without this funding mechanism, the school inspection program would cease and school fire and life safety would be jeopardized.

Relationship to Base Budget
No base budget exists for FY 2004-05 for the fire safety school inspection program.

Key Measures
The ability to charge this fee is more cost effective than negotiating individual contracts with approximately 350 school districts and 75 additional charter schools.

Alternatives Considered
Currently, contracts are being negotiated with individual school districts, but this is a costly and time-consuming process.

Statutory Change: M.S. 123B.73 and 299F

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures—Transportation	$39	$44	$49	$54
Expenditures—Criminal Justice	($39)	($44)	($49)	($54)
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 the reallocation of $39,000 FY 2004 and $44,000 FY 2005 in crime prevention grant money from the Law Enforcement and Community Grants program (DPS—Criminal Justice) to the Administration and Related Services program (DPS—Transportation) to increase the base level of funding for the Peace Officer Death Benefit Account. This program pays out a set amount of money to the dependents of peace officers/fire fighters killed in the line of duty as authorized under M.S. 299A.44.

Background
The current rate that is paid out to dependents upon the death of a peace officer/fire fighter killed in the line of duty as of 10-1-02 is $118,816.92. This rate is adjusted each October based on the annual percentage change in the Consumer Price Index for all urban consumers. When the program began, the $326,000 annual appropriation was sufficient to cover the death of three peace officers/fire fighters. With the annually adjusted increase in the payment, the appropriation needs to be adjusted to cover the death of three peace officers/fire fighters.

Relationship to Base Budget
The requested change would increase the base budget appropriation to the Peace Officer Death Benefit Account.

Key Measures
This change item would ensure that the appropriation would be enough to cover the deaths of three peace officers/fire fighters killed in the line of duty in Minnesota.

Alternatives Considered
The alternative would be to leave the appropriation at $326,000 and pay out for the deaths of only two peace officers/fire fighters killed in the line of duty.

AGENCY: Public Safety, Department of (DPS)

PROGRAM: Administration & Related Services

PROGRAM DESCRIPTION:

This program receives a small amount of grant money to pay for a portion of the financial services provided to the traffic safety program. There is also money provided to the communications activity for an Information and public education alcohol awareness campaign.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

No changes are anticipated.

FUNDS AT RISK:

None

PROGRAM: 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 as the result of a presidential declaration of a major disaster. The public assistance program provides assistance to local governments, state agencies, and eligible private-non-profit entities to cover emergency costs and infrastructure repair/replacement costs caused by the disaster

Individuals and Households Program. 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. 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.

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.

Office of Justice Programs – Terrorism. These funds are provided to the State to permit the purchase of specialized equipment and the conduct of training for the response to acts of domestic terrorism.

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.

Terrorism Consequence Management Preparedness Assistance (TCMPA). This program supports state emergency planning, training, and exercises for domestic preparedness (terrorism).

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

Following passage of the Supplemental Appropriations Act for Further Recovery From and Response to Terrorist Attacks (PAL. 107-206), Minnesota has been allocated $1,720,358 for planning. These funds will be awarded after Minnesota's application is submitted and approved. Additional money for improvement/enhancement of emergency operating centers is potentially available, but grants for this purpose will be competitive and no amounts have been allocated.

All States will be invited to apply for funds through the proposed FFY 2003 First Responder Grant Initiative, to be administered by either FEMA or the Department of Justice, and estimated to be a $3.5 billion program. Eligible activities would include planning, training, exercising, the purchase of equipment, and grant administration. No amounts have been allocated to date, but preliminary estimates indicate that each state would receive a $5-15 million base allocation, with an additional amount based on population.

FUNDS AT RISK:

At this time, the status of the TCMPA program for FFY 03 and beyond is not known for certain The Federal Emergency Management Agency has indicated its intent to replace the funding provided by the TCMPA with funding associated with a new proposed program, the First Responder Grant Initiative (see above). However, no final action concerning these programs has been taken by either FEMA or Congress.

PROGRAM: Criminal Apprehension

PROGRAM DESCRIPTION:

Forensic Laboratory – National Forensic Improvement Act. This program provides funding to the forensic science laboratory for improved efficiency and productivity of operations. The funding is dedicated to equipment that will reduce casework backlog and increase capabilities. These funds are also used for a system for forensic DNA analysis using Short Tandem Repeats (STR) methodologies. Funding allows for the procurement of laboratory equipment and provides drug identification to law enforcement agencies in a timelier manner.

Crime Identification Technology Act (CITA). These funds are provided to assist States to establish or upgrade criminal justice information systems and identification technologies. See Law Enforcement and Community Grants program.

Edward Byrne Memorial State and Local Law Enforcement Assistance Program (BJA). These funds are provided for programs with a high probability of improving the functioning of the criminal justice system and enhancing drug control efforts. A portion of the funding will be used for CriMNet backbone infrastructure in FY 2003-04.

Local Law Enforcement Block Grant (LLEBG). These funds are provided for use in seven purpose areas for preventing and controlling crime. LLEBG grants in FY 2003 will be used to fund phase II of the CriMNet project. Phase II includes development and implementation of the backbone and core hub, hardware and software installation /configuration, system tests, user interface, disaster recovery plan and training plan.

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. NCHIP grant funds in FY 2003 will be awarded to local units of government for their integrated projects related to CriMNet.

Office of Community Oriented Policing Services (DOJ). 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. CriMNet grant funding in FY 2003 will be expended on phase II of the CriMNet project.

Arrest Policies. This program provides direct access to the Orders For Protection Database for the purpose of updating service order information and offender date of birth information.

CCH Improvement – 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.

NCHIP-NIBRS. This program provides consulting resources (systems analysis, data base design) for completing a plan to implement a National Incident Based Reporting System (NIBRS) for the cities of Minneapolis and St. Paul.

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.

Juvenile Accountability. This program seeks to address a number of the barriers to tracking juvenile registered sex offenders and verifying their location by establishing and maintaining interagency information sharing programs, training criminal justice professionals, and adding personnel to perform in-person residence checks on offenders; additionally, the program provides for a coordinated investigative approach to juvenile prostitution across the state.

Emergency Preparedness. This program provides funding for essential safety and communications equipment for use during multi-agency responses to emergency situations such as examining crime scenes related to a terrorist incident.

FUNDS AT RISK:

None.

PROGRAM: Fire Marshal

PROGRAM DESCRIPTION:

Fire Life Safety Survey Program. This program conducts fire safety surveys in accordance with Health Care State Operations Manual and HCFA regional office directives. This program is now being financed from the special revenue fund through an interagency agreement with the Department of Health.

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 highway administration (FHWA) may have high priority projects to target, and it allows States to compete for special research and development projects. Grants are requested and approved throughout the year.

National Highway Traffic Safety Administration (NHTSA) grants. This is a grant awarded through the traffic safety program. It provides funding for various traffic safety programs such as safe and sober, operation nightcap, and drug recognition expert.

Surface Transportation Act -Red-dyed fuel grant. This is a grant awarded through the Minnesota Department of Transportation from the Surface Transportation Act funding to facilitate the inspection fuel used in motor vehicles for on-highway use to ensure proper fuel taxes have been applied.

The Office of Police Corps and Law Enforcement Education (OPCLEE), through participating States, administers the police corps program, which is appropriated to the Justice Department's Office of Community Oriented Policing (COPS), but is administered by OJP. The police corps program offers scholarship assistance on a competitive basis to college students who agree to serve as police or sheriff' deputies for at least four years. OPCLEE provides up to $7,500 per academic year up to $30,000 total. Agencies that employ police corps participants receive $10000 per participant for each year of required service. The police corps also covers the cost of 16-24 weeks of rigorous residential police corps training.

Office of Justice Programs (OJP) The OJP has also provided a grant for the purchase and installation of in-car video equipment for State Patrol vehicles. Additional funds were made available through a grant to DPS Division of Emergency Management to assist law enforcement agencies equip and prepare for the possible use of weapons of mass destruction by terrorist organizations or individuals.

Federal Transit Authority. This grant is available through an interagency agreement with the Metropolitan Council for DPS to provide Safety Oversight related to the operation of the Hiawatha Light Rail line as required by Federal Transit Authority.

Federal Emergency Management Administration grants. This grant is to reimburse the state for expenses incurred in the response to 2002 flood damage in the Roseau area.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

The MCSAP is authorized from 1998 through 2003. Each year the FHWA 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 at least 5% each year from 1998 through 2003. Federal law authorizes the funding for the Office of Police Corps and Law Enforcement Education. Congress must allocate funds as authorized. Funding will increase each year as additional participants are added to the state program.

FUNDS AT RISK:

None

PROGRAM: Driver and Vehicle Services

PROGRAM DESCRIPTION:

Performance and Registration Information Systems Management (PRISM). The purpose of the grant is for 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 in their work by 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 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, the 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 on their operations through identification and incentives to improve.

Commercial Drivers License. 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 Commercial Drivers License 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 several state agencies (Driver and Vehicle Services, State Patrol and 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.

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 (DWI offender) 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 x 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.

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:

The IMDLIS grant project is supported by US Transportation funds received from the Section 164 of TEA-21 Penalty Transfer (Repeat DWI Offender Sanctions) through an interagency agreement with the Office of Traffic Safety.

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 and surveillance of under age drinking at events.

FUNDS AT RISK:

None.

PROGRAM: Traffic Safety

PROGRAM DESCRIPTION:

All 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.

FARS: Collect, analyze, code, and contribute information on Minnesota's fatal traffic crashes to the national FARS database maintained by NHTSA.

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.

NHTSA 402: 164 (Repeat DWI Offender): Provide grants to state agencies and local governments to improve operations related to DWI or to improve hazardous road locations.

NHTSA 402: 157 (Innovative Enforcement): Support specific innovative seat belt enforcement programs.

NHTSA 402: 2003B (Child Passenger Safety): Support specific innovative programs related to child seats and booster seats.

NHTSA 403: (Competitive State Grants): Support specific innovative programs proposed by Minnesota in direct response to federal requests for proposals.

NHTSA 405: Support state and local activities related to improving seat belt use rates.

NHTSA 410: Support state and local activities related to reducing the incidence of impaired driving.

NHTSA 411: Support state and local activities related to improving crash data systems.

NHTSA 157 (Performance Incentive): These funds may be used for any program eligible for traditional 402 activities.

NHTSA CODES: Link DPS, DOT, and Health databases to hospital databases to provide data for more complete analysis of traffic crash causes and results.

BJA/OJJDP: Support state and local activities related to enforcing existing underage drinking laws.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

NHTSA programs are currently provided to states under the guidelines developed in TEA-21 (the Transportation Equity Act for the 21st Century). Those basic guidelines describe the hard and soft matching funds required for each program, 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 TEA-21 ends on October 1, 2003.

FUNDS AT RISK:

NHTSA 402: 164 (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.

NHTSA 405: Funds are not available to Minnesota unless certain seat belt law changes are enacted.

NHTSA 157 (Innovative Enforcement): Minnesota's funding is dependent on an annual contract with NHTSA. Because the funding is not related to laws or state performance, the contract may not be renewed in future years if NHTSA decides to fund similar efforts in other states.

NHTSA 157 (Performance Incentive): Minnesota's funding is dependent on maintaining or improving the state's seat belt use rate. A lesser amount of funding may be available if the state's use rate does not continue to show increases and/or is not greater than the rate of the nation as a whole.

BJA/OJJDP: Unlike the majority of NHTSA programs, this program operates on a year-to-year basis. Funding beyond FFY2003 is not promised or guaranteed.

All NHTSA Programs: Re-authorization of all the NHTSA programs, incentives, and dis-incentives will be done by Congress in the coming year. The re-authorization will cause many, as yet unknown, changes.

PROGRAM: Pipeline Safety

PROGRAM DESCRIPTION:

Pipeline Safety Operations. This program inspects intrastate and interstate pipeline and investigates pipeline failures, incidents and accidents.

Damage Prevention. This program increase enforcement and education of One Call Law.

OPS Mapping. This program maps the state pipeline routes on computer and connects with a national mapping system as required by the U.S. Department of Transportation.

FUNDS AT RISK:

None

PROGRAM: Crime Victim Services

PROGRAM DESCRIPTION:

The Crime Victim Services program 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 center's crime victims 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 the center 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.

Victim's Compensation Grant (VOCA) 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 of 40% will change to 60% in federal fiscal year 2003.

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. These funds are projected to decrease by 18% per year beginning in federal fiscal year 2003.

Violence Against Women (VAWA) grant is received annually from the Department of Justice, Violence Against Women Office. These funds are for projects to improve law enforcement and prosecution strategies and victim services, in cases involving violence against women.

Minnesota Department of Health grant is made available annually for rape prevention programs and services for victims of sexual assault. The funding originates from the U.S. Department of Health and Human Services.

The **Family Violence Prevention Services (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.

The **Rural Domestic Violence** grant is received from the U.S. Department of Justice, VAWA Office. Minnesota has received its second one time grant and funds are not expected to be received in 2003 and beyond.

Safe Havens: Supervised Visitation. This is a one time grant to provide technical assistance to agencies that provide supervised visitation centers.

Edward Byrne Memorial Advanced Victims Notification System

The funding supports the statewide implementation of VINE. VINE is a toll free fully automated telephone service that allows crime victims and other interested persons to contact a 24 hour hotline to receive information on the status of an offender.

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. Due to the funding cap and the unexpected expenditures from the fund to due to the attacks of September 11, 2001, funding for the crime victim assistance program is expected to decrease by 18% per year beginning in federal fiscal year 2003.

FUNDS AT RISK:

The federal Byrne grant for the center has expired, resulting in a decrease in fund funds available for training and outreach activities. See above for a description of the expected reduction in VOCA assistance funding.

PROGRAM: Law Enforcement & Community Grants

PROGRAM DESCRIPTION:

Edward Byrne Memorial Anti-Drug (BJA). These funds are provided for programs with a high probability of improving the functioning of the criminal justice system and enhancing drug control efforts.

Project Safe Neighborhood (PSN) also administered by BJA is a comprehensive, strategic approach to reducing 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.

Local Law Enforcement Block Grant (LLEBG). These funds are provided for use in seven purpose areas for preventing and controlling crime.

Weed and Seed (EOWS). The purpose of this program is to assist neighborhoods in "weeding out crime" and "seeding" community livability and vitality.

Crime Identification Technology Act (CITA). These funds are provided to assist States to establish or upgrade criminal justice information systems and identification technologies. This funding will be made available to local units of government for the implementation of CriMNet integration projects.

Watch Your Car Grant – Auto Theft (DOJ). The Watch Your Car national program was designed as a cooperative agreement auto theft prevention initiative between states, local government and U.S. Department of Justice.

Juvenile Accountability Block Grant (DOJ). This Juvenile Accountability Block Grant funds a contract with the Wilder Foundation to provide evaluation training and technical assistance to forty high risk youth grantees. This grant also funds a BCA juvenile prostitution investigator.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

FUNDS AT RISK:

None

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
Financial Services	15	SO	15	19	22	22
Information and Public Education	355	SO	369	483	415	415
Administration & Related Services Program Total	**370**		**384**	**502**	**437**	**437**
Comprehensive Environmental Response Compensation and Liability Act (CERCLA)		SO	4	5	4	4
Disaster Assistance Grants & Individuals and Households Program	6,359	GPS/GI	59,339	21,481	0	0
Emergency Management Performance Grant (EMPG)	637	SO	2,304	3,528	2,419	1,980
Hazardous Materials Emergency Preparedness (HMEP)		GPS	313	295	260	260
Hazard Mitigation Grants	12	GPS	14,907	3,769	0	0
National Oceanic and Atmospheric Administration (NOAA) Weather Radio		SO	50	47	47	47
Terrorism (DOJ)		GPS	2,079	4,604	2,326	12
Pre-Disaster Hazard Mitigation Program		GPS	0	206	366	366
Terrorism Consequence Management Preparedness Assistance (TCMPA)		SO	233	360	322	331
Emergency Management Program Total	**7,008**		**79,229**	**34,295**	**5,744**	**3,000**
National Forensic Science Improvement Act- NIJ		SO	123	492	0	0

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
Crime Identification Technology Act (CITA)		SO	0	0	0	0
Edward Byrne Memorial State and Local Law Enforcement Assistance Program (BJA)	13	SO	75	1,229	1,154	1,154
Local Law Enforcement Block Grants (LLEBG)		SO	0	1,322	691	691
National Criminal History Improvement Program (NCHIP)		SO/GPS	413	984	984	984
Community Oriented Policing Services (COPS)		SO/GPS	0	2,800	2,800	2,800
Arrest Policies		SO	6	121	0	0
CCH Improvement – Byrne	83	SO	463	400	400	400
NCHIP-NIBRS		GPS	0	500	500	500
Marijuana Eradication		SO	140	12	140	140
Juvenile Accountability	15		250	98	114	117
Emergency Preparedness Equipment		SO	85	14	14	14
Criminal Apprehension Program Total	**111**		**1,555**	**7,972**	**6,797**	**6,800**
Fire Life Safety Inspections	443	SO	524	0	0	0
Fire Marshal Program Total	**443**		**524**	**0**	**0**	**0**
Motor Carrier Assistance Program (MCSAP)	898	SO	3,588	4,380	4,014	4,014
National Highway Traffic Safety Administration (NHTSA)	0	SO	1,024	1,629	1,015	1,015
Surface Transportation Act –Red-dyed fuel grant	0	SO	0	89	106	104
Community Oriented Policing (COPs)	0	SO	2,264	1,299	1,071	1,071

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
Office of Justice Programs (OJP)	75	SO	717	119	0	0
Federal Transit Authority	0	SO	0	100	100	0
Federal Emergency Management	15	SO	58	0	0	0
State Patrol Program Total	**988**		**7,651**	**7,616**	**6,306**	**6,204**
Performance and Registration Information System (PRISM)		SO		190	310	0
Commercial Drivers License		SO	141	1,250	250	0
Drivers License Database Redesign		SO	122	1,780	2,082	0
Accident Records System Upgrade		SO	0	250	0	0
Driver & Vehicle Services Program Total			**263**	**3,470**	**2,642**	**0**
Youth & Alcohol		SO/GPS	244	190	182	182
Alcohol & Gambling Enforcement Program Total			**244**	**190**	**182**	**182**
Fatal Accident Reporting System (FARS)		SO	71	74	76	77
NHTSA (402) Traditional	311	SO/GPS	3,281	6,026	8,333	3,522
NHTSA (402) (164) Repeat DWI Offender		GPS		5,842	9,342	9,342
NHTSA (402) (157) Innovative Enforcement		SO	1,050	627	1,600	600
NHTSA (402) (2003B) Child Passenger Safety		SO/GPS		275	275	275
NHTSA (403) Competitive State Grants		GPS	81	353	352	171
NHTSA (405) Seat Belt		SO/GPS	227	41	0	0
NHTSA (410) Impaired Driving		SO/GPS	732	1,491	1,639	1,639

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
NHTSA (411) Crash Data Systems		SO/GPS	24	991	700	700
NHTSA (157) Performance Incentive		SO/GPS	364	305	115	115
NHTSA CODES		SO	113	57	31	31
Under-Age Drinking (BJA-OJJDP)		GPS	531	654	359	359
Traffic Safety Program Total	**311**		**6,474**	**16,736**	**22,822**	**16,831**
Pipeline Safety Operations	735	SO	783	996	997	997
Damage Prevention	20	SO	29	19	20	20
OPS Mapping	3	SO	2	20	0	0
Pipeline Safety Program Total	**758**		**814**	**1,035**	**1,017**	**1,017**
Victims Compensation (VOCA)	2,394	GI	620	726	948	1,247
Victims Assistance Grants (VOCA)		GPS/GCBO	7,619	9,340	5,437	5,437
Violence Against Women Act (VAWA)		GPS/GCBO	2,541	4,541	2,305	2.305
MN Department of Health		SO/GCBO	112	132	120	120
Family Violence Prevention Services Act (FVPSA)		GPS/GCBO	1,495	1,589	1,556	1,556
Rural Domestic Violence		GCBO	496	364	0	0
Safe Haven (VAWA Supplemental)		GCBO	0	327	0	0
Edward Byrne Memorial Advanced Victims Notification System		SO	409	116	0	0
Crime Victims Services Program Total	**2,394**		**13,292**	**17,135**	**10,366**	**10,665**

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
Edward Byrne Memorial Anti-Drug Grants (BJA)	924	GPS/GCBO	10,358	14,816	8,456	8,456
Project Safe Neighborhood (BJA)		GCBO	0	100	142	0
Residential Substance Abuse Treatment (RSAT)	2	SO	373	919	517	517
Local Law Enforcement Block Grants (LLEBG)	1	GPS	678	2,070	709	709
Executive Office of Weed & Seed (EEWS)		GPS	1,221	2,802	1,825	1,825
Crime Identification Technology Act (CITA)		GPS	0	3,900	3,900	3,900
Watch Your Car Grant – Auto Theft (DOJ)		GPS	38	180	0	0
Juvenile Accountability Block Grant (DOJ)		GPS	0	114	0	0
Law Enforcement & Community Grants Program Total	**927**		**12,668**	**24,901**	**15,549**	**15,407**
Public Safety Agency Total	**$13,310**		**$123,098**	**$113,852**	**$71,862**	**$60,543**

Key:

Primary Purpose

SO = State Operations

GPS = Grants to Political Subdivision

GI = Grants to Individuals

GCBO = Grants to Community Based Organizations

Program Name Federal or State or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted FY 2003	Most Recent Federal Award (cite year)
Disaster Assistance Grants Both M.S. 4.07 M.S. 12.22 M.S. 12.221	Provide grant assistance to eligible public, and private non-profit entities for emergency work, permanent infrastructure restoration and hazard mitigation following a disaster. Provide grant assistance to eligible individuals and families for serious needs and necessary expenses.	Counties, cities, townships, school districts, watershed districts, tribal governments, and eligible private, non-profit entities for the public assistance program and the hazard mitigation grant program. The Individuals and Households Program provides funding directly to private citizens.	$27,638	2002
Emergency Management Performance Grant (EMPG) Federal M.S. 4.07 M.S. 12.22	Provide grant assistance to local governments for the development and maintenance of local emergency management programs.	Counties.	$987	2002
Hazardous Materials Emergency Preparedness Grants (HMEP) Federal M.S. 4.07 M.S. 12.22	Provide grant assistance to local governments and vocational-technical colleges for the conduct of hazardous materials-related training, exercises, planning and conferences.	Cities, counties, vocational-technical colleges.	$156	2002
Office of Justice Terrorism Program Federal M.S. 4.07 M.S. 12.22	Provide grant assistance to local governments and state agencies for equipment and training, to assist in the response to a domestic terrorism event.	Cities, counties, and state agencies.	$3,340	2002
Pre-disaster Hazard Mitigation Program Federal M.S. 4.07 M.S. 12.22	Provides funding to states and communities for cost-effective hazard mitigation activities that complement a comprehensive mitigation program; and reduces injuries, loss of life, and the damage and destruction of property.	States and communities.	$205	2003

Program Name Federal or State or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted FY 2003	Most Recent Federal Award (cite year)
Radiological Emergency Preparedness State M.S.12.12 M.S 12.13	Provide grant assistance to certain state agencies, and to local governments located within a 10-mile radius of the two nuclear power plants in Minnesota operated by the Nuclear Management Corporation, to support planning, training and exercising for radiological emergencies.	Cities and counties within a 10-mile radius of the Monticello and Prairie Island Nuclear Generating Plant, state agencies.	$931	
Domestic Terrorism Act State Laws 2002 Chapter 401	Provides grants for the purchase of approved terrorism response-related equipment and training.	Cities, counties and state agencies.	$10,962	
		Emergency Management Program Total	$44,219	
Criminal Justice Needs Study State	Analysis of needs for Criminal Justice Agencies.	MN Supreme Court	$490	
CriMNet Grants to Local Government State	Integration of Criminal Justice Records under CriMNet project	City and county law enforcement agencies	$3,098	2002
National Criminal History Improvement Program (NCHIP) Federal M.S. 4.07	Analysis of needs for Criminal Justice Agencies Provide funding for local integration projects	City and County law enforcement agencies	$984	2002
Marijuana Eradication Federal M.S. 4.07	Provide funds to facilitate the eradication of marijuana	City and county law enforcement agencies	$2	2002
Arrest Policies Federal M.S. 4.07	To encourage coordinated and integrated approach to arrest policies.	MN Supreme Court	$121	2002
National Incident Based Reporting System (NIBRS) Federal M.S. 4.07	Evaluation and implementation of NIBRS in Minneapolis and St. Paul	Minneapolis and St. Paul	$500	2002
		Criminal Apprehension Program Total	$5,195	

Program Name Federal or State or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted FY 2003	Most Recent Federal Award (cite year)
National Highway Safety Act Grants (NHTSA) Federal M.S. 4.07	Support state and local activities related to reducing the incidence of driving while impaired by alcohol or other drugs.	City and county law enforcement agencies	$203	2003
COPS Federal M.S. 4.07	Develop a law enforcement training program for college students to serve as police or sheriff's deputies.	MnSCU	$56	2002
Motor Carrier Safety Act Program (MCSAP) Federal M.S. 4.07	To monitor commercial vehicle activities for vehicle inspections, traffic enforcement, motor carrier audits, safety and training.	MnDOT	$1,483	2002
		State Patrol Program Total	$1,742	
Drivers License Photo Equipment State	Provide drivers license photo equipment to certain registrars	Various city & county registrars	$28	
		Driver & Vehicle Services Program Total	$28	
Youth and Alcohol Federal M.S. 4.07	This program provides assistance to local law enforcement to conduct compliance checks of liquor retailers and surveillance of under age drinking at events.	City and county law enforcement agencies	$80	
		Alcohol & Gambling Enforcement Program Total	$80	
National Highway Traffic Safety Administration (NHTSA) 402 Federal M.S. 4.075	Provide grant funds to governmental agencies so that they can develop programs to change driver behavior	Other state agencies, county and local governments	$9,132	2003

Program Name Federal or State or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted FY 2003	Most Recent Federal Award (cite year)
National Highway Traffic Safety Administration (NHTSA) 405 “Seat Belt Law Package” Federal M.S. 4.075	Support state activities related to improving seat belt use rates	State agencies, county and local governments	$469	2003
National Highway Traffic Safety Administration (NHTSA) 410 “Impaired Driving Programs" Federal M.S. 4.075	Support state and local activities related to reducing the incidence of driving while impaired by alcohol or other drugs	State agencies, county and local governments	$1,089	2003
National Highway Traffic Safety Administration (NHTSA) 411 “Data Improvement Programs” Federal M.S. 4.075	Support state and local activities related to improving traffic crash data collection, analysis, and reporting systems	State agencies, county and local governments	$951	2003
National Highway Traffic Safety Administration (NHTSA) CODES Project (Crash Data Evaluation) Federal M.S. 4.075	Link crash data systems so that more thorough analysis of crash causes and outcomes is possible	State agencies, county and local governments	$40	2003
Bureau of Justice/Office of Juvenile Justice and Delinquency Prevention (BJA/OJJDP) Underage Drinking Programs Federal M.S. 4.07	Develop state and local means to combat underage drinking and enforce the existing underage drinking laws	State agencies, county and local governments	$604	2003
		Traffic Safety Program Total	$12,285	
Crime Victims Assistance Grants State	To provide assistance to victims of crime. These state appropriations augment federal grants in specific areas such as child abuse, sexual assault, domestic violence and general crime.	Eligible recipients include local units of government, Indian tribal governments and private, non-profit agencies.	$10,155	

Program Name Federal or State or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted FY 2003	Most Recent Federal Award (cite year)
STOP Violence Against Women Act (VAWA) Federal M.S. 4.07	To combat violence against women and improve the criminal justice system's response to sexual assault and domestic violence against women.	Eligible recipients include local units of government, Indian tribal governments and private, non-profit agencies.	$4,303	2002
VOCA Victim Assistance (VOCA) Federal M.S. 4.07	To provide assistance to victims of crime. Federal guidelines define four priority areas which must receive a minimum of 10% of the total award: child abuse, sexual assault, domestic violence and underserved (general crime).	Eligible recipients include local units of government, Indian tribal governments and private, non-profit agencies.	$8,762	2002
Rural Domestic Violence Federal M.S. 4.07	To provide services in domestic violence cases where child abuse is identified as an issue.	Eligible recipients include non-profit agencies that serve domestic violence victims and their children.	$345	1999
Family Violence Prevention Services Act (FVPSA) Federal M.S. 4.07	To provide emergency shelter and related services to victims of domestic abuse and their children.	Eligible recipients include agencies that provide emergency shelter and related services to victims of domestic abuse and their children.	$1,484	2003
Safe Havens: Supervised Visitation and Safe Exchange Federal M.S. 4.07	To provide technical assistance to agencies that provide supervised visitation centers.	This grant is provided to the Minnesota Program Development office in Duluth, Mn.	$327	2003
Prevention and Personal Care Block Grant Federal M.S. 4.07	To provide rape prevention services. These funds come to MCCVS through the Department of Health	Eligible recipients include agencies that provide rape crisis services	$132	2003
		Crime Victims Services Program Total	$25,508	

Program Name Federal or State or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted FY 2003	Most Recent Federal Award (cite year)
Law Enforcement and Community Grants State	Assist communities in their crime control and prevention efforts.	Private and public non-profit organizations	$1,033	
Criminal Gang Strike Force State M.S. 199A.66	Assist in the identification, arrest, and prosecution of criminal gang members.	Public non-profit organizations	$2,426	
Community and Youth Focused Crime Prevention State M.S. 299A.296	Assist communities in their crime control and prevention efforts.	Private and public non-profit organizations	$1,780	
Department of Justice Byrne Memorial Formula Grant Federal M.S.4.07	Funds programs with a high probability of improving the functioning of the criminal justice system and enhancing drug control efforts.	Private and public non-profit organizations	$14,077	2003
Department of Justice Residential Substance Abuse (RSAT) Federal M.S.4.07	Developing and implementing substance abuse treatment programs in correction facilities.	Minnesota correctional facilities	$871	2003
Department of Justice Local Law Enforcement Block (LLEBG) Federal M.S. 4.07	Seven “purpose areas” for preventing and controlling crime.	Governmental organizations	$2,010	2003
Department of Justice Weed & Seed (WS) Federal M.S 4.07	Assist neighborhoods in “weeding” out crime and “seeding” in community livability and vitality.	Private and public non-profit organizations	$2,723	2002
Department of Justice Crime Identification Technology Act (CITA) - CriMNet Federal	Support for Integrated Criminal Justice Information System activities	Local units government	$3,900	2002
Criminal Justice Project	Racial Profiling Study &	Private and public	$1,767	

Program Name Federal or State or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted FY 2003	Most Recent Federal Award (cite year)
State	training, video cameras in squad cars, law enforcement training reimbursement.	non-profit organizations		
Auto Theft Prevention Both M.S. 168A.40 M.S. 4.07	Assist communities in combating and preventing auto theft.	Private and public non-profit organizations	$1,983	1999
Juvenile Assessment Centers State	Grant program to establish 24-hour juvenile assessment centers.	Private and public non-profit organizations	$197	
		Law Enforcement & Community Grants Program Total	$32,767	
		Department of Public Safety Agency Total	$121,824	

Agency Purpose

The mission of the Department of Public Safety (DPS) is simple - to keep Minnesotans safe and provide world-class customer service. This mission is achieved through three primary functions: service, enforcement and prevention.

⇒ The primary *activity* of DPS is service.
⇒ The primary *responsibility* of the DPS is enforcement.
⇒ The primary *goal* of the DPS is prevention.

Core Functions

The Department of Public Safety 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 operations for disasters;
- 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 financial advocacy and assistance to crime victims; and
- administering crime prevention grant programs.

At A Glance

Vehicle title and registration processing time fell from 33 days in 2000 to 12 days in 2001.

6,772 DWI arrests were made by the State Patrol in 2001.

Over 15,000 DNA samples are maintained in an offender database by the Bureau of Criminal Apprehension.

More than 200 locally-based crime victim programs received funding and provided services to approximately 200,000 individuals in 2001.

Seat belt usage has increased 10% in Minnesota since 1998 to 74%.

$52 million in federal and state funding was disbursed to cities and counties for the 2001 floods.

444 fire investigations were conducted by the State Fire Marshal's Office in 2001. 152 of these were determined to be arson.

DPS works to ensure that these core functions incorporate innovation, stewardship, collaboration, and communication.

The Department of Public Safety took on a new role after September 11th as Minnesota's Office of Homeland Security. Governor Ventura appointed Commissioner Charlie Weaver to be the Director 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.

Operations

Service to the citizens of Minnesota is the Department of Public Safety'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.
Bureau of Criminal Apprehension provides complete investigative assistance to local agencies, forensic laboratory services, criminal history information, and training to peace officers.
Drug Policy and Violence Prevention is a catalyst for statewide approaches to reducing and preventing crime, violence, and drug abuse through identifying causes, recommending policies, and coordinating statewide and community strategies.
Driver and Vehicle Services provides vehicle registration, driver's license and driver evaluation services. Driving records and accident reports are also maintained.
Emergency Management coordinates emergency operations around the state, including planning and preparing for disasters and responding to and recovering from disasters.

Minnesota Center for Crime Victim Services provides advocacy and funding to victims of crimes. These services include direct compensation for losses incurred as a result of crime, grants to local victim support and advocacy programs, and support of emergency shelters for victims of domestic abuse.
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.
The Department of Public Safety also has five internal support divisions that provide services relating to communication, fiscal administration, human resource management, internal affairs, and technical support. Homeland Security efforts are coordinated through the commissioner's office but involve many of our divisions.

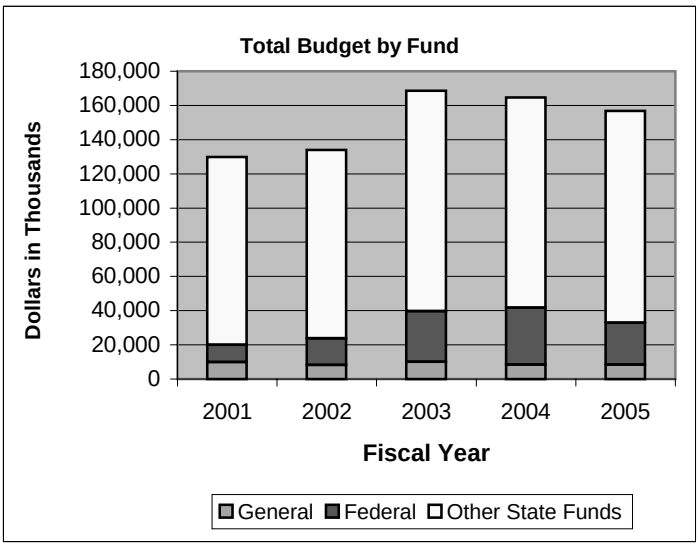
Contact

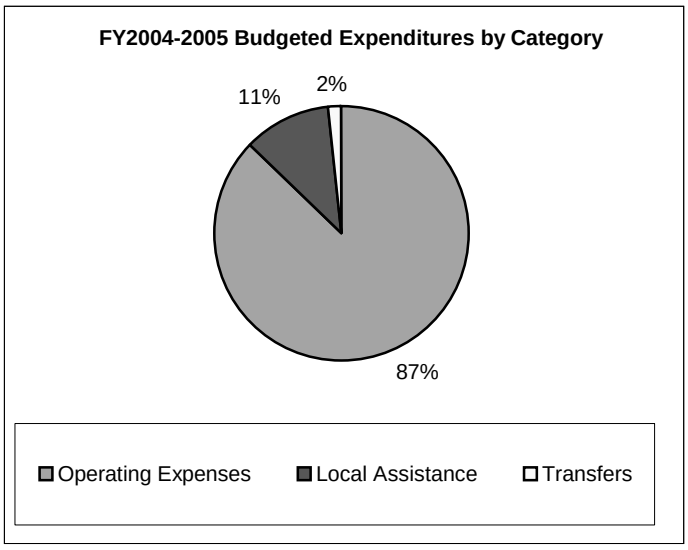
Department of Public Safety
1000 North Central Life Tower
445 Minnesota Street
Saint Paul, Minnesota 55101

World Wide Web Home Page:
http://www.dps.state.mn.us

Rich Stanek, Commissioner
Phone (651) 296-6642 Fax (651) 297-5728

For information on how this agency measures whether it is meeting its statewide goals, please refer to http://www.departmentresults.state.mn.us





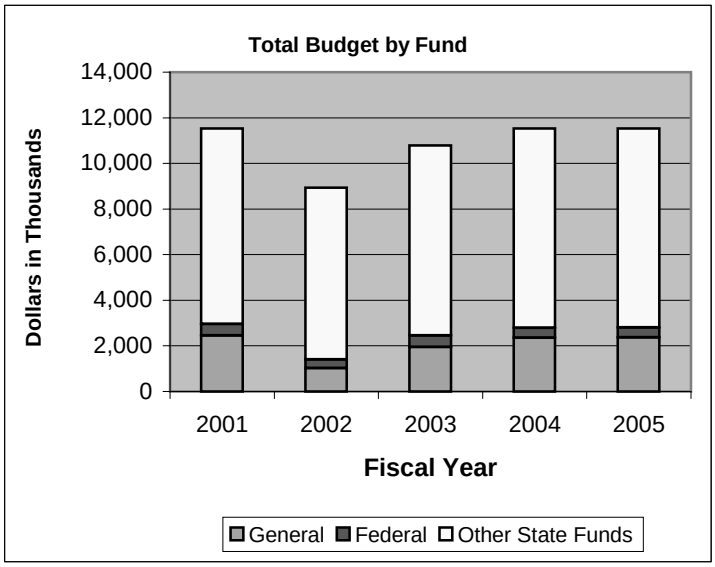
Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Carry Forward						
General	0	0	0	30	0	30
Direct Appropriations						
General	9,511	7,798	9,746	8,156	8,161	16,317
Special Revenue	791	738	994	994	994	1,988
Trunk Highway	83,930	84,582	96,124	93,938	93,938	187,876
Highway Users Tax Distribution	15,089	8,960	11,396	11,061	11,061	22,122
Open Appropriations						
Highway Users Tax Distribution	0	6,220	7,194	6,987	7,830	14,817
Statutory Appropriations						
General	341	384	437	238	238	476
State Government Special Revenue	460	436	511	541	565	1,106
Special Revenue	8,123	9,033	12,410	9,269	9,236	18,505
Trunk Highway	1,358	117	92	80	75	155
Federal	10,173	15,618	29,454	33,263	24,585	57,848
Reinvest In Minnesota	5	6	8	8	8	16
Gift	73	45	131	50	50	100
Total	**129,854**	**133,937**	**168,497**	**164,615**	**156,741**	**321,356**

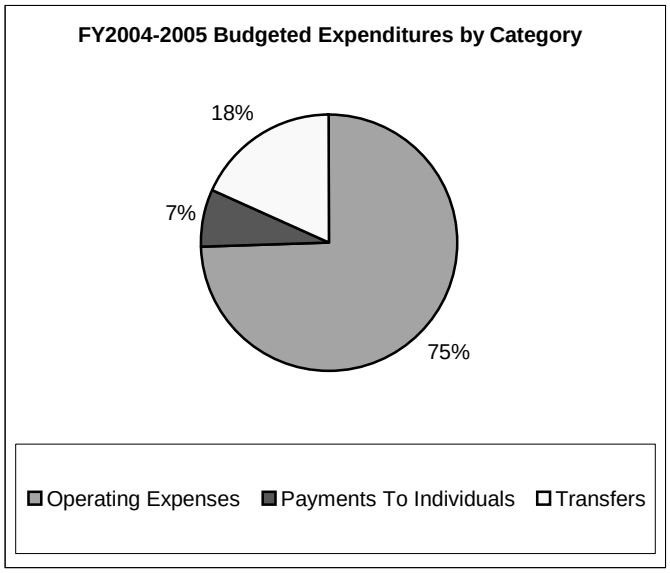
Expenditures by Category						
Operating Expenses	126,313	127,729	152,990	139,806	137,961	277,767
Payments To Individuals	680	1,006	1,401	1,204	1,204	2,408
Local Assistance	2,817	5,157	14,055	21,042	15,013	36,055
Other Financial Transactions	44	45	51	45	45	90
Transfers	0	0	0	2,518	2,518	5,036
Total	**129,854**	**133,937**	**168,497**	**164,615**	**156,741**	**321,356**

Dollars in Thousands						
	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Program	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Admin & Related Services	11,526	8,931	10,792	11,528	11,533	23,061
State Patrol	71,191	73,845	86,536	80,556	80,495	161,051
Driver & Vehicle Services	40,690	41,527	51,214	46,750	44,927	91,677
Traffic Safety	4,815	7,964	17,830	23,676	17,685	41,361
Pipeline Safety	1,632	1,670	2,125	2,105	2,101	4,206
Total	**129,854**	**133,937**	**168,497**	**164,615**	**156,741**	**321,356**
Revenue by Type and Fund						
Non Dedicated						
General	546,454	437,745	290,887	293,026	284,450	577,476
Cambridge Deposit Fund	12,187	0	0	0	0	0
Trunk Highway	30,459	29,406	30,544	31,500	32,503	64,003
Highway Users Tax Distribution	463,013	673,214	689,642	713,002	723,111	1,436,113
Environmental	4,417	4,728	4,545	0	0	0
Greater Minnesota Transit	0	0	7,479	7,701	7,454	15,155
Subtotal Non Dedicated	1,056,530	1,145,093	1,023,097	1,045,229	1,047,518	2,092,747
Dedicated						
General	349	402	444	12,560	12,164	24,724
Special Revenue	11,419	13,461	18,183	22,283	22,203	44,486
Trunk Highway	1,470	60	80	75	75	150
Highway Users Tax Distribution	482	-8	-474	0	0	0
Federal	10,192	15,586	29,359	33,224	24,489	57,713
Reinvest In Minnesota	1,085	1,254	1,200	1,200	1,200	2,400
Gift	52	53	95	50	50	100
Subtotal Dedicated	25,049	30,808	48,887	69,392	60,181	129,573
Total Revenue	**1,081,579**	**1,175,901**	**1,071,984**	**1,114,621**	**1,107,699**	**2,222,320**
Full-Time Equivalents (FTE)	**1,574.3**	**1,529.7**	**1,568.9**	**1,461.7**	**1,426.0**	

Budget Activities Included:

⇒ Office of Communications
⇒ Public Safety Support
⇒ Technical Support Services





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,337	863	1,783	2,361	2,366	4,727
Trunk Highway	7,146	6,117	6,824	5,938	5,938	11,876
Highway Users Tax Distribution	59	47	71	1,385	1,385	2,770
Statutory Appropriations						
General	123	156	162	0	0	0
Special Revenue	1,341	1,366	1,431	1,407	1,407	2,814
Trunk Highway	15	5	5	0	0	0
Federal	505	377	516	437	437	874
Total	**11,526**	**8,931**	**10,792**	**11,528**	**11,533**	**23,061**
Expenditures by Category						
Operating Expenses	10,867	8,292	9,787	8,588	8,593	17,181
Payments To Individuals	659	639	1,005	822	822	1,644
Transfers	0	0	0	2,118	2,118	4,236
Total	**11,526**	**8,931**	**10,792**	**11,528**	**11,533**	**23,061**
Expenditures by Activity						
Office Of Communications	1,142	1,052	1,223	1,095	1,095	2,190
Public Safety Support	5,465	5,472	6,604	7,979	7,984	15,963
Technical Support Services	4,919	2,407	2,965	2,454	2,454	4,908
Total	**11,526**	**8,931**	**10,792**	**11,528**	**11,533**	**23,061**
Revenue by Type and Fund						
Dedicated						
General	144	156	162	0	0	0
Special Revenue	1,047	1,078	1,108	1,112	1,112	2,224
Trunk Highway	0	0	5	0	0	0
Federal	512	384	502	437	437	874
Subtotal Dedicated	1,703	1,618	1,777	1,549	1,549	3,098
Total Revenue	1,703	1,618	1,777	1,549	1,549	3,098

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Full-Time Equivalents (FTE)	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
	107.2	**91.8**	**94.4**	**84.9**	**83.0**	

Activity Description

The Office of Communications delivers the department's message and responds to media requests on behalf of the ten 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 2001:

- Sent 250 news advisories and releases
- Responded to 1,850 media calls
- Initiated 500 media calls
- Coordinated 35 news conferences
- Designed and wrote 35 publications
- Wrote/edited 20 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;
- 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 increase the amount of coverage DPS receives by 25% in FY 2004 and FY 2005.

⇒ **Distribution of an internal DPS news publication and 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 distribute a printed publication via the mail and the intranet six times per year and electronically deliver the e-newsletter bi-monthly.

Activity Funding

This activity is a mix of General Fund appropriations (3%), Special Revenue Fund accounts (27%), Trunk Highway Fund appropriations (33%) and Federal Funds (37%). The source of the Special Revenue Funds is driver license motorcycle endorsement fees (Motorcycle Safety Account).

Contact

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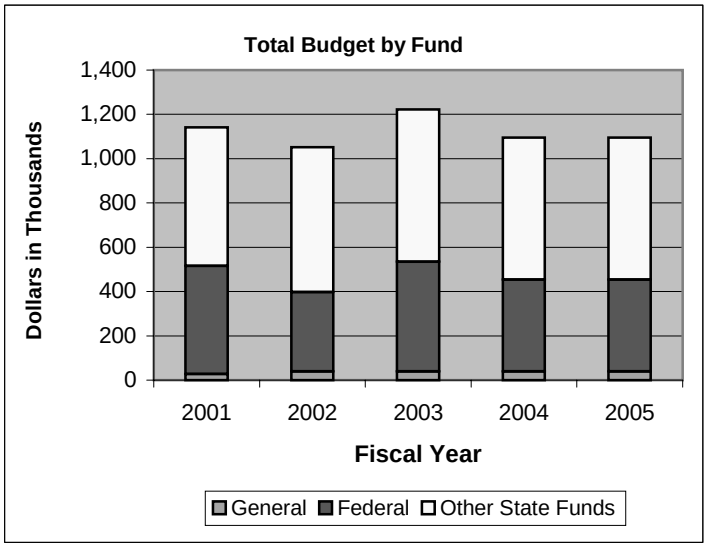
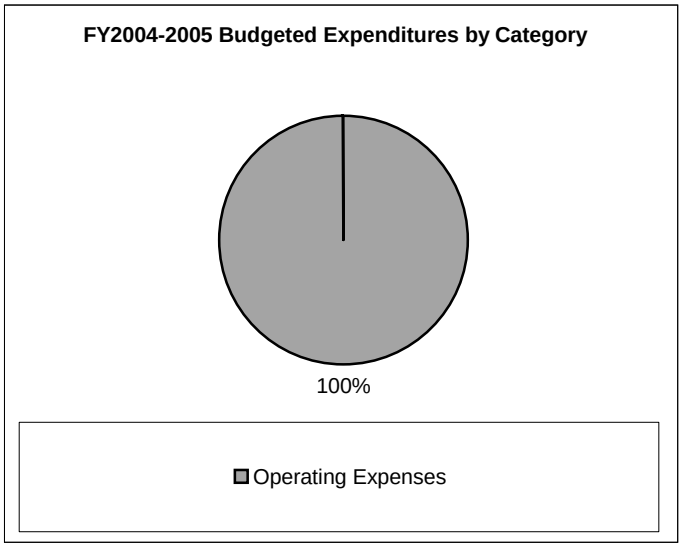
(651) 296-8383
http://www.dps.state.mn.us/comm/comm.html





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	16	20	20	39	39	78
Trunk Highway	343	355	393	346	346	692
Statutory Appropriations						
General	12	19	19	0	0	0
Special Revenue	283	299	295	295	295	590
Federal	488	359	496	415	415	830
Total	**1,142**	**1,052**	**1,223**	**1,095**	**1,095**	**2,190**
Expenditures by Category						
Operating Expenses	1,142	1,052	1,223	1,095	1,095	2,190
Total	**1,142**	**1,052**	**1,223**	**1,095**	**1,095**	**2,190**
Revenue by Type and Fund						
Dedicated						
General	12	19	19	0	0	0
Federal	494	369	483	415	415	830
Subtotal Dedicated	506	388	502	415	415	830
Total Revenue	506	388	502	415	415	830
Full-Time Equivalents (FTE)	**9.2**	**8.6**	**9.7**	**9.1**	**9.1**	

Activity Description

Public Safety Support includes three separate offices: the Commissioner's Office, Fiscal & Administrative Services, and Human Resource Management & 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 & Administrative Services provides financial and administrative support to the divisions and staff offices within DPS. Human Resource Management & Development provides professional human resource services to all employees within DPS.

Activity at a Glance

- The Commissioner's Office oversees 17 separate divisions within DPS with over 2,000 employees
- Human Resources held 117 classes with 1,369 students in FY 2002.
- Fiscal & Administrative Services processed 39,867 payments to vendors, with 98.3% paid within 30 days in FY 2002.

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 & Administrative Services provides budgeting, general accounting, financial reporting, payroll coordination, accounts payable, purchasing, grant and contract management, and administrative support services.

Human Resource Management & Development provides recruitment and staffing, exam development, classification, compensation, benefits and insurance, workforce 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 & Administrative Services has a plan to improve efficiency through guidelines, checklists, training materials, on-line tools, training sessions and by updating administrative policies by March 2003.

⇒ **Implementation of Resumix for all vacancies filled within the department.** Resumix is a new system that will be used to hire for positions within state agencies. The goal is to provide training and have Resumix in place within FY 2003.

Activity Funding

This activity is funded by a mix of General Fund appropriations (20%), Special Revenue Funds (19%), Trunk Highway Fund appropriations (60%), and Highway User Tax Distribution Fund appropriation (1%). The source of the Special Revenue Funds is the recovery of indirect costs.

Contact

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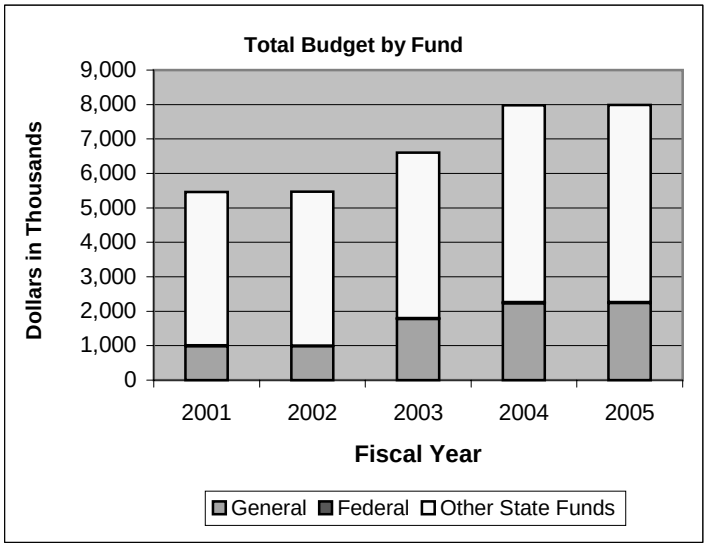
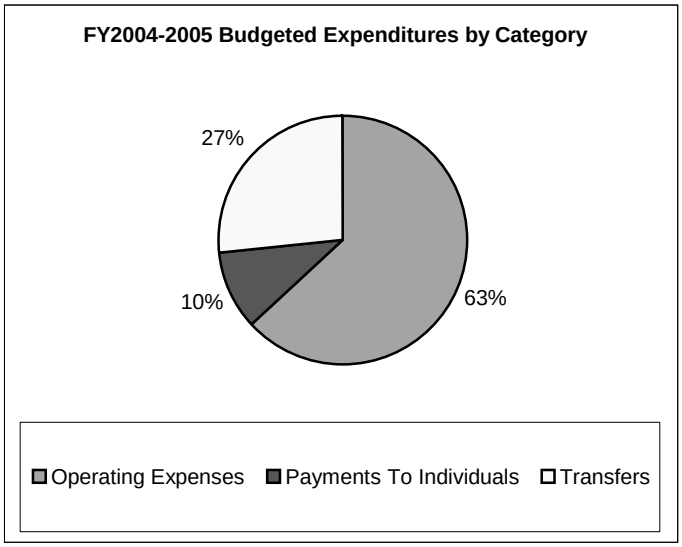
PUBLIC SAFETY DEPT
Program: ADMIN & RELATED SERVICES
Activity: PUBLIC SAFETY SUPPORT

Fiscal Report





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	877	843	1,629	2,231	2,236	4,467
Trunk Highway	3,347	3,362	3,631	3,248	3,248	6,496
Highway Users Tax Distribution	40	40	40	1,366	1,366	2,732
Statutory Appropriations						
General	111	137	143	0	0	0
Special Revenue	1,058	1,067	1,136	1,112	1,112	2,224
Trunk Highway	15	5	5	0	0	0
Federal	17	18	20	22	22	44
Total	**5,465**	**5,472**	**6,604**	**7,979**	**7,984**	**15,963**
Expenditures by Category						
Operating Expenses	4,806	4,833	5,599	5,039	5,044	10,083
Payments To Individuals	659	639	1,005	822	822	1,644
Transfers	0	0	0	2,118	2,118	4,236
Total	**5,465**	**5,472**	**6,604**	**7,979**	**7,984**	**15,963**
Revenue by Type and Fund						
Dedicated						
General	132	137	143	0	0	0
Special Revenue	1,047	1,078	1,108	1,112	1,112	2,224
Trunk Highway	0	0	5	0	0	0
Federal	18	15	19	22	22	44
Subtotal Dedicated	1,197	1,230	1,275	1,134	1,134	2,268
Total Revenue	1,197	1,230	1,275	1,134	1,134	2,268
Full-Time Equivalents (FTE)	**57.1**	**57.2**	**55.7**	**51.5**	**50.2**	

Activity Description

The Office of Technical Support Services (OTSS) designs and supports a department wide set of CORE computer services including: the computer network infrastructure, e-mail communication system, web services, and information systems security services. OTSS also develops software applications for division programs and provides desktop support to Department of Public Safety (DPS) staff.

Population Served

OTSS primarily serves employees within the Department of Public Safety. 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.

Activity at a Glance

- Manages department information systems security for all programs and 1,800 DPS computer users.
- Provides desktop support for over 600 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 telephone service request coordination for the entire department.

Services Provided

OTSS designs, implements, and supports the Department of Public Safety 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 State Information Policy Council and the State Technical Architecture Review Board. The information security officer directs computer systems security out of the OTTS, 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 InterTech and other providers of our wide area network connectivity.

Additionally, OTSS provides personal computer desktop support services for ten DPS divisions with over 600 staff. This includes hardware and software installations, upgrades and removals, helpdesk support, software license compliance management, and problem resolution (in addition to telephone system support).

Key Measures

⇒ Implementation of computer security system recommendations.
A network security vulnerability assessment and corrective network architecture plan was developed for the department in 1999 by InterSec, a vendor who specializes in security architecture development. The department has implemented approximately 85% of the recommendations with the limited resources available. With the need to focus more directly on security due to homeland security responsibilities that the department now has, there is a need to complete implementation and maintain security into the future.

⇒ The amount of bandwidth needed to provide necessary network operating services.
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 providing the necessary bandwidth to carry these services. Network efficiency monitoring must reflect an average efficiency of at least 99% each year to be sure those programs can operate adequately.

⇒ Desktop support problem resolution.
Trouble calls are assigned an appropriate priority when received and are completed within the agreed upon timeframe for the priority assigned (four hours for a priority one, eight hours for a priority two etc.). On-time problem resolution should be at a 90% level or better.

Activity Funding

This activity is funded by a mix of a General Fund appropriation (3%), and Trunk Highway Fund appropriations (97%).

Contact

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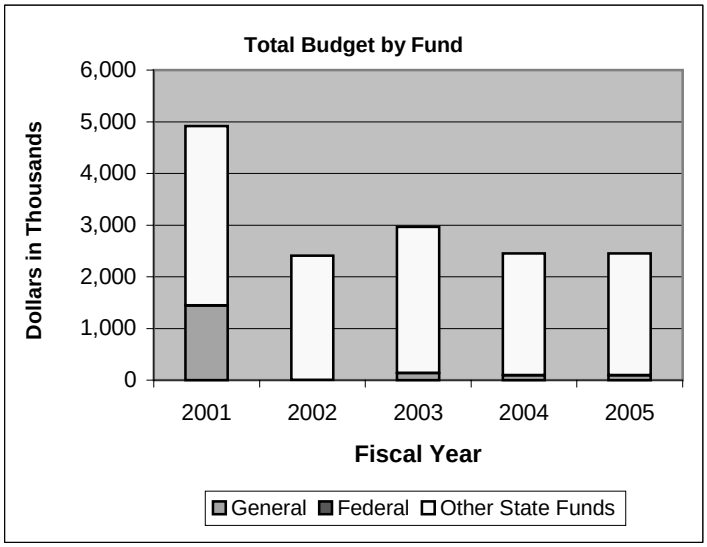
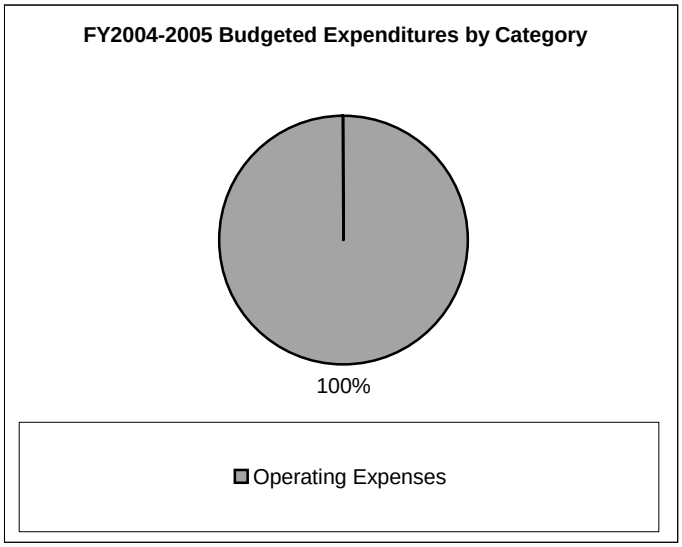
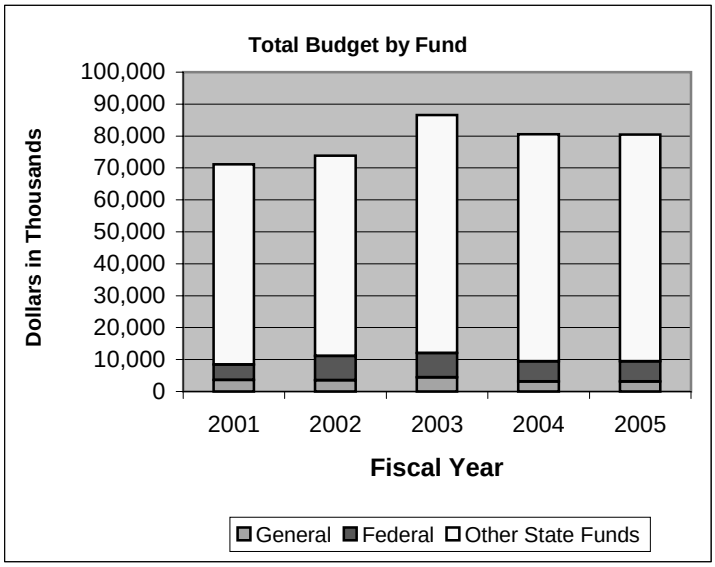


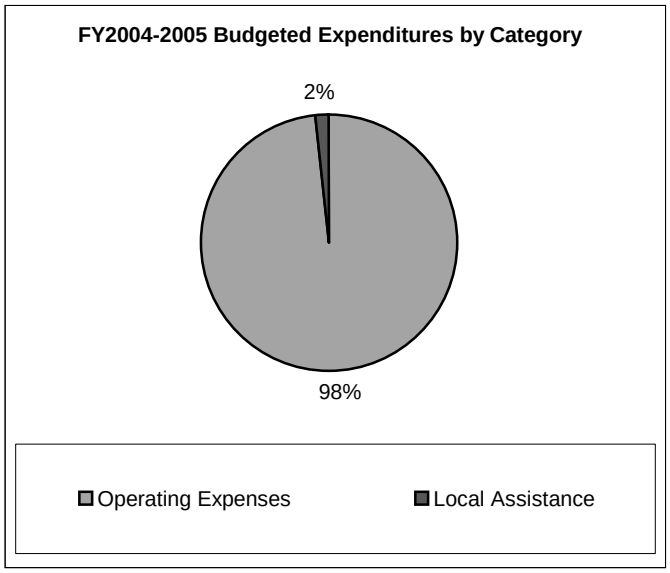


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,444	0	134	91	91	182
Trunk Highway	3,456	2,400	2,800	2,344	2,344	4,688
Highway Users Tax Distribution	19	7	31	19	19	38
Total	**4,919**	**2,407**	**2,965**	**2,454**	**2,454**	**4,908**
Expenditures by Category						
Operating Expenses	4,919	2,407	2,965	2,454	2,454	4,908
Total	**4,919**	**2,407**	**2,965**	**2,454**	**2,454**	**4,908**
Full-Time Equivalents (FTE)	**40.9**	**26.0**	**29.0**	**24.3**	**23.7**	

Budget Activities Included:

⇒ Patrolling Highways
⇒ Commercial Vehicle Enforcement
⇒ Capitol Complex Security





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,342	3,286	4,125	2,871	2,871	5,742
Trunk Highway	54,728	55,581	63,588	63,369	63,369	126,738
Highway Users Tax Distribution	133	285	299	92	92	184
Statutory Appropriations						
General	218	228	275	233	233	466
State Government Special Revenue	460	436	511	541	565	1,106
Special Revenue	6,087	6,264	9,911	7,021	6,986	14,007
Trunk Highway	1,343	112	87	80	75	155
Federal	4,880	7,653	7,665	6,344	6,299	12,643
Gift	0	0	75	5	5	10
Total	**71,191**	**73,845**	**86,536**	**80,556**	**80,495**	**161,051**
Expenditures by Category						
Operating Expenses	70,229	72,046	84,398	78,752	78,691	157,443
Payments To Individuals	21	364	396	382	382	764
Local Assistance	942	1,435	1,742	1,422	1,422	2,844
Other Financial Transactions	-1	0	0	0	0	0
Total	**71,191**	**73,845**	**86,536**	**80,556**	**80,495**	**161,051**
Expenditures by Activity						
Patrolling Highways	58,711	60,580	70,732	66,857	66,741	133,598
Commercial Vehicle Enforcement	8,959	9,625	11,240	10,632	10,687	21,319
Capitol Complex Security	3,521	3,640	4,564	3,067	3,067	6,134
Total	**71,191**	**73,845**	**86,536**	**80,556**	**80,495**	**161,051**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	0	3	4	4	4	8
Trunk Highway	6,597	6,356	6,500	6,500	6,500	13,000
Highway Users Tax Distribution	676	1,029	930	930	930	1,860
Subtotal Non Dedicated	7,273	7,388	7,434	7,434	7,434	14,868
Dedicated						
General	205	246	282	233	233	466
Special Revenue	5,879	7,681	9,856	7,156	7,071	14,227
Trunk Highway	1,470	60	75	75	75	150
Federal	4,962	7,651	7,616	6,306	6,204	12,510
Gift	4	6	5	5	5	10
Subtotal Dedicated	12,520	15,644	17,834	13,775	13,588	27,363
Total Revenue	**19,793**	**23,032**	**25,268**	**21,209**	**21,022**	**42,231**
Full-Time Equivalents (FTE)	**880.8**	**867.1**	**869.5**	**821.4**	**807.9**	

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.

Activity at a Glance

During calendar year 2001:

- 697,570 enforcement contacts
- 25,026 crashes investigated
- 3,772 DWI arrests
- 13,273,869 total miles traveled by troopers

Population Served

The State Patrol serves the 4.9 million Minnesota citizens, and 3.7 million licensed drivers operating 4.4 million registered motor vehicles regularly using the roadways in Minnesota.

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. 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 driver as well as for other vehicles 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 and reduces congestion causing obstructions. Over the course of the year, troopers make arrangements for numerous tow trucks, change countless tires, put out small car fires, and assist with medical emergencies.

The State Patrol also promotes a safer highway environment by encouraging voluntary compliance with motor vehicle traffic laws through public education activities. State Patrol troopers regularly visit schools, conduct child safety seat inspections, participate in safe driving seminars, and produce public service announcements. Traffic safety programs designed specifically for school age audiences, such as pedestrian, bicycle, school bus, and teen driving, have allowed troopers to reach nearly every Minnesota child between the ages of 5-18. The State Patrol has successfully blended community and corporate partnerships with innovative traffic safety initiatives at the local level.

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 2001, only 37% of fatal crashes were attributed to an impaired driver.

Special emphasis on seat belt enforcement has contributed to the increasing percentage of motorists using seat belts. Coincidental 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 2001, seat belt use was at 74% and the number severely injured was under 3,000. This decrease has occurred even as the number of licensed drivers, registered vehicles, and miles traveled has increased, and the average number of total crashes has stayed the same.

Last year, the State Patrol patrolled 12,000 miles of highway, issued 697,561 citations and warnings, arrested 6,772 impaired drivers, investigated 25,026 troopers, and assisted 180,561 motorists. The Minnesota State Patrol ranks 47th in the nation on a per capita basis and has not had a significant increase in strength in over 30 years, despite significant increases in the number of motorists, vehicles, and highways patrolled.

Key Measures

- **The number of motor vehicle occupants using seat belts.**

The use of seat belts has proven to be directly related to a reduced incidence of injuries and deaths resulting from motor vehicle crashes. Active education and enforcement of seat belt laws has a direct impact on the percentage of vehicle occupants wearing seat belts. The goal is to reduce the number of serious injury and fatal motor vehicle crashes.

Performance indicator: The percentage of motor vehicle occupants that used seat belts from 1994 – 2002.

1994	1995	1996	1997	1998	1999	2000	2001	2002(PROJ)
57%	65%	64%	65%	64%	72%	73%	74%	76%

Activity Funding

This activity is funded by a mix of Emergency 911 Funds (1%), Special Revenue Funds (11%), Trunk Highway Fund appropriations (84%), and Federal Funds (4%). The sources of the Special Revenue Funds are the motor vehicle title transfer surcharge revenues (funds State Patrol vehicle purchases), deposition 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.

Contact

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Chief of Minnesota State Patrol
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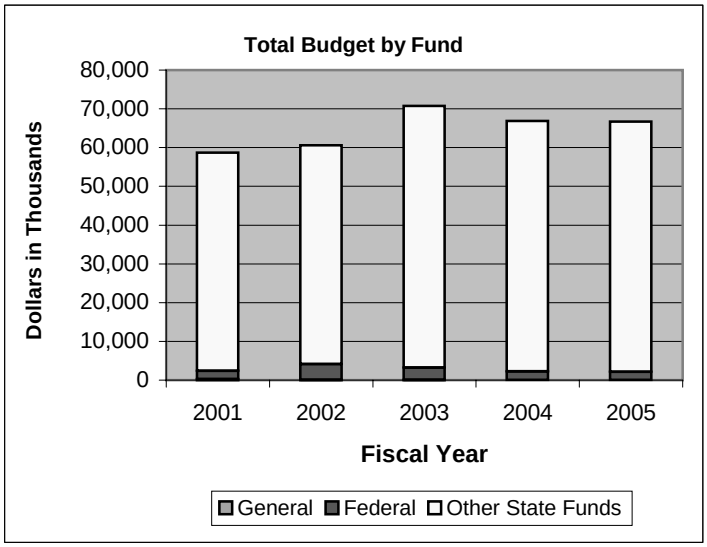
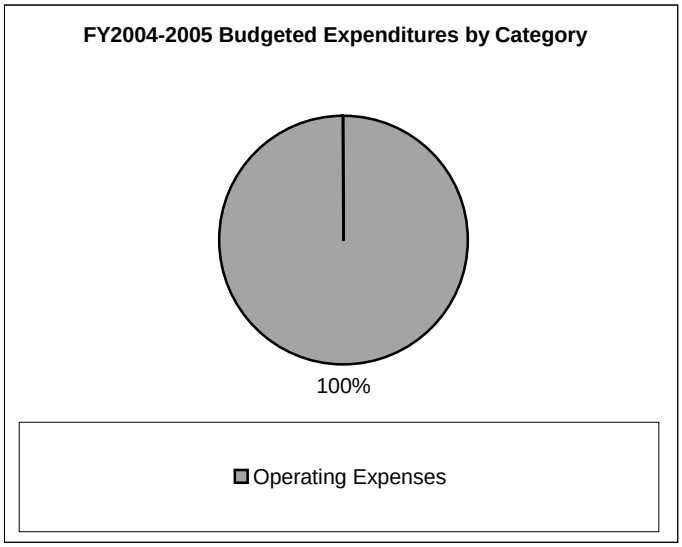




Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	238	68	42	37	37	74
Trunk Highway	48,378	49,548	56,852	56,895	56,895	113,790
Highway Users Tax Distribution	133	91	93	92	92	184
Statutory Appropriations						
State Government Special Revenue	460	436	511	541	565	1,106
Special Revenue	6,087	6,264	9,911	7,021	6,986	14,007
Trunk Highway	1,218	112	87	80	75	155
Federal	2,197	4,061	3,161	2,186	2,086	4,272
Gift	0	0	75	5	5	10
Total	**58,711**	**60,580**	**70,732**	**66,857**	**66,741**	**133,598**

Expenditures by Category						
Operating Expenses	58,610	60,009	70,077	66,297	66,181	132,478
Payments To Individuals	21	364	396	382	382	764
Local Assistance	80	207	259	178	178	356
Total	**58,711**	**60,580**	**70,732**	**66,857**	**66,741**	**133,598**

Revenue by Type and Fund						
Non Dedicated						
General	0	3	4	4	4	8
Trunk Highway	6,568	6,324	6,470	6,470	6,470	12,940
Highway Users Tax Distribution	110	115	130	130	130	260
Subtotal Non Dedicated	6,678	6,442	6,604	6,604	6,604	13,208
Dedicated						
Special Revenue	5,879	7,681	9,856	7,156	7,071	14,227
Trunk Highway	1,345	60	75	75	75	150
Federal	2,240	4,063	3,147	2,186	2,086	4,272
Gift	4	6	5	5	5	10
Subtotal Dedicated	9,468	11,810	13,083	9,422	9,237	18,659
Total Revenue	**16,146**	**18,252**	**19,687**	**16,026**	**15,841**	**31,867**

Dollars in Thousands	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Full-Time Equivalents (FTE)	**692.1**	**690.9**	**683.3**	**664.5**	**655.8**	

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 and reducing the damage to roadways caused by overweight vehicles.

Activity at a Glance

Commercial motor vehicle (CMV) enforcement activity for calendar year 2001:

- 43,382 driver/CMV safety inspections
- 5,296 CMV collisions
- 2,777 CMV drivers placed out of service
- 11,323 CMVs placed out of service

Population Served

The Commercial Vehicle Enforcement division serves the 4.9 million Minnesota citizens, and 3.7 million licensed drivers operating 4.4 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.

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 2001, 43,382 commercial vehicle inspections were completed, which represents a 22% increase over 2000.

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 & answer sessions between staff and CMV industry representatives and drivers, and roadside enforcement activities focusing on unsafe driver practices.

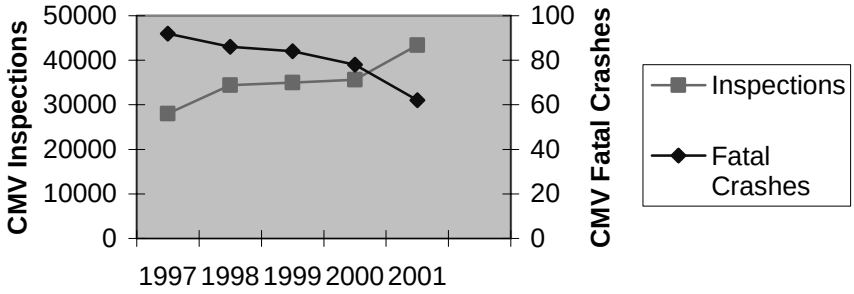
Key Measures

- **The number of commercial motor vehicle inspections.**

The effect of fatigue on the driver of a motor vehicle has been shown to be similar to the impairment caused by alcohol and/or drugs. The effect of fatigue on a commercial vehicle driver can have devastating implications due to the size and weight differential of a CMV. Of those fatal crashes that are found to be the fault of the CMV, only

about 5% can be blamed on faulty vehicular equipment and about 95% are the responsibility of the CMV driver. 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. 94% of all inspections involve the inspection of the driver. As the number of CMV inspections increases, the number of fatal crashes has declined.

Inspections vs. Fatal Crashes



Activity Funding

This activity is funded by a mix of Trunk Highway Fund appropriations (73%) and Federal Funds (27%).

Contact

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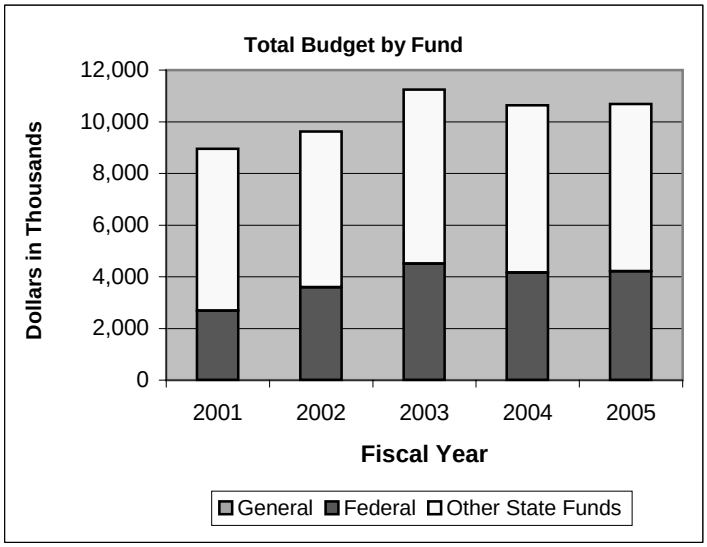
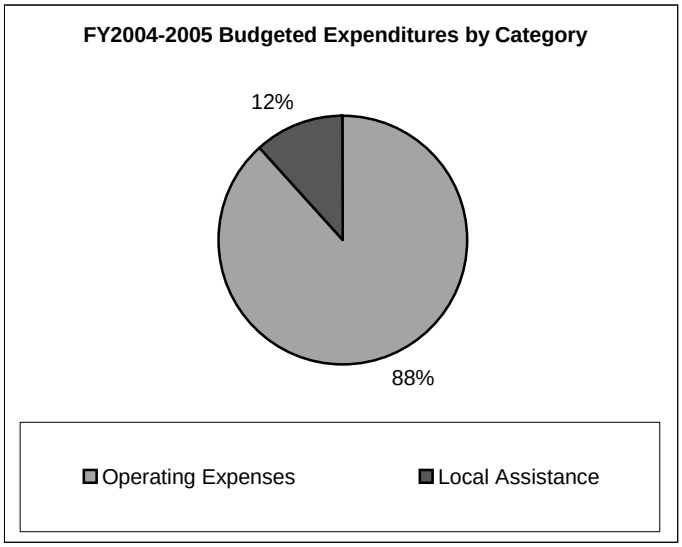
http://www.dps.state.mn.us/patrol/

PUBLIC SAFETY DEPT
Program: STATE PATROL
Activity: COMMERCIAL VEHICLE ENFORCEMENT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Trunk Highway	6,151	6,033	6,736	6,474	6,474	12,948
Statutory Appropriations						
Trunk Highway	125	0	0	0	0	0
Federal	2,683	3,592	4,504	4,158	4,213	8,371
Total	**8,959**	**9,625**	**11,240**	**10,632**	**10,687**	**21,319**
Expenditures by Category						
Operating Expenses	8,098	8,397	9,757	9,388	9,443	18,831
Local Assistance	862	1,228	1,483	1,244	1,244	2,488
Other Financial Transactions	-1	0	0	0	0	0
Total	**8,959**	**9,625**	**11,240**	**10,632**	**10,687**	**21,319**
Revenue by Type and Fund						
Non Dedicated						
Trunk Highway	29	32	30	30	30	60
Highway Users Tax Distribution	566	914	800	800	800	1,600
Subtotal Non Dedicated	595	946	830	830	830	1,660
Dedicated						
Trunk Highway	125	0	0	0	0	0
Federal	2,722	3,588	4,469	4,120	4,118	8,238
Subtotal Dedicated	2,847	3,588	4,469	4,120	4,118	8,238
Total Revenue	**3,442**	**4,534**	**5,299**	**4,950**	**4,948**	**9,898**
Full-Time Equivalents (FTE)	**120.9**	**115.9**	**114.0**	**109.8**	**106.1**	

Activity Description

Capitol Complex Security/Executive Protection 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 and security for the governor, lt. governor, the governor's immediate family and the state's executive residence in St. Paul.

Activity at a Glance

- Capitol Security monitors over 20,000 environmental, fire, and security points including fire alarms, panic alarms, hold-up alarms and security alarms.
- 6,500 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 6,500 State employees working within 34 individual state buildings located throughout the entire Capitol Complex. Capitol Security officers also provide security, employee safety escorts, and parking enforcement within the 31 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 20,000 environmental 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 200 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.

During the legislative session, the State Patrol assigns troopers to the legislature to protect members of the house of representatives and senate. These troopers follow up on threats, which members may receive verbally, in writing or via the telephone. When the legislature is not in session, threats are followed up by a security supervisor and then turned over to Capitol Security's investigator, who is a state trooper.

There are over 240 rallies, protests and events held on the Capitol Complex each year. A permit 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 Minneapolis and St. Paul paramedics, fire departments and police 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 indicate 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. Prompt handling, proper prioritization and staffing levels have an impact on response time.

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 by reducing the average response time to CFS by 25%.

Average CFS Response Time (minutes):

	2001-2001	2002-2003 (goal)
Emergency	3.91	3.41
Non-emergency	4.75	4.25

Activity Funding

This activity is funded from General Fund appropriations (95%) and Highway User Tax Distribution Funds (5%). This activity will be funded 100% from the General Fund in the future. Revenues are generated from security contracts with agencies located in buildings outside of the Capitol Complex and for additional security needed by some state agencies.

Contact

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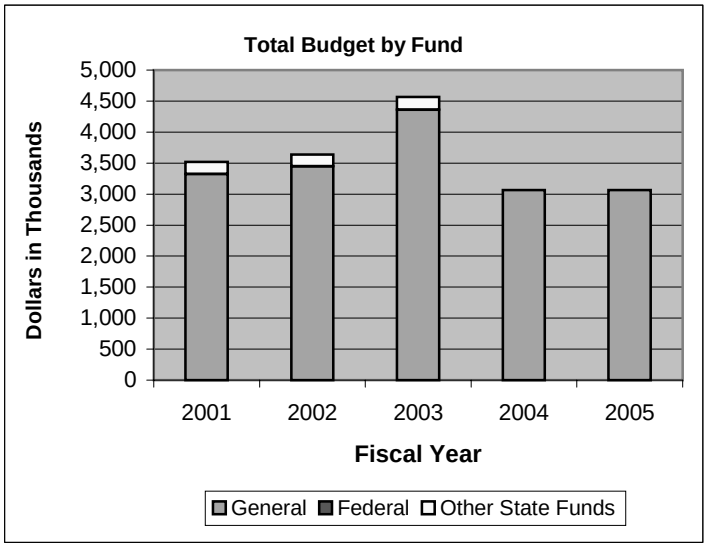
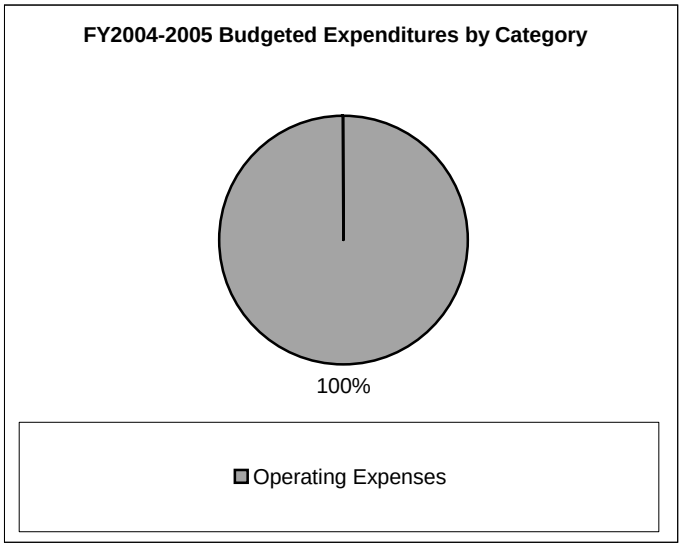
Chief of Minnesota State Patrol
(651) 296-5936

http://www.dps.state.mn.us/patrol/

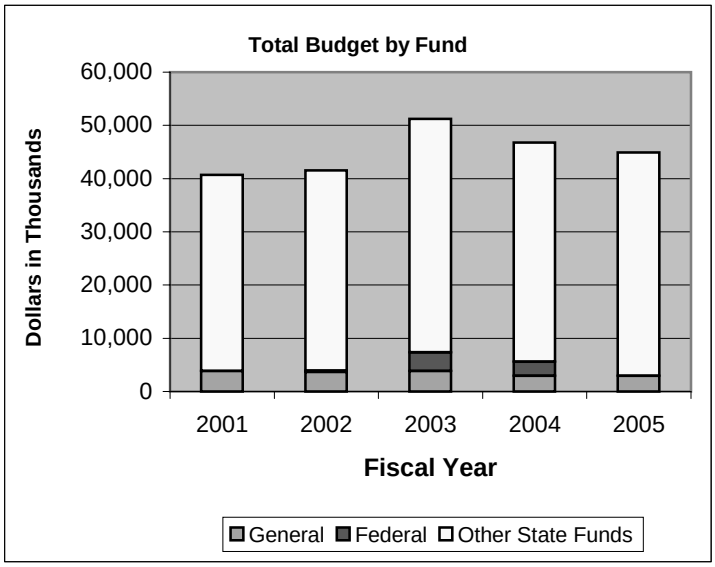


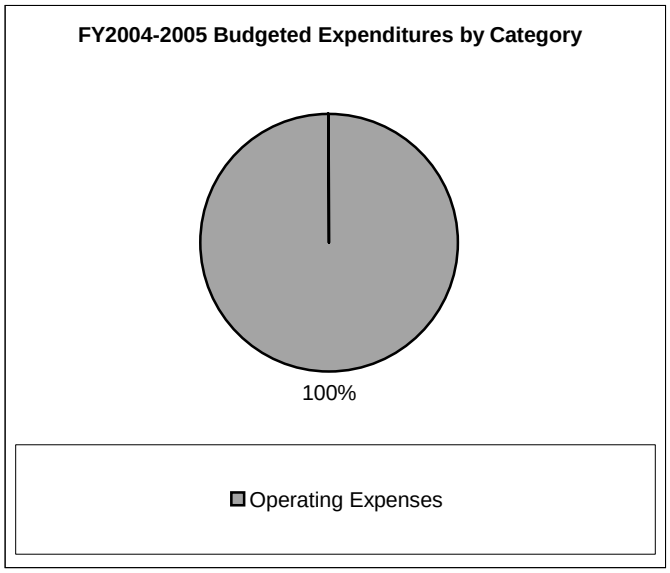


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,104	3,218	4,083	2,834	2,834	5,668
Trunk Highway	199	0	0	0	0	0
Highway Users Tax Distribution	0	194	206	0	0	0
Statutory Appropriations						
General	218	228	275	233	233	466
Total	**3,521**	**3,640**	**4,564**	**3,067**	**3,067**	**6,134**
Expenditures by Category						
Operating Expenses	3,521	3,640	4,564	3,067	3,067	6,134
Total	**3,521**	**3,640**	**4,564**	**3,067**	**3,067**	**6,134**
Revenue by Type and Fund						
Dedicated						
General	205	246	282	233	233	466
Subtotal Dedicated	205	246	282	233	233	466
Total Revenue	205	246	282	233	233	466
Full-Time Equivalents (FTE)	**67.8**	**60.3**	**72.2**	**47.1**	**46.0**	

Budget Activities Included:

⇒ Vehicle Services
⇒ Administration
⇒ Driver Services





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Carry Forward						
General	0	0	0	30	0	30
Direct Appropriations						
General	3,832	3,649	3,838	2,924	2,924	5,848
Trunk Highway	21,718	22,573	25,382	24,307	24,307	48,614
Highway Users Tax Distribution	14,897	8,628	11,026	9,584	9,584	19,168
Open Appropriations						
Highway Users Tax Distribution	0	6,220	7,194	6,987	7,830	14,817
Statutory Appropriations						
General	0	0	0	5	5	10
Special Revenue	162	174	209	218	224	442
Federal	31	232	3,501	2,642	0	2,642
Reinvest In Minnesota	5	6	8	8	8	16
Gift	45	45	56	45	45	90
Total	**40,690**	**41,527**	**51,214**	**46,750**	**44,927**	**91,677**

Expenditures by Category						
Operating Expenses	40,603	41,455	51,135	46,275	44,482	90,757
Payments To Individuals	0	3	0	0	0	0
Local Assistance	42	24	28	30	0	30
Other Financial Transactions	45	45	51	45	45	90
Transfers	0	0	0	400	400	800
Total	**40,690**	**41,527**	**51,214**	**46,750**	**44,927**	**91,677**

Expenditures by Activity						
Vehicle Services	18,454	18,550	22,274	19,873	20,406	40,279
Driver Services	22,236	22,977	28,940	26,877	24,521	51,398
Total	**40,690**	**41,527**	**51,214**	**46,750**	**44,927**	**91,677**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	546,454	437,742	290,883	293,022	284,446	577,468
Cambridge Deposit Fund	12,187	0	0	0	0	0
Trunk Highway	23,862	23,050	24,044	25,000	26,003	51,003
Highway Users Tax Distribution	462,337	672,185	688,712	712,072	722,181	1,434,253
Environmental	4,417	4,728	4,545	0	0	0
Greater Minnesota Transit	0	0	7,479	7,701	7,454	15,155
Subtotal Non Dedicated	1,049,257	1,137,705	1,015,663	1,037,795	1,040,084	2,077,879
Dedicated						
General	0	0	0	12,327	11,931	24,258
Special Revenue	2,982	3,091	5,307	12,104	12,109	24,213
Highway Users Tax Distribution	482	-8	-474	0	0	0
Federal	31	263	3,470	2,642	0	2,642
Reinvest In Minnesota	1,085	1,254	1,200	1,200	1,200	2,400
Gift	47	47	90	45	45	90
Subtotal Dedicated	4,627	4,647	9,593	28,318	25,285	53,603
Total Revenue	**1,053,884**	**1,142,352**	**1,025,256**	**1,066,113**	**1,065,369**	**2,131,482**
Full-Time Equivalents (FTE)	**550.6**	**534.5**	**566.8**	**516.5**	**496.7**	

Activity Description

Vehicle Services is responsible for issues relating to motor vehicles in Minnesota including: issuance of vehicle registration and titles, maintenance of 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 five million motor 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.
⇒ Partners with appointed public, private, and government deputy registrars to provide motor vehicle services to citizens at over 170 locations throughout the state.
⇒ Provides training and support to appointed deputy registrars and licensed motor vehicle dealers.
⇒ 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 eSupport web site designed to bring information and on-line services to Vehicle Services business partners.
⇒ Provides Internet services for vehicle registration renewal, report of vehicle sale, and purchase of critical habitat license plates. Registration stickers and license plates are delivered to customers in 10 days or less.
⇒ Offers mail-in option for registration renewals. Registration stickers are mailed to customer in four days or less.
⇒ Staffs a full service office in St. Paul, where citizens may renew vehicle registration, transfer vehicle ownership, apply for driver's license, register a bicycle, file a traffic crash report, apply for Department of Natural Resources licenses, and access division records.
⇒ Issues a variety of special license plates, including personalized, critical habitat, veteran, collector, and special use plates.

Activity at a Glance

During FY2002 the division has:

- Reduced processing time for vehicle ownership titles from 40 days to 14 days
- Increased the number of self-service transactions from 1% to 8.75%

In 2001 the division:

- Processed over 5 million vehicle transactions
- Issued 1.5 million vehicle ownership certificates of title
- Licensed 4,000 motor vehicle dealers
- Collected over $1.5 billion in revenue
- Processed over 270,000 vehicle registration renewals and payments by Internet

Historical Perspective

A complete overhaul of the way we think about our business and the roles of our business partners (deputy registrars and dealers) resulted in tremendous steps forward for Vehicle Services. Vehicle Services expanded the capabilities of the Internet-based system allowing deputy registrars and dealers to access data and the ability to make changes to motor vehicle records. Use of this eSupport system eliminates duplicative data entry by Vehicle Services staff. In the past year, the time it takes to produce a vehicle certificate of title decreased from 40 days to 14 days, with a target goal of 10 days or less within FY 2003. These changes are part of an ongoing technical improvement plan to provide citizens and business partners with more options to receive fast, fair and accurate service from Driver and Vehicle Services.

Key Measures

1. **Wait times for delivery of service.**
2. **Access to service and information.**

Vehicle Services Performance Targets:

Performance Targets FY 2002:	Processing Time* for Issuance of Vehicle Title	Processing Time* for Vehicle Registrations	Self Service Transactions
Quarter 1 - Actual	30 days	12 Days	<1%
Quarter 2 - Target - Actual	21 Days 40 Days**	5 Days 6 Days	1% 3.6%
Quarter 3 - Target - Actual	12 Days 6 Days	4 Days 3 Days	1% 10.8%
Quarter 4 - Target - Actual	16 Days 14 Days	4 Days 3 Days	3% 8.75%
FY2003 Targets	**10 Days**	**3 Days**	**10%**

*** Processing time is when request is received until the title or registration is sent out in the mail.**
**** State of Minnesota was affected by work stoppage in this quarter.**

Activity Funding

This activity is funded by a mix of General Fund appropriations (19%) and Highway User Tax Distribution Fund appropriations (80%). One percent of this activity funding is made up of a Special Revenue Fund account (Bicycle Registration), Reinvest in Minnesota (Critical Habitat Matching Account), and the Gift Fund (Collegiate Scholarship Account).

Contact

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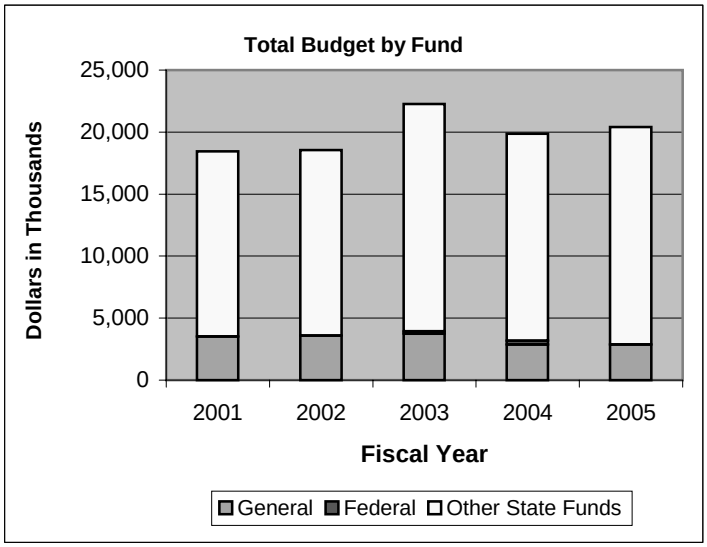
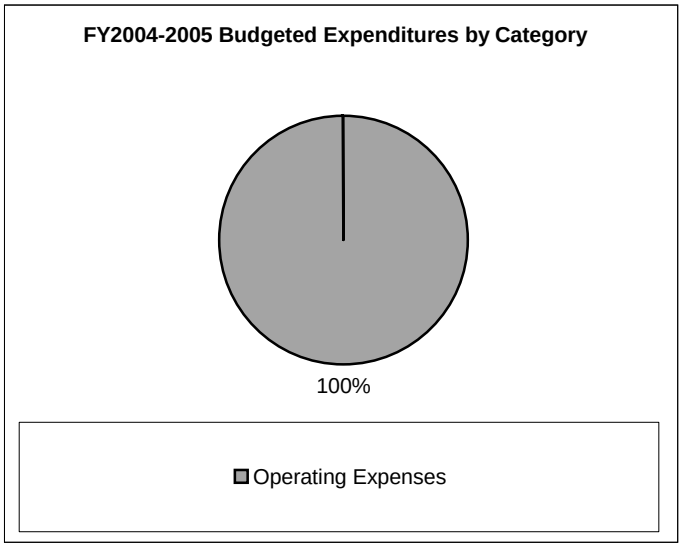
(651) 296-2097

http://www.mndriveinfo.org





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,519	3,590	3,734	2,868	2,868	5,736
Highway Users Tax Distribution	14,830	8,628	11,026	9,584	9,584	19,168
Open Appropriations						
Highway Users Tax Distribution	0	6,220	7,194	6,987	7,830	14,817
Statutory Appropriations						
General	0	0	0	5	5	10
Special Revenue	55	61	66	66	66	132
Federal	0	0	190	310	0	310
Reinvest In Minnesota	5	6	8	8	8	16
Gift	45	45	56	45	45	90
Total	**18,454**	**18,550**	**22,274**	**19,873**	**20,406**	**40,279**

Expenditures by Category						
Operating Expenses	18,409	18,505	22,223	19,828	20,361	40,189
Other Financial Transactions	45	45	51	45	45	90
Total	**18,454**	**18,550**	**22,274**	**19,873**	**20,406**	**40,279**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	546,451	432,326	284,622	286,761	278,185	564,946
Cambridge Deposit Fund	6,761	0	0	0	0	0
Highway Users Tax Distribution	462,337	672,185	688,712	712,072	722,181	1,434,253
Environmental	4,417	4,728	4,545	0	0	0
Greater Minnesota Transit	0	0	7,479	7,701	7,454	15,155
Subtotal Non Dedicated	1,019,966	1,109,239	985,358	1,006,534	1,007,820	2,014,354
Dedicated						
General	0	0	0	12,327	11,931	24,258
Special Revenue	68	68	80	80	80	160
Highway Users Tax Distribution	482	-8	-474	0	0	0
Federal	0	0	190	310	0	310
Reinvest In Minnesota	1,085	1,254	1,200	1,200	1,200	2,400
Gift	47	47	90	45	45	90
Subtotal Dedicated	1,682	1,361	1,086	13,962	13,256	27,218
Total Revenue	**1,021,648**	**1,110,600**	**986,444**	**1,020,496**	**1,021,076**	**2,041,572**
Full-Time Equivalents (FTE)	**198.9**	**191.2**	**216.2**	**183.4**	**176.5**	

Activity Description

Driver Services is responsible for any issue relating to licensed drivers in Minnesota including: 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 3.6 million driver history records.

⇒ Administers driver's license examinations. Driver Services staff administer knowledge (written) and skill (road) exams at 94 locations throughout the state. In 2002, 666,808 total tests were conducted, including general (Class D), commercial vehicle licensing, motorcycle, and school bus. Of those, 502,780 were knowledge tests and 159,020 were skill tests. The knowledge test is made available in seven languages at 24 testing facilities.

⇒ Offers 137 sites throughout the state to renew or apply for a Minnesota driver's license, identification card, or permit (in partnership with 122 appointed driver's license agents).

⇒ 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. The general manual (Class D) is available electronically in Spanish.

⇒ Issues driver's licenses, identification cards, and permits. A new electronic application process being phased-in delivers the license, permit, or ID card to the customer in seven days as opposed to 21 days with the existing manual process.

⇒ Provides driver compliance evaluations for problem drivers throughout the state. Evaluators meet with over 31,000 drivers annually.

⇒ Provides information services to citizens by phone, letter, and e-mail.

⇒ Licenses over 100 commercial driver education schools and over 600 driver education instructors.

⇒ Approves public school driver education programs, motorized bicycle courses, accident prevention courses for drivers 55 or older, and DWI clinics.

⇒ Maintains all traffic crash records that occur in Minnesota.

Historical Perspective

In the past year, Driver Services expanded its mission of providing fast, fair and accurate service to the public and its business partners (law enforcement, court systems, driver's license agents, third party examiners) to include Internet services. The creation of eSupport, a web site designed for the division's business partners, gives these partners access to simple-to-read driving records, regional on-line scheduling of driver's tests, and an on-line driver's license application process. eSupport 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.

Activity at a Glance

During FY2002 the division has:

- Reduced processing time for driver's licenses from 26 days to 10 days
- Reduced customer wait time for driver's license road test appointments from 25 days to 17 days

In 2001 the division:

- Issued 1.4 million cards – including driver's licenses, ID cards, and permits
- Conducted over 400,000 general (Class D) knowledge and skill examinations
- Reinstated the driving privileges of 170,000 drivers
- Suspended, canceled, revoked, or disqualified the driving privileges of 200,000 drivers

Key Measures

1. **Wait times for delivery of service.**
2. **Access to service and information.**

Driver Services Performance Targets:

Performance Targets FY 2002:	Wait for Skill (Road) Test Appointments*	Processing Time** for Issuance of Driver's License	Connectivity of Exam Stations Throughout Minnesota
Quarter 1 - Actual	25 Days	26 Days	15 Sites
Quarter 2 - Target - Actual	15 Days 15 Days	22 Days 20 Days	35 Sites 12 Sites
Quarter 3 - Target - Actual	15 Days 14 Days	17 Days 10 Days	45 Sites 16 Sites
Quarter 4 - Target - Actual	20 Days 17 Days	9 Days 10 Days	65 Sites 45 Sites
FY2003 Targets	**12 Days**	**5 Days**	**68 Sites**

*** Number of days per quarter is based on the average number of days for that quarter.**
**** Processing time is when request is received until the license is sent out in the mail.**

Activity Funding

This activity is funded by a mix of Special Revenue Fund accounts (1%), Trunk Highway Fund appropriations (89%), and Federal Funds (10%). The one percent funding of this activity from Special Revenue Funds are in the Motorcycle Safety Account (driver license motorcycle endorsement fee), DWI Reinstatement Account (driver license reinstatement fee) and Driver License Advertising Account (driver license manual advertising revenues).

Contact

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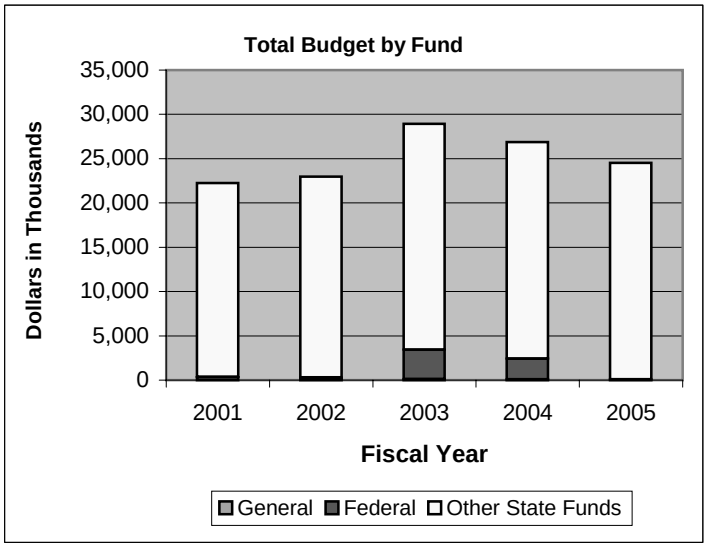
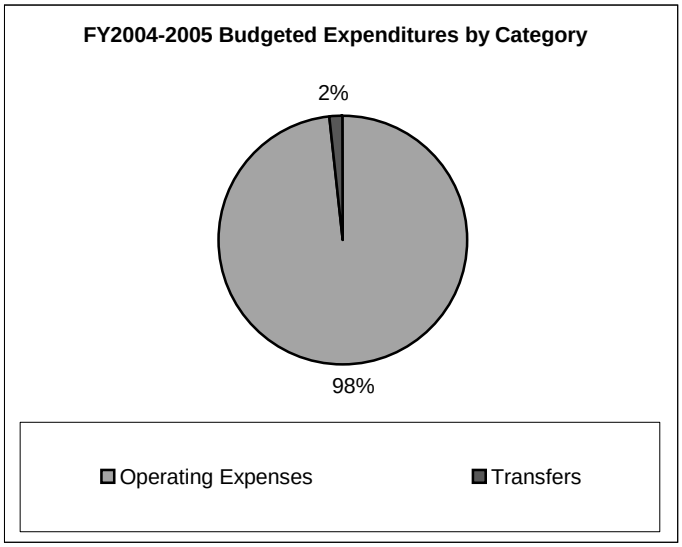
http://www.Mndriveinfo.org

PUBLIC SAFETY DEPT
Program: DRIVER & VEHICLE SERVICES
Activity: DRIVER SERVICES

Fiscal Report





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Carry Forward						
General	0	0	0	30	0	30
Direct Appropriations						
General	313	59	104	56	56	112
Trunk Highway	21,718	22,573	25,382	24,307	24,307	48,614
Highway Users Tax Distribution	67	0	0	0	0	0
Statutory Appropriations						
Special Revenue	107	113	143	152	158	310
Federal	31	232	3,311	2,332	0	2,332
Total	**22,236**	**22,977**	**28,940**	**26,877**	**24,521**	**51,398**

Expenditures by Category						
Operating Expenses	22,194	22,950	28,912	26,447	24,121	50,568
Payments To Individuals	0	3	0	0	0	0
Local Assistance	42	24	28	30	0	30
Transfers	0	0	0	400	400	800
Total	**22,236**	**22,977**	**28,940**	**26,877**	**24,521**	**51,398**

Revenue by Type and Fund						
Non Dedicated						
General	3	5,416	6,261	6,261	6,261	12,522
Cambridge Deposit Fund	5,426	0	0	0	0	0
Trunk Highway	23,862	23,050	24,044	25,000	26,003	51,003
Subtotal Non Dedicated	29,291	28,466	30,305	31,261	32,264	63,525
Dedicated						
Special Revenue	2,914	3,023	5,227	12,024	12,029	24,053
Federal	31	263	3,280	2,332	0	2,332
Subtotal Dedicated	2,945	3,286	8,507	14,356	12,029	26,385
Total Revenue	**32,236**	**31,752**	**38,812**	**45,617**	**44,293**	**89,910**
Full-Time Equivalents (FTE)	**351.7**	**343.3**	**350.6**	**333.1**	**320.2**	

Program Description

The Office of Traffic Safety (OTS) was created to reduce traffic accidents through enforcement efforts and public awareness events. Traffic accidents are the leading cause of death and serious injury for Minnesotans aged one through thirty-three.

Program at a Glance

- 153 grants distributed to local units of government in 63 counties. 22 statewide grants distributed to other state agencies, other divisions of Public Safety, and nonprofit organizations.
- More than $6 million in grants programmed, requiring OTS applications for 16 different federal programs.
- 77% of all enforcement agencies in Minnesota participated in the May mobilization to increase seat belt and child seat use.

Population Served

OTS works with the public health, enforcement, research, and media communities to improve the behavior of drivers, passengers, pedestrians, and motorcyclists on Minnesota roadways.

Services Provided

OTS collaborates with other divisions in the Department of Public Safety, other state agencies, county and city governments, private organizations, and individuals to conduct traffic safety programs throughout Minnesota. The federal funds support enforcement programs and innovative technological solutions for a variety of traffic safety problems – from overtime patrols for law enforcement, to lab equipment for the Bureau of Criminal Apprehension, to computer solutions for Driver and Vehicle Services, and beyond. Finally, OTS invests 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 staff office for 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). In addition, OTS also produces the popular Minnesota Motor Vehicle Crash Facts to satisfy the requirements of M.S. 169.10.

The OTS staff consists of state program administrators (roughly half of the OTS staff of 20) who serve as grant coordinators that 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 during the past year include the Traffic Safety Partners group, Traffic Records Coordinating Committee, Network of Employers for Traffic Safety Advisory Board, *Safe & Sober* Law Enforcement Liaisons, Motorcycle Safety Advisory Board, and Child Passenger Safety Advisory Board.

Historical Perspective

While a great deal of progress has been made since OTS began compiling and publishing crash statistics, traffic crashes are a still a critical public health problem of epidemic proportions. If we compare 1971 Minnesota data with 2001 data we find:

⇒ Licensed drivers have increased 73%, registered vehicles have increased 88%, and vehicle miles traveled have increased over 123%. During the same time, the state's population increased 28%. More people drive, and drive more often than they used to. Exposure to the risk of a traffic crash has increased with all these factors.

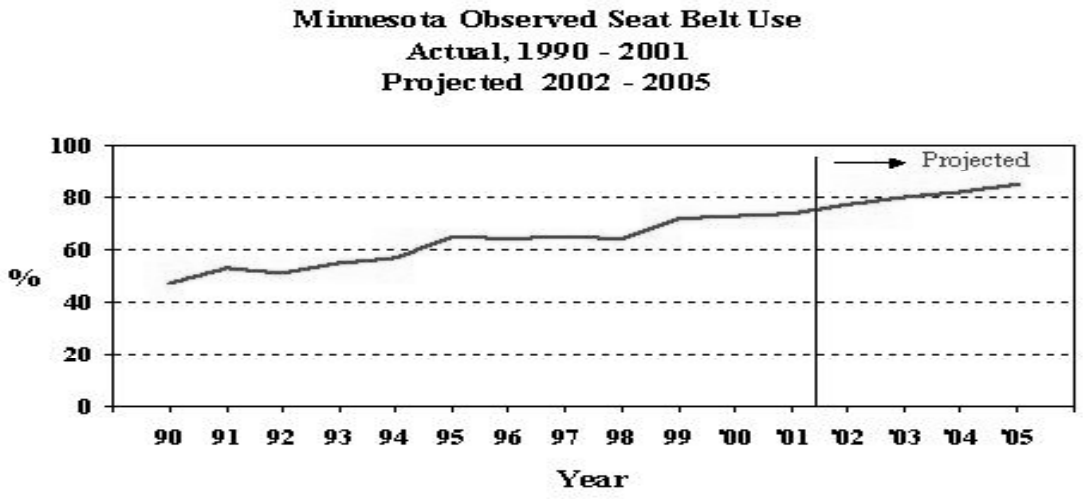
⇒ The number of traffic-related deaths fell 44% and severe injuries fell over 80%, while the number of vehicles in crashes fell only 7%. Today's vehicles are better designed to protect the people inside when a crash happens and more travel is done on four-lane divided highways with limited access – the safest type of roadway. The change most responsible for the declining severity of crashes is the increase in seat belt and car seat use seen over the past 30 years - from less than 5% in 1971 (when many cars on the road weren't even equipped with belts) to 74% today.

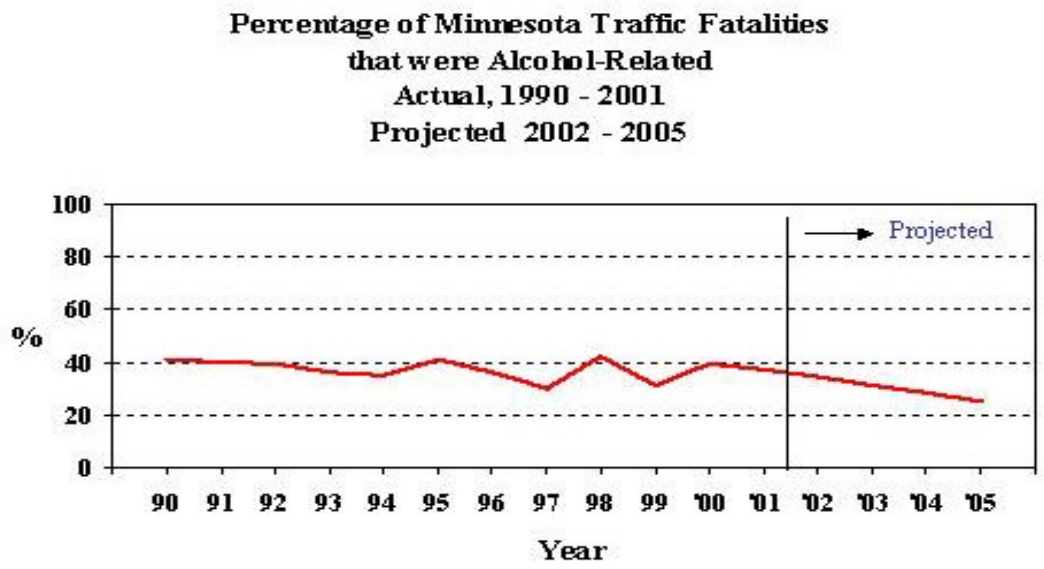
⇒ The number of DWI arrests increased 177%, so it's not surprising that the percentage of traffic deaths that are alcohol-related declined 38% - from nearly 60% to 37% of the total traffic deaths. Males continue to have a high rate of involvement in alcohol-related traffic deaths - while they were 91% of those drivers in 1971, they're now 84%. Drinking drivers in fatal crashes have aged in the past 30 years – 16 through 24 year olds used to be involved in 48% of those crashes and they're now involved in 33%. In 1971, as well as 2001, the legal drinking age was 21, so that does not factor into the nearly 32% decrease.

⇒ Much has changed in the past thirty years and only seat belt use has changed more than cost of crashes to society. Crash costs include emergency medical services, hospitalization, hospital staff, rehabilitation, administrative, and liability. In Minnesota alone, taxpayers and insurance policy holders incurred costs in excess of $1.6 billion dollars from motor vehicle crashes in 2001.

Key Measures

- The number of traffic deaths and serious injuries in Minnesota
- Seat belt use in Minnesota
- Impaired driving in Minnesota





Program Funding

This activity is funded by a mix of Special Revenue Fund accounts (7%), Trunk Highway Fund appropriations (3%), and Federal Funds (90%). The source of the Special Revenue Funds is driver license motorcycle endorsement fees (Motorcycle Safety Account), child restraint seat belt violations (Minnesota Child Passenger Restraint and Education Account) and driver license reinstatement fees (Alcohol & Highway Safety Education Grants Account). Driver license reinstatement fees are no longer deposited in this account but are directed to the General Fund as non-dedicated receipts.

Contact

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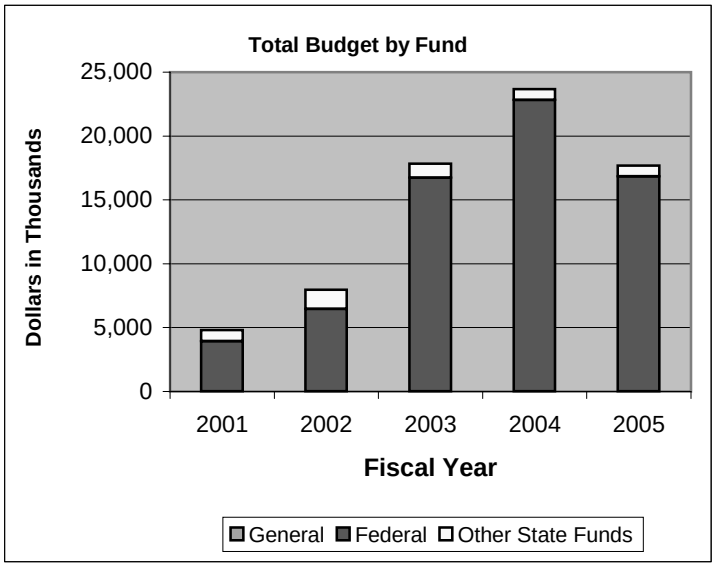
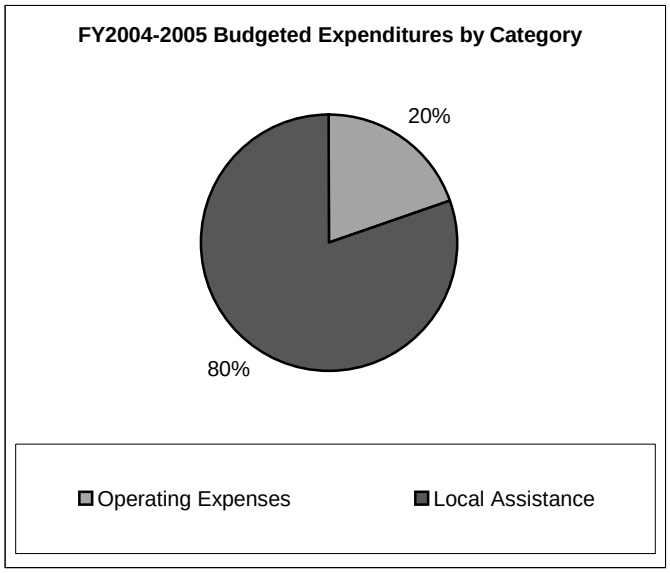
Executive Director
(651) 296-9507

http://www.dps.state.mn.us/trafsafe/trafsafe.asp





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Trunk Highway	338	311	330	324	324	648
Statutory Appropriations						
Special Revenue	525	1,182	764	529	529	1,058
Federal	3,924	6,471	16,736	22,823	16,832	39,655
Gift	28	0	0	0	0	0
Total	**4,815**	**7,964**	**17,830**	**23,676**	**17,685**	**41,361**
Expenditures by Category						
Operating Expenses	2,982	4,266	5,545	4,086	4,094	8,180
Local Assistance	1,833	3,698	12,285	19,590	13,591	33,181
Total	**4,815**	**7,964**	**17,830**	**23,676**	**17,685**	**41,361**
Expenditures by Activity						
Traffic Safety & Research	4,815	7,964	17,830	23,676	17,685	41,361
Total	**4,815**	**7,964**	**17,830**	**23,676**	**17,685**	**41,361**
Revenue by Type and Fund						
Dedicated						
Special Revenue	757	755	761	760	760	1,520
Federal	3,932	6,474	16,736	22,822	16,831	39,653
Gift	1	0	0	0	0	0
Subtotal Dedicated	4,690	7,229	17,497	23,582	17,591	41,173
Total Revenue	4,690	7,229	17,497	23,582	17,591	41,173
Full-Time Equivalents (FTE)	**17.7**	**18.5**	**19.1**	**19.8**	**19.3**	

Program Description

The Office of Pipeline Safety (MNOPS) protects Minnesota's lives, property, and environment through the implementation of a program of gas and hazardous liquid pipeline inspections, enforcement, accident/incident investigations and education. MNOPS conducts safety inspections of all pipeline facilities as authorized by state law and the United States Department of Transportation (U.S. DOT).

Population Served

The Office of Pipeline Safety protects the public safety of all Minnesotans by inspecting over 30 municipal gas systems, over 50 other pipeline facility operators (which operate over 61,000 miles of pipelines in the state), and over 1.4 million customer meter settings.

Program at a Glance

- Minnesota's 12 inspectors have over 61,000 miles of pipelines of territory to inspect; over 8,000 miles are interstate pipelines.
- There are 30 municipal gas systems and 50 other pipeline facility operators in Minnesota's program.
- Minnesota's Damage Prevention Program conducted 80 presentations to 6,800 people in 2002.
- The Office of Pipeline Safety is funded up to 50% by a U.S. Department of Transportation grant and 50% from a special revenue account.

Services Provided

Pipeline Inspections:

⇒ 12 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 8,000 miles of interstate pipelines in addition to over 53,000 miles of intrastate pipelines.

⇒ Staff responds to pipeline accidents and incidents, working cooperatively with the National Transportation Safety Board, U.S. DOT, and the Minnesota Pollution Control Agency.

⇒ The Office has field personnel located in Mankato, Grand Rapids, and Detroit Lakes as well as St. 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 Minnesota State Fair exhibit, pipeline operator training, and damage prevention seminars. Three staff actively participate in the national industry/government education effort of the Common Ground Alliance, to promote utility best practices.

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. Departments of Transportation, Research and Special Programs Administration. As a condition of its federal pipeline grant funding, the office must continue to train its inspectors and pass an annual program audit.

Federal program changes have placed increased federal inspection requirements in risk and integrity management, new operator qualifications, and expanded community liaison between emergency officials and pipeline operators. In addition, since September 11, 2001, additional emphasis has been placed on security planning and emergency response.

Minnesota has initiated new efforts with industry to inform local communities and emergency responders about pipeline incidents. The Minnesota Pipeline Community Awareness and Emergency Response program (C.A.E.R.) has conducted over 50 local meetings throughout the state in the last two years; this activity will continue in 2002-2003.

The inspection program has issued over 5,000 violations of state and federal safety codes since 1994. In 2001, staff responded to 214 accidents/incidents. Pipeline inspectors issued 79 compliance actions with 12 proposed civil penalties amounting to $161,250 in 2001.

In 2001, damage prevention education and enforcement increased substantially with staff conducting over 90 presentations to over 6,000 excavators, operators, and homeowners. In addition, the office issued over 400 violations totaling over $92,000 in penalties for Gopher State One Call violations. Approximately 190 of the 400 were warnings of violations that did not include a penalty.

Nationally, the Minnesota Office of Pipeline Safety is a leader in its inspection program and its damage prevention education and enforcement efforts.

Key Measures

1. **The number of pipeline leak repairs.** The goal is to reduce pipeline leak repairs through inspection and enforcement 5% by June 2003.

2. **The number of calls to the Gopher State One-Call Center.** The goal is to increase the number of calls 5% by June 2003.

3. The number of educational presentations to excavators, emergency responders, local officials, operators, and homeowners. **The goal is to conduct 70 educational presentations by June 2003.**

Program Funding

This program is funded by a mix of Special Revenue funds (57%) and Federal Funds (43%). The source of the Special Revenue Funds is pipeline safety inspection fees (Pipeline Safety Account).

Contact

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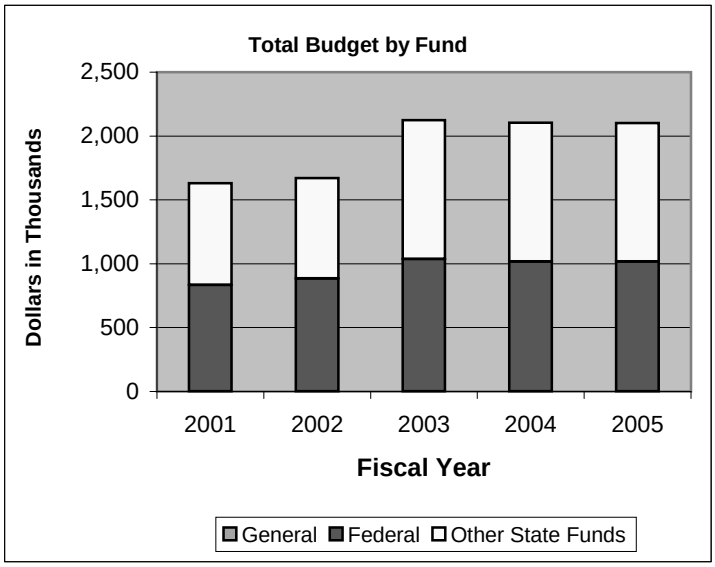
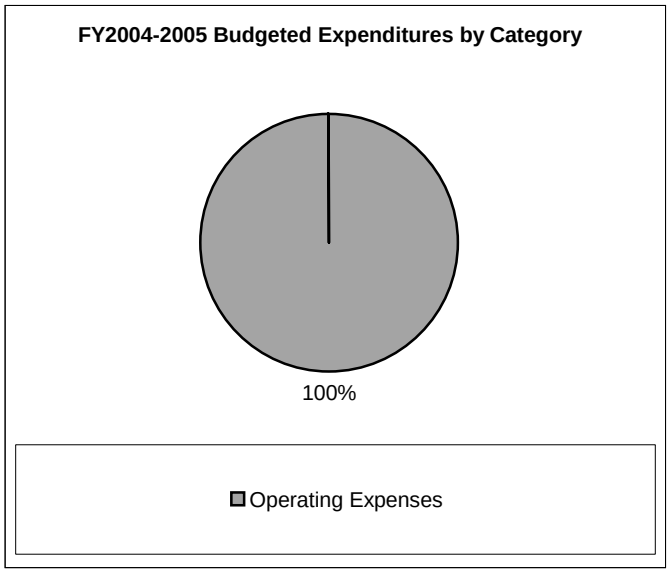
http://www.dps.state.mn.us/pipeline





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Special Revenue	791	738	994	994	994	1,988
Statutory Appropriations						
Special Revenue	8	47	95	94	90	184
Federal	833	885	1,036	1,017	1,017	2,034
Total	**1,632**	**1,670**	**2,125**	**2,105**	**2,101**	**4,206**
Expenditures by Category						
Operating Expenses	1,632	1,670	2,125	2,105	2,101	4,206
Total	**1,632**	**1,670**	**2,125**	**2,105**	**2,101**	**4,206**
Expenditures by Activity						
Pipeline Safety	1,632	1,670	2,125	2,105	2,101	4,206
Total	**1,632**	**1,670**	**2,125**	**2,105**	**2,101**	**4,206**
Revenue by Type and Fund						
Dedicated						
Special Revenue	754	856	1,151	1,151	1,151	2,302
Federal	755	814	1,035	1,017	1,017	2,034
Subtotal Dedicated	1,509	1,670	2,186	2,168	2,168	4,336
Total Revenue	1,509	1,670	2,186	2,168	2,168	4,336
Full-Time Equivalents (FTE)	**18.0**	**17.8**	**19.1**	**19.1**	**19.1**	

MINNESOTA DEPARTMENT OF PUBLIC SAFETY

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February 11, 2003

Dear 2003 Legislature:

This is the submission of the Governor's recommendation of the 2004-05 biennial budget for the Department of Public Safety (DPS). Developing a budget plan for the DPS reduction was a challenge. Our goal was to protect the core services of the department - keeping Minnesotans safe and providing quality service - while meeting our budgetary responsibility. Through teamwork and innovation, we've met this challenge and created opportunities to improve services.

The Department's budget request for the 2004-05 biennium is $560.226 million. The budget breakdown consists of 34% Trunk Highway Funds, 6.6% Highway User Tax Distribution Funds, 24% Federal Funds, 28% in General Funds, 8% in Special Revenue Funds and .1% other funds.

For 2004-05, DPS proposes a reduction in the General Fund appropriation for the department of $21.660 million for the biennium, as well as the transfer to the General Fund from the Special Revenue Fund\ Criminal Justice Project Account of up to $2.170 million each year in revenue collections. In addition, with the Bureau of Criminal Apprehension (BCA) moving to a new building in the fall of 2003, the BCA will be paying an additional $6.546 million in rent payments that will be offset by $5.809 million in budget reallocations within the BCA base budget and by $0.737 million in sub-leasing of office space to other agencies.

DPS began with reviewing a wide variety of alternatives, including the elimination of whole programs, divisions or service areas. The biggest cuts were to areas going through a period of reform, that also have additional funding sources.

First, DPS proposes a reduction to the Minnesota Center for Crime Victim Services (MCCVS) per diem budget by $2 million. Per diem, once an entitlement program, will become a grant program on July 1, 2003. This change involved a great deal of staff time focused on the appropriate level of funding for per diem, the role of the state in program delivery and the effectiveness of the services.

Program changes will include the elimination of depreciation expenses (the state has no responsibility for shelter capital costs) and a new funding formula. These changes will minimize the impact of the cut and provide greater funding equity among the programs. The changes were developed with the input of all shelter programs in the state.

The second reduction in MCCVS was to crime victim assistance program grants. As a result of the cut, the Center will have a competitive grant process for the first time. This process will allow local communities to have more input into the way services are delivered in their communities, encourage programs to become more innovative and ensure greater equity in funding distribution. To further offset the cut, we will be focused on securing additional federal funds, as well as pursuing other alternative funding resources.

The next largest reduction was to the BCA programs. A total of $5.809 million in program dollars had to be reallocated to offset the BCA rent differential for the new building. Although reductions were made in several general program areas, the most significant reduction was to the CriMNet backbone in FY 2005.

As the CriMNet program evolves from concept to reality, DPS and other partners in CriMNet are developing a clearer vision of the program goals and the related funding strategy. Rather than a large, expensive, central office, the new vision of CriMNet is a decentralized model, focused on the delivery of service in local communities. In addition, we have recently developed new opportunities to leverage greater local support, increase private and federal partnerships, as well as increase the exchange with our internal governmental partners. All of these changes will offset the impact of the reduction, increase the support of the project, produce better decisions, create more stability and ensure the project's success.

DPS' last significant reduction involves the Division of Emergency Management. In past years, DPS worked to create a disaster assistance fund. During times of large surpluses, the legislature adopted funds in 2004-05 to provide the match money needed for federal dollars available to communities hit by a disaster. In these dire financial times, we suggest a reversion back to the former process.

Other smaller, but significant, program reductions included a reduction in staff and rent to Alcohol and Gambling Enforcement, a reduction in grants and staff to Law Enforcement and Community Grants. The Fire Marshall's office budget was also significantly reduced in the area of hotel, motel and resort fire safety inspections; however, DPS proposes that inspection fees be charged in the future to offset the budget reduction and to recover the cost of the inspections.

I believe the department has responsibly met the budget challenge. In addition, we've created an opportunity to strengthen our services so that we can more effectively and efficiently keep Minnesotans safe and provide quality customer service.

Sincerely,

Rich Stanek, Commissioner
Department of Public Safety

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	24,398	299,100	323,498
Agency Technical Reallocations	-2,668	0	-2,668
New Programs To Agency Base	0	4,024	4,024
One-Time Appropriations	-810	-400	-1,210
Open Appr. Forecast Adj.	0	2,885	2,885
Adjusted Base Funding	20,920	305,609	326,529
Change Items			
Budget Reduction Plan General Fund (trp)	-4,190	-1,076	-5,266
Admin & Related Services			
Peace Officer Death Benefit Acct (Trp)	83	0	83
Driver & Vehicle Services			
Administrative Penalty Authority-DVS	10	0	10
Governor's Recommendations	16,823	304,533	321,356
Biennial Change, 2002-03 to 2004-05	-1,542	20,464	18,922
Percent Change	-8%	7%	6%

Brief Explanation Of Budget Decisions:

A base adjustment for new programs to the agency base is $2,012,000 each year in Trunk Highway Funds to annualize the cost of the state patrol program. Funding was provided in the 2002-03 biennium to maintain the number of state patrol troopers and to fund the recruit-training academy.

A one-time appropriation base reduction of $200,000 per year from the Highway User Tax Distribution Fund was made in the state patrol, capitol security activity. A like adjustment was made to add $200,000 each year to this activity from the General Fund. A one-time General Fund appropriation base reduction of $605,000 per year was made in the state patrol, capitol security activity for anti-terrorism act funding.

Agency technical reallocations of appropriations were made in the base moving dollars from the Administration and Related Services program, Technical Support Services activity of $1,496,000 in General Fund dollars to the Criminal Apprehension program, Criminal Justice Information Systems activity, and $901,000 in Trunk Highway appropriations to the state patrol. This reallocation of appropriations was made as part of an overall reorganization effort to place the appropriate technology staff with the assigned information technology systems. A General Fund appropriation transfer of $134,000 was made from Driver and Vehicle Services program to Administration and Related Services, Technical Support Services activity to support electronic government services for the agency. A General Fund appropriation transfer of $162,000 from Crime Victim Services to Administration and Related Services was made to cover the cost of support services provided to the Crime Victim Services program.

Open appropriation forecast base adjustments of $1,021,000 in FY 2004 and $1,864,000 in FY 2005 were made to the motor vehicle plate account in the Highway User Tax Distribution Fund.

The 19% reduction in General Fund revenues from the FY 2002-03 to the FY 2004-05 biennium are due to a change in the distribution of Motor Vehicle Excise Tax collections. Under current law, in FY 2004-05 only 44.25% of the collections are deposited in the General Fund. The remaining collections are distributed among the following funds: 32% to the Highway User Tax Distribution (HUTD) Fund, 20.5% Metro Area Transit Fund, 1.25% Greater Minnesota Transit Fund, and 2% to the Metro Area Transit Account in the General Fund. Prior to FY 2002-03, 100% of Motor Vehicle Excise Tax collections were deposited in the General Fund. Starting in FY 2002, 30.86% of the collections were credited to the HUTD Fund. In FY 2003, 32% of the collections were credited to the HUTD Fund, 20%% to Metro Area Transit Fund, and 1.25% to Greater Minnesota Transit Fund.

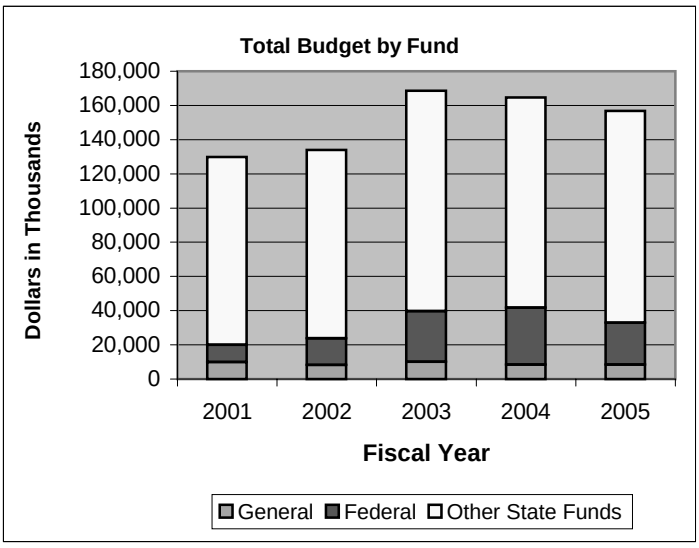
The increase in other revenues is primary due to a $105 increase in FY 2002 and an additional increase of $235 in FY 2003 in the surcharge on DWI Driver License Reinstatement Fees.

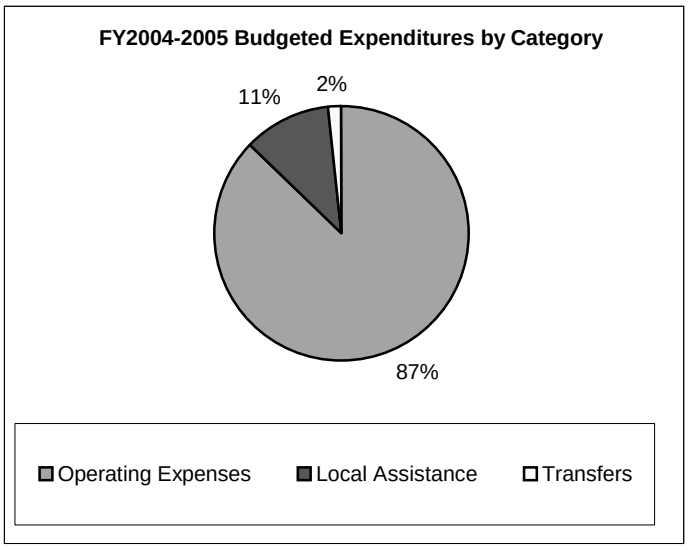
	FY 2004-05 Revenues ($000s)		
	General Fund	**Other Funds**	**Total**
FY 2004-05 Current Law Revenues	589,664	1,626,609	2,216,273
Change Items			
Driver & Vehicle Services			
-Motor Vehicle Plate & Title Fee Increase	3,300	2,737	6,037
-Administrative Penalty Authority	10	0	10
-Motor Vehicle Transfer Fee to GF	9,226	(9,226)	0
FY 2004-05 Total Revenues	602,200	1,620,120	2,222,320
Biennial Change 2002-03 to 2004-05	(127,278)	101,713	(25,565)
Percent Change	(19%)	7%	(1%)

The budget includes recommends an increase in the motor vehicle plate and sticker fees and a $1 increase on motor vehicle title fees, since current motor vehicle plate and sticker fees are not covering the cost of manufacturing and distributing motor vehicle plates and validation stickers.

The budget includes the development of a plan for the use of forgivable administrative penalty orders on Driver and Vehicle Services- (DVS) regulated industries and agents who violate certain statutory or rule requirements. Of the penalties collected, up to $5,000 per fiscal year may be used by DVS to fund education and compliance activities related to the regulated parties.

The budget includes a proposal that the revenue from the motor vehicle transfer fee charged under M.S. 115A.908 from FY 2004 be deposited as non-dedicated receipts to the General Fund. Revenue from this fee is currently deposited in the motor vehicle transfer account in the environmental fund.





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Carry Forward						
General	0	0	0	30	0	30
Direct Appropriations						
General	9,511	7,798	9,746	8,156	8,161	16,317
Special Revenue	791	738	994	994	994	1,988
Trunk Highway	83,930	84,582	96,124	93,938	93,938	187,876
Highway Users Tax Distribution	15,089	8,960	11,396	11,061	11,061	22,122
Open Appropriations						
Highway Users Tax Distribution	0	6,220	7,194	6,987	7,830	14,817
Statutory Appropriations						
General	341	384	437	238	238	476
State Government Special Revenue	460	436	511	541	565	1,106
Special Revenue	8,123	9,033	12,410	9,269	9,236	18,505
Trunk Highway	1,358	117	92	80	75	155
Federal	10,173	15,618	29,454	33,263	24,585	57,848
Reinvest In Minnesota	5	6	8	8	8	16
Gift	73	45	131	50	50	100
Total	**129,854**	**133,937**	**168,497**	**164,615**	**156,741**	**321,356**

Expenditures by Category						
Operating Expenses	126,313	127,729	152,990	139,806	137,961	277,767
Payments To Individuals	680	1,006	1,401	1,204	1,204	2,408
Local Assistance	2,817	5,157	14,055	21,042	15,013	36,055
Other Financial Transactions	44	45	51	45	45	90
Transfers	0	0	0	2,518	2,518	5,036
Total	**129,854**	**133,937**	**168,497**	**164,615**	**156,741**	**321,356**

Dollars in Thousands						
	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Program	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Admin & Related Services	11,526	8,931	10,792	11,528	11,533	23,061
State Patrol	71,191	73,845	86,536	80,556	80,495	161,051
Driver & Vehicle Services	40,690	41,527	51,214	46,750	44,927	91,677
Traffic Safety	4,815	7,964	17,830	23,676	17,685	41,361
Pipeline Safety	1,632	1,670	2,125	2,105	2,101	4,206
Total	**129,854**	**133,937**	**168,497**	**164,615**	**156,741**	**321,356**
Revenue by Type and Fund						
Non Dedicated						
General	546,454	437,745	290,887	293,026	284,450	577,476
Cambridge Deposit Fund	12,187	0	0	0	0	0
Trunk Highway	30,459	29,406	30,544	31,500	32,503	64,003
Highway Users Tax Distribution	463,013	673,214	689,642	713,002	723,111	1,436,113
Environmental	4,417	4,728	4,545	0	0	0
Greater Minnesota Transit	0	0	7,479	7,701	7,454	15,155
Subtotal Non Dedicated	1,056,530	1,145,093	1,023,097	1,045,229	1,047,518	2,092,747
Dedicated						
General	349	402	444	12,560	12,164	24,724
Special Revenue	11,419	13,461	18,183	22,283	22,203	44,486
Trunk Highway	1,470	60	80	75	75	150
Highway Users Tax Distribution	482	-8	-474	0	0	0
Federal	10,192	15,586	29,359	33,224	24,489	57,713
Reinvest In Minnesota	1,085	1,254	1,200	1,200	1,200	2,400
Gift	52	53	95	50	50	100
Subtotal Dedicated	25,049	30,808	48,887	69,392	60,181	129,573
Total Revenue	**1,081,579**	**1,175,901**	**1,071,984**	**1,114,621**	**1,107,699**	**2,222,320**
Full-Time Equivalents (FTE)	**1,574.3**	**1,529.7**	**1,568.9**	**1,461.7**	**1,426.0**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures—Dedicated	($12,322)	($11,926)	($12,660)	($12,938)
Revenues—Dedicated	(12,322)	(11,926)	(12,660)	(12,938)
Revenues—Non-dedicated	12,322	11,926	12,660	12,938
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$12,322	$11,926	$12,660	$12,938

Recommendation

The Governor recommends that the dedication of 2% of the sales tax on motor vehicles under M.S. 297B.09, subd. 1(c) to the metropolitan area transit appropriation account in the General Fund under 16A.88, subd. 3, scheduled to go into effect on July 1, 2003, be rescinded. These funds would continue to be deposited in FY 2004 as non-dedicated receipts to the General Fund.

Background

Under M.S. 297B.09, subd. 1(c), 2% of the sales tax on motor vehicles will be dedicated starting in FY 2004 to a metropolitan area transit account in the General Fund. This proposal would rescind the dedication and continue the current depositing of these funds in the General Fund as non-dedicated receipts. Under M.S. 16A.88, subd. 3, these funds would be available for expenditures in FY 2004-05, subject to legislative appropriation, so there are currently no appropriations in place for FY 2004-05.

Statutory Change: 297B.09, subd. 1(c), 16A.88, subd. 3.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($2,095)	($2,095)	($2,095)	($2,095)
Other Fund				
Expenditures-Trunk Highway	(538)	(538)	(538)	(538)
Revenues	0	0	0	0
Net Fiscal Impact	($2,633)	($2,633)	($2,633)	($2,633)

Recommendation

The Governor recommends a reduction in General Fund appropriations of $2,095,000 each year for operating costs of the Transportation activities of the Department of Public Safety. The Governor also recommends a reduction of $538,000 in Trunk Highway Fund appropriations each year for the Department of Public Safety.

Relationship to Base Budget

Direct appropriation expenditure reductions were made in the following programs:

- **Administration and Related Services -** $581,000 each year and 8.0 FTE. Represents 20% of base level of funding. General Fund reductions of $43,000 each year will be made in compensation and $538,000 each year in the transfer amount to the Trunk Highway Fund. $1,330,000 of the General Fund base is transferred each year to the Trunk Highway Fund to reimburse the Trunk Highway Fund for expenses not related to the fund. A like reduction of $538,000 will be taken in the Trunk Highway Fund. The majority of the Trunk Highway Fund reductions will be made in staffing for a total of 7.0 FTEs.
- **State Patrol -** $776,000 each year and 15.0 FTEs. 20% of base level of funding
  These reductions are made in the capitol complex security activity. Security would be maintained at the State Capitol, State Office Building, and the Judicial Building.
- **Driver & Vehicle Services -** $738,000 each year and 14.0 FTEs. 20% of base level of funding
  Budget and staff reductions will be taken in motor vehicle title and registration activities.

Key Measures

Administration and Related Services - A total of eight positions would be eliminated in this program that supports the operating divisions of this agency. Response time to media requests would be impacted. State Fair costs would be eliminated. Rules reviews will be made at the program level. There would be delays in application programming and maintenance of agency programs. Web applications would also be delayed. Town Square facility management will be reduced as well as services provided by the Public Safety warehouse, distribution, and records center.

State Patrol - Eliminate the current level of security in all capitol complex buildings except for the State Capitol, State Office Building, and the Judicial Building. Agencies in the capitol complex could contract with Capitol Security or a private security firm. The Department of Administration could include security costs in their lease rates for state owned buildings. Capitol Security officer response time to requests for assistance may diminish, as fewer officers are available to response to an incident.

Driver and Vehicle Services - Budget and staff reductions of $738,000 and approximately 14.0 FTE positions will adversely impact the title issuing process. The FY 2003 performance target is 10 days processing time for the issuance of vehicle titles.

Statutory Change: NA

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	4,590	4,636	4,636	4,636
Other Fund				
Expenditures	0	0	0	0
Revenues	(4,590)	(4,636)	(4,636)	(4,636)
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends that the revenue from the motor vehicle transfer fee charged under M.S. 115A.908 from FY 2004 be deposited as non-dedicated receipts to the General Fund. Revenue from this fee is currently deposited in the motor vehicle transfer account in the environmental fund.

Background

Under M.S. 115A.908, a fee of $4 is charged on the initial registration and each subsequent transfer of title of a motor vehicle. These revenues are deposited in the motor vehicle transfer account in the environmental fund. As cash flow permits, the commissioner of finance currently must transfer (1) $3,200,000 each fiscal year from the motor vehicle transfer account to the environmental response, compensation, and compliance account established in section 115B.20; and (2) $1,200,000 each fiscal year from the motor vehicle transfer account to the general fund.

More information on this initiative is included in the Pollution Control Agency's budget.

Statutory Change: 115A.908, subd. 2.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures—(Transp)	$39	$44	$49	$54
Expenditures—(Crim. Justice)	(39)	(44)	(49)	(54)
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 the reallocation of $39,000 FY 2004 and $44,000 FY 2005 in crime prevention grant money from the Law Enforcement and Community Grants program (DPS—Criminal Justice) to the Administration and Related Services program (DPS—Transportation) to increase the base level of funding for the Peace Officer Death Benefit Account. This program pays out a set amount of money to the dependents of peace officers/fire fighters killed in the line of duty as authorized under M.S. 299A.44.

Background
The current rate that is paid out to dependents upon the death of a peace officer/fire fighter killed in the line of duty as of 10-1-02 is $118,816.92. This rate is adjusted each October based on the annual percentage change in the Consumer Price Index for all urban consumers. When the program began, the $326,000 annual appropriation was sufficient to cover the death of three peace officers/fire fighters. With the annually adjusted increase in the payment, the appropriation needs to be adjusted to cover the death of three peace officers/fire fighters.

Relationship to Base Budget
The requested change would increase the base budget appropriation to the Peace Officer Death Benefit Account.

Key Measures
This change item would ensure that the appropriation would be enough to cover the deaths of three peace officers/fire fighters killed in the line of duty in Minnesota.

Alternatives Considered
The alternative would be to leave the appropriation at $326,000 and pay out for the deaths of only two peace officers/fire fighters killed in the line of duty.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$5	$5	$5	$5
Revenues	5	5	5	5
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends developing a plan for the use of forgivable administrative penalty orders on Driver and Vehicle Services—(DVS) regulated industries and agents who violate certain statutory or rule requirements. The Governor recommends that, of the penalties collected, up to $5,000 per fiscal year may be used by DVS to fund education and compliance activities related to the regulated parties.

Background

The administrative penalty order authority (APO) would give DVS an administrative remedy to gain compliance with programs administered by the division. It would not apply to individual drivers or vehicle owners. DVS regulates various industries and agents including: motor vehicle dealers, deputy registrars, driver's license agents, driver education programs, third party driver examiners, and commercial holders of disability parking certificates. Under existing law, the only recourse available to DVS when a regulated agent does not comply with rules or statutes is the Chapter 14 contested case administrative hearing process. Possible outcomes of an administrative hearing are no action or suspension or revocation of a license or privilege. In some cases, the seriousness of the violation may warrant suspension or revocation of a license or privilege; however, the costs of a hearing process are high, and in many cases, the infractions are of a nature that would warrant less severe action. Use of forgivable, monetary administrative penalties would provide DVS with more tools to promote compliance and deterrence.

A plan would be developed to establish criteria for forgivable administrative penalty orders. The affected parties would participate in the APO plan development and the establishment of criteria. Other state agencies utilize administrative penalty orders to gain compliance; the Minnesota Pollution Control Agency was granted authority for administrative penalty orders in 1992, and the Department of Health has had this authority since 1993. While administrative penalty authority is typically granted to regulators of health and environmental programs, it is used by other states as a compliance tool in areas such as motor carrier safety regulation.

Relationship to Base Budget

This change would have a marginal impact on the DVS budget. The amount of revenue that would be generated by this proposal is unknown, but is estimated to be $5,000 annually. The intent is not to raise revenues but rather to provide additional compliance tools. Up to $5,000 per year would be authorized for use by the division for compliance and training activities.

Key Measures

DVS-regulated industries and agents would be better informed and educated about Minnesota laws and rules relating to their particular sect, and DVS would attain a higher compliance rate from these industries and agents.

Less DVS staff time and resources would be expended in the administrative hearing process.

Statutory Change: M.S. 299A

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	$1,600	$1,700	$1,700	$1,700
Highway User Tax Dist. Fund				
Expenditures	0	0	0	0
Revenues	1,342	1,395	1,395	1,395
Net Fiscal Impact	$2,942	$3,095	$3,095	$3,095

Recommendation
The Governor is recommending an increase in the motor vehicle plate and sticker fees and a $1 increase on motor vehicle title fees.

Background
Current motor vehicle plate and sticker fees are not covering the cost of manufacturing and distributing motor vehicle plates and validation stickers.

Relationship to Base Budget
Revenue estimates under current law for plate and sticker fees are $4.996 million in FY 2004 and $5.180 million in FY 2005. Projected costs of manufacturing and distributing motor vehicle plates and validation stickers in FY 2004 are $5.619 million in FY 2004 and $6.007 million in FY 2005. Proposed plate and sticker fee increases range from a $1.25 increase in the current $3 passenger plate fee to a $3 increase in the current $4 sequenced special plate fee. Revenues are projected to increase by $1.342 million in FY 2004 and $1.395 million in FY 2005 under the proposed fee increases.

Revenue estimates under current law for motor vehicle titles are $5.513 million in FY 2004 and $5.568 million in FY 2005. This proposal would raise the current fee for the issuance of an original certificate of title from $2 to $3. The $2 fee for each security interest on the title will remain the same. Revenues are projected to increase by $1.6 million in FY 2004 and $1.7 million in FY 2005.

Key Measures
The fee increases are needed to cover the costs of manufacturing and distributing of motor vehicle plates and stickers. Processing time for vehicle registrations and titles is dependent on having sufficient inventory of motor vehicle plates\stickers and titles on hand.

Statutory Change: M.S. 2002, 168.12, 168.54, and 168A.29. MN Rules 7403.1300

AGENCY: Public Safety, Department of (DPS)

PROGRAM: Administration & Related Services

PROGRAM DESCRIPTION:
This program receives a small amount of grant money to pay for a portion of the financial services provided to the traffic safety program. There is also money provided to the communications activity for an Information and public education alcohol awareness campaign.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
No changes are anticipated.

FUNDS AT RISK:
None

PROGRAM: 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 as the result of a presidential declaration of a major disaster. The public assistance program provides assistance to local governments, state agencies, and eligible private-non-profit entities to cover emergency costs and infrastructure repair/replacement costs caused by the disaster

Individuals and Households Program. 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. 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.

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.

Office of Justice Programs – Terrorism. These funds are provided to the State to permit the purchase of specialized equipment and the conduct of training for the response to acts of domestic terrorism.

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.

Terrorism Consequence Management Preparedness Assistance (TCMPA). This program supports state emergency planning, training, and exercises for domestic preparedness (terrorism).

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
Following passage of the Supplemental Appropriations Act for Further Recovery From and Response to Terrorist Attacks (PAL. 107-206), Minnesota has been allocated $1,720,358 for planning. These funds will be awarded after Minnesota's application is submitted and approved. Additional money for improvement/enhancement of emergency operating centers is potentially available, but grants for this purpose will be competitive and no amounts have been allocated.

All States will be invited to apply for funds through the proposed FFY 2003 First Responder Grant Initiative, to be administered by either FEMA or the Department of Justice, and estimated to be a $3.5 billion program. Eligible activities would include planning, training, exercising, the purchase of equipment, and grant administration. No amounts have been allocated to date, but preliminary estimates indicate that each state would receive a $5-15 million base allocation, with an additional amount based on population.

FUNDS AT RISK:
At this time, the status of the TCMPA program for FFY 03 and beyond is not known for certain The Federal Emergency Management Agency has indicated its intent to replace the funding provided by the TCMPA with funding associated with a new proposed program, the First Responder Grant Initiative (see above). However, no final action concerning these programs has been taken by either FEMA or Congress.

PROGRAM: Criminal Apprehension

PROGRAM DESCRIPTION:
Forensic Laboratory – National Forensic Improvement Act. This program provides funding to the forensic science laboratory for improved efficiency and productivity of operations. The funding is dedicated to equipment that will reduce casework backlog and increase capabilities. These funds are also used for a system for forensic DNA analysis using Short Tandem Repeats (STR) methodologies. Funding allows for the procurement of laboratory equipment and provides drug identification to law enforcement agencies in a timelier manner.

Crime Identification Technology Act (CITA). These funds are provided to assist States to establish or upgrade criminal justice information systems and identification technologies. See Law Enforcement and Community Grants program.

Edward Byrne Memorial State and Local Law Enforcement Assistance Program (BJA). These funds are provided for programs with a high probability of improving the functioning of the criminal justice system and enhancing drug control efforts. A portion of the funding will be used for CriMNet backbone infrastructure in FY 2003-04.

Local Law Enforcement Block Grant (LLEBG). These funds are provided for use in seven purpose areas for preventing and controlling crime. LLEBG grants in FY 2003 will be used to fund phase II of the CriMNet project. Phase II includes development and implementation of the backbone and core hub, hardware and software installation /configuration, system tests, user interface, disaster recovery plan and training plan.

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. NCHIP grant funds in FY 2003 will be awarded to local units of government for their integrated projects related to CriMNet.

Office of Community Oriented Policing Services (DOJ). 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. CriMNet grant funding in FY 2003 will be expended on phase II of the CriMNet project.

Arrest Policies. This program provides direct access to the Orders For Protection Database for the purpose of updating service order information and offender date of birth information.

CCH Improvement – 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.

NCHIP-NIBRS. This program provides consulting resources (systems analysis, data base design) for completing a plan to implement a National Incident Based Reporting System (NIBRS) for the cities of Minneapolis and St. Paul.

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.

Juvenile Accountability. This program seeks to address a number of the barriers to tracking juvenile registered sex offenders and verifying their location by establishing and maintaining interagency information sharing programs, training criminal justice professionals, and adding personnel to perform in-person residence checks on offenders; additionally, the program provides for a coordinated investigative approach to juvenile prostitution across the state.

Emergency Preparedness. This program provides funding for essential safety and communications equipment for use during multi-agency responses to emergency situations such as examining crime scenes related to a terrorist incident.

FUNDS AT RISK:
None.

PROGRAM: Fire Marshal

PROGRAM DESCRIPTION:
Fire Life Safety Survey Program. This program conducts fire safety surveys in accordance with Health Care State Operations Manual and HCFA regional office directives. This program is now being financed from the special revenue fund through an interagency agreement with the Department of Health.

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 highway administration (FHWA) may have high priority projects to target, and it allows States to compete for special research and development projects. Grants are requested and approved throughout the year.

National Highway Traffic Safety Administration (NHTSA) grants. This is a grant awarded through the traffic safety program. It provides funding for various traffic safety programs such as safe and sober, operation nightcap, and drug recognition expert.

Surface Transportation Act -Red-dyed fuel grant. This is a grant awarded through the Minnesota Department of Transportation from the Surface Transportation Act funding to facilitate the inspection fuel used in motor vehicles for on-highway use to ensure proper fuel taxes have been applied.

The Office of Police Corps and Law Enforcement Education (OPCLEE), through participating States, administers the police corps program, which is appropriated to the Justice Department's Office of Community Oriented Policing (COPS), but is administered by OJP. The police corps program offers scholarship assistance on a competitive basis to college students who agree to serve as police or sheriff' deputies for at least four years. OPCLEE provides up to $7,500 per academic year up to $30,000 total. Agencies that employ police corps participants receive $10000 per participant for each year of required service. The police corps also covers the cost of 16-24 weeks of rigorous residential police corps training.

Office of Justice Programs (OJP) The OJP has also provided a grant for the purchase and installation of in-car video equipment for State Patrol vehicles. Additional funds were made available through a grant to DPS Division of Emergency Management to assist law enforcement agencies equip and prepare for the possible use of weapons of mass destruction by terrorist organizations or individuals.

Federal Transit Authority. This grant is available through an interagency agreement with the Metropolitan Council for DPS to provide Safety Oversight related to the operation of the Hiawatha Light Rail line as required by Federal Transit Authority.

Federal Emergency Management Administration grants. This grant is to reimburse the state for expenses incurred in the response to 2002 flood damage in the Roseau area.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

The MCSAP is authorized from 1998 through 2003. Each year the FHWA 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 at least 5% each year from 1998 through 2003. Federal law authorizes the funding for the Office of Police Corps and Law Enforcement Education. Congress must allocate funds as authorized. Funding will increase each year as additional participants are added to the state program.

FUNDS AT RISK:

None

PROGRAM: Driver and Vehicle Services

PROGRAM DESCRIPTION:

Performance and Registration Information Systems Management (PRISM). The purpose of the grant is for 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 in their work by 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 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, the 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 on their operations through identification and incentives to improve.

Commercial Drivers License. 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 Commercial Drivers License 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 several state agencies (Driver and Vehicle Services, State Patrol and 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.

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 (DWI offender) 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 x 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.
7. Encourage data entry at the source of data to improve availability and accuracy of information.
8. Automate Driver Services workflow wherever possible to improve operational efficiency.

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:
The IMDLIS grant project is supported by US Transportation funds received from the Section 164 of TEA-21 Penalty Transfer (Repeat DWI Offender Sanctions) through an interagency agreement with the Office of Traffic Safety.

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 and surveillance of under age drinking at events.

FUNDS AT RISK:
None.

PROGRAM: Traffic Safety

PROGRAM DESCRIPTION:
All 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.

FARS: Collect, analyze, code, and contribute information on Minnesota's fatal traffic crashes to the national FARS database maintained by NHTSA.

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.

NHTSA 402: 164 (Repeat DWI Offender): Provide grants to state agencies and local governments to improve operations related to DWI or to improve hazardous road locations.

NHTSA 402: 157 (Innovative Enforcement): Support specific innovative seat belt enforcement programs.

NHTSA 402: 2003B (Child Passenger Safety): Support specific innovative programs related to child seats and booster seats.

NHTSA 403: (Competitive State Grants): Support specific innovative programs proposed by Minnesota in direct response to federal requests for proposals.

NHTSA 405: Support state and local activities related to improving seat belt use rates.

NHTSA 410: Support state and local activities related to reducing the incidence of impaired driving.
NHTSA 411: Support state and local activities related to improving crash data systems.

NHTSA 157 (Performance Incentive): These funds may be used for any program eligible for traditional 402 activities.

NHTSA CODES: Link DPS, DOT, and Health databases to hospital databases to provide data for more complete analysis of traffic crash causes and results.

BJA/OJJDP: Support state and local activities related to enforcing existing underage drinking laws.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:
NHTSA programs are currently provided to states under the guidelines developed in TEA-21 (the Transportation Equity Act for the 21st Century). Those basic guidelines describe the hard and soft matching funds required for each program, 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 TEA-21 ends on October 1, 2003.

FUNDS AT RISK:
NHTSA 402: 164 (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.

NHTSA 405: Funds are not available to Minnesota unless certain seat belt law changes are enacted.

NHTSA 157 (Innovative Enforcement): Minnesota's funding is dependent on an annual contract with NHTSA. Because the funding is not related to laws or state performance, the contract may not be renewed in future years if NHTSA decides to fund similar efforts in other states.

NHTSA 157 (Performance Incentive): Minnesota's funding is dependent on maintaining or improving the state's seat belt use rate. A lesser amount of funding may be available if the state's use rate does not continue to show increases and/or is not greater than the rate of the nation as a whole.

BJA/OJJDP: Unlike the majority of NHTSA programs, this program operates on a year-to-year basis. Funding beyond FFY2003 is not promised or guaranteed.

All NHTSA Programs: Re-authorization of all the NHTSA programs, incentives, and disincentives will be done by Congress in the coming year. The re-authorization will cause many, as yet unknown, changes.

PROGRAM: Pipeline Safety

PROGRAM DESCRIPTION:
Pipeline Safety Operations. This program inspects intrastate and interstate pipeline and investigates pipeline failures, incidents and accidents.

Damage Prevention. This program increase enforcement and education of One Call Law.

OPS Mapping. This program maps the state pipeline routes on computer and connects with a national mapping system as required by the U.S. Department of Transportation.

FUNDS AT RISK:
None

PROGRAM: Crime Victim Services

PROGRAM DESCRIPTION:
The Crime Victim Services program 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 center's crime victims 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 the center 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.

Victim's Compensation Grant (VOCA) 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 of 40% will change to 60% in federal fiscal year 2003.

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. These funds are projected to decrease by 18% per year beginning in federal fiscal year 2003.

Violence Against Women (VAWA) grant is received annually from the Department of Justice, Violence Against Women Office. These funds are for projects to improve law enforcement and prosecution strategies and victim services, in cases involving violence against women.

Minnesota Department of Health grant is made available annually for rape prevention programs and services for victims of sexual assault. The funding originates from the U.S. Department of Health and Human Services.

The **Family Violence Prevention Services (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.

The **Rural Domestic Violence** grant is received from the U.S. Department of Justice, VAWA Office. Minnesota has received its second one time grant and funds are not expected to be received in 2003 and beyond.

Safe Havens: Supervised Visitation. This is a one time grant to provide technical assistance to agencies that provide supervised visitation centers.

Edward Byrne Memorial Advanced Victims Notification System
The funding supports the statewide implementation of VINE. VINE is a toll free fully automated telephone service that allows crime victims and other interested persons to contact a 24 hour hotline to receive information on the status of an offender.

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. Due to the funding cap and the unexpected expenditures from the fund to due to the attacks of September 11, 2001, funding for the crime victim assistance program is expected to decrease by 18% per year beginning in federal fiscal year 2003.

FUNDS AT RISK:
The federal Byrne grant for the center has expired, resulting in a decrease in fund funds available for training and outreach activities. See above for a description of the expected reduction in VOCA assistance funding.

PROGRAM: Law Enforcement & Community Grants

PROGRAM DESCRIPTION:

Edward Byrne Memorial Anti-Drug (BJA). These funds are provided for programs with a high probability of improving the functioning of the criminal justice system and enhancing drug control efforts.

Project Safe Neighborhood (PSN) also administered by BJA is a comprehensive, strategic approach to reducing 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.

Local Law Enforcement Block Grant (LLEBG). These funds are provided for use in seven purpose areas for preventing and controlling crime.

Weed and Seed (EOWS). The purpose of this program is to assist neighborhoods in "weeding out crime" and "seeding" community livability and vitality.

Crime Identification Technology Act (CITA). These funds are provided to assist States to establish or upgrade criminal justice information systems and identification technologies. This funding will be made available to local units of government for the implementation of CriMNet integration projects.

Watch Your Car Grant – Auto Theft (DOJ). The Watch Your Car national program was designed as a cooperative agreement auto theft prevention initiative between states, local government and U.S. Department of Justice.

Juvenile Accountability Block Grant (DOJ). This Juvenile Accountability Block Grant funds a contract with the Wilder Foundation to provide evaluation training and technical assistance to forty high risk youth grantees. This grant also funds a BCA juvenile prostitution investigator.

CHANGES TO PROGRAM FUNDING OR GUIDELINES:

FUNDS AT RISK:
None

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
Financial Services	15	SO	15	19	22	22
Information and Public Education	355	SO	369	483	415	415
Administration & Related Services Program Total	**370**		**384**	**502**	**437**	**437**
Comprehensive Environmental Response Compensation and Liability Act (CERCLA)		SO	4	5	4	4
Disaster Assistance Grants & Individuals and Households Program	6,359	GPS/GI	59,339	21,481	0	0
Emergency Management Performance Grant (EMPG)	637	SO	2,304	3,528	2,419	1,980
Hazardous Materials Emergency Preparedness (HMEP)		GPS	313	295	260	260
Hazard Mitigation Grants	12	GPS	14,907	3,769	0	0
National Oceanic and Atmospheric Administration (NOAA) Weather Radio		SO	50	47	47	47
Terrorism (DOJ)		GPS	2,079	4,604	2,326	12
Pre-Disaster Hazard Mitigation Program		GPS	0	206	366	366
Terrorism Consequence Management Preparedness Assistance (TCMPA)		SO	233	360	322	331
Emergency Management Program Total	**7,008**		**79,229**	**34,295**	**5,744**	**3,000**
National Forensic Science Improvement Act- NIJ		SO	123	492	0	0
Crime Identification Technology Act (CITA)		SO	0	0	0	0

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
Edward Byrne Memorial State and Local Law Enforcement Assistance Program (BJA)	13	SO	75	1,229	1,154	1,154
Local Law Enforcement Block Grants (LLEBG)		SO	0	1,322	691	691
National Criminal History Improvement Program (NCHIP)		SO/GPS	413	984	984	984
Community Oriented Policing Services (COPS)		SO/GPS	0	2,800	2,800	2,800
Arrest Policies		SO	6	121	0	0
CCH Improvement – Byrne	83	SO	463	400	400	400
NCHIP-NIBRS		GPS	0	500	500	500
Marijuana Eradication		SO	140	12	140	140
Juvenile Accountability	15		250	98	114	117
Emergency Preparedness Equipment		SO	85	14	14	14
Criminal Apprehension Program Total	**111**		**1,555**	**7,972**	**6,797**	**6,800**
Fire Life Safety Inspections	443	SO	524	0	0	0
Fire Marshal Program Total	**443**		**524**	**0**	**0**	**0**
Motor Carrier Assistance Program (MCSAP)	898	SO	3,588	4,380	4,014	4,014
National Highway Traffic Safety Administration (NHTSA)	0	SO	1,024	1,629	1,015	1,015
Surface Transportation Act –Red-dyed fuel grant	0	SO	0	89	106	104
Community Oriented Policing (COPs)	0	SO	2,264	1,299	1,071	1,071
Office of Justice Programs (OJP)	75	SO	717	119	0	0
Federal Transit Authority	0	SO	0	100	100	0

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
Federal Emergency Management	15	SO	58	0	0	0
State Patrol Program Total	**988**		**7,651**	**7,616**	**6,306**	**6,204**
Performance and Registration Information System (PRISM)		SO		190	310	0
Commercial Drivers License		SO	141	1,250	250	0
Drivers License Database Redesign		SO	122	1,780	2,082	0
Accident Records System Upgrade		SO	0	250	0	0
Driver & Vehicle Services Program Total			**263**	**3,470**	**2,642**	**0**
Youth & Alcohol		SO/GPS	244	190	182	182
Alcohol & Gambling Enforcement Program Total			**244**	**190**	**182**	**182**
Fatal Accident Reporting System (FARS)		SO	71	74	76	77
NHTSA (402) Traditional	311	SO/GPS	3,281	6,026	8,333	3,522
NHTSA (402) (164) Repeat DWI Offender		GPS		5,842	9,342	9,342
NHTSA (402) (157) Innovative Enforcement		SO	1,050	627	1,600	600
NHTSA (402) (2003B) Child Passenger Safety		SO/GPS		275	275	275
NHTSA (403) Competitive State Grants		GPS	81	353	352	171
NHTSA (405) Seat Belt		SO/GPS	227	41	0	0
NHTSA (410) Impaired Driving		SO/GPS	732	1,491	1,639	1,639
NHTSA (411) Crash Data Systems		SO/GPS	24	991	700	700
NHTSA (157) Performance Incentive		SO/GPS	364	305	115	115

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
NHTSA CODES		SO	113	57	31	31
Under-Age Drinking (BJA-OJJDP)		GPS	531	654	359	359
Traffic Safety Program Total	**311**		**6,474**	**16,736**	**22,822**	**16,831**
Pipeline Safety Operations	735	SO	783	996	997	997
Damage Prevention	20	SO	29	19	20	20
OPS Mapping	3	SO	2	20	0	0
Pipeline Safety Program Total	**758**		**814**	**1,035**	**1,017**	**1,017**
Victims Compensation (VOCA)	2,394	GI	620	726	948	1,247
Victims Assistance Grants (VOCA)		GPS/GCBO	7,619	9,340	5,437	5,437
Violence Against Women Act (VAWA)		GPS/GCBO	2,541	4,541	2,305	2.305
MN Department of Health		SO/GCBO	112	132	120	120
Family Violence Prevention Services Act (FVPSA)		GPS/GCBO	1,495	1,589	1,556	1,556
Rural Domestic Violence		GCBO	496	364	0	0
Safe Haven (VAWA Supplemental)		GCBO	0	327	0	0
Edward Byrne Memorial Advanced Victims Notification System		SO	409	116	0	0
Crime Victims Services Program Total	**2,394**		**13,292**	**17,135**	**10,366**	**10,665**
Edward Byrne Memorial Anti-Drug Grants (BJA)	924	GPS/GCBO	10,358	14,816	8,456	8,456
Project Safe Neighborhood (BJA)		GCBO	0	100	142	0

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
Residential Substance Abuse Treatment (RSAT)	2	SO	373	919	517	517
Local Law Enforcement Block Grants (LLEBG)	1	GPS	678	2,070	709	709
Executive Office of Weed & Seed (EEWS)		GPS	1,221	2,802	1,825	1,825
Crime Identification Technology Act (CITA)		GPS	0	3,900	3,900	3,900
Watch Your Car Grant – Auto Theft (DOJ)		GPS	38	180	0	0
Juvenile Accountability Block Grant (DOJ)		GPS	0	114	0	0
Law Enforcement & Community Grants Program Total	**927**		**12,668**	**24,901**	**15,549**	**15,407**
Public Safety Agency Total	**$13,310**		**$123,098**	**$113,852**	**$71,862**	**$60,543**

Key:

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

Program Name Federal or State or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted FY 2003	Most Recent Federal Award (cite year)
Disaster Assistance Grants Both M.S. 4.07 M.S. 12.22 M.S. 12.221	Provide grant assistance to eligible public, and private non-profit entities for emergency work, permanent infrastructure restoration and hazard mitigation following a disaster. Provide grant assistance to eligible individuals and families for serious needs and necessary expenses.	Counties, cities, townships, school districts, watershed districts, tribal governments, and eligible private, non-profit entities for the public assistance program and the hazard mitigation grant program. The Individuals and Households Program provides funding directly to private citizens.	$27,638	2002
Emergency Management Performance Grant (EMPG) Federal M.S. 4.07 M.S. 12.22	Provide grant assistance to local governments for the development and maintenance of local emergency management programs.	Counties.	$987	2002
Hazardous Materials Emergency Preparedness Grants (HMEP) Federal M.S. 4.07 M.S. 12.22	Provide grant assistance to local governments and vocational-technical colleges for the conduct of hazardous materials-related training, exercises, planning and conferences.	Cities, counties, vocational-technical colleges.	$156	2002
Office of Justice Terrorism Program Federal M.S. 4.07 M.S. 12.22	Provide grant assistance to local governments and state agencies for equipment and training, to assist in the response to a domestic terrorism event.	Cities, counties, and state agencies.	$3,340	2002
Pre-disaster Hazard Mitigation Program Federal M.S. 4.07 M.S. 12.22	Provides funding to states and communities for cost-effective hazard mitigation activities that complement a comprehensive mitigation program; and reduces injuries, loss of life, and the damage and destruction of property.	States and communities.	$205	2003

Program Name Federal or State or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted FY 2003	Most Recent Federal Award (cite year)
Radiological Emergency Preparedness State M.S.12.12 M.S 12.13	Provide grant assistance to certain state agencies, and to local governments located within a 10-mile radius of the two nuclear power plants in Minnesota operated by the Nuclear Management Corporation, to support planning, training and exercising for radiological emergencies.	Cities and counties within a 10-mile radius of the Monticello and Prairie Island Nuclear Generating Plant, state agencies.	$931	
Domestic Terrorism Act State Laws 2002 Chapter 401	Provides grants for the purchase of approved terrorism response-related equipment and training.	Cities, counties and state agencies.	$10,962	
		Emergency Management Program Total	$44,219	
Criminal Justice Needs Study State	Analysis of needs for Criminal Justice Agencies.	MN Supreme Court	$490	
CriMNet Grants to Local Government State	Integration of Criminal Justice Records under CriMNet project	City and county law enforcement agencies	$3,098	2002
National Criminal History Improvement Program (NCHIP) Federal M.S. 4.07	Analysis of needs for Criminal Justice Agencies Provide funding for local integration projects	City and County law enforcement agencies	$984	2002
Marijuana Eradication Federal M.S. 4.07	Provide funds to facilitate the eradication of marijuana	City and county law enforcement agencies	$2	2002
Arrest Policies Federal M.S. 4.07	To encourage coordinated and integrated approach to arrest policies.	MN Supreme Court	$121	2002
National Incident Based Reporting System (NIBRS) Federal M.S. 4.07	Evaluation and implementation of NIBRS in Minneapolis and St. Paul	Minneapolis and St. Paul	$500	2002
		Criminal Apprehension Program Total	$5,195	

Program Name Federal or State or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted FY 2003	Most Recent Federal Award (cite year)
National Highway Safety Act Grants (NHTSA) Federal M.S. 4.07	Support state and local activities related to reducing the incidence of driving while impaired by alcohol or other drugs.	City and county law enforcement agencies	$203	2003
COPS Federal M.S. 4.07	Develop a law enforcement training program for college students to serve as police or sheriff's deputies.	MnSCU	$56	2002
Motor Carrier Safety Act Program (MCSAP) Federal M.S. 4.07	To monitor commercial vehicle activities for vehicle inspections, traffic enforcement, motor carrier audits, safety and training.	MnDOT	$1,483	2002
		State Patrol Program Total	$1,742	
Drivers License Photo Equipment State	Provide drivers license photo equipment to certain registrars	Various city & county registrars	$28	
		Driver & Vehicle Services Program Total	$28	
Youth and Alcohol Federal M.S. 4.07	This program provides assistance to local law enforcement to conduct compliance checks of liquor retailers and surveillance of under age drinking at events.	City and county law enforcement agencies	$80	
		Alcohol & Gambling Enforcement Program Total	$80	
National Highway Traffic Safety Administration (NHTSA) 402 Federal M.S. 4.075	Provide grant funds to governmental agencies so that they can develop programs to change driver behavior	Other state agencies, county and local governments	$9,132	2003

Program Name Federal or State or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted FY 2003	Most Recent Federal Award (cite year)
National Highway Traffic Safety Administration (NHTSA) 405 “Seat Belt Law Package” Federal M.S. 4.075	Support state activities related to improving seat belt use rates	State agencies, county and local governments	$469	2003
National Highway Traffic Safety Administration (NHTSA) 410 “Impaired Driving Programs" Federal M.S. 4.075	Support state and local activities related to reducing the incidence of driving while impaired by alcohol or other drugs	State agencies, county and local governments	$1,089	2003
National Highway Traffic Safety Administration (NHTSA) 411 “Data Improvement Programs” Federal M.S. 4.075	Support state and local activities related to improving traffic crash data collection, analysis, and reporting systems	State agencies, county and local governments	$951	2003
National Highway Traffic Safety Administration (NHTSA) CODES Project (Crash Data Evaluation) Federal M.S. 4.075	Link crash data systems so that more thorough analysis of crash causes and outcomes is possible	State agencies, county and local governments	$40	2003
Bureau of Justice/Office of Juvenile Justice and Delinquency Prevention (BJA/OJJDP) Underage Drinking Programs Federal M.S. 4.07	Develop state and local means to combat underage drinking and enforce the existing underage drinking laws	State agencies, county and local governments	$604	2003
		Traffic Safety Program Total	$12,285	
Crime Victims Assistance Grants State	To provide assistance to victims of crime. These state appropriations augment federal grants in specific areas such as child abuse, sexual assault, domestic violence and general crime.	Eligible recipients include local units of government, Indian tribal governments and private, non-profit agencies.	$10,155	

Program Name Federal or State or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted FY 2003	Most Recent Federal Award (cite year)
STOP Violence Against Women Act (VAWA) Federal M.S. 4.07	To combat violence against women and improve the criminal justice system's response to sexual assault and domestic violence against women.	Eligible recipients include local units of government, Indian tribal governments and private, non-profit agencies.	$4,303	2002
VOCA Victim Assistance (VOCA) Federal M.S. 4.07	To provide assistance to victims of crime. Federal guidelines define four priority areas which must receive a minimum of 10% of the total award: child abuse, sexual assault, domestic violence and underserved (general crime).	Eligible recipients include local units of government, Indian tribal governments and private, non-profit agencies.	$8,762	2002
Rural Domestic Violence Federal M.S. 4.07	To provide services in domestic violence cases where child abuse is identified as an issue.	Eligible recipients include non-profit agencies that serve domestic violence victims and their children.	$345	1999
Family Violence Prevention Services Act (FVPSA) Federal M.S. 4.07	To provide emergency shelter and related services to victims of domestic abuse and their children.	Eligible recipients include agencies that provide emergency shelter and related services to victims of domestic abuse and their children.	$1,484	2003
Safe Havens: Supervised Visitation and Safe Exchange Federal M.S. 4.07	To provide technical assistance to agencies that provide supervised visitation centers.	This grant is provided to the Minnesota Program Development office in Duluth, Mn.	$327	2003
Prevention and Personal Care Block Grant Federal M.S. 4.07	To provide rape prevention services. These funds come to MCCVS through the Department of Health	Eligible recipients include agencies that provide rape crisis services	$132	2003
		Crime Victims Services Program Total	$25,508	

Program Name Federal or State or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted FY 2003	Most Recent Federal Award (cite year)
Law Enforcement and Community Grants State	Assist communities in their crime control and prevention efforts.	Private and public non-profit organizations	$1,033	
Criminal Gang Strike Force State M.S. 199A.66	Assist in the identification, arrest, and prosecution of criminal gang members.	Public non-profit organizations	$2,426	
Community and Youth Focused Crime Prevention State M.S. 299A.296	Assist communities in their crime control and prevention efforts.	Private and public non-profit organizations	$1,780	
Department of Justice Byrne Memorial Formula Grant Federal M.S.4.07	Funds programs with a high probability of improving the functioning of the criminal justice system and enhancing drug control efforts.	Private and public non-profit organizations	$14,077	2003
Department of Justice Residential Substance Abuse (RSAT) Federal M.S.4.07	Developing and implementing substance abuse treatment programs in correction facilities.	Minnesota correctional facilities	$871	2003
Department of Justice Local Law Enforcement Block (LLEBG) Federal M.S. 4.07	Seven “purpose areas” for preventing and controlling crime.	Governmental organizations	$2,010	2003
Department of Justice Weed & Seed (WS) Federal M.S 4.07	Assist neighborhoods in “weeding” out crime and “seeding” in community livability and vitality.	Private and public non-profit organizations	$2,723	2002
Department of Justice Crime Identification Technology Act (CITA) - CriMNet Federal	Support for Integrated Criminal Justice Information System activities	Local units government	$3,900	2002
Criminal Justice Project	Racial Profiling Study &	Private and public	$1,767	

Program Name Federal or State or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted FY 2003	Most Recent Federal Award (cite year)
State	training, video cameras in squad cars, law enforcement training reimbursement.	non-profit organizations		
Auto Theft Prevention Both M.S. 168A.40 M.S. 4.07	Assist communities in combating and preventing auto theft.	Private and public non-profit organizations	$1,983	1999
Juvenile Assessment Centers State	Grant program to establish 24-hour juvenile assessment centers.	Private and public non-profit organizations	$197	
		Law Enforcement & Community Grants Program Total	$32,767	
		Department of Public Safety Agency Total	$121,824	

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 as follows

- guiding the transition to effective competition in Minnesota's telecommunications markets; and
- assuring safe and reliable gas and electric services at reasonable rates.

Core Functions

- The commission's key services are
- disciplined decision-making for resolving party-to-party disputes and establishing broad utility and telephone industry policies;
- a public forum for examination of policies pertaining to the utility and telephone industries;
- investigations, hearings, prescription of rules and issuance of orders regarding the provision of utility and telephone services; and
- mediation of consumer complaints concerning services of telephone or energy utility providers.

At A Glance

- **Focus is on cornerstone industries:** The commission's primary jurisdiction is over the largest providers of utility and telephone services (e.g., Qwest, Xcel Energy, Reliant-Minnegasco).
- **Workload continues to grow:** Filings have increased by 22% from five years ago, totaling approximately 2,000 cases during the year 2001.
- **Agency costs are below average and stable:** The size of the commission's budget and staff is well below the average for states of comparable size and has grown moderately over the last several years.
- **Consumer involvement continues to grow:** During 2001 there were over 5,000 new consumer complaints initiated.
- **Strategic use of technology:** The commission is in the process of streamlining operations and expanding access to information through greater use of information technology.

Operations

The commission is a quasi-judicial and legislative body.

⇒ The commission is in its quasi-judicial mode when it sets rates and terms of service or otherwise resolves issues related to an individual company or certain group of companies.

⇒ The commission is in its legislative mode 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.

Stakeholders include ratepayers and the companies who 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, alternative service providers, to name a few.

Budget

The commission consistently assesses about 97% of its expenditures from the companies it regulates. The commission's biennial operating budget is approximately $8 million annually. Approximately, 93% of the commission's budget goes to salary and rent expenses. The commission has a total of 45.8 full-time equivalent employees, that includes five commissioners.

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 includes access to PUC orders dating back to 1987, the commission's monthly calendar (which includes information about recent filings, orders, notices, etc.), agendas for up-coming meetings, staff briefing papers, document reports, links to regulated companies and other related agencies, as well as incorporating a refined site navigation system and enhanced ADA features.

Agency contact person: Burl Haar
Phone: (651) 296-7526
Fax: (651) 297-7073

STATE OF MINNESOTA PUBLIC UTILITIES COMMISSION

February 18, 2003

The 2003 Minnesota Legislature:

I am respectfully submitting the Governor's recommendation for the FY 2004-2005 biennial budget for the Minnesota Public Utilities Commission. The recommended budget from all funds is $13.180 million; $6.590 million per fiscal year. The recommended General Fund budget is $8.326 million; $4.163 million per fiscal year. The recommended Miscellaneous Special Revenue Fund budget is $4.854 million; $2.427 per fiscal year.

The primary impact of the Governor's budget recommendation is to enhance the Commission's ability to render fair and well-reasoned decisions with maximum stakeholder input and minimal delay. This is particularly important given the cornerstone industries the Commission regulates and the economic conditions facing Minnesota. Through prioritization of workload, more effective use of technology, and strategic re-assignment of staff resources, the Commission has managed record levels of filings despite a smaller staff size. The Governor's recommended budget provides direction and impetus to continue these efforts to seek and implement innovative solutions. For example, the agency has been eager to explore the potential for a multi-agency technology and knowledge sharing arrangement among smaller agencies. We believe such an arrangement would help the Commission realize some of its information technology goals while saving resources among participant agencies and, ultimately, the State. The Governor's recommendation allows forward movement on efforts such as these.

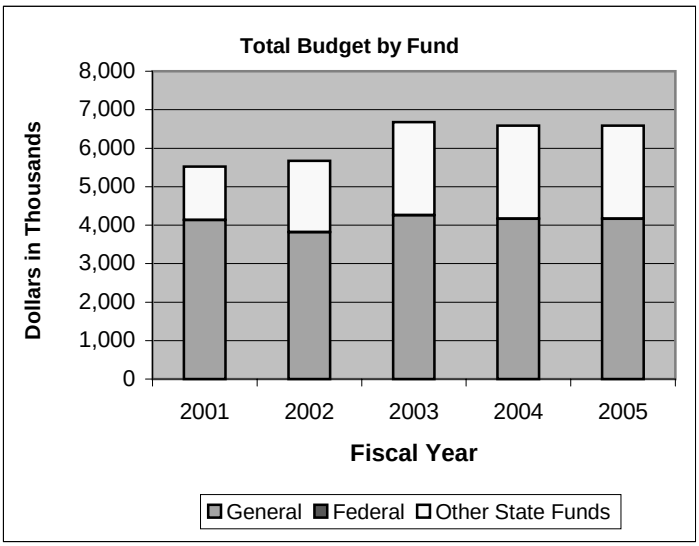
The Governor's recommendation to continue to fund the Commission at its base budget level is especially critical at this time when the essential industries the Commission regulates are facing financial challenges. These difficulties have raised public concerns about the adequacy and affordability of telephone, natural gas and electric services. The Commission has a unique role in assuring the provision of these services and fair treatment of consumers and providers alike utilities and ratepayers alike rely on the Commission to render decisions that are equitable and promote Minnesota's economic and environmental well being.

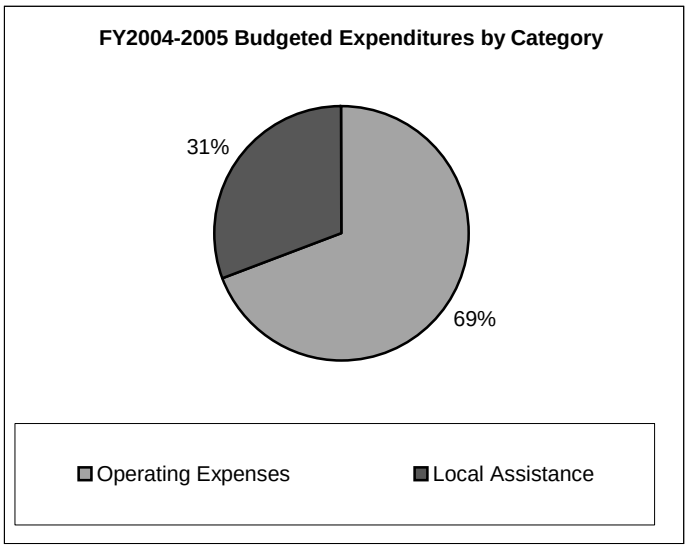
Because the Commission is an assessment-based agency, nearly all of expenditures permitted under its appropriation are recoverable.

Sincerely,

LeRoy Koppendrayer
Chairman

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	8,326	4,854	13,180
Adjusted Base Funding	8,326	4,854	13,180
Governor's Recommendations	8,326	4,854	13,180
Biennial Change, 2002-03 to 2004-05	253	575	828
Percent Change	3%	13%	7%





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	4,136	3,819	4,254	4,163	4,163	8,326
Statutory Appropriations						
Special Revenue	1,385	1,852	2,427	2,427	2,427	4,854
Total	**5,521**	**5,671**	**6,681**	**6,590**	**6,590**	**13,180**
Expenditures by Category						
Operating Expenses	4,185	4,216	4,651	4,560	4,560	9,120
Local Assistance	1,336	1,455	2,030	2,030	2,030	4,060
Total	**5,521**	**5,671**	**6,681**	**6,590**	**6,590**	**13,180**
Expenditures by Program						
Public Utilities Comm	5,521	5,671	6,681	6,590	6,590	13,180
Total	**5,521**	**5,671**	**6,681**	**6,590**	**6,590**	**13,180**
Revenue by Type and Fund						
Non Dedicated						
General	0	5,212	4,134	4,464	4,476	8,940
Cambridge Deposit Fund	3,063	0	0	0	0	0
Subtotal Non Dedicated	3,063	5,212	4,134	4,464	4,476	8,940
Dedicated						
Special Revenue	2,712	2,271	2,087	2,074	2,060	4,134
Subtotal Dedicated	2,712	2,271	2,087	2,074	2,060	4,134
Total Revenue	**5,775**	**7,483**	**6,221**	**6,538**	**6,536**	**13,074**
Full-Time Equivalents (FTE)	**44.8**	**43.8**	**43.8**	**40.6**	**40.6**	

Agency Purpose

The Military Order of the Purple Heart of the USA (MOPH) is a congressionally chartered veterans organization authorized to represent veterans, dependents, widows, and orphans with the U.S. Department of Veterans Affairs (VA) claims. The organization is exclusively made up of combat wounded veterans from all wars. Its major objectives are:

- to provide free assistance to ALL veterans and their dependents, regardless of their military service or records;
- to identify the needs of the veterans and their dependents; and
- to obtain all the benefits that they are entitled to through the VA and the state of Minnesota.

At A Glance

In FY 2001, the Military Order of the Purple Heart:

- Represented 1,244 Minnesota veterans and their dependents.
- Recovered $3.4 million in total benefits for veterans in Minnesota.
- Had 625 claims approved, 30 denied, 72 pending, and 2 claims went to the U.S. Board of Veterans Appeals.
- Held 62 interviews and reviewed 739 files.

Core Functions

MOPH provides benefits experts for veterans in the state of Minnesota. The office's daily functional goals are to:

⇒ Assist with filing of claims with the U.S. Department of Veterans Affairs for compensation, pension, medical care, education, job training, employment, veterans preference, housing, death, and burial benefits.
⇒ Assist in identifying and helping homeless veterans.
⇒ Assist with applications for admissions into the Minnesota Veterans Homes and private nursing homes.
⇒ Provide quality, professional representation to veterans whose benefits have been denied at the VA regional office.
⇒ Provide legal representation at the U.S. Court of Appeals for Veterans Claims.

Operations

MOPH provides completely free service and assistance through a national service officer, VA hospital representative, and an administrative assistant. The office provides technical support, training, claims development assistance, research development support, informational support, and updating of law and regulations; all of which are necessary to provide professional and dedicated service to the state's veteran population.

Budget

Total annual funding for MOPH in Minnesota is approximately $77,000, excluding funds raised through local organizations. Seventy-four percent of this is provided by the MOPH National Service Headquarters in Springfield, Virginia for the salaries of a full-time national service officer and a full-time administrative assistant. The other 26% is from a General Fund appropriation grant from the state of Minnesota. In the FY 2002-03 biennium, base funding for this grant is $20,000 each year and is used to finance the MOPH, Department of Minnesota National Service Office located at the VA Regional Office at Fort Snelling and the agency's Hospital Representative Office located at the Minneapolis VA Medical Center.

Contact

The Military Order of the Purple Heart, Inc. has a web site at http://www.purpleheart.org/

MOPH, Department of Minnesota can be contacted at 208 Veterans Service Building, St. Paul, MN 55155, (651) 227-4456 or E-mail at moph@qwest.net

MOPH, National Service Office can be contacted at 1 Federal Drive, Room 183A, St. Paul, MN 55111, (612) 970-5667 or E-mail at mopcviet@vba.va.gov

MOPH, Hospital Representative can be contacted at (612) 725-2000 ext. 3247

State of Minnesota
Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 296-5900
Fax: (651) 296-8685
TTY: 1-800-627-3529

February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the Governor's FY 2004-05 budget proposals for the non-cabinet agencies in the state government omnibus bill. Under the Governor's recommended budget, these agencies would collectively spend $12.882 million in General Fund dollars for the FY 2004-05 biennium. The funding provided for these agencies will be used for the protection of public assets and resources, assurance of due process related to governmental rulemaking, the regulation of the gambling and racing industries, administration of campaign finance and disclosure laws, and support to small non-profit organizations that assist Minnesota veterans.

The FY 2004-05 funding recommended for these agencies represents a $6.695 million (34.2%) decrease from the FY 2002-03 biennium. The recommendations will also result in a net decrease in revenue to the General Fund of $954,000 for the biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing and reorganizing some functions. Therefore, for some of the agencies in this bill, the Governor recommends that funding and/or operations be consolidated with other related operations in the state in order to ensure cooperation and shared services to reduce costs.

In addition, the Governor recommends mitigating the impact of the state's deficit by spreading the cuts broadly among agencies, and by ensuring that the industries and parties that benefit from these services assist in paying for them. Therefore, for some of the agencies in this bill, the Governor recommends that dependence upon General Fund dollars be supplanted or offset with fees and user charges, and that where appropriate, some fees billed to governmental agencies be reduced.

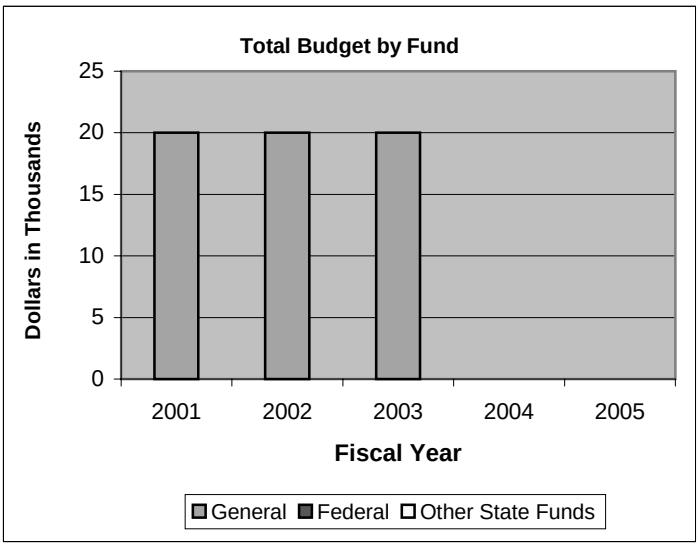
The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium as well as the Governor's recommendations for state funding of pension systems, and revenues from the Minnesota Lottery.

My staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	40	0	40
Adjusted Base Funding	40	0	40
Change Items			
Transfer To Veterans Affairs	-40	0	-40
Governor's Recommendations	0	0	0
Biennial Change, 2002-03 to 2004-05	-40	0	-40
Percent Change	-100%	n.m.	-100%



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	20	20	20	0	0	0
Total	**20**	**20**	**20**	**0**	**0**	**0**
Expenditures by Category						
Local Assistance	20	20	20	0	0	0
Total	**20**	**20**	**20**	**0**	**0**	**0**
Expenditures by Program						
Military Order Purple Heart	20	20	20	0	0	0
Total	**20**	**20**	**20**	**0**	**0**	**0**

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($20)	($20)	($20)	($20)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($20)	($20)	($20)	($20)

Recommendation

The Governor recommends appropriating a combined $75,000 each year of the FY 2004-05 biennium for grants to the Military Order of the Purple Heart, the Disabled American Veterans, and the Veterans of Foreign Wars (VFW). Furthermore, the Governor recommends transferring the individual appropriations for these agencies and providing grant oversight authority for the funds to the Department of Veterans Affairs. In addition, the Governor recommends consolidating up to $30,000 that is currently designated for the Vietnam Veterans Association within the Veterans Affairs budget with the combined appropriations. These consolidated funds would continue to be used for the claim service offices of the grantees.

Background

As non-profit organizations, the Military Order of the Purple Heart of Minnesota, as well as the Department of Minnesota Veterans of Foreign Wars (VFW), the Disabled American Veterans of Minnesota, and the Vietnam Veterans Association, provide similar and complementary claims services to Minnesota veterans to those provided by the Minnesota Department of Veterans Affairs. The state also provides rent-free office space to these veterans organizations within the Veterans Services Building. Current state funding to the Military Order of the Purple Heart represents 26% of the organization's individual operating budget, excluding funds raised through local organizations.

Relationship to Base Budget

It is anticipated that consolidation of the three direct appropriations within the Department of Veterans Affairs and providing oversight of the grants to the cabinet agency may generate efficiencies, and therefore, the combined appropriations would be reduced from $176,000 in FY 2002-03 to $150,000 in FY 2004-05, a 15% reduction.

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: 62 days of live horseracing; 364 days of out-of-state simulcasting; and 24/7 operation of Canterbury Park Card Club
- Licenses 3,600+ individuals to work at the racetrack
- Audits a total wagering handle of $77 million
- Collects General Fund taxes and fees of $388,000

Core Functions and Operations

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. In the process of doing business as an agency of the state, Minnesota Racing Commission staff interacts with other state agencies and entities within state government, including the Governor's Office, the University of Minnesota, Finance, Employee Relations, Administration and the legislature.

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 protects all human and equine participants and assure the integrity of pari-mutuel wagering for the betting public.

Budget

Of the Racing Commission's FY 2002-03 biennial budget, 24% comes from General Fund appropriations, 21% is collected from the racetrack as reimbursements for the cost of the stewards, veterinarians, and the laboratory services, and 55% comes from the breeders' fund tax collections (miscellaneous agency fund) which is distributed back to the industry. Commission staff is comprised of seven full-time equivalent employees and seven professional/technical service contracts (three stewards, three veterinarians and one equine drug testing laboratory).

Contact

Minnesota Racing Commission
P.O. Box 630
Shakopee, Minnesota 55379

World Wide Web Home Page:
http://www.mnrace.commission.state.mn.us

Richard Krueger, Executive Director
Phone: (952) 496-7950
Fax: (952) 496-7954

State of Minnesota
Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 296-5900
Fax: (651) 296-8685
TTY: 1-800-627-3529

February 11, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the Governor's FY 2004-05 budget proposals for the non-cabinet agencies in the state government omnibus bill. Under the Governor's recommended budget, these agencies would collectively spend $12.882 million in General Fund dollars for the FY 2004-05 biennium. The funding provided for these agencies will be used for the protection of public assets and resources, assurance of due process related to governmental rulemaking, the regulation of the gambling and racing industries, administration of campaign finance and disclosure laws, and support to small non-profit organizations that assist Minnesota veterans.

The FY 2004-05 funding recommended for these agencies represents a $6.695 million (34.2%) decrease from the FY 2002-03 biennium. The recommendations will also result in a net decrease in revenue to the General Fund of $954,000 for the biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing and reorganizing some functions. Therefore, for some of the agencies in this bill, the Governor recommends that funding and/or operations be consolidated with other related operations in the state in order to ensure cooperation and shared services to reduce costs.

In addition, the Governor recommends mitigating the impact of the state's deficit by spreading the cuts broadly among agencies, and by ensuring that the industries and parties that benefit from these services assist in paying for them. Therefore, for some of the agencies in this bill, the Governor recommends that dependence upon General Fund dollars be supplanted or offset with fees and user charges, and that where appropriate, some fees billed to governmental agencies be reduced.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium as well as the Governor's recommendations for state funding of pension systems.

My staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

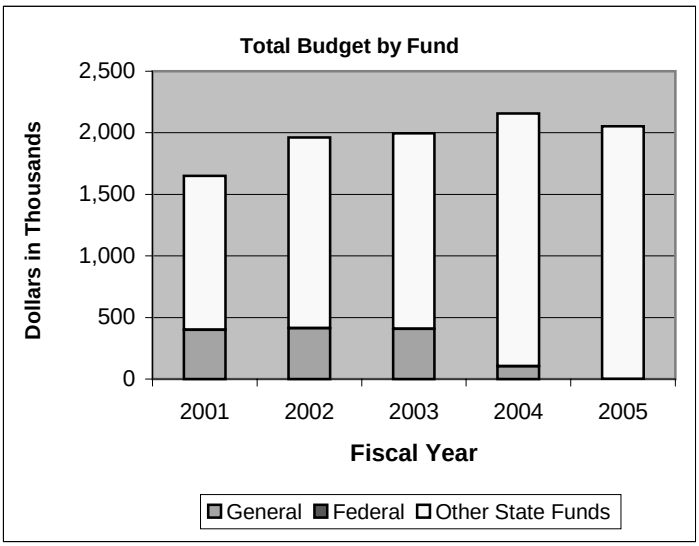
Dan McElroy
Commissioner

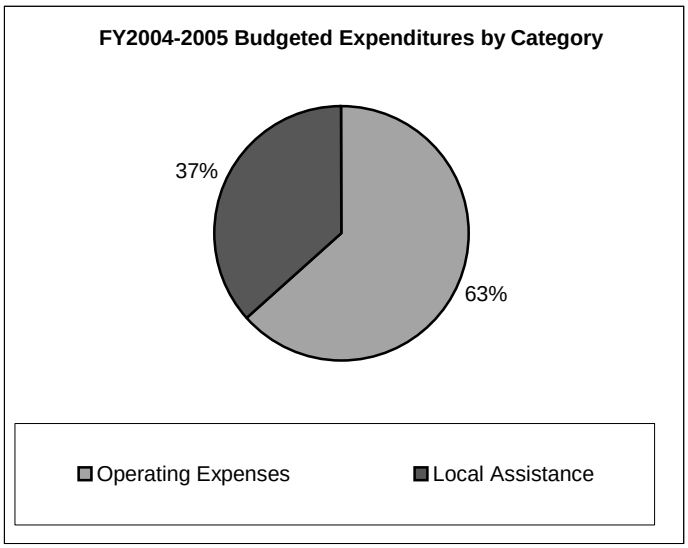
	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	810	3,152	3,962
Legislatively Mandated Base	0	0	0
Transfers Between Agencies	24	0	24
Adjusted Base Funding	834	3,152	3,986
Change Items			
Recover Operating Costs Through Fees	-730	952	222
Governor's Recommendations	104	4,104	4,208
Biennial Change, 2002-03 to 2004-05	-717	969	252
Percent Change	-87%	31%	6%

Brief Description of Budget Changes:

The $24,000 base adjustment and transfer listed above represent a Small Agency Infrastructure (SAI) grant provided for technology improvements.

	FY 2004-05 Revenues ($000s)		
	General Fund	Other Funds	Total
FY 2004-05 Current Law Revenues	776	3,148	3,924
Change Items			
Recover Operating Costs Through Fees	(270)	952	682
FY 2004-05 Total Revenues	506	4,100	4,606
Biennial Change 2002-03 to 2004-05	(274)	1,049	775
Percent Change	(35%)	34%	20%





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	401	414	407	104	0	104
Special Revenue	0	0	0	476	476	952
Statutory Appropriations						
Special Revenue	382	444	487	475	475	950
Miscellaneous Agency	866	1,103	1,101	1,101	1,101	2,202
Total	**1,649**	**1,961**	**1,995**	**2,156**	**2,052**	**4,208**
Expenditures by Category						
Operating Expenses	1,078	1,171	1,223	1,384	1,280	2,664
Local Assistance	571	790	772	772	772	1,544
Total	**1,649**	**1,961**	**1,995**	**2,156**	**2,052**	**4,208**
Expenditures by Program						
Racing Commission	1,649	1,961	1,995	2,156	2,052	4,208
Total	**1,649**	**1,961**	**1,995**	**2,156**	**2,052**	**4,208**
Revenue by Type and Fund						
Non Dedicated						
General	177	392	388	253	253	506
Cambridge Deposit Fund	144	0	0	0	0	0
Subtotal Non Dedicated	321	392	388	253	253	506
Dedicated						
Special Revenue	403	429	469	945	945	1,890
Miscellaneous Agency	906	1,048	1,105	1,105	1,105	2,210
Subtotal Dedicated	1,309	1,477	1,574	2,050	2,050	4,100
Total Revenue	**1,630**	**1,869**	**1,962**	**2,303**	**2,303**	**4,606**
Full-Time Equivalents (FTE)	**6.6**	**6.6**	**6.6**	**6.6**	**6.6**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($313)	($417)	($417)	($417)
Revenues	(135)	(135)	(135)	(135)
Other Fund				
Expenditures	476	476	476	476
Revenues	476	476	476	476
Net Fiscal Impact	($178)	($282)	($282)	($282)

Recommendation

The Governor recommends creation of a special revenue account related to pari-mutuel horse racing. The Racing Commission will no longer receive a General Fund appropriation. Instead, it will be authorized to collect and deposit to this special revenue account fees sufficient to fully recover its operational costs. The Legislature will make appropriations from this account to support the operations of the Commission.

Background

The special revenue account proposed here would be funded through new fees as well as some existing fees that currently flow to the General Fund. New fees will be subject to the approval of the Commissioner of Finance and notification of the House and Senate. Revenues deposited to this account will then be available for the Legislature to make biennial appropriations to support the operations of the Commission.

It is also recommended that a $104,000 General Fund appropriation be transferred to this new account in FY 2004 to ease the transition to fee-based funding. This would be a one-time appropriation.

The Commission will be authorized to collect fees sufficient to recover its operational costs. Expenditures will be limited to those authorized within the biennial appropriation.

Relationship to Base Budget

The appropriation recommended here represents a $72,000 increase over FY 2002-03 spending. This is because small agencies that do not receive a General Fund appropriation must pay indirect costs and legal fees.

Statutory Change: M.S. 240

Agency Purpose

The Department of Revenue's mission "is to make the state's revenue system work well for Minnesotans." It provides tax information, filing and paying services, and enforcement activities that are designed to 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 local property taxes collected by county governments. State taxes include individual income, sales, corporate franchise, petroleum, environmental, gambling, cigarette and tobacco, beer, wine, liquor, and insurance.

The department collects approximately $13.3 billion per year from state taxes, and oversees the uniform application of the property tax laws. Property taxes, which are administered by local governments, raise $4.5 billion annually for Minnesota's communities. The department also pays out over $1 billion in state aid through 32 different state programs to counties, cities, towns and special taxing districts.

At A Glance

We Serve:

- 3.5 million individual taxpayers
- 160,000 withholding taxpayers
- 450,000 taxpayers that remit corporate, sales and use, fiduciary, and other taxes
- 3,400 local units of government
- 1.8 million web visitors
- 1 million callers

We Process:

- 2.4 million income tax returns
- 1.2 million business tax returns
- 4.3 million tax payments
- 2.4 million tax refunds

We Collect:

- $13.3 billion in tax revenues and other revenue sources
- $536 million from audits and delinquent taxpayers
- $44 million from 209,000 offsets against state refunds.

The department's four goals are:
Achieving taxpayer compliance: everyone is paying the right amount of taxes, no more, no less.
Customer satisfaction: tax transactions and tax information are accurate and are available to taxpayers in a timely and convenient manner.
Employee excellence: citizens can rely on the department's employees to have the knowledge, skill, and tools to perform their work.
Operational excellence: the revenue system works well, in policy and operation.

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 forms and instructions needed to meet their filing and paying obligations;
- responding to taxpayer questions;
- processing returns and payments, issuing refunds, and managing taxpayer accounts;
- auditing to identify and resolve discrepancies, discourage tax evasion, and measure levels of compliance;
- enforcing the tax laws for those who do not comply voluntarily; and
- identifying and recommending changes to improve the revenue system's laws and operations.

Operations

Compliance and Enforcement includes Individual Taxes, Business Taxes, the Minnesota Collection Enterprise, and Criminal Investigation.

⇒ **Individual Taxes** serves 2.4 million individual income tax payers, 160,000 businesses that withhold income tax, and 500,000 property tax refund claimants.

⇒ **Business Taxes** serves 232,000 sales tax permit holders and 46,000 corporate franchise taxpayers. This program also administers the S corporation, partnership, fiduciary and estate taxes; the petroleum tax; special taxes, including the alcohol, tobacco and environmental taxes; the insurance tax, the MinnesotaCare tax, the gambling tax, and the mining taxes.

- ⇒ The **Minnesota Collection Enterprise** 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 the debtor, billing, monitoring payment plans, locating and evaluating assets, issuing liens and levies, and seizing assets.
- ⇒ **Criminal Investigation** investigates possible tax crimes and refers cases to prosecutors.

Information Technology includes strategic planning for developing and integrating technologies and systems into business operations; computer systems development; software management; and day-to-day maintenance of the agency's computer network, systems, and equipment.

Tax Filing and Payment processes 7.9 million tax returns and payments, and issues 2.4 million refunds annually; it also manages taxpayer records, and ensures the security of taxpayer records.

Tax Policy and Property Taxes includes Research, Legal Services and Property Tax Administration.

- ⇒ **Tax Research's** functions include forecasting state revenue sources and state aid expenditures for the state budget and developing revenue estimates for proposed tax legislation.
- ⇒ **Legal and Tax Policy** includes Legal Services and Appeals. It provides legal support and resolves tax disputes.
- ⇒ **Property Tax Administration** ensures the uniform application of Minnesota's property tax laws, monitors the performance of local assessors, and makes state aid payments to local governments. It serves 3,400 local units of government and 2.4 million property tax payers each year.

Administrative Support 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.

Budget

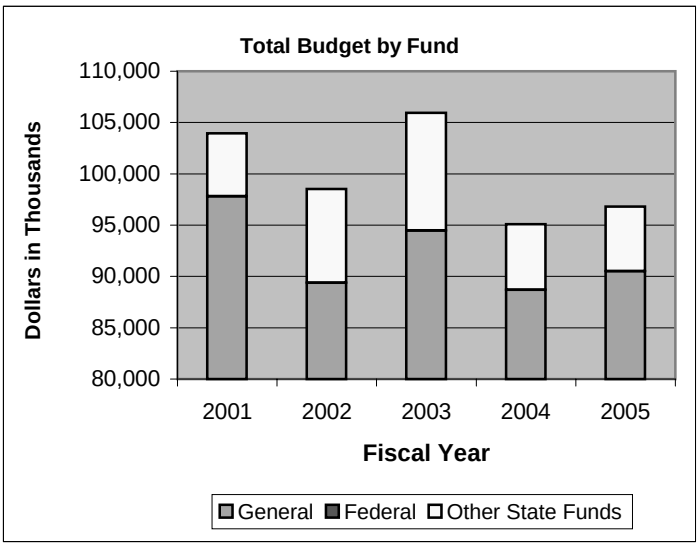
The department's budget in FY 2002-03 totals $199.8 million. Department staff includes 1,139 full-time equivalent employees.

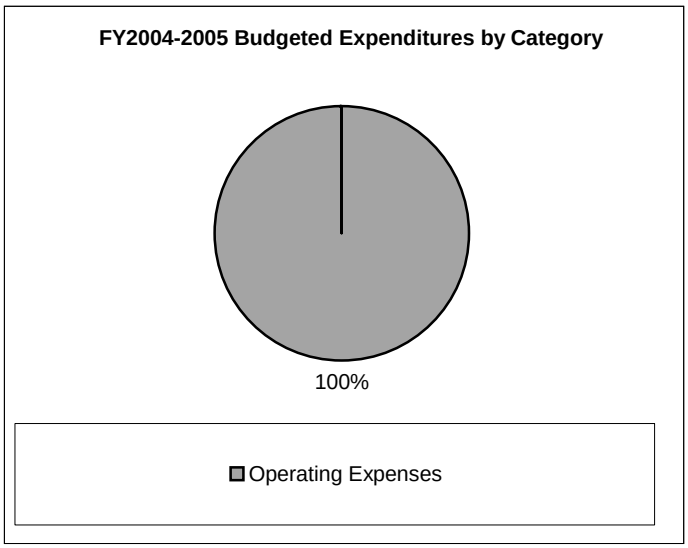
Of the total budget for the biennium, $179.9 million (90%) comes from General Fund tax dollars, $8.8 million (4%) comes from dedicated funds and $11.1 million (6%) comes from special revenue funds for administering the Local Option Sales Tax and Revenue Recapture program.

Contact

Department of Revenue
Web site: http://www.taxes.state.mn.us/ (for tax information, updates and downloadable forms and instructions)
Department of Revenue
600 North Robert Street
Saint Paul, Minnesota 55146
Phone: (651) 296-3403

For information on how this agency measures its performance or success, please refer to http://www.departmentresults.state.mn.us/.





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	96,349	87,439	92,415	86,816	88,616	175,432
Health Care Access	1,912	1,343	2,152	1,654	1,654	3,308
Special Revenue	19	3,138	3,466	0	0	0
Highway Users Tax Distribution	2,219	1,998	2,570	2,097	2,097	4,194
Environmental	193	133	260	187	103	290
Solid Waste	258	172	228	188	188	376
Open Appropriations						
General	1,470	1,941	2,050	1,900	1,900	3,800
Statutory Appropriations						
Special Revenue	1,531	2,357	2,802	2,260	2,260	4,520
Total	**103,951**	**98,521**	**105,943**	**95,102**	**96,818**	**191,920**

Expenditures by Category						
Operating Expenses	103,254	97,527	105,180	94,441	96,157	190,598
Capital Outlay & Real Property	647	896	661	661	661	1,322
Local Assistance	50	98	102	0	0	0
Total	**103,951**	**98,521**	**105,943**	**95,102**	**96,818**	**191,920**

Expenditures by Program						
Tax System Management	91,338	85,095	89,935	79,224	80,440	159,664
Accounts Receivable Mgmt	12,613	13,426	16,008	15,878	16,378	32,256
Total	**103,951**	**98,521**	**105,943**	**95,102**	**96,818**	**191,920**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	2,141	4,617	2,410	13,859	24,227	38,086
Subtotal Non Dedicated	2,141	4,617	2,410	13,859	24,227	38,086
Dedicated						
Special Revenue	1,690	2,330	2,067	2,260	2,260	4,520
Subtotal Dedicated	1,690	2,330	2,067	2,260	2,260	4,520
Total Revenue	**3,831**	**6,947**	**4,477**	**16,119**	**26,487**	**42,606**
Full-Time Equivalents (FTE)	**1,142.3**	**1,108.4**	**1,054.8**	**920.2**	**904.0**	

Program Description

The tax system management program provides the infrastructure that enables the state's revenue system to work well for it citizens. This infrastructure supports the following activities:

- Interpreting the laws and informing taxpayers of their tax obligations and rights.
- Providing the state's taxpayers with the forms and instructions needed to meet their filing and paying obligations.
- Responding to taxpayers' questions.
- Processing tax returns and tax payments, issuing refunds, and managing taxpayer accounts.
- Auditing to identify and resolve tax filing and payment discrepancies, discourage tax evasion, and measure levels of compliance.
- Identifying and recommending changes to improve the revenue system's laws and operations.

Budget Activities Included:

⇒ Administrative Support
⇒ Legal and Research
⇒ Property Administration & Aids
⇒ Tax Filing and Payments
⇒ Technology Development, Operations and Support
⇒ Tax Compliance (Individual & Business Taxes)

Operating Environmental Issues

In this biennium, the department will continue to face challenges presented by continued growth of electronic commerce, fluctuations in the economy and globalization, demographic changes, and increasingly complex tax laws.

Growth of electronic commerce Internet commerce—by businesses and individuals alike—has grown dramatically over the last four years, and citizens expect that government agencies will provide similar services. As a result, we have had to develop new information systems to meet this demand. This, in turn, requires us to maintain two infrastructures: one that supports the growth of e-commerce, and another that supports traditional, paper-based filing and paying. Our major financial challenge is to continue to develop the information systems to support new technology while maintaining legacy systems for traditional filers.

This program now maintains more than 170 computer applications on 15 different platforms for the 28 state taxes it collects – most of which need to be rewritten and redesigned to enable taxpayer interaction via the Internet.

Fluctuations in the economy and globalization

Two developments – the downturn in the state's economy and globalization – are making it more difficult and expensive to enforce the tax laws. The recent economic downturn is resulting in growing tax delinquencies that are tougher to collect, and more aggressive challenges to the tax laws by cash-strapped businesses.

In addition, globalization has dramatically increased both the *number* of business transactions that cross state and national borders and – with the growth of internet and phone sales – the *kinds* of transactions. Globalization has also spurred corporate mergers, and the resulting merging of data from their computer systems. These developments make it difficult and more expensive to identify and track transactions and determine who is responsible for paying the tax.

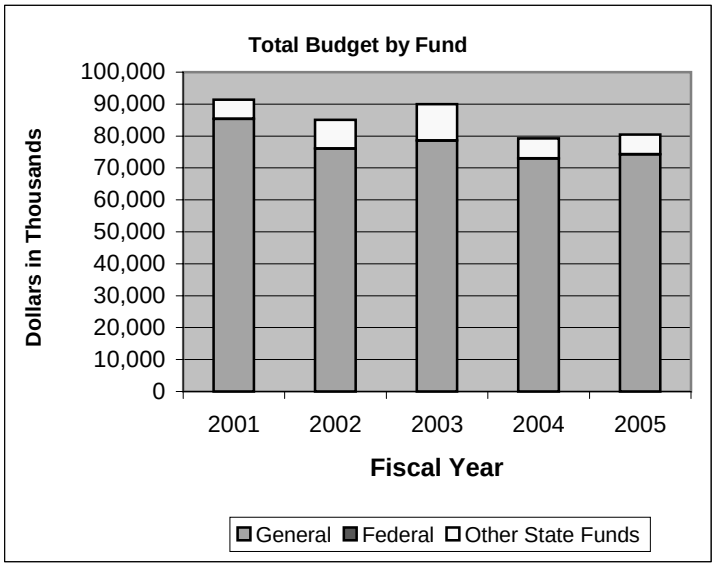
Demographic changes

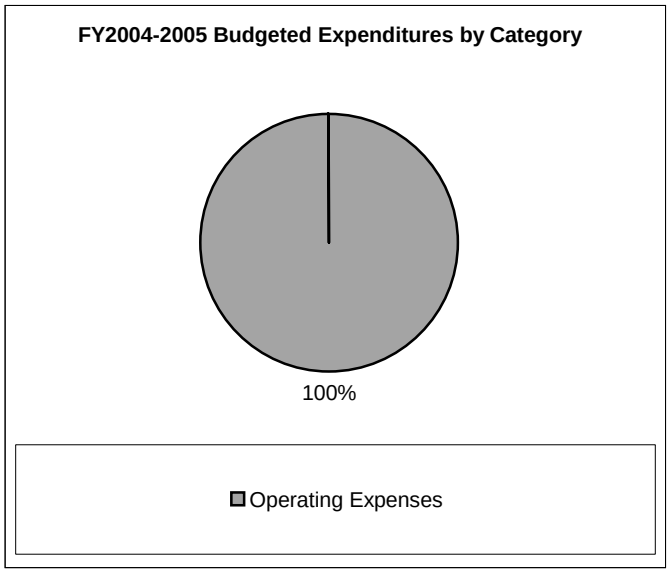
The department continues to face the challenge of developing specialized outreach programs to meet the needs of non-English speakers to ensure that they become full participants in Minnesota's revenue system. By 2025, Minnesota's Asian population will increase by 104%, and its Hispanic population will increase by 248 %.

In addition, the program's workforce is aging. In the next five years, about 400 employees—about 30%—will reach retirement age. With the average age of retirement of state employees at 59, the critical task of replacing their collective experience and knowledge will be extremely difficult. Although the program has hired younger employees to carry out special projects and support new tax enforcement initiatives, retaining these new employees in a competitive market pace will be especially challenging.

Increasingly complex tax laws

Minnesota's state taxes have grown increasing complex in the last decade. Due the addition of a multitude of credits and deductions plus legislative decisions not to fully conform to federal changes, Minnesota has gone from a simple one-page form to a complex two-page form which includes a host of schedules and worksheets. Similarly, the number of exemptions from the sales tax has grown from the 53 1985 to 112 in 2002. This growing complexity increases demand for taxpayer information and support and results in more difficult and time-consuming audits. This issue takes on greater importance in times of dwindling resources.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	85,341	76,023	78,533	72,912	74,212	147,124
Health Care Access	1,847	1,343	2,152	1,654	1,654	3,308
Special Revenue	19	3,138	3,466	0	0	0
Highway Users Tax Distribution	2,219	1,998	2,570	2,097	2,097	4,194
Environmental	193	133	260	187	103	290
Solid Waste	258	172	228	188	188	376
Statutory Appropriations						
Special Revenue	1,461	2,288	2,726	2,186	2,186	4,372
Total	**91,338**	**85,095**	**89,935**	**79,224**	**80,440**	**159,664**

Expenditures by Category						
Operating Expenses	91,278	84,996	89,833	79,224	80,440	159,664
Capital Outlay & Real Property	10	1	0	0	0	0
Local Assistance	50	98	102	0	0	0
Total	**91,338**	**85,095**	**89,935**	**79,224**	**80,440**	**159,664**

Expenditures by Activity						
Administrative Support	19,730	17,528	15,347	12,306	12,306	24,612
Legal & Research	3,496	3,276	3,928	3,489	3,489	6,978
Tax Filing & Payments	11,690	10,770	12,126	10,144	10,144	20,288
Property Tax & State Aid Sys	2,409	2,506	3,033	2,508	2,508	5,016
Tax Compliance	38,296	37,160	39,995	37,522	38,738	76,260
Technology Dev & Support	15,717	13,855	15,506	13,255	13,255	26,510
Total	**91,338**	**85,095**	**89,935**	**79,224**	**80,440**	**159,664**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	2,141	4,617	2,410	2,818	2,818	5,636
Subtotal Non Dedicated	2,141	4,617	2,410	2,818	2,818	5,636
Dedicated						
Special Revenue	1,690	2,330	2,067	2,260	2,260	4,520
Subtotal Dedicated	1,690	2,330	2,067	2,260	2,260	4,520
Total Revenue	**3,831**	**6,947**	**4,477**	**5,078**	**5,078**	**10,156**
Full-Time Equivalents (FTE)	**958.1**	**928.6**	**884.3**	**743.6**	**725.8**	

Activity Description

This activity provides overall direction to the agency. Its services include human resource management, facilities and contracts management, budget planning and financial and performance reporting, tax policies development, and publication and informational services for taxpayers and employees.

Population Served

This activity serves the state's 3.5 million individual income tax filers and 907,000 registered businesses, the department's 1,150 employees and state policymakers, including the governor and legislature.

Activity at a Glance

- Designs 275 forms and instructions
- Oversees the printing and mailing of over 25 million pieces of printed material
- 4.9 million forms and instructions downloaded from our web site
- Manages over 5,000 pages of information on our web site
- 2.4 million web user sessions per year
- 700 cases resolved by the Taxpayer's Advocate Office.
- Produce agency's measures and management reports
- Manages facilities for 1,150 employees in 15 Minnesota and out of state locations.
- Managed 69 contracts amounting to over $18 million.

Services Provided

The Administrative Support Activity includes six major categories of services:

Human Resource Management. Services include job applicant recruitment and testing; job classification; personnel and payroll transactions; employee benefit administration; labor agreement negotiation; labor contract dispute resolution; Affirmative Action (AA), Equal Employment Opportunity (EEOC) laws and the Americans with Disabilities Act (ADA) enforcement; diversity awareness programs; and employee development and training.

Facilities and Contract Management. Services include building security; negotiation of leases for department facilities in 15 Minnesota and out of state locations; equipment, supply, and professional and technical services procurement; office space planning; and contract negotiation and management.

Financial Management. Services include coordinating the department's biennial budget and annual spending plans; monitoring annual budgets; preparing financial reports; overseeing all budget accounting functions for the department's operating budget; preparing fiscal notes; 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 development of performance measures of the agency's activities; financial reports preparation; and transferring of funds to other agencies.

Taxpayer and Employee Communications. Services include forms and instruction design for individual and business taxes; web site design, maintenance and oversight; publications and report design and editing; printing coordination for all the department's publications, including forms and instructions; media relations; and internal communications, including the employee newsletter.

Management Leadership. Services include providing direction to the agency's work units through a business planning process which includes the development of a strategic plan, a strategic information systems management plan, a biennial budget, division business plans, and annual spending plans. This area ensures that the agency's resources, support systems and training systems are aligned with the direction set through the business planning process; and monitors agency performance through the development and use of performance measurements.

Tax policy support. Services include developing policies for all types of taxes; identifing obstacles to taxpayer compliance with the tax laws; and identifing unclear, ambiguous or conflicting provisions of tax laws. This area also develops proposals to improve tax law understandability, fairness, ease of compliance and ease of administration.

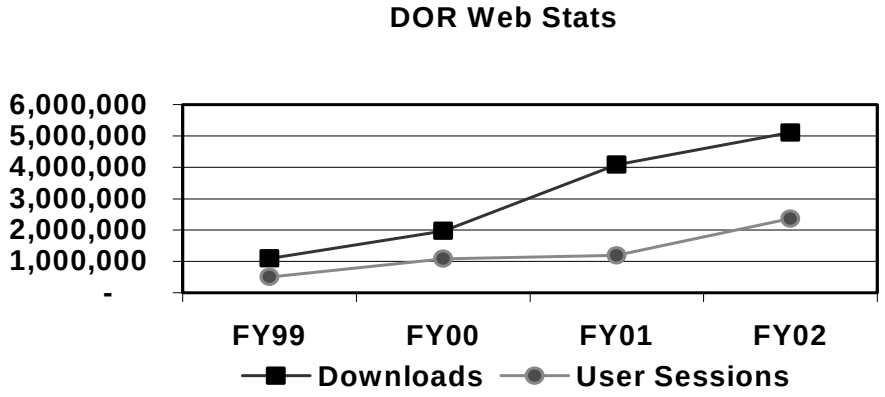
Historical Perspective

The budget for these support activities was cut by nearly 20% in the 2002-03 biennium. These reductions occurred during a period in which the agency trying to address several systemic issues including:

- A loss of knowledge and skills as the workforce reaches retirement age — one-third of employees will be eligible to retire in the next four years.
- An outdated, patchwork telephone system that does not permit the effective handling and routing of calls or the integration of telephones with computer systems.
- The growing need to tighten the security of its facilities, mail opening operations and computer systems.
- The urgent necessity to redesign and expand its web site to accommodate the department's growing reliance on e-commerce as opposed to more expensive and slower paper-based means of paying and filing.

Key Measures

As the department transitions from paper to electronic means, more taxpayers are taking advantage of the department's web site for getting tax forms and instructions.



Activity Funding

The total budget for the biennium for the administrative support budget activity is approximately $30.6 million, or roughly 15% of the total Department of Revenue biennial budget. The administrative support budget is roughly 60.4% compensation and 39.6% rents and repairs. Of the administrative support total budget, $29.2 million (95.5%) comes from the General Fund, $193,000 (.6%) comes from dedicated funds, and $ 1.2 million (3.9%) comes from special revenue funds for administering the Local Option Sales Tax and the Revenue Recapture program.

Contact

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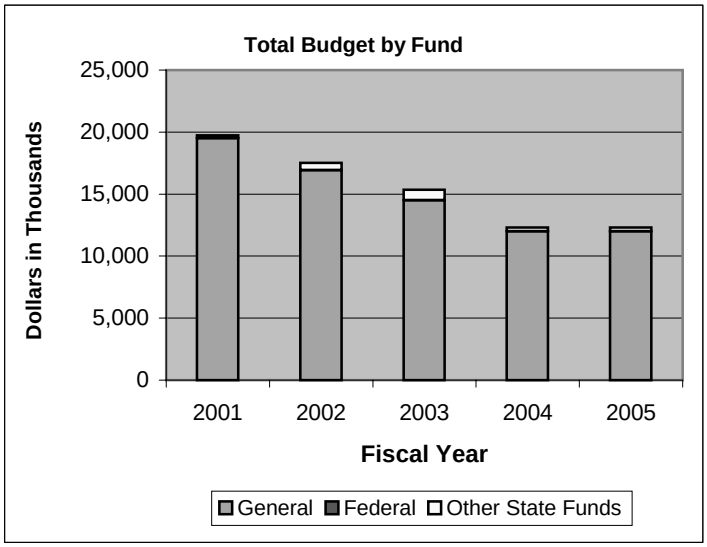
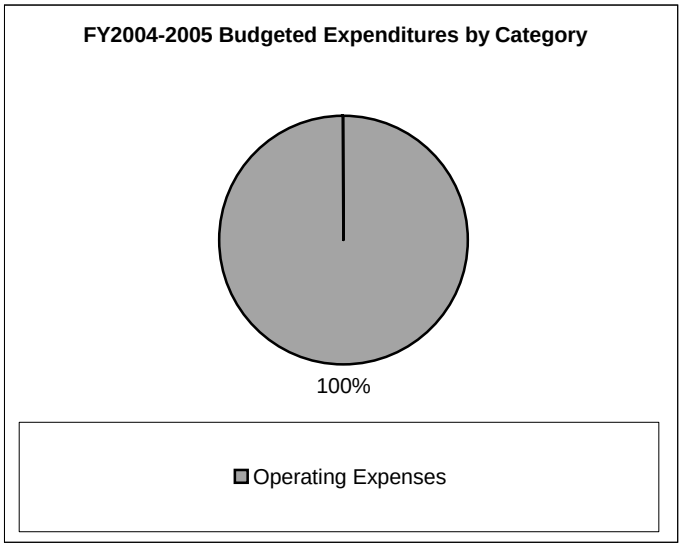
Link to Agency Web site:
http://www.taxes.state.mn.us





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	19,504	16,914	14,509	11,990	11,990	23,980
Health Care Access	33	55	110	78	78	156
Special Revenue	19	4	0	0	0	0
Solid Waste	14	14	14	13	13	26
Statutory Appropriations						
Special Revenue	160	541	714	225	225	450
Total	**19,730**	**17,528**	**15,347**	**12,306**	**12,306**	**24,612**
Expenditures by Category						
Operating Expenses	19,680	17,430	15,245	12,306	12,306	24,612
Local Assistance	50	98	102	0	0	0
Total	**19,730**	**17,528**	**15,347**	**12,306**	**12,306**	**24,612**
Revenue by Type and Fund						
Non Dedicated						
General	919	3,201	1,000	1,000	1,000	2,000
Subtotal Non Dedicated	919	3,201	1,000	1,000	1,000	2,000
Dedicated						
Special Revenue	1,547	2,168	1,863	2,056	2,056	4,112
Subtotal Dedicated	1,547	2,168	1,863	2,056	2,056	4,112
Total Revenue	**2,466**	**5,369**	**2,863**	**3,056**	**3,056**	**6,112**
Full-Time Equivalents (FTE)	**94.2**	**89.4**	**77.3**	**21.7**	**18.0**	

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 government, and businesses.

Services Provided
Legal Services. This activity:

- provides in-house legal counsel and conducts legal analysis and research of tax laws and policies.
- provides up-to-date 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's 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. This activity resolves taxpayer disputes over 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. This activity:

- forecasts revenues from various taxes for the state's November and February forecasts.
- develops the state's official revenue estimates and analyses for all proposed tax legislation.
- prepares legislatively mandated studies and reports, including the *Minnesota Tax Incidence Report* and the *Minnesota Tax Expenditure Budget.*
- develops databases 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 non-compliance.
- disseminates economic and tax information for legislative staff, administration officials, executive branch officials, all of the agency's divisions and the public.
- maintains an in-house library for tax research and study of tax laws.

Activity at a Glance

In FY 2002, this activity achieved the following result:

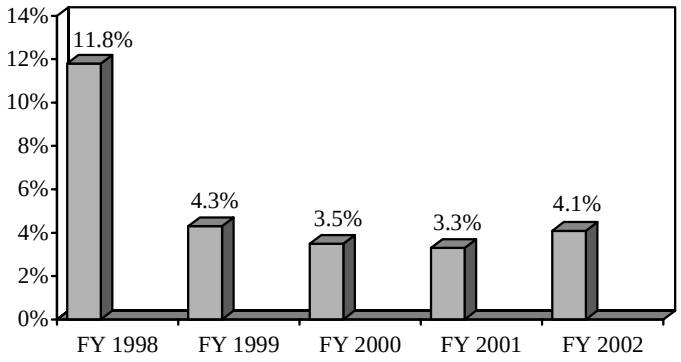
- Legal produced about 20 revenue notices and spent over 3,100 hours on legislative work and over 5,300 hours providing legal advice to the agency.
- Appeals completed about 220 administrative penalty appeals.
- Tax Research provided nearly 200 formal revenue estimates.

Historical Perspective
This activity faced increasing workloads while its budget was reduced by 7 % in 2002-03 biennium. The demand for this activity's services rapidly expanded due to the growing complexity of tax laws, increased challenges to the tax laws, and a growing number of proposed tax laws that require revenue estimates, drafts of legislation and legal analysis. This situation will likely not abate due to the state's current budget shortfalls, which are expected to generate a host of tax proposals by state policymakers and increases in legal challenges by cash-strapped businesses.

Key Measures
Legal : In FY 1999, the department published 20 Revenue Notices, which advise taxpayers on how tax laws will be administered. In FY 2000, the department issued 18, in FY 2001 revenue notices dropped to three, because resources were diverted to the 2001 tax reform. In FY 2002, revenue notices have jumped up to 20. Revenue notices are one measure of the legal counsel provided by legal staff.

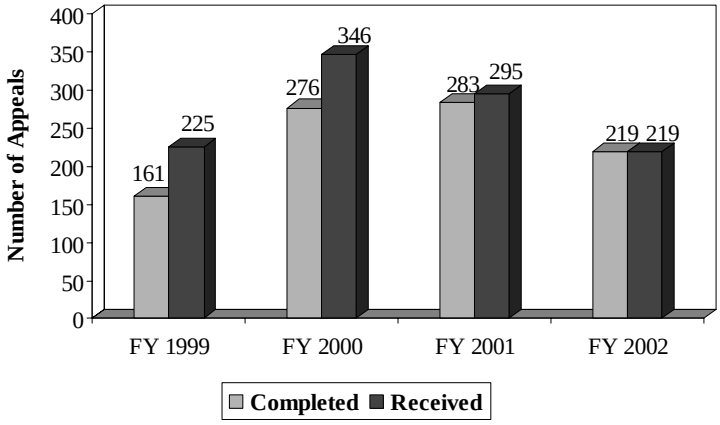
Appeals: Taxpayers are becoming more aggressive in challenging state's tax laws. The sales and corporate area have seen the largest growth in appeals. The appeals unit counts cases that are subsequently appealed to tax court to measure taxpayer resolution of issues as part of the dispute resolution process.

Percent of Administrative Appeals Subsequently Appealed to Tax Court



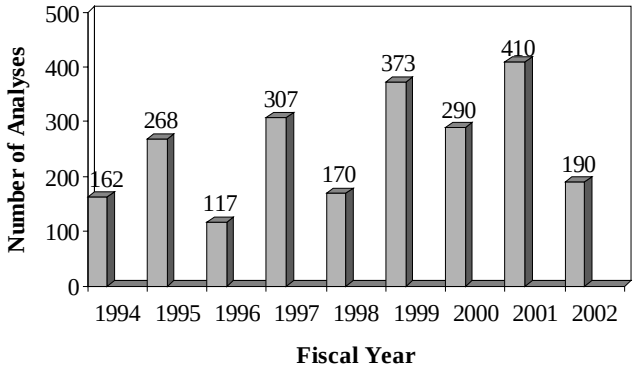
Taxpayers are increasingly making appeals solely in connection with the fairness of penalties, rather than on the interpretations of the penalty statute. The following chart measures the number of appeals just on penalties and the number of penalty appeals resolved.

Appeals of Penalty Assessments



Research: Since 1994, the number of bill analyses prepared by the Research division in connection with tax legislation has increased significantly. This activity is the largest resource management issue for the division.

Bill Analyses Provided to Tax Committees
By Legislative Session



Activity Funding

The total budget for the biennium for the Legal and Research budget activity is $7.2 million, or approximately 4% of the department's total budget. Of this total, $6.8 million (94%) comes from the General Fund, $335,000 (5%) comes from dedicated funds and $ 93,000 (1%) comes from special revenue funds for administering the Local Option Sales Tax program.

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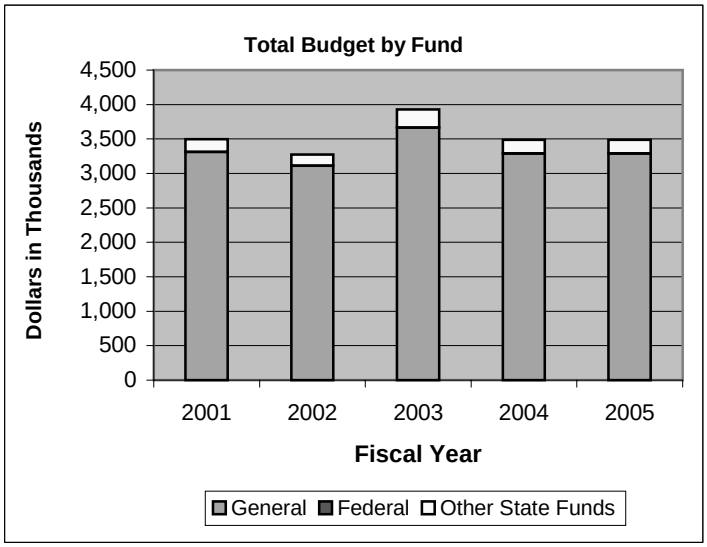
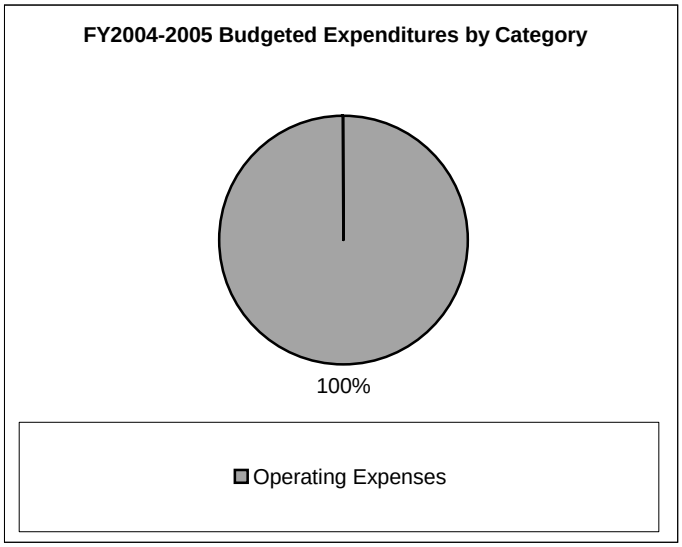




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,309	3,112	3,666	3,290	3,290	6,580
Health Care Access	151	129	204	161	161	322
Statutory Appropriations						
Special Revenue	36	35	58	38	38	76
Total	**3,496**	**3,276**	**3,928**	**3,489**	**3,489**	**6,978**
Expenditures by Category						
Operating Expenses	3,496	3,276	3,928	3,489	3,489	6,978
Total	**3,496**	**3,276**	**3,928**	**3,489**	**3,489**	**6,978**
Full-Time Equivalents (FTE)	**48.7**	**46.0**	**43.6**	**40.1**	**37.9**	

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 debts and non-tax debts owed to state agencies and local units of government.

Activity at a Glance

- Processes 2.4 million income tax returns annually
- Processes over 1.2 million business tax returns
- Processes 4.3 million payments
- Issues 2.4 million refunds
- Registered 36,000 new businesses in FY 2002
- Receives and sorts over six million pieces of incoming mail annually.

Population Served

- 3.5 million individual income tax payers, who file 2.4 million individual income tax returns
- 177,000 employers and 189 third-party bulk filers, who remit 235,000 income tax withholding payments
- Renters and homeowners, who file for 489,200 property tax refunds
- 245,000 businesses that collect and remit sales and use tax
- 55,000 corporations, 74,000 S corporations, and 40,000 partnerships that pay and submit corporate franchise and income taxes
- 50,000 fiduciary income tax payers
- 1,900 estate tax payers, who pay and submit approximately $54 million in estate taxes
- 800 petroleum product distributors, who pay $620 million in gasoline and aviation fuel taxes
- 70 cigarette and 150 tobacco distributor, who remit approximately $185 million in cigarette and tobacco taxes
- 50 wine and 6 liquor distributors; 93 brewers and beer importers, and 15 alcohol commercial carriers; who pay approximately $60 million in liquor, wine and beer taxes
- 1,800 insurance companies, who pay $190 million in gross earnings taxes
- 8,000 hospitals, health care providers and prescription drug wholesalers, who collect approximately $176 million in health care taxes
- 1,500 organizations that conduct lawful gambling, and 20 gambling equipment distributors, who collect approximately $70 million in lawful gambling taxes
- 8,000 hazardous waste generators and 900 solid waste management services, who collect approximately $59 million in hazardous and solid waste taxes
- six mining companies that pay approximately $2 million in taconite and iron ore occupation taxes
- 250 dry cleaning facilities that pay dry cleaner taxes
- 15 furriers that pay fur clothing taxes
- 711 state and county agencies whose debts are collected through Revenue Recapture.

Services Provided

This activity processes all electronic and paper filed state tax returns and payments. Its services include:

- receiving and sorting over six million pieces of incoming mail annually.
- scanning and imaging paper filed individual income tax returns and correspondence.
- recording, depositing and reporting tax payments made electronically or by check.
- verifying information and amounts listed on tax returns.
- issuing refunds to individuals and businesses.
- providing electronic filing specifications to software vendors and transmitters.
- receiving and acknowledging electronically filed tax returns and payments.
- offsetting refunds for tax and non-tax debt owed government entities.
- issuing tax identification numbers to new businesses.
- recording address and name changes to individual and business tax accounts.

Historical Perspective

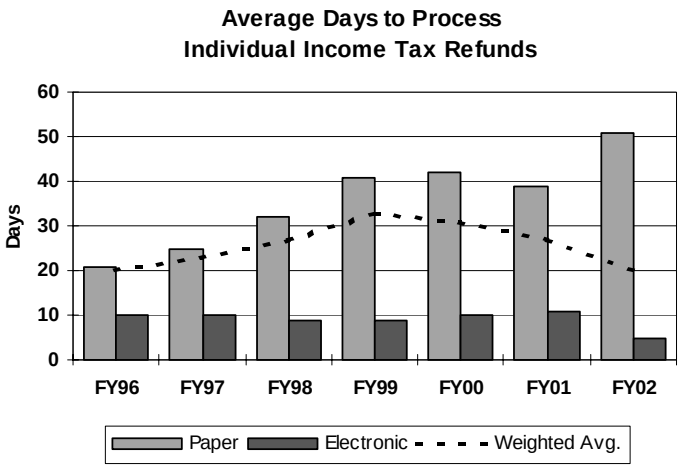
This activity is in the process of transforming individual income tax and business tax filing and payment transactions from paper to electronic means. It has:

- created an electronic system for the payment of all types of taxes and for filing returns for sales tax, income tax withholding, unemployment compensation tax, MinnesotaCare tax, and estimated individual income taxes;
- re-engineered the outdated individual income tax computer system;
- introduced new scannable individual income tax and property tax forms, which will ultimately lead to the elimination of storage of paper returns.

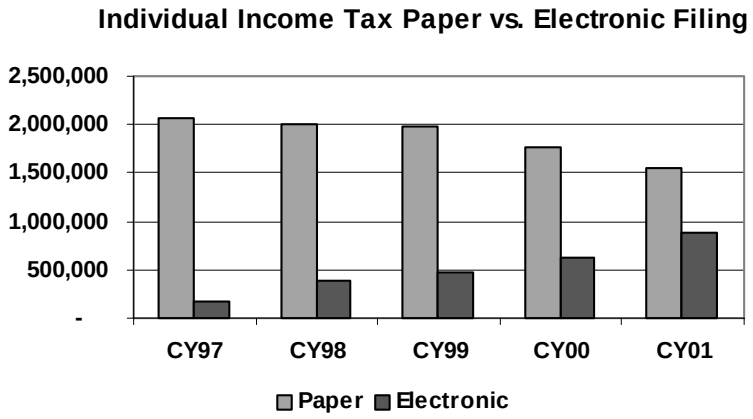
In FY 2002, over one million individual income tax returns were filed electronically; and over 800,000 tax refunds were issued in five days or less. Over two million business tax filing and payment transactions were electronically processed since July 1, 2001.

Key Measures

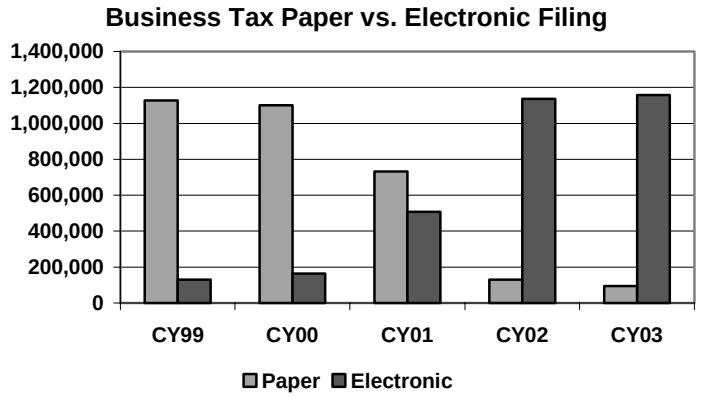
Average days to process individual income tax refund returns calculated from the day the return is received to the date the refund is issued.



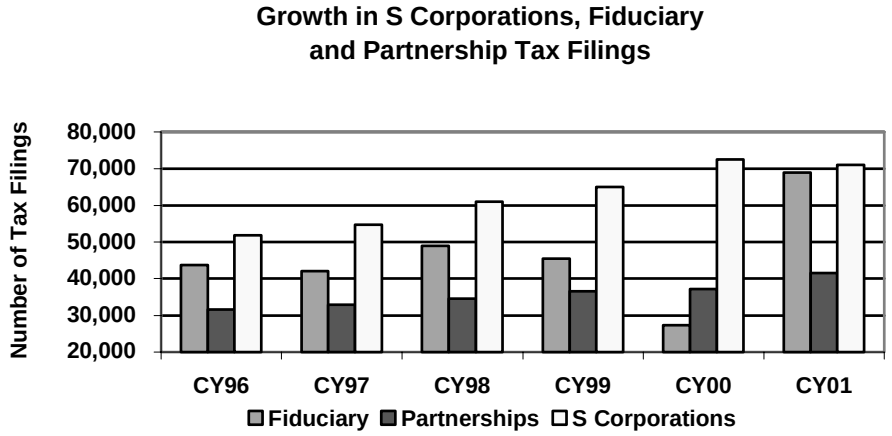
Total number of returns for individual income tax depicted by filing method.



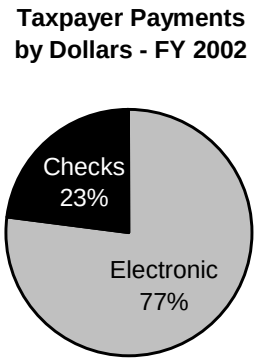
Total number of returns for MinnesotaCare, Fiduciary, Withholding, and Sales and Use Taxes depicted by filing method. Business taxes that do not have an electronic filing option (e.g., Corporate Franchise Tax) are not included. CY 2002 is a year-end estimate and CY 2003 is a projection.

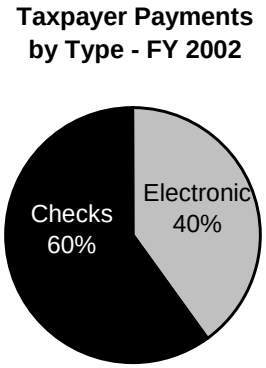


Total returns filed for business income taxes: S-Corporation, Partnerships, and Fiduciary.



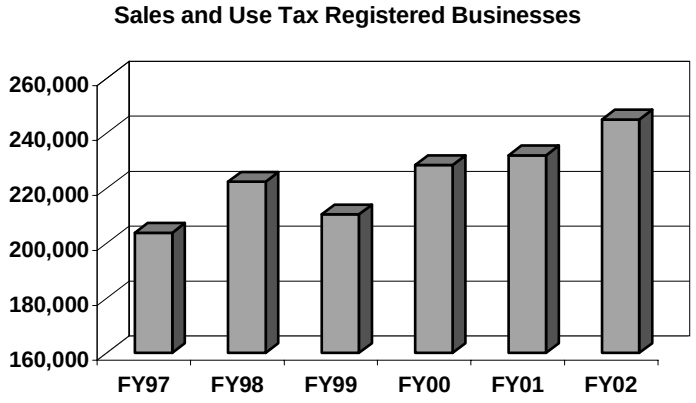
Of the total 13.3 billion dollars collected annually, about 77% of the money is received electronically; 40% of the





payment transactions are electronic, a 25% increase from FY 2000.

Total number of businesses paying sales and use tax.



Activity Funding

The total budget for the biennium for the Tax Filing & Payments budget activity is $23.3 million, or approximately 12% of the department's total budget. Of this total, $21.2 million (91.1%) comes from the General Fund, $120,000 (.5%) comes from dedicated funding, and $1.94 million (8.4%) comes from special revenue funds for administering local option sales taxes and revenue recapture programs.

Contact

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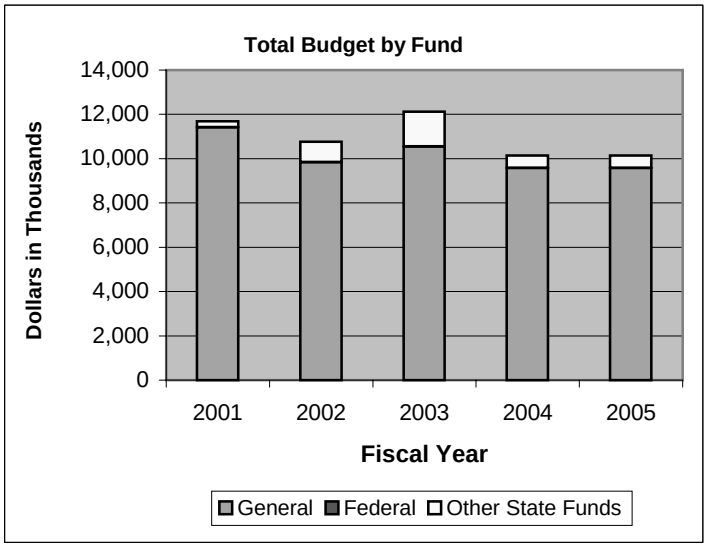
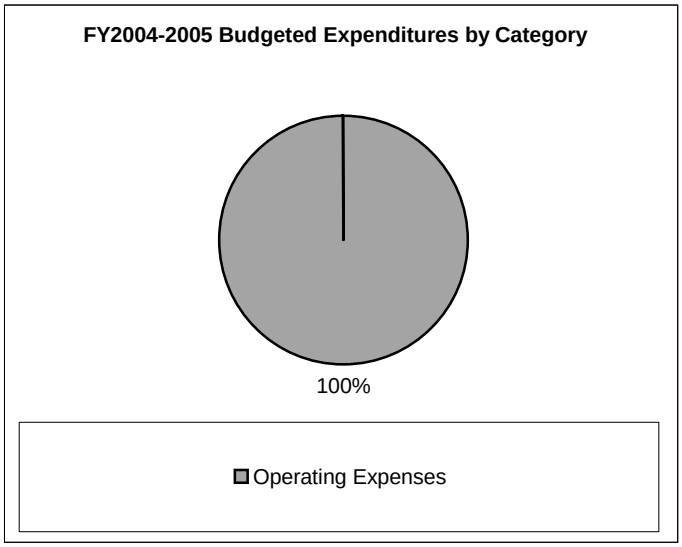
Link to Agency
Web site: http://www.taxes.state.mn.us

REVENUE DEPT
Program: TAX SYSTEM MANAGEMENT
Activity: TAX FILING & PAYMENTS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	11,417	9,843	10,544	9,581	9,581	19,162
Health Care Access	60	52	68	59	59	118
Special Revenue	0	517	1,083	0	0	0
Statutory Appropriations						
Special Revenue	213	358	431	504	504	1,008
Total	**11,690**	**10,770**	**12,126**	**10,144**	**10,144**	**20,288**
Expenditures by Category						
Operating Expenses	11,690	10,770	12,126	10,144	10,144	20,288
Total	**11,690**	**10,770**	**12,126**	**10,144**	**10,144**	**20,288**
Full-Time Equivalents (FTE)	**279.0**	**250.0**	**244.6**	**189.3**	**177.1**	

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 pays state aids to local governments.

Population Served

This activity serves 3,400 local units of government and over 2.2 million property tax payers each year. It also serves state policymakers and state agencies such as Children, Families and Learning, Human Services and Corrections.

Activity at a Glance

The Property Aids & Administration activity:

- Administers over $1.54 billion in local aids and credits.
- Oversees the statewide General Fund levy which raises $592 million each fiscal year
- Provides services to local government officials who value and calculate property taxes for 2.2 million parcels of property.
- Responds to over 16,000 telephone and 17,000 e-mail inquiries from taxpayers and administrators.

Services Provided

This activity provides services in two major program areas: local property tax administration and state aids to local governments.

Local Property Tax Administration. The services provided by this activity include:

- assisting and overseeing county and city 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 process.
- 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.
- providing support to the State Board of Assessors, which is responsible for assessor education and licensing.
- staffing the State Board of Equalization, which is responsible for monitoring assessment levels for accuracy and uniformity and for issuing corrective orders where necessary.
- directly assessing railroads, public utilities, and air-flight property on a statewide basis as required by law.
- 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 provides consultation when requested.

State Aids to Local Governments. The services provided by the activity 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 Credit Reimbursement Aid, and many other smaller programs.
- setting of the statewide general fund property tax rate for business and cabin properties.
- making aid payments by statutory deadlines each year.
- verifying and issuing state deeds for tax-forfeited property.
- determining levy limitations for cities, townships and counties.

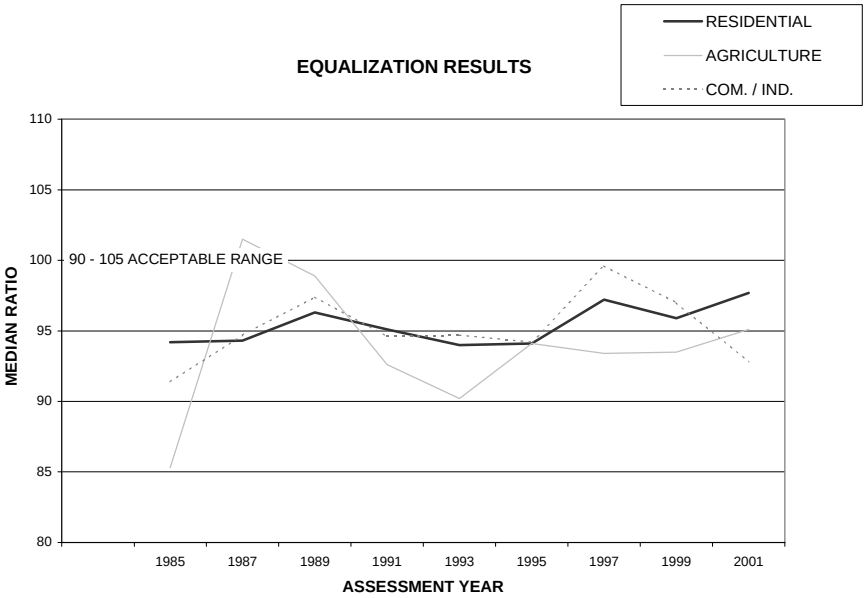
Historical Perspective

Over the last decade, the Department has had to direct an ever greater portion of roughly flat budgets to technology and other priorities. This has diminished our ability to oversee the performance of county and city assessors. Recognizing this trend, the 2001 Legislature appropriated additional funds to strengthen this oversight as part of property tax reform. However, the added funds were quickly eroded by budget cuts enacted in the 2002 legislative session. These cuts came at a time when the proper classification and valuation of properties had become more important because of adoption of a statewide property tax levy. This levy is imposed on properties that are classified and valued by a host of county and city assessors. It contributes $592 million annually to the state's General Fund, and has become an important component in the overall state revenue system.

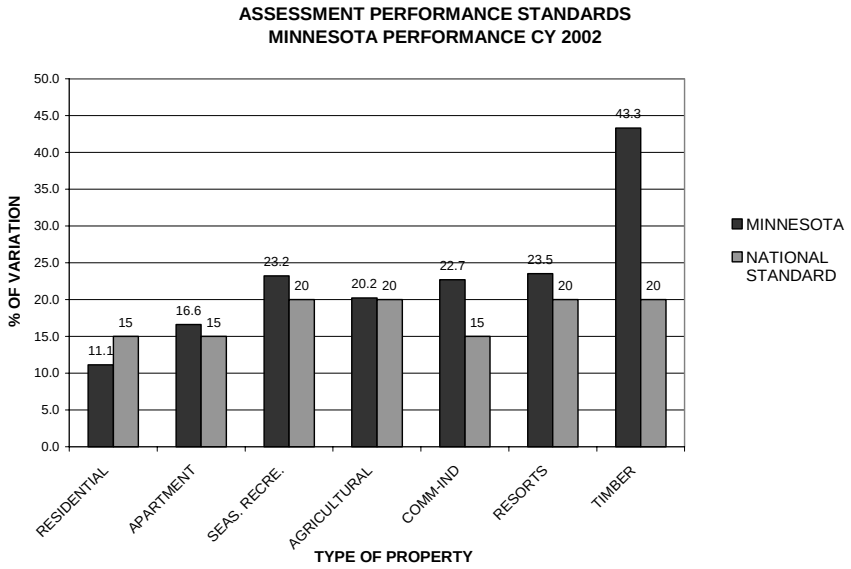
This activity's ability to gather property tax information quickly and efficiently is hindered by the reluctance of local governments and the division to aggressively invest in new technology and computer systems. However, the division is in the process of making internal system design improvements that should result in more timely gathering of property data and will facilitate the making of improvements in the administration of the property tax system.

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 today's market. The division conducts an annual study for each of the state's 87 counties. The studies 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 95.2% of its selling prices.



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. It also compares that figure 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 property. Commercial-industrial and timber sales are difficult to estimate because the value tends to be different, depending on the type and use of the property. Since there are few resort properties (defined as nonhomesteaded 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 table on the following page details the payments made to local governments for a variety of property tax related aid and credit programs. In addition to the aid and credit payments to cities, counties, towns, and special jurisdiction, we have included other payments to individuals, schools, and local pension plans to give a more complete picture of how the state use its general fund to reduce local property tax burdens.

Please note: The amounts listed in table are not reflected in the Department of Revenue program budgets documents presented previously.

Activity Funding

The total budget for the biennium for the Property Aids & Administration budget activity is $5.5 million, or approximately 3% of the department's total budget. Of this total, $5.46 million (99.3%) comes from the General Fund, and $41,000 (.7%) comes from special revenue funds for administering certificate of real estate value mailings.

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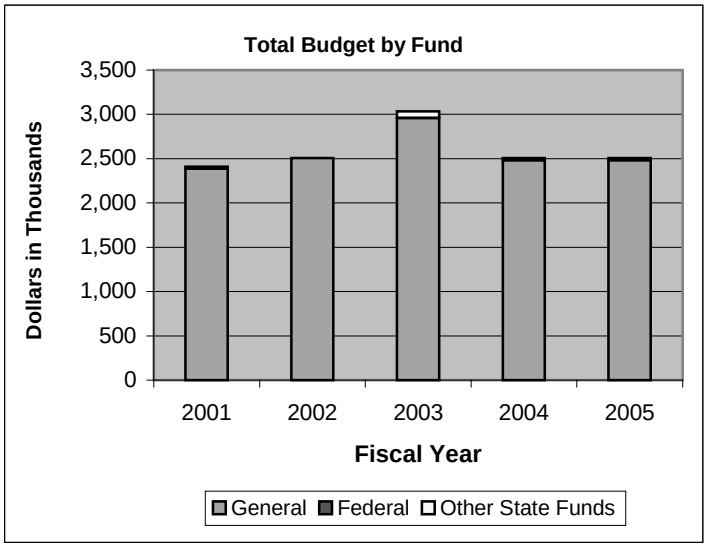
History of Property Tax Relief Payments

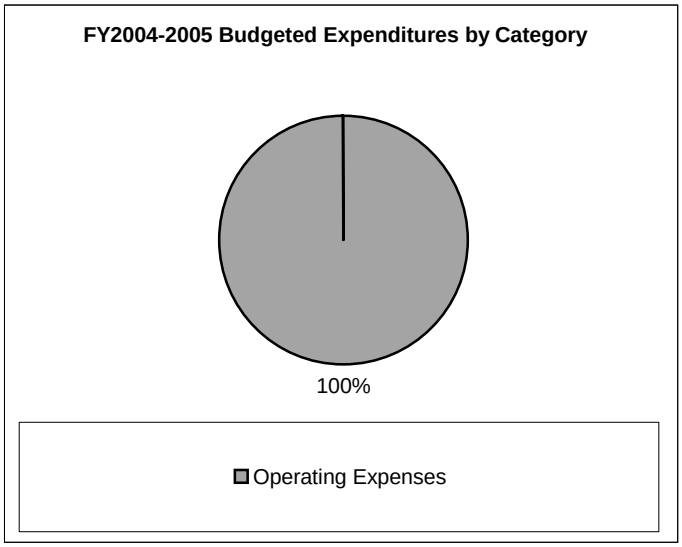
(dollars in 1000s)

Aid or Credit Name	2001 Actual	2002 Actual	2003 Budgeted
Payments to Cities, Counties, Towns and Special Jurisdictions			
AID TO LOCAL GOVERNMENT	395,085	412,082	566,836
RESIDENTIAL HMSTD MV CREDIT	-	-	250,747
HOMESTEAD AGR CREDIT AID-HACA	471,634	470,327	207,358
CRIMINAL JUSTICE AID	29,411	30,575	31,490
FAMILY PRESERVATION AID	21,721	22,644	23,406
AGRIC HMSTD MV CREDIT	-	-	14,231
DNR-PILT	-	11,779	12,046
DISPARITY REDUCTION AID	13,022	13,015	9,516
TACONITE AID REIMB	1,120	1,131	2,649
WASHBURN-CROSBY PROJECT	-	-	2,600
BORDER CITY CREDIT	3,419	3,970	2,538
ATTACHED MACHINERY AID	2,382	2,382	2,382
EXISTING LOW INC HOUSING AID	614	1,697	1,711
TIF DEFICIT AID	1,020	1,988	1,631
INDIAN CASINO COUNTY AID	734	693	762
PUBLIC DEFENDER COSTS	-	285	480
USED OIL & FILTER REFUND	49	49	50
DISASTER CREDIT/REV	-	26	10
ENTERPRISE ZONE CREDIT	3	3	3
REGIONAL TRANSIT BRD AID	1,864	2,154	-
FARM AID	9	1	-
CHARITY CARE AID	10,000	-	-
Subtotal	952,087	974,801	1,130,446
Payments to Schools			
RESIDTL HMSTD MV CREDIT-SCHOOL	-	-	57,155
EDUCATION HOMESTEAD CREDIT	387,811	404,992	41,317
DISPARITY REDUCTION AID-SCHOOL	10,365	10,393	7,806
EDUCATION AGRICULTURAL CREDIT	41,381	54,199	5,512
AGRIC HMSTD MV CREDIT-SCHOOL	-	-	3,198
HMSTD AGR CR AID-HACA-SCHO0L	29,655	18,333	1,736
ATTACHED MACHINERY AID-SCHOOL	836	836	778
BORDER CITY CREDIT-SCHOOL	1,199	1,423	766
AG PRESERVATION-SCHOOL	305	143	163
ENTERPRISE ZONE CREDIT-SCHOOL	1	1	2
DISASTER CREDIT/REV (SCHOOL)	-	8	1
Subtotal	471,553	490,328	118,434
Payments to Individuals			
RENTERS CREDIT	115,389	118,961	127,411
PROPERTY TAX REFUND	68,189	72,851	85,300
PROPERTY TAX REFUND - TARGETED	1,163	3,293	622
Subtotal	184,741	195,105	213,333
Pension Related Payments (payments made to jurisdiction or pension plan)			
AID TO POLICE & FIRE	59,391	56,228	60,762
1ST CLASS CITY TEACHERS ST AID	16,267	16,267	15,781
PERA RATE INCREASE LOCAL AID	14,774	14,586	14,586
LOCAL POLICE & FIRE AMORT AID	9,461	11,062	14,385
MPLS PENSIONS/RETIREMENT	3,774	3,232	4,510
MPLS TEACHERS STATE AID	2,472	2,440	2,500
Subtotal	106,139	103,815	112,524
Total	**1,714,520**	**1,764,049**	**1,574,737**

REVENUE DEPT
Program: TAX SYSTEM MANAGEMENT
Activity: PROPERTY TAX & STATE AID SYS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,387	2,506	2,957	2,483	2,483	4,966
Statutory Appropriations						
Special Revenue	22	0	76	25	25	50
Total	**2,409**	**2,506**	**3,033**	**2,508**	**2,508**	**5,016**
Expenditures by Category						
Operating Expenses	2,409	2,506	3,033	2,508	2,508	5,016
Total	**2,409**	**2,506**	**3,033**	**2,508**	**2,508**	**5,016**
Revenue by Type and Fund						
Dedicated						
Special Revenue	0	0	24	24	24	48
Subtotal Dedicated	0	0	24	24	24	48
Total Revenue	**0**	**0**	**24**	**24**	**24**	**48**
Full-Time Equivalents (FTE)	**35.7**	**35.9**	**34.0**	**27.3**	**25.6**	

Activity Description

The compliance activity administers and enforces Minnesota's 28 individual and business taxes. These taxes raise $13.3 billion annually, which amounts to 60% of the state's total revenue.

Activity at a Glance

- Answers over one million phone calls
- Conducts over 35,000 audits
- Provides tax forms, instructions, and other tax information to more than 4 million taxpayers
- Responds to about 27,000 e-mail inquiries from taxpayers

Population Served

- ⇒ 3.5 million individual income tax payers
- ⇒ 177,000 employers that withhold tax and 189 third-party bulk withholding filers
- ⇒ 489,200 property tax refund claimants
- ⇒ 8,000 tax preparers
- ⇒ 245,000 businesses that collect and remit sales and use tax
- ⇒ 55,000 corporations, 74,000 S corporations, and 40,000 partnerships
- ⇒ 50,000 fiduciary and 1,900 estate taxpayers
- ⇒ 800 petroleum product distributors
- ⇒ 70 cigarette and 150 tobacco distributors
- ⇒ 50 wine and 6 liquor distributors; 93 brewers and beer importers, and 15 alcohol commercial carriers
- ⇒ 1,800 insurance companies
- ⇒ 8,000 hospitals, health care providers and prescription drug wholesalers
- ⇒ 1,500 organizations that conduct lawful gambling, and 20 gambling equipment distributors
- ⇒ 8,000 hazardous waste generators and 900 solid waste management services
- ⇒ Six mining companies
- ⇒ 250 dry cleaning facilities
- ⇒ 15 furriers
- ⇒ County attorneys and other law enforcement agencies

This activity also administers local option sales and use tax on behalf of 10 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;
- responding to e-mail, written and telephone inquiries;
- conducting audits to identify and resolve tax filing and payment discrepancies, detect tax evasion, and measure levels of compliance; and
- interpreting laws and making recommendations for law changes.

Historical Perspective

A study commissioned by the agency in 2002 reveals that the gap between the amount of sales and use tax Minnesota businesses pay and the amount they should be paying is about $400 million. Similar data available from the Internal Revenue Service (IRS) suggests that the gap between the income taxes Minnesotans pay and the amount they should pay may be approaching $1 billion per year. In an effort to close these tax gaps and those of other taxes, the legislature in its 2001 and 2002 sessions appropriated funds for three initiatives to detect non-filers and identify underreported income. Although these initiatives will not be concluded until the end of the current biennium, they are already yielding much more in proceeds than year-to-date expectations, a further indication that there is a substantial gap between the amount of tax paid and the amount that should be paid.

In recent years, due to relatively flat funding and the need to replace outdated computer systems, the agency's resources have been shifted from tax audit and other compliance activities. In 2001 and 2002, the legislature

provided funds for three new tax enforcement initiatives – the first focused on the identifying of both individual and business non-filers and the next two initiatives expanded existing tax audit programs aimed at detecting tax avoidance. By funding these initiatives, the legislature has realigned the agency resources to focus more on direct compliance activities.

While tax compliance activities are generating substantial revenue, uncovering tax evasion remains a difficult task due to the growing complexity of business transactions and tax laws. In turn, tax audits are increasingly complex – and therefore more time-consuming and expensive. Several factor account for the growing complexity, cost and time of compliance audits including:

⇒ More and more, taxpayers are seeking to reduce the tax they must pay by challenging state tax laws. Simultaneously, tax law and accounting firms have become aggressive in soliciting clients by offering to challenge state tax laws and the department's interpretations of the laws.

⇒ Business and individual tax laws are growing more complex. As the number of tax credits, deductions and special provisions grows, more records must be requested and sorted through during the course of an audit—which increases the complexity, the length of time, and expense of conducting the audit.

⇒ Businesses are converting their records from paper to electronic format, which necessitates more training for our employees 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 from paper to electronic records, they are reducing the types of information included in the records. With less data per transaction for employees to review, it is becoming more difficult to determine the accuracy of transactions.

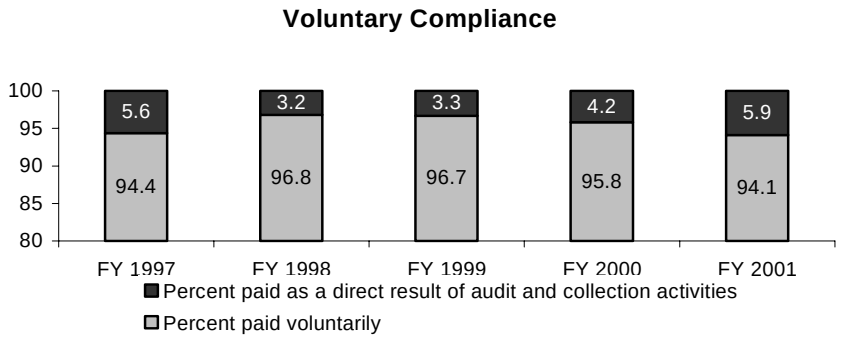
⇒ An increasing number of consolidations and mergers among businesses have resulted in the merging of computer systems, making it more difficult to identify transactions and determine who is responsible for paying the tax.

⇒ More and more businesses have become national and international, increasing the number of interstate and trans-national transactions. As more of these transactions are made through mail-order catalogues, telephones and the internet, it is more difficult and expensive for the activity to identify them and determine who is responsible for paying the taxes.

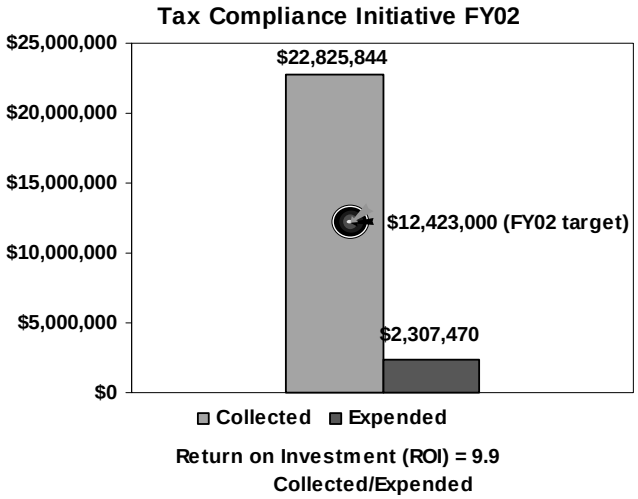
⇒ Significant growth in the state's economy has increased the number of retail businesses from 178,000 in 1995 to 245,000 in 2002 – an increase of 38% in seven years. This growth has required us to redirect resources from audit activities to telephone and other informational services to accommodate the new businesses. Also, this growth has increased the number of applications for refunds of sales tax on purchases of capital equipment that we must process and audit.

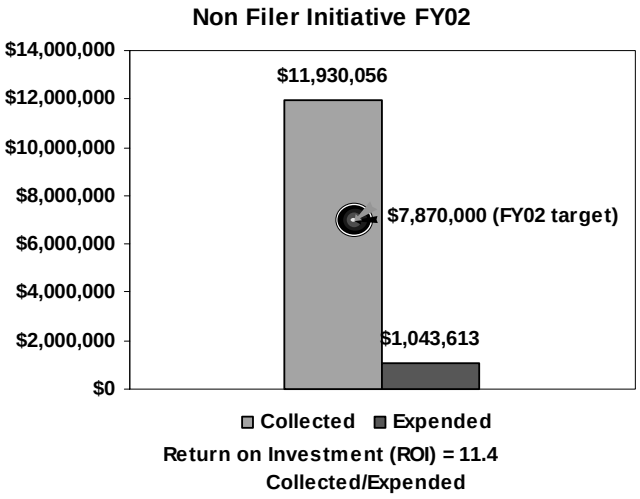
Key Measures

During FY 2001, 94% of total receipts were paid voluntarily by taxpayers without further audit or compliance activities.



The special compliance initiatives funded in 2001 have exceeded our targeted revenue goals. They illustrate the very favorable return on investment (revenues/expenditures) of compliance related activities.





Activity Funding

The total budget of the tax compliance activities of the department is approximately $77.3 million. This represents approximately 39% of the department's total budget. The biennial budget for the tax compliance budget activity includes $63.2 million (81.8%) from General Fund, $7.9 million (10.2%) from dedicated funds and $ 6.2 million (8%) from special revenue funds for administering the Local Option Sales Tax and Cigarette Stamp account activities.

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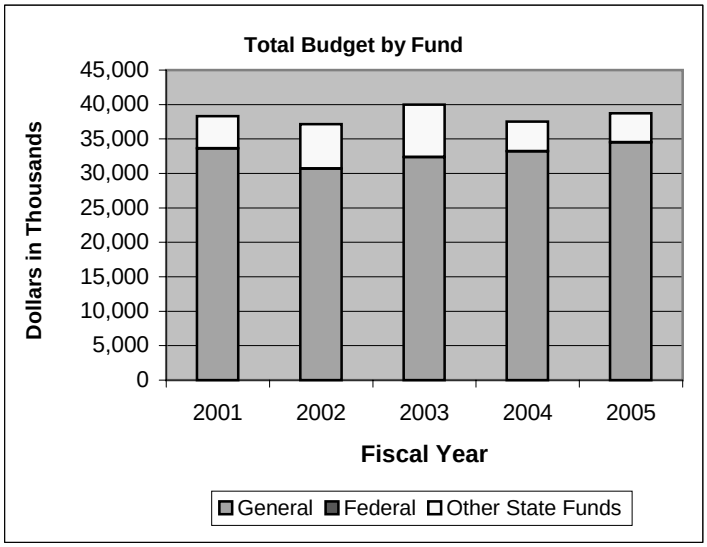

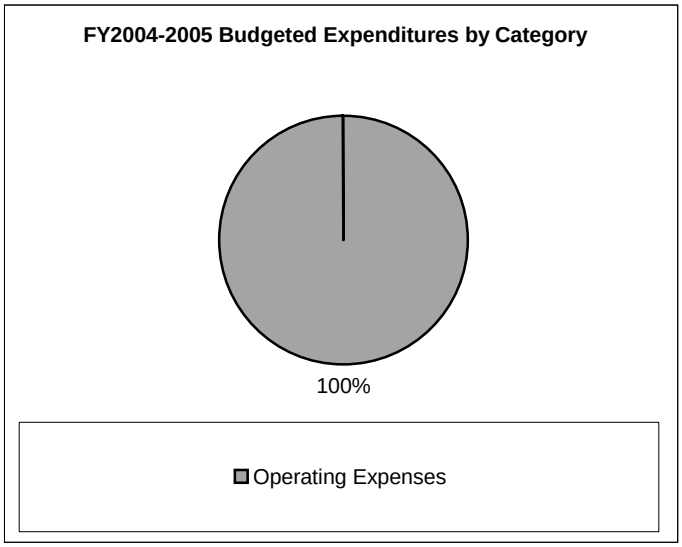

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	33,602	30,686	32,348	33,200	34,500	67,700
Health Care Access	1,553	1,057	1,720	1,309	1,309	2,618
Special Revenue	0	2,617	2,283	0	0	0
Highway Users Tax Distribution	2,165	1,944	2,516	2,046	2,046	4,092
Environmental	193	133	260	187	103	290
Solid Waste	226	140	196	158	158	316
Statutory Appropriations						
Special Revenue	557	583	672	622	622	1,244
Total	**38,296**	**37,160**	**39,995**	**37,522**	**38,738**	**76,260**
Expenditures by Category						
Operating Expenses	38,286	37,159	39,995	37,522	38,738	76,260
Capital Outlay & Real Property	10	1	0	0	0	0
Total	**38,296**	**37,160**	**39,995**	**37,522**	**38,738**	**76,260**
Revenue by Type and Fund						
Non Dedicated						
General	1,222	1,416	1,410	1,410	1,410	2,820
Subtotal Non Dedicated	1,222	1,416	1,410	1,410	1,410	2,820
Dedicated						
Special Revenue	143	162	180	180	180	360
Subtotal Dedicated	143	162	180	180	180	360
Total Revenue	**1,365**	**1,578**	**1,590**	**1,590**	**1,590**	**3,180**
Full-Time Equivalents (FTE)	**434.9**	**436.4**	**420.9**	**413.0**	**418.2**	

Activity Description

This activity oversees the development and maintenance of the department's computer systems for all of the 28 tax types for which the department is responsible, and maintains more than 170 computer applications on 15 different platforms serving more than 1,150 employees. It is responsible for strategic planning for developing and integrating technologies and systems into business operations; for computer systems development; for information security and data privacy; and for the day-to-day maintenance of the agency's computer network, systems, and equipment.

Activity at a Glance

- 1,150 employees served in 15 different office locations
- Approximately $15 million annual operating budget
- 170 computer applications on 15 different platforms
- 2.4 million web visitors
- over two million electronic filing and payment transactions annually

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 1,150 department employees.

Services Provided

The information technology activity is responsible for:

- Strategic planning for aligning technologies and systems with the business needs of the agency.
- Systems development, implementation and maintenance.
- Ensuring that department information systems and networks are efficient, reliable, accessible and responsive to the needs of users and customers.
- Ensuring the security of all computer applications and privacy of data.
- Providing leadership to the agency business systems planning team, which is the department's process for aligning and integrating business needs with computer operations and systems.
- Monitoring investments in computer applications, projects and systems.

Historical Perspective

In the last decade, the department has been in the process of transforming its tax processing from mainframe systems that supported internal, paper-based, procedures to integrated, web-based electronic filing and paying systems. For taxpayers, these new systems mean faster, easier and more convenient and accurate filing and paying. However, these systems 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. Since 1996, our annual information technology (IT) investment has increased 60%, from $9.3 million to $14.9 million. However, recent budget cuts have reduced our budget by 10%, or $3.1 million, for the biennium. This cut restricts our ability to complete the planned migration of information and processing systems from outdated mainframe applications, and impairs our ability to maintain and support our current web-based systems.

Key Measures

To measure our success in implementing information technology solutions, we conducted a self-assessment using *Governing* magazine's information technology evaluation criteria for state-level assessment. We made some minor modifications to the criteria to make the measure more appropriate to our situation:

1. Do program and agency-level information technology systems provide information that adequately supports managers' needs and strategic goals? **Grade: B-**
2. Do department information technology systems form a coherent architecture and are strategies in place to support present and future coherence in architecture? **Grade: C+**
3. Does the agency conduct meaningful multi-year technology planning, including: an information technology planning process that is sufficiently centralized; providing managers appropriate input into the planning process; creating government-wide and agency IT plans? **Grade: A-**
4. Is information technology training adequate for end-users and technology specialists? **Grade: B**

5. Can we evaluate and validate the extent to which information technology system benefits justify investment? **Grade: B-**
6. Can needed IT systems be procured in a timely manner with appropriate controls to prevent going over budget? **Grade: C+**
7. Do IT systems support the agency's ability to communicate with and provide services to its citizens? **Grade: B-**

Activity Funding

The total biennial budget for this activity is $30.5 million, or approximately 15% of the department's total biennial budget. Of the total biennial budget for our technology development, operation and support activities, $28.7 million (94%) comes from General Fund tax dollars, $244,000 (.8%) comes from dedicated funds and $ 1.6 million (5.2%) comes from special revenue funds for administering the Local Option Sales Tax and the Revenue Recapture program.

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Link to Agency
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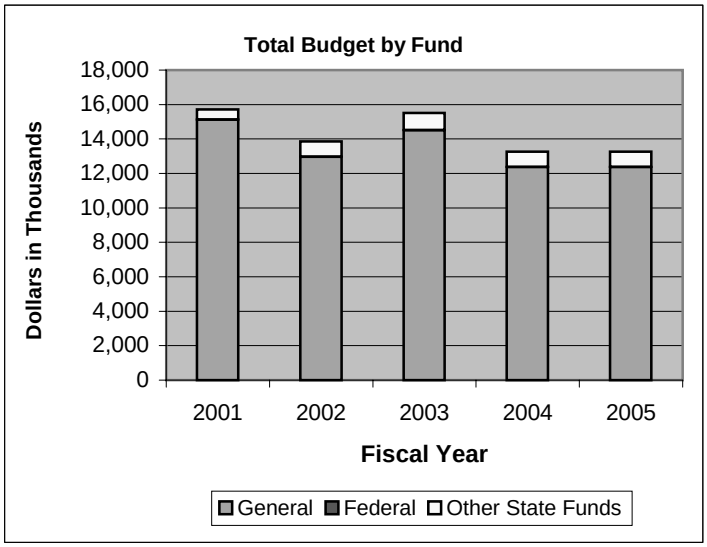
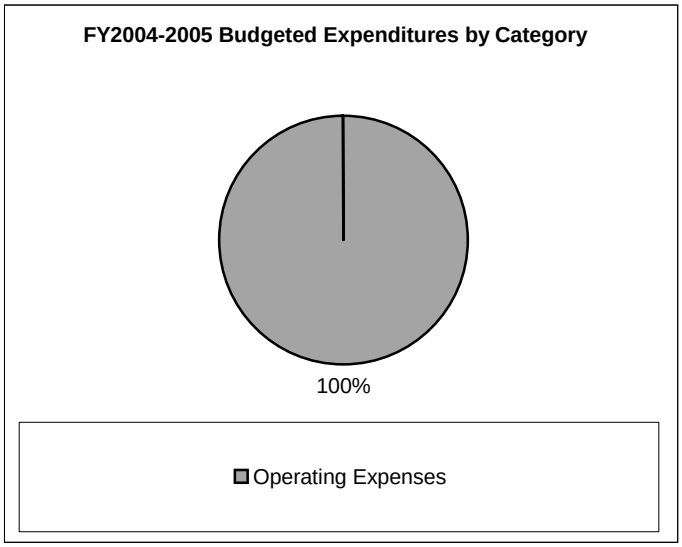
For information on DOR's Strategic Information Resource Management Plan for 2004-05, please refer to http://www.advstr.com/sirmp/sirmp.cfm.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	15,122	12,962	14,509	12,368	12,368	24,736
Health Care Access	50	50	50	47	47	94
Special Revenue	0	0	100	0	0	0
Highway Users Tax Distribution	54	54	54	51	51	102
Solid Waste	18	18	18	17	17	34
Statutory Appropriations						
Special Revenue	473	771	775	772	772	1,544
Total	**15,717**	**13,855**	**15,506**	**13,255**	**13,255**	**26,510**

Expenditures by Category						
Operating Expenses	15,717	13,855	15,506	13,255	13,255	26,510
Total	**15,717**	**13,855**	**15,506**	**13,255**	**13,255**	**26,510**

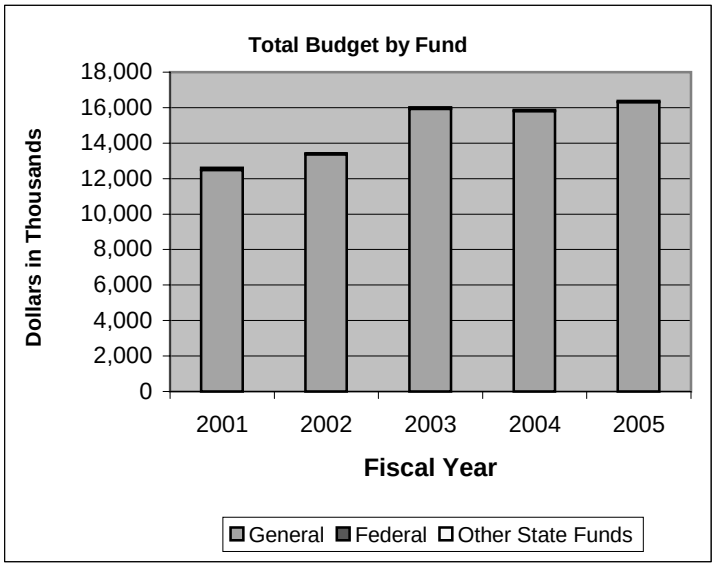
Full-Time Equivalents (FTE)	**65.6**	**70.9**	**63.9**	**52.2**	**49.0**

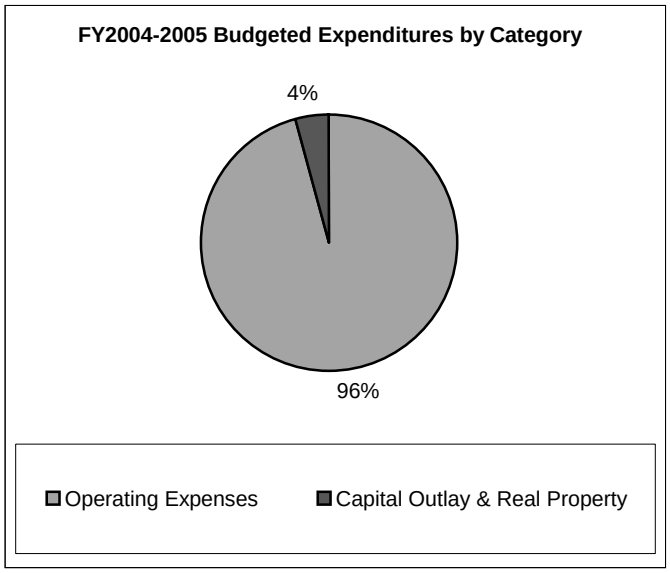
Program Description

The functions of the Accounts Receivables Management activity are carried out by the Department of Revenue's Minnesota Collection Enterprise (MCE). The Minnesota Collection Enterprise (MCE) collects debt – both tax and non-tax – owed to various state agencies and boards by individuals and corporations. The collection of debt owed to state agencies was consolidated into this single unit in the Department of Revenue beginning in 1995.

Budget Activities Included:

⇒ Minnesota Collection Enterprise





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	11,008	11,416	13,882	13,904	14,404	28,308
Health Care Access	65	0	0	0	0	0
Open Appropriations						
General	1,470	1,941	2,050	1,900	1,900	3,800
Statutory Appropriations						
Special Revenue	70	69	76	74	74	148
Total	**12,613**	**13,426**	**16,008**	**15,878**	**16,378**	**32,256**
Expenditures by Category						
Operating Expenses	11,976	12,531	15,347	15,217	15,717	30,934
Capital Outlay & Real Property	637	895	661	661	661	1,322
Total	**12,613**	**13,426**	**16,008**	**15,878**	**16,378**	**32,256**
Expenditures by Activity						
Minn Collections Enterprise	12,613	13,426	16,008	15,878	16,378	32,256
Total	**12,613**	**13,426**	**16,008**	**15,878**	**16,378**	**32,256**
Full-Time Equivalents (FTE)	**184.2**	**179.8**	**170.5**	**176.6**	**178.2**	

Activity Description

The Minnesota Collection Enterprise (MCE) 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 government, trade associations and businesses.

Activity at a Glance

- Manages 100,000 active accounts receivable cases totaling $300 million
- Manages 40,000 active non-tax accounts receivable cases totaling $95 million
- Collected $174 million in accounts receivable in FY 2002

Services Provided

MCE collects 171 types of fees, fines, taxes, and payments for:

⇒ **Fifteen State Agencies.** These include the department's of Administration, Agriculture, Corrections, Commerce, Economic Security, Health, Human Rights, Human Services, Labor and Industry, Military Affairs, Natural Resources, Public Safety, Revenue, Transportation, Veterans Affairs, and the Pollution Control Agency.

⇒ **Three District Courts**. These include the District Courts Ramsey, St. Louis and Stearns Counties.

⇒ **Four State Boards.** These include 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.** These are the Minnesota State Retirement System, and the Public Employees Retirement Association.

⇒ **Six Independent State Government Entities**. These include the Attorney General's Office, the Secretary of State's Office, the Minnesota Indian Affairs Council, the Higher Education Service Organization, the Minnesota State Lottery, and the Minnesota State Colleges and Universities system.

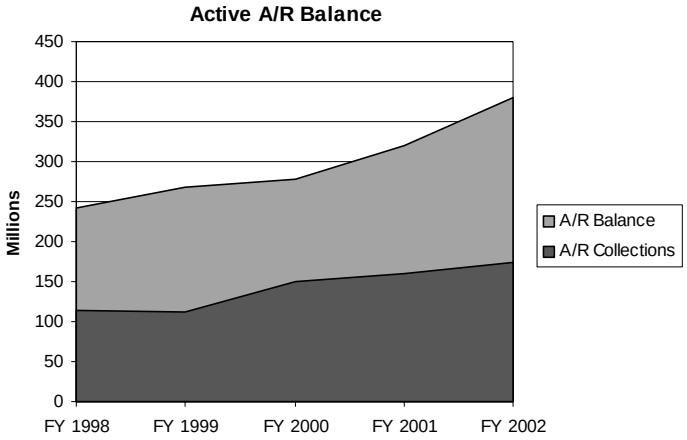
MCE's collection services include locating the debtor, billing, contacting the debtor by telephone, arranging and receiving payment immediately or through payment plans, monitoring payment plans, locating and evaluating assets, issuing liens and levies, and seizing assets. Other services to agencies include consulting on effective debt management and productive collection practices, and evaluation of the collection potential of the debt.

Historical Perspective

MCE has always been responsible for the collection of delinquent taxes owed to the Department of Revenue. Starting in 1993, MCE's responsibilities were expanded to include debt collection of other state delinquencies owed to other state agencies and boards. Today, of the total $174.4 million collected annually, approximately $10.1 million is collected on behalf of non-tax debt clients. The cost of collecting non-tax debt is recovered through fees assessed against the debtors. Currently, the fee is 15% of the collected monies, with an additional 10% charged if legal action is required to collect the debt.

The amount of tax debt owed Minnesota has climbed from $270 million in FY 2000 to nearly $400 million in FY 2002. This dramatic increase is partly the result of discontinuing the bad debt write-off program; however, pressures on individuals and businesses related to the recent economic downturns have also taken their toll. While the activity is working hard to close the gap between what is owed and what is collected, the growth in delinquent taxes continues to outpace our resources.

In 2001 and 2002, the legislature funded new compliance related initiatives at the department. Part of this new initiatives funding supplements the work of MCE.



Key Measures

♦ **FY 2002 Overall Return on Investment:**	**$14.7:1**
Tax collections	$17.8:1
Non-tax collections	$ 4.2:1
2001/2002 Initiatives	$18.9:1
♦ **Total Dollars Collected:**	**$174.4 million**
Tax collections	137.5 million
Non-tax collections	10.1 million
2001/2002 Initiatives	26.7 million
♦ **Total Cases Closed:**	**121,224**
Tax cases	91,385
Non-tax cases	29,839

Activity Funding

The total biennial budget for Minnesota Collection Enterprise is $25.4 million, or roughly 13% of the Department of Revenue's budget. Of the total biennial budget for the MCE budget activity, $25.3 million (99.5%) comes from General Fund tax dollars, $145,000 (.5%) comes from special revenue funds for administering the Local Option Sales Tax program.

Contact

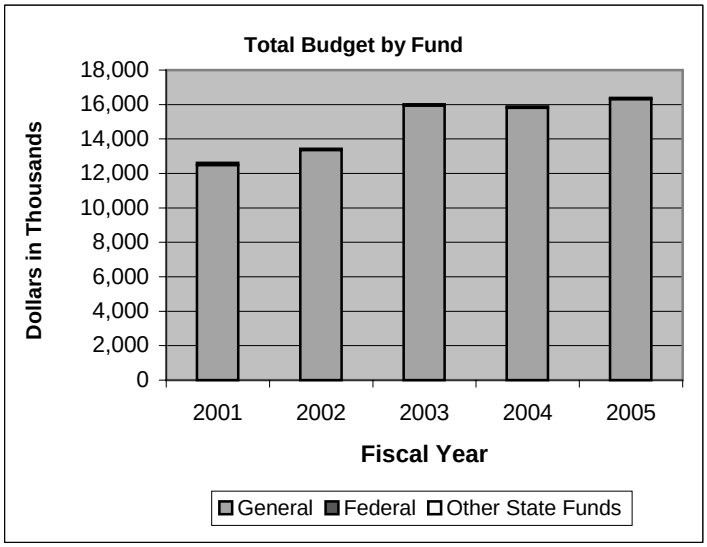
For additional information regarding MCE contact:

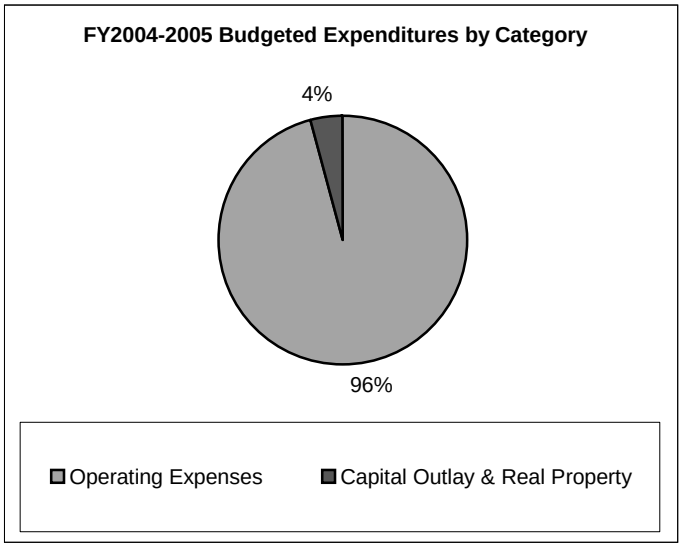
Lynn Willenbring, Director
Minnesota Collection Enterprise
(651) 296-1905

lynn.willenbring@state.mn.us

REVENUE DEPT
Program: ACCOUNTS RECEIVABLE MGMT
Activity: MINN COLLECTIONS ENTERPRISE

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	11,008	11,416	13,882	13,904	14,404	28,308
Health Care Access	65	0	0	0	0	0
Open Appropriations						
General	1,470	1,941	2,050	1,900	1,900	3,800
Statutory Appropriations						
Special Revenue	70	69	76	74	74	148
Total	**12,613**	**13,426**	**16,008**	**15,878**	**16,378**	**32,256**
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Total	**12,613**	**13,426**	**16,008**	**15,878**	**16,378**	**32,256**
Full-Time Equivalents (FTE)	**184.2**	**179.8**	**170.5**	**176.6**	**178.2**	

February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the Department of Revenue, which is part of the State Government omnibus bill.

The resources we are requesting, $191.9 million over the biennium represents a 6.1% budget reduction over previous biennium resources. I am confident that the Department, even during the current fiscal crisis, can achieve its mission of "making the tax system work well for Minnesotans."

To advance this mission, the department will continue its core activities including:

- taxpayer services, including forms and instructions and telephone assistance;
- return and payment processing, including the issuing of refunds;
- auditing and tax enforcement activities; and
- tax policy, operational improvement, and fiscal analysis.

The Governor's budget recommendation will allow us to continue performing these activities to ensure that citizens have the tools needed to fulfill their tax obligations; the information they need to make informed decisions about their tax obligations; and confidence that the system is fair to all citizens.

The Department of Revenue's operational budget request includes three separate components.

Operating Budget Reduction
This budget request appropriates $186.5 million over the biennium for continued operations. This represents an $11.9 million reduction in basic operation or a 5.7% reduction in resources from the previous biennium. In planning this reduction, the department made every effort to preserve tax auditing, non-filer detection, criminal investigation and delinquent tax collection activities for all taxes. These activities are essential in order to forestall losses in the state's revenue. These revenue-producing activities make up the bulk of the agency's budget.

The department will make its operating reduction in activities that do not have a direct impact on state revenue collections. Briefly, these reductions include:

- reduction in support services of between 12 and 20%;
- reduction in administrative services of 10%, including technology development and infrastructure investments;
- reductions of 9% in tax appeals and legal counseling services;
- reductions of 8% in property tax oversight and state aid payment functions; and
- reductions of 6% in tax return recording, payment processing, electronic filing, and electronic payment support.

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Even with these challenges, the department will still focus on four principal tasks designed to improve filing and paying systems for citizens and businesses, increase revenues through expanded compliance, and deliver services at lower costs. The four tasks are:

1. Continuing to transform tax filing and paying from high-cost paper processes to cost-saving electronic transactions.
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 their refund or payment, make corrections to their records and view their filing and payment history.
3. Continuing to improve existing tax auditing and collection efforts to generate added revenues from citizens and businesses that evade or under pay their tax.
4. Modernizing the tax system to make it easier for retailers, especially internet based and mail order companies, to collect and pay the state's sales and use tax obligations.

New Compliance Activities

Our budget proposal also requests an appropriation of $5.4 million for new tax compliance activities. This is a 2.6% increase over last biennium total resources. This investment will generate $32.4 million in additional revenues in the next biennium. These compliance activities will be similar to those funded in the past two years which have been extremely successful. It should be noted that the Legislative Auditor has just released a report that confirms the effectiveness of these expanded tax enforcement activities.

Fee-Related Activities

The department is offering three small initiatives designed to bring fees into better alignment with operational costs.

In summary, the department intends to assist in solving the current budget problem by making significant reductions in traditional non-compliance support activities and by raising significant new revenues through additional compliance activities.

Respectfully,

Dan Salomone
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	193,044	12,924	205,968
Legislatively Mandated Base	600	0	600
One-Time Appropriations	-8,294	0	-8,294
Program/Agency Sunset	0	-90	-90
Transfers Between Agencies	-184	0	-184
Adjusted Base Funding	185,166	12,834	198,000
Change Items			
Enhanced Compliance	5,400	0	5,400
Internal Revenue Service Levy Fees	0	64	64
Operating Reduction	-11,334	-544	-11,878
Revenue Recapture Fee	0	334	334
Governor's Recommendations	179,232	12,688	191,920
Biennial Change, 2002-03 to 2004-05	-4,613	-7,931	-12,544
Percent Change	-3%	-38%	-6%

Brief Explanation Of Budget Actions:

The following is a more detailed description of the base adjustments above.

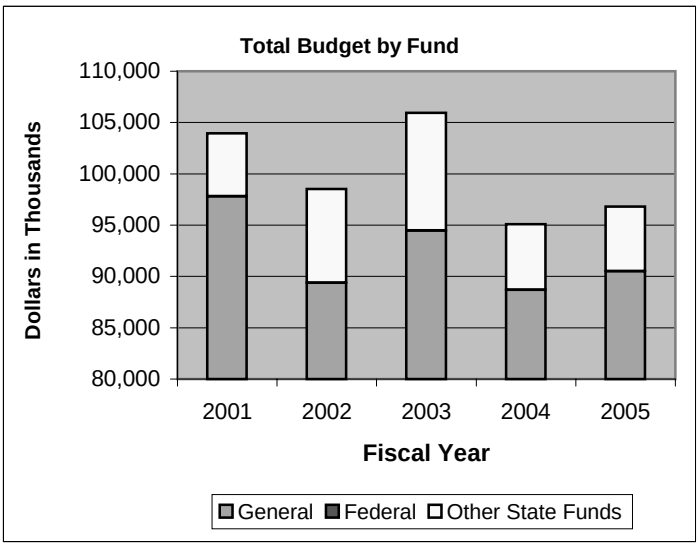
⇒ Legislatively Mandated Base: Changes represent $300 thousand in annual funding for the Income Tax Reengineering project, previously funded by a special revenue fund. For FY 2004-05, this funding has been incorporated in the department's General Fund base.

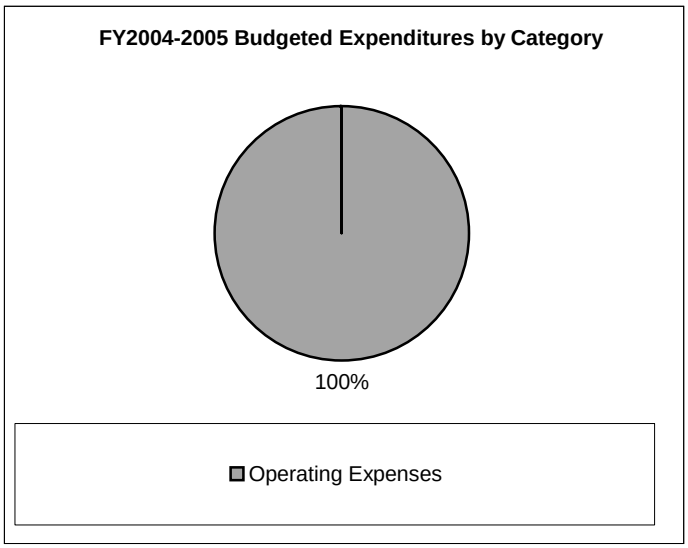
⇒ One-Time Adjustments: These include a $4.53 million reduction from FY 2003 funding for compliance activities, a reduction of $2.25 million from streamline sales tax appropriations, a reduction of $.338 million from forestland credit appropriation, and $1.126 million from penalty reform and property tax administration.

⇒ Transfers between Agencies: This is a $184 thousand reduction to reflect that the funding and duties of the Unfair Cigarette Pricing Act were permanently transferred from the Department of Revenue to the Department of Commerce.

⇒ Program Sunset: This is a $90 thousand reduction to tax administration funding in FY 2005 and is due to the expiration of the Hazardous Waste Generator Tax.

	FY 2004-05 Revenues ($000s)		
	General Fund	**Other Funds**	**Total**
Change Items			
Enhanced Compliance	$32,400		$32,400
Revenue Recapture Fee	816	$334	1,150
Internal Revenue Service Levy Fee		64	64
Board of Assessor Fees	50		50
FY 2004-05 Revenue Change	$33,266	$398	$33,664





Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	96,349	87,439	92,415	86,816	88,616	175,432
Health Care Access	1,912	1,343	2,152	1,654	1,654	3,308
Special Revenue	19	3,138	3,466	0	0	0
Highway Users Tax Distribution	2,219	1,998	2,570	2,097	2,097	4,194
Environmental	193	133	260	187	103	290
Solid Waste	258	172	228	188	188	376
Open Appropriations						
General	1,470	1,941	2,050	1,900	1,900	3,800
Statutory Appropriations						
Special Revenue	1,531	2,357	2,802	2,260	2,260	4,520
Total	**103,951**	**98,521**	**105,943**	**95,102**	**96,818**	**191,920**

Expenditures by Category						
Operating Expenses	103,254	97,527	105,180	94,441	96,157	190,598
Capital Outlay & Real Property	647	896	661	661	661	1,322
Local Assistance	50	98	102	0	0	0
Total	**103,951**	**98,521**	**105,943**	**95,102**	**96,818**	**191,920**

Expenditures by Program						
Tax System Management	91,338	85,095	89,935	79,224	80,440	159,664
Accounts Receivable Mgmt	12,613	13,426	16,008	15,878	16,378	32,256
Total	**103,951**	**98,521**	**105,943**	**95,102**	**96,818**	**191,920**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	2,141	4,617	2,410	13,859	24,227	38,086
Subtotal Non Dedicated	2,141	4,617	2,410	13,859	24,227	38,086
Dedicated						
Special Revenue	1,690	2,330	2,067	2,260	2,260	4,520
Subtotal Dedicated	1,690	2,330	2,067	2,260	2,260	4,520
Total Revenue	**3,831**	**6,947**	**4,477**	**16,119**	**26,487**	**42,606**
Full-Time Equivalents (FTE)	**1,142.3**	**1,108.4**	**1,054.8**	**920.2**	**904.0**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($5,667)	($5,667)	($5,667)	($5,667)
Revenues	0	0	0	0
Other Fund				
Expenditures	(275)	(269)	(269)	(269)
Revenues	0	0	0	0
Net Fiscal Impact	($5,942)	($5,936)	($5,936)	($5,936)

Recommendation

The Governor recommends appropriations of $93.302 million in FY 2004 ($86.916 million general fund) and $93.218 million in FY 2005 ($86.916 million general fund) to continue the basic operation of the Department of Revenue. This $11.3 million reduction represents a 6% reduction in the base budget of the department. The reductions will be accomplished without reducing any state revenue collections.

Background

Prior to the current biennium, about 52% of the department's budget was pointed toward services that promote voluntary compliance by citizens and businesses. This includes return processing, payment and refund processing, customer service activities, property tax administration, research, and central administrative services. The balance of agency's budget – 48% – was earmarked for tax auditing and enforcement activities directed at entities not complying with tax laws. These non-compliance activities directly generate state revenue through assessment and collection of tax from businesses and individuals who are not in full compliance with the tax laws.

Last biennium, like other state agencies, the Department of Revenue's operating budget was reduced significantly. These operating reductions were focused on voluntary compliance and support activities rather than tax auditing, criminal investigation, and delinquent tax collection activities to avoid impacting state revenue collections. Recent reductions have included elimination of toll-free help lines; closing of some "satellite" offices; canceling planned investments in technology and upgrades to outdated computer systems; scaling back services such as taxpayer and employee information, instruction to local government officials, taxpayers, and tax practitioners, data recording, analysis, and retrieval; and legal, human resource, payroll, mail, and purchasing services; and eliminating about 78 full-time positions through June 30, 2003;

Also in the past biennium, the legislature provided additional funds to the department to initiate expanded and enhanced compliance activities. Three separate initiatives funded in the last biennium have added to our direct compliance staff and expenditures and have successfully generated about $64 million in added revenue through December 31, 2002. These revenue gains will continue permanently.

The reductions in the voluntary compliance and support activities coupled with funding increases in the direct compliance areas have changed the overall makeup of the department. Taxpayer service, tax processing and internal support activities now constitute 47% of our biennial budget, while tax auditing and enforcement activities now represent 53%.

Relationship to Base Budget

The recommended reduction represents 6% of the agencies base operating budget. As in the past biennium, the department's budget plan for 2004-05 protects tax auditing, non-filer detection, criminal investigation and delinquent tax collection activities for all taxes. Our commitment to these activities is essential in avoiding further losses in the state's revenue.

The department plans to achieve this operating reduction by reducing:

- support services between 12 and 20%; these include human resources, training, facilities management, building security, taxpayer information, tax research, and agency leadership activities;
- administrative services, including technology development, infrastructure investments and maintenance, fiscal services, purchasing and payroll activities by 10%;
- tax appeals and legal counseling services by 9%;

- property tax oversight and state aid payment functions by 8%; and
- tax return recording and payment processing and electronic filing and payment support by 6%.

To help mitigate the consequences of budget reductions for taxpayers and employees, the department will:
- postpone migration of old technology systems and cancel some technology investments;
- continue to look at alternative methods for doing business;
- move from costly phone-based service systems to online self-service systems; and
- promote salary savings options such as leave without pay, use outsourcing and temporary employees where cost-effective, and reduce positions through attrition wherever possible.

However, in spite of these mitigating measures, we expect the operating reductions will:
- delay processing of paper returns, payments and refunds;
- diminish our capacity to respond to taxpayers' questions;
- reduce our ability to upgrade computer hardware and software applications, including network, measurement systems, and information retrieval;
- delay our efforts to fully upgrade the department's website;
- require reconsidering (in consultation with Legislature and Finance) federal returns as attachments to paper-filed state tax returns;
- close additional offices; and
- reduce staff by up to 100 FTE.

This operating reduction focused on voluntary compliance activities and internal support function will continue the department's transition of being primarily focused on to the voluntary taxpayer and more focused on people and businesses that do not comply with the tax laws.

Key Measures
- processing cycle times;
- service indicators; and
- customer surveys.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	$408	$408	$408	$408
Other Fund				
Expenditures	167	167	167	167
Revenues	167	167	167	167
Net Fiscal Impact [1]	($408)	($408)	($408)	($408)

Recommendation

The Governor recommends increasing the transaction fee charged by the Department of Revenue (DOR) to recapture debts owed to government agencies from state tax refunds. The Governor recommends that the fee be increased from $10 to $15. The Governor also recommends that the department retain $4 (27%) of the fee and that the balance of $11 (73%) be deposited in the General Fund. (Under the current $10 transaction fee, DOR retains $2.55 and $7.45 is deposited in the General Fund.)

Background

Beginning in 1980, state law authorized the Department of Revenue to recapture debt owed to state agencies, county governments, and certain federal agencies from state tax refunds. The department recaptures all or a portion of a taxpayer's refund for the debt owed and turns that amount over to the agency to which the debt is owed.

Under current law, tax refunds can be offset for the following debts in the following order:

- state taxes owed (no recapture fee charged);
- child support payments owed;
- crime victims restitution owed; and
- other debts owed to other government agencies.

Each agency using the recapture mechanism is charged a $10 fee for each refund check offset for debt owed to it. The current amount of the fee was set in 1992. The fee has not been increased since.

Prior to FY 2002, the entire fee was deposited in the state's General Fund and, in turn, the department received an appropriation from the legislature to perform these duties. Beginning in FY 2002, the legislature authorized the department to retain $2.55 from the $10 fee as a mechanism for paying the costs of the activity. At that time, the General Fund appropriation for the agency was reduced by $413,000 annually. However, the original forecast of the number of tax refunds that would face offset was overly optimistic (based on sales tax rebate experience).

In the absence of sales tax rebate checks, the number of offsets conducted has been relatively constant in the past three years. In addition, the department expects to perform approximately 115,000 offsets in FY 2003. At this level of activity, the $2.55 the department receives per transaction will not be sufficient to sustain this function.

The tables on the following page illustrate both the history of these revenue recapture fees and the projected collections under a fee structure.

[1] Net fiscal impact equals expenditure change minus revenue change. Positive numbers can be expenditure increases or revenue decreases. Negative numbers can be expenditure reductions or revenue increases.

Recapture Fee History

$ 000s

	Collected	Number of Offsets	Ave $ Collected	*Non-Rebate Offsets*	Current Fee & Split: Total Fees	Retained By DOR	Returned to GF
FY 00	53,915	211,269	255.20	*126,269*	2,113	-	2,113
FY 01	40,789	209,324	194.86	*119,324*	2,093	-	2,093
FY 02	42,527	212,616	200.02	*115,452*	2,126	542	1,584
FY 03	32,312	115,000	280.97	*115,000*	1,150	293	857
					Ave	417	

Proposed Recapture System

$ 000s

	Collected	Number of Offsets	Ave $ Collected	*Non-Rebate Offsets*	Proposed Fee and Split: Total Fees	Retained By DOR	Returned to GF	Change: Total Fees	Retained By DOR	Returned to GF
FY 04	32,312	115,000	280.97	*115,000*	1,725	460	1,265	575	167	408
FY 05	32,312	115,000	280.97	*115,000*	1,725	460	1,265	575	167	408
FY 06	32,312	115,000	280.97	*115,000*	1,725	460	1,265	575	167	408
FY 07	32,312	115,000	280.97	*115,000*	1,725	460	1,265	575	167	408

Relationship to Base Budget

This change allows the department to recover all expenditures associated with revenue recapture of non-tax debt through its share of the revenue recapture fee. Operations will not change.

Statutory Change: MS 270A.07, subd. 1.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	$32	$32	$32	$32
Revenues	32	32	32	32
Net Fiscal Impact [1]	0	0	0	0

Recommendation

The Governor recommends the Department of Revenue (DOR) enter into an agreement with the Internal Revenue Service (IRS) that would authorize DOR to recapture a fee of up to $20.00 for every IRS levy established against a Minnesota Tax Refund. DOR currently has the authority to enter into a collection agreement with the IRS, but it needs permissive legislation to allow it to charge a recapture fee to the taxpayer and to deposit fee proceeds into the revenue recapture revolving fund.

Background

Pursuant to section 270.052, the commissioner may enter into an agreement with the IRS to identify taxpayers that have refunds due from the Department of Revenue and liabilities owing the IRS. In accordance with the procedures to be established in the agreement, the IRS may levy against the refunds to be paid by DOR. For each refund levied upon, the commissioner shall first deduct from the refund a recapture fee of up to $20, and then remit the refund or the amount of the levy, whichever is less, to the IRS.

For example, a taxpayer owes $100 to the IRS and has a $150 state refund due. Department of Revenue deducts a $20 recapture fee from the refund, sends the $100 tax liability to the IRS, and pays the remaining $30 to the taxpayer. The tax debt to the IRS is fully paid, DOR recovers the cost of the transaction, and the taxpayer receives a partial refund.

The proceeds of the fee would be deposited into the Department of Revenue's revenue recapture revolving fund under section 270A.07, subd. 1, until the costs involved in the start-up and operation of the program are recovered. Once the costs are recovered, DOR will consider revising the fee or depositing any excess amount into the General Fund as is done currently with the existing recapture fee.

Relationship to Base Budget

This change item is introduced so the Department of Revenue can recover the costs of this program. Without a means of recovering the costs, it is unlikely an agreement will be reached. The Department of Revenue currently has a parallel relationship with IRS to collect state tax debt. DOR currently sends Minnesota tax liabilities to the IRS (actually Financial Management Services of the Treasury Department) for recapture of Minnesota tax debt through federal tax refunds and the fee is $17.90, which is passed on to the taxpayer.

This program is contingent upon negotiation of a successful agreement with IRS. Agreement negotiation is in the initial stages.

Key Measures:

- number of IRS levies subject to recapture by fiscal year; and
- revenue to expense ratio.

DOR will closely monitor number of transactions, fees collected, and program expenses.

Statutory Change: M.S. 270.052

[1] Net fiscal impact equals expenditure change minus revenue change. Positive numbers can be expenditure increases or revenue decreases. Negative numbers can be expenditure reductions or revenue increases.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$1,800	$3,600	$3,600	$3,600
Revenues	11,016	21,384	21,384	21,384
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact [1]	($9,216)	($17,784)	($17,784)	($17,784)

Recommendation

The Governor recommends a new general fund appropriation of $1.8 million in FY 2004 and $3.6 million in FY 2005 to fund additional direct compliance and collection activities designed to collect an additional $32.4 million from non-compliant entities that under pay their tax liabilities, or who do not file and pay their required taxes.

Background

If Minnesota's tax revenue system is to work well, fairness is essential. A fair tax system means that everyone pays the right amount of tax, no more, no less. To create a fairer tax system for law-abiding taxpayers, those individuals and businesses that underpay their taxes or evade their tax obligations need to be identified and brought into compliance with the state's tax laws.

Results from a study commissioned by the agency in 2002 reveal that the gap between the sales and use tax that Minnesota businesses pay and what they should pay is about $500 million today and will grow to $700 million in 2007. Although audits bring in nearly $50 million per year, this amount barely begins to close this gap. In addition, data available from the Internal Revenue Service suggests that the individual income tax gap may be even higher than the projected sales tax gap, or about $750 million per year. Also, the documented success of the Department of Revenue's recent enhanced compliance activities provides further evidence that the gap between what is actually paid and what should be paid is substantial.

In the 2002-03 biennium, the department was appropriated $10.2 million by the legislature to generate an estimated $60 million in the current biennium through stepped up tax compliance activities. The department has exceeded this goal, collecting $64 million as of December 31, 2002, with six months still remaining in the biennium. In fact on January 30, 2003, the Legislative Auditor released a report that confirms the effectiveness of these expanded tax enforcement activities.

This initiative will allow the department to intensify its efforts toward identifying those who are furthest from compliance with the tax laws.

Relationship to Base Budget

This change item will be funded by an ongoing General Fund appropriation of $1.8 million in FY 2004 and $3.6 million in FY 2005. This represents a three percent increase in the department's base funding. However, it will lead to additional General Fund tax collections well in excess of ongoing funding. Our current estimate is $32.4 million in the next biennium, continuing permanently into the future. This is a conservative estimate when compared to demonstrated results of past compliance activities.

In conjunction with the operating budget reduction in non-compliance activities, this initiative will continue to reshape the department's priorities by directing more resources toward tax compliance activities.

[1] Net fiscal impact equals expenditure change minus revenue change. Positive numbers can be expenditure increases or revenue decreases. Negative numbers can be expenditure reductions or revenue increases.

Key Measures

The department will monitor both expenditures and revenues collected under this change item, and will report the results to the legislature as part of the next biennial budget process. We fully expect to meet or exceed the performance outcome identified above.

The key performance measures the department will use include:

- Return on investment (revenues to expenditures)
- Number of new businesses and individuals brought into the tax system
- Revenue generated from the funded activities
- Cases resolved

Alternatives Considered

The department also considered a possible tax amnesty program. That proposal was rejected because the immediate revenue gains from a tax amnesty program are temporary and because it seemed contrary in philosophy to our current transition to stronger and more effective compliance activities.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	$25	$25	$25	$25
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact [1]	($25)	($25)	($25)	($25)

Recommendation

The Governor recommends increasing license, course, examination and material fees used to finance the activities and operation of the board. This will allow these fees to fully support the costs associated with operation, and will keep fees and expenses in alignment for the next four years.

Background

In FY 2002, the total revenue from board fees was $40,445 and the total expenditures were $58,202. Since FY 2000, board expenditures have increased approximately 3% each year. Without an increase in fees, the total revenue from board fees will continue to be insufficient to support board expenditures.

For FY 2004, the board proposes the following fee structure based on assumptions the number of licensed assessors in Minnesota will remain relatively stable (as it has in recent years).

	Number of Fee Charges	FY 2002 Fee Schedule	Total FY 2002 Collections	Proposed FY 04 Fee Schedule	Proposed FY 2004 Collections
Licenses:					
CMA	573	$30	$ 17,190	$55	$ 31,515
CMAS	83	40	3,320	65	$5,395
AMA	53	50	2,650	80	$4,240
SAMA	209	75	15,675	105	$21,945
Subtotal	***918***		***38,835***		***$63,095***
Courses, Examinations, Materials					
Record Retention	53	15	795	25	$1,325
Grade Form Rpt	7	25	175	35	$245
Grade Narrative	12	50	600	60	$720
Course Challenge	1	40	40	50	$50
Reinstatement Fees	0	20	0	30	$0
Official Education Trans	0	10	0	20	$0
Retests	0	20	0	30	$0
Subtotal	***72***		***$1,610***		***$2,340***
Total Fee Revenue			**$40,445**		**$65,435**

Relationship to Base Budget

In FY 2002, the board fees collected $17,757 less than the board's expenses. The following table illustrates proposed fee collections and expenditures based on 3% annual expenditure growth. The Department of Revenue (DOR) expects fees to over collect slightly until FY 2006, at which point fee structure will be reviewed again.

[1] Net fiscal impact equals expenditure change minus revenue change. Positive numbers can be expenditure increases or revenue decreases. Negative numbers can be expenditure reductions or revenue increases.

Assessor Fees
(in dollars)

	History		Proposed			
	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
Expenditures	58,202	59,948	61,746	63,598	65,505	67,470
Revenues	40,445	40,445	65,435	65,435	65,435	65,435
difference	***(17,555)***	***(19,503)***	***3,689***	***1,837***	***(70)***	***(2,035)***

Key Measures

The total revenue generated from Board of Assessors fees will be compared to expenditures and adjusted accordingly each biennium.

Statutory Change: M.S. 270.44

Agency Purpose

The Science Museum of Minnesota (SMM) is a statewide educational resource, operating the state's largest public museum and school outreach program serving all corners of Minnesota. Nearly one million people attend annually including 200,000 out-of-state visitors. SMM's mission is *to invite learners of all ages to experience their changing world through science*.

Core Functions

⇒ Stimulate public interest and lifelong learning in science and technology.
⇒ Create compelling and distinctive exhibits and educational learning experiences.
⇒ Build SMM as a major regional tourist destination.
⇒ Support the public school science curriculum.
⇒ Provide stewardship of the 1.75 million objects and artifacts in the collections.
⇒ Conduct research in environmental sciences and paleoecology.

At A Glance

Projected 2002-03 Expenses: $33. 6 million
76% for programs and operations
13% for support services
11% for marketing and development

Projected 2002-03 Service Impact:
920,000 visitors (30% increase over 99-00)
369 FTE's

Geographic distribution of our visitors:

Within 13-county metro area	64%
Greater Minnesota and out-of-state	36%

Visitor profile:

Families with children	60%
School groups	20%
Adults without children	20%

Operations

⇒ SMM operates a still new 400,000 square foot public museum that offers programs in environmental science, physical science, paleontology, human biology and anthropology.
⇒ SMM serves 300,000 people in classes, and programs at the museum, around the Twin Cities and around the state.
⇒ SMM operates the Warner Nature Center and the St. Croix Watershed Research Station in Washington County.

Budget

FY 2003 Revenue Summary
$25.4 million unrestricted funds
$ 8.2 million restricted funds

Unrestricted revenues derive from the following sources:

Earned income	77 %	State and county	7 %
Private funding	9 %	Interest income	7 %

Contact

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Saint Paul, Minnesota 55102

World Wide Web Home Page:
http://www.smm.org

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State of Minnesota
Department of Finance

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Environment, Natural Resources, and Agriculture omnibus bill. These agencies collectively administer $129 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $28 million (18%) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to protect our water quality, reduce soil erosion, protect the health of our domestic livestock, educate citizens on environmental issues, and help farmers find ways to compete in the world market.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Examples of reductions in this area include a 20% average reduction in agency administrative costs, and $13 million in reductions to grant programs.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

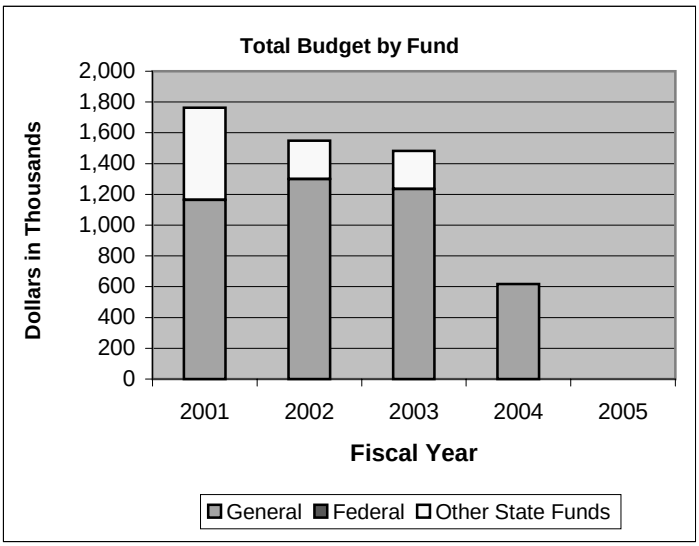
Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	2,600	494	3,094
Legislatively Mandated Base	-130	0	-130
One-Time Appropriations	0	-494	-494
Adjusted Base Funding	2,470	0	2,470
Change Items			
Budget Reduction	-1,852	0	-1,852
Governor's Recommendations	618	0	618
Biennial Change, 2002-03 to 2004-05	-1,917	-495	-2,412
Percent Change	-76%	-100%	-80%

Brief Explanation Of Budget Decisions:

The Legislatively Mandated Base adjustment was passed as part of the “phase one” reductions in the ’02 session. The one-time adjustment of $494,000 in the “Other Funds” column removes two LCMR projects appropriated in the FY 2002-03 biennium from the base.



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	600	248	247	0	0	0
General	1,164	1,300	1,235	618	0	618
Total	**1,764**	**1,548**	**1,482**	**618**	**0**	**618**
Expenditures by Category						
Local Assistance	1,764	1,548	1,482	618	0	618
Total	**1,764**	**1,548**	**1,482**	**618**	**0**	**618**
Expenditures by Program						
Science Museum Of Minn	1,764	1,548	1,482	618	0	618
Total	**1,764**	**1,548**	**1,482**	**618**	**0**	**618**

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($617)	($1,235)	($1,235)	($1,235)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($617)	($1,235)	($1,235)	($1,235)

Recommendation
The Governor recommends a $617,000 reduction to the base in FY 2004, and a reduction of $1,235,000 in FY 2005 and beyond.

Background
The Science Museum has an annual operating budget of approximately $33.6 million. Of this amount, approximately 7% comes from state and county governments.

Relationship to Base Budget
The reduction of 50% of the adjusted 2003 amount is intended to give the Museum time to plan for the complete loss of state funding in FY 2005.

Statutory Change: Not Applicable

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;
- and the filing and preservation of the official documents of the state.

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.

At A Glance

Total business filings in databases: 1,666,000

Registered voters in databases: 2,856,810

Customer transactions each year: 575,665 (2001)

Telephone calls answered at general lines each year: 182,000

Official documents filed: 4,916 (2001)

Open appointments administered: 2,132 members of 226 state agencies

General elections support:
- 1,800 township elections every year
- 856 city elections on a two-year cycle
- 343 school district elections on a two-year cycle
- 87 state and county elections on a two-year cycle
- 200 other elections on a two-year cycle

The **Business Services Division** 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 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.

Uniform Commercial Code Division 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 Division** 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.

Budget

During the FY 2002-03 budgeting biennium, the Secretary of State projects (as of May 31, 2002) collecting approximately $21.7 million in fees and charges. The office has a revolving fund of approximately $400,000 each fiscal year. The remainder of fees generated is deposited into the state General Fund. The legislature has appropriated $14.7 million from this fund back to the Secretary of State to cover the office's biennial operating budget. Currently, there are 90 staff persons in the office.

Contact

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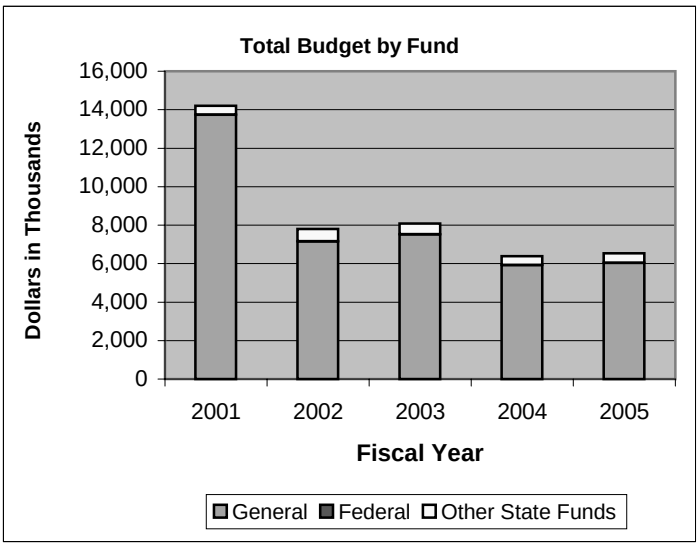
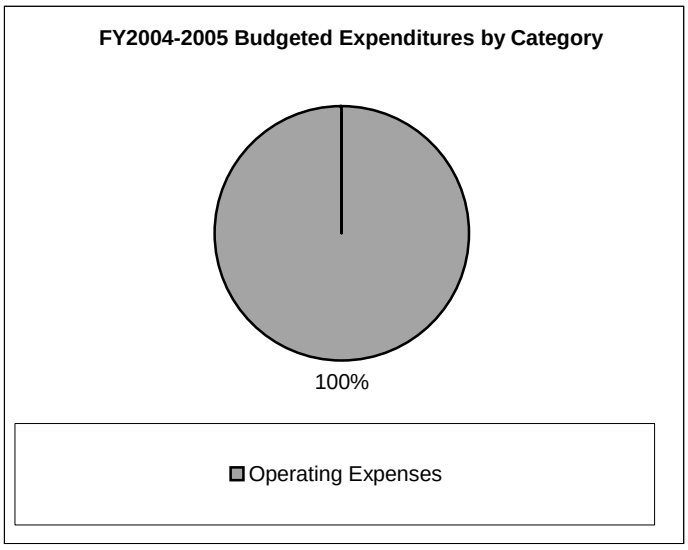




Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	13,742	7,158	7,518	5,912	6,032	11,944
Statutory Appropriations						
General	3	1	4	4	5	9
Special Revenue	457	649	549	475	495	970
Miscellaneous Agency	0	0	4	3	3	6
Total	**14,202**	**7,808**	**8,075**	**6,394**	**6,535**	**12,929**
Expenditures by Category						
Operating Expenses	14,064	7,806	8,075	6,394	6,535	12,929
Capital Outlay & Real Property	138	0	0	0	0	0
Other Financial Transactions	0	2	0	0	0	0
Total	**14,202**	**7,808**	**8,075**	**6,394**	**6,535**	**12,929**
Expenditures by Program						
Secretary Of State	14,202	7,808	8,075	6,394	6,535	12,929
Total	**14,202**	**7,808**	**8,075**	**6,394**	**6,535**	**12,929**
Revenue by Type and Fund						
Non Dedicated						
General	3	10,528	11,197	12,232	13,325	25,557
Cambridge Deposit Fund	11,149	0	0	0	0	0
Subtotal Non Dedicated	11,152	10,528	11,197	12,232	13,325	25,557
Dedicated						
General	2	1	4	4	5	9
Special Revenue	399	474	455	475	495	970
Miscellaneous Agency	0	0	3	3	3	6
Subtotal Dedicated	401	475	462	482	503	985
Total Revenue	**11,553**	**11,003**	**11,659**	**12,714**	**13,828**	**26,542**
Full-Time Equivalents (FTE)	**85.9**	**94.4**	**89.5**	**89.5**	**89.5**	

Program Description
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.

Population Served
The Office of the Secretary of State serves the people of Minnesota including the general public, businesses, lenders, law firms, 87 county auditors, and 87 county recorders.

Services Provided
The Secretary of State has several primary activities including administering Minnesota election laws. 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

Program at a Glance

Total business filings in database: 1,666,000

Registered voters in database: 2,856,810

Customer transactions each year: 575,665 (2001)

Telephone calls answered at general lines each year: 182,000

General elections support:
- 1,800 township elections every year
- 856 city elections on a two-year cycle
- 87 state and county elections on a two-year cycle
- 200 other elections on a two-year cycle

Other primary activities of the Secretary of State are to register a variety of business organizations including limited liability companies, limited liability partnerships, corporations, and assumed names; and to file financing statements and maintain 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 Secretary of State's office responds to 182,000 telephone calls each year pertaining to business-related questions and to election-related questions such as eligibility, where to vote, and election results. The Secretary of State's office offers for sale to the general public lists of businesses and other information from its databases, and access via the web to its databases for businesses and Uniform Commercial Code filing information.

Key Measures
1. Voter Registration

   Goal: Increase in number of registered voters
   Measurement: Number of citizens registered to vote as entered in VEMS (voter and election management system)

June 1999	June 2000	June 2001	June 2002	June 2003	June 2004
2,740,026	2,747,459	2,859,906	2,861,489	2,911,000	2,916,000

2. Facilitate Commerce

   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.

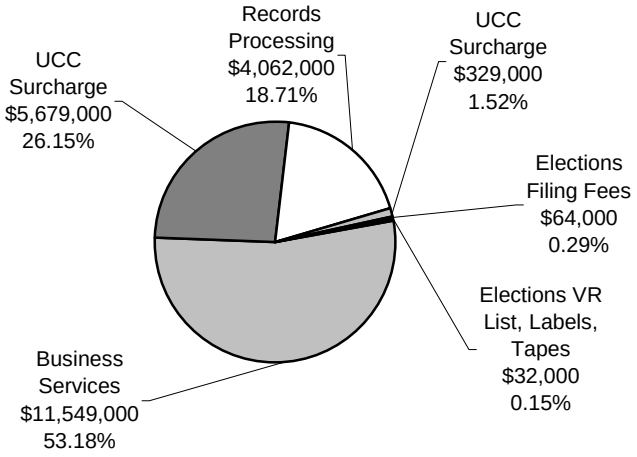
	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Bus filings	3 days	3 days	5 days	3 days	2 days	1 day
UCC filings	2 days	2 days	2 days	2 days	1.5 days	1.5 days

3. Access to Information and Services

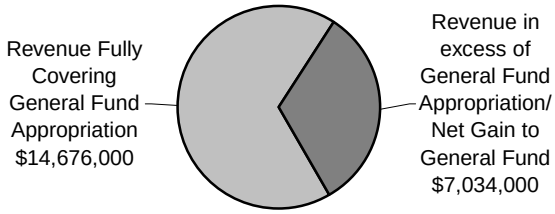
Goal: Increase in the availability of information and services via the web
Measurement: web site activity –
Number of Direct Access client accounts, served via online filing

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Number of web site hits	N/A info not available	N/A info not available	19,000,533 (est.)	23,606,878	28,000,000	33,000,000
No. of Direct Access Accounts	453 old system via telephone	450 old system via telephone	482 old system via telephone	956	1,200	1,350
No. of Business Services web searches by name	N/A	N/A	N/A	9,830	14,000	19,000
No. of UCC searches by name	N/A	N/A	N/A	75,512	90,000	105,000
No. of database look-ups by filing number	N/A	N/A	N/A	39,175	50,000	60,000
No. of UCC web filings	0	0	0	0	10,000	30,000

FY 2002-03 General Fund Fee Revenue Sources
Estimated Total Revenue: $21.7



FY 2002-03 General Fund Fee Revenue Destination
Estimated Total Revenue: $21.7



Program Funding

This agency is funded primarily through direct General Fund appropriations.

Contact

Secretary of State of Minnesota
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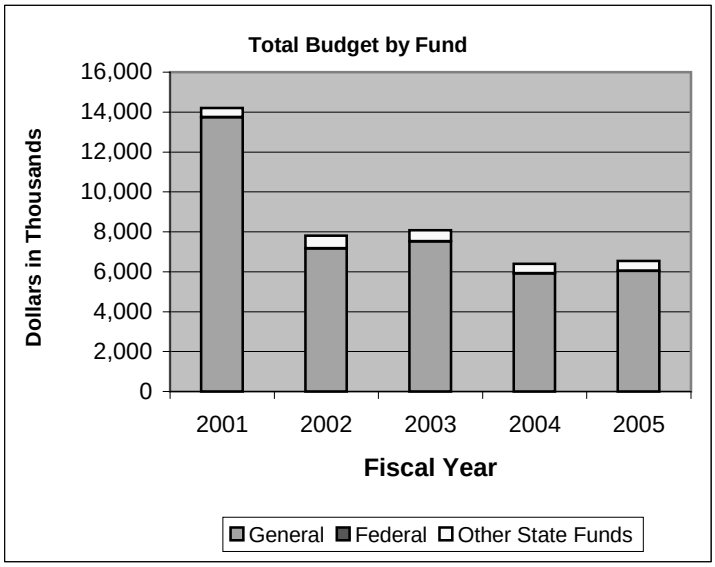

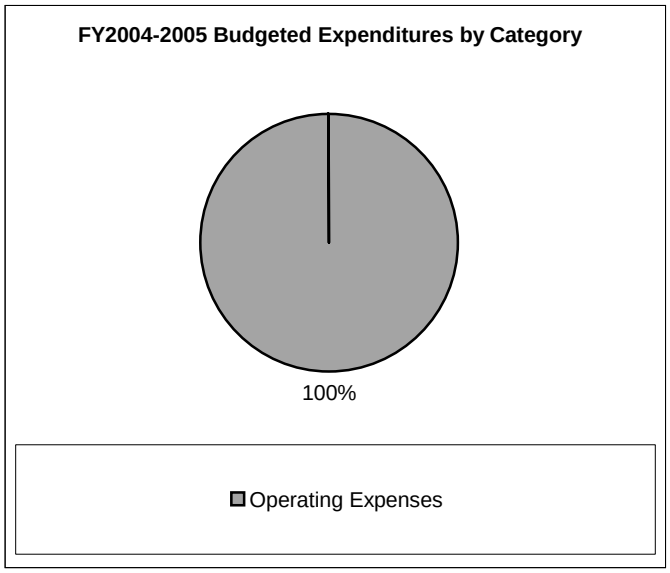

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	13,742	7,158	7,518	5,912	6,032	11,944
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Total	**14,202**	**7,808**	**8,075**	**6,394**	**6,535**	**12,929**
Expenditures by Category						
Operating Expenses	14,064	7,806	8,075	6,394	6,535	12,929
Capital Outlay & Real Property	138	0	0	0	0	0
Other Financial Transactions	0	2	0	0	0	0
Total	**14,202**	**7,808**	**8,075**	**6,394**	**6,535**	**12,929**
Expenditures by Activity						
Administration	5,989	2,880	2,851	1,579	1,628	3,207
Operations	7,464	4,175	4,277	3,929	3,934	7,863
Elections	749	753	947	886	973	1,859
Total	**14,202**	**7,808**	**8,075**	**6,394**	**6,535**	**12,929**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	3	10,528	11,197	12,232	13,325	25,557
Cambridge Deposit Fund	11,149	0	0	0	0	0
Subtotal Non Dedicated	11,152	10,528	11,197	12,232	13,325	25,557
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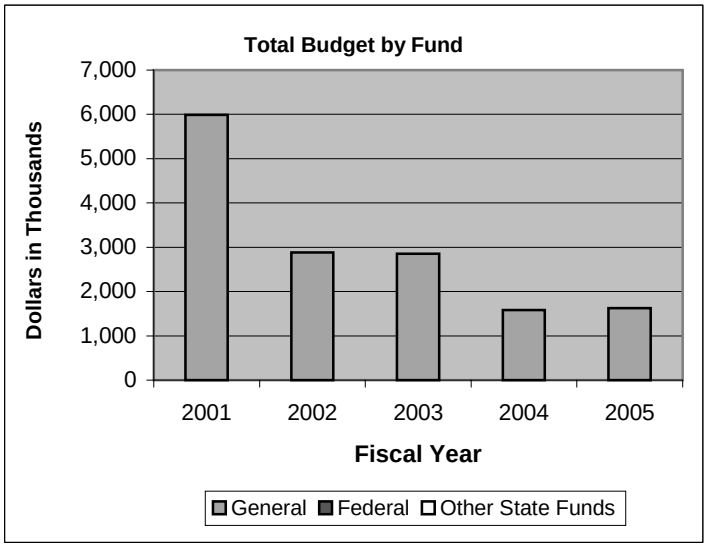
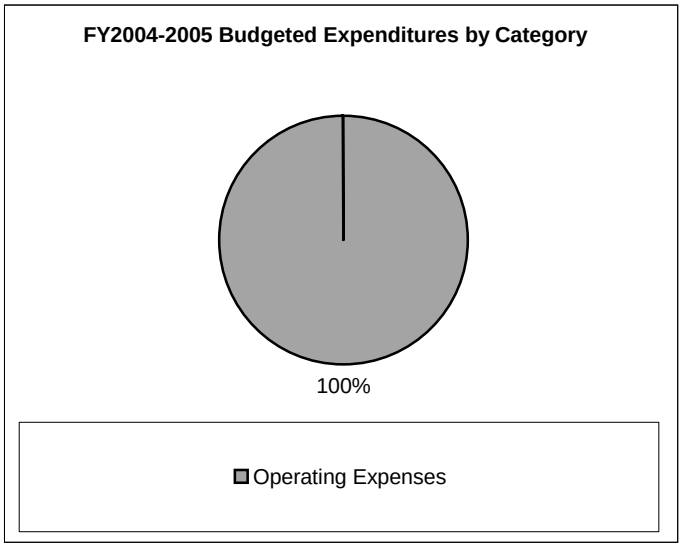
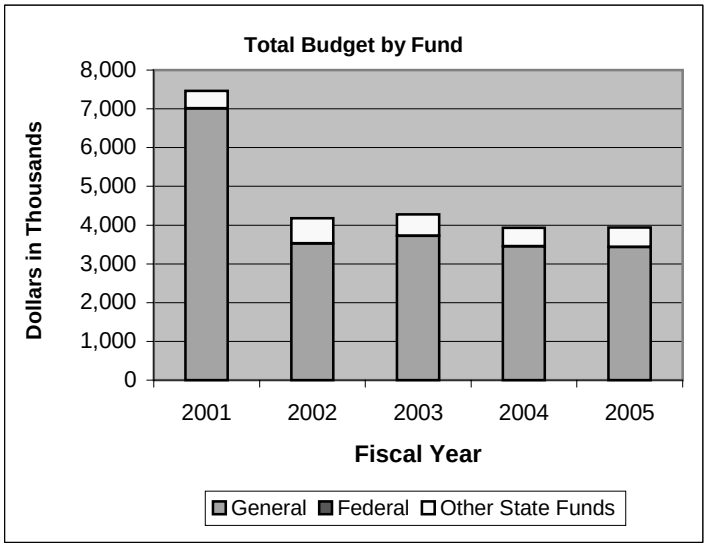
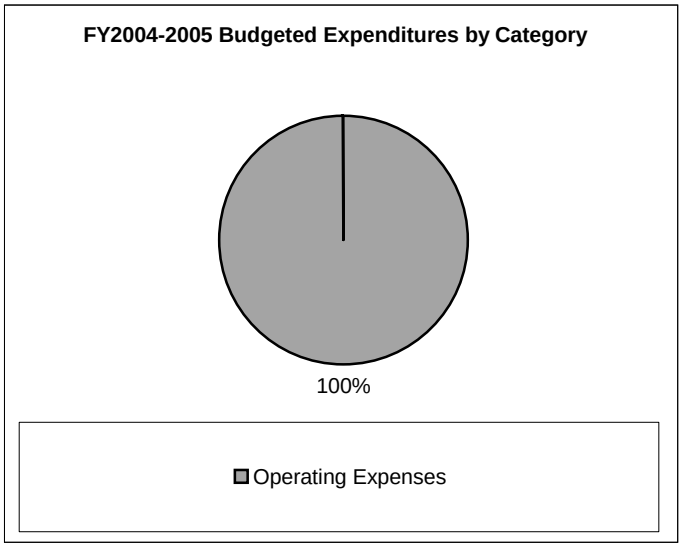
Miscellaneous Agency	0	0	3	3	3	6
Subtotal Dedicated	401	475	462	482	503	985
Total Revenue	**11,553**	**11,003**	**11,659**	**12,714**	**13,828**	**26,542**
Full-Time Equivalents (FTE)	**85.9**	**94.4**	**89.5**	**89.5**	**89.5**	



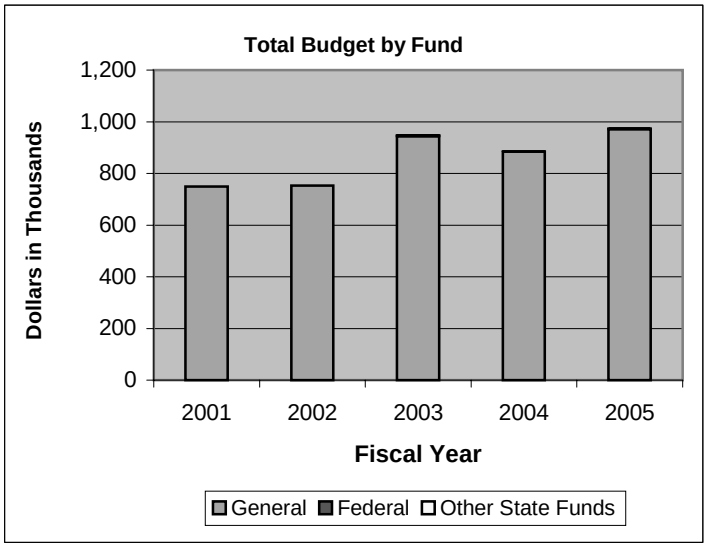


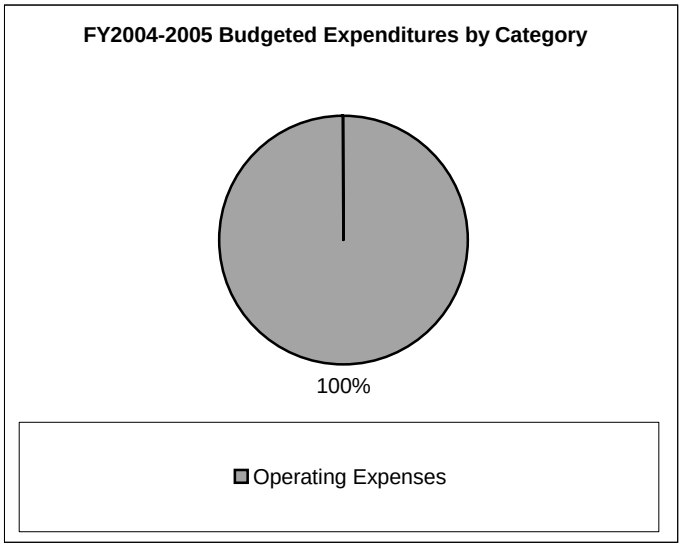
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	5,989	2,880	2,851	1,579	1,628	3,207
Total	**5,989**	**2,880**	**2,851**	**1,579**	**1,628**	**3,207**
Expenditures by Category						
Operating Expenses	5,851	2,878	2,851	1,579	1,628	3,207
Capital Outlay & Real Property	138	0	0	0	0	0
Other Financial Transactions	0	2	0	0	0	0
Total	**5,989**	**2,880**	**2,851**	**1,579**	**1,628**	**3,207**
Full-Time Equivalents (FTE)	**22.7**	**33.4**	**30.5**	**30.5**	**30.5**	





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	7,004	3,525	3,723	3,449	3,433	6,882
Statutory Appropriations						
General	3	1	4	4	5	9
Special Revenue	457	649	549	475	495	970
Miscellaneous Agency	0	0	1	1	1	2
Total	**7,464**	**4,175**	**4,277**	**3,929**	**3,934**	**7,863**
Expenditures by Category						
Operating Expenses	7,464	4,175	4,277	3,929	3,934	7,863
Total	**7,464**	**4,175**	**4,277**	**3,929**	**3,934**	**7,863**
Revenue by Type and Fund						
Non Dedicated						
General	3	10,525	11,130	12,228	13,253	25,481
Cambridge Deposit Fund	11,095	0	0	0	0	0
Subtotal Non Dedicated	11,098	10,525	11,130	12,228	13,253	25,481
Dedicated						
General	2	1	4	4	5	9
Special Revenue	399	474	455	475	495	970
Miscellaneous Agency	0	0	1	1	1	2
Subtotal Dedicated	401	475	460	480	501	981
Total Revenue	**11,499**	**11,000**	**11,590**	**12,708**	**13,754**	**26,462**
Full-Time Equivalents (FTE)	**55.9**	**51.6**	**50.1**	**50.1**	**50.1**	





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	749	753	944	884	971	1,855
Statutory Appropriations						
Miscellaneous Agency	0	0	3	2	2	4
Total	**749**	**753**	**947**	**886**	**973**	**1,859**
Expenditures by Category						
Operating Expenses	749	753	947	886	973	1,859
Total	**749**	**753**	**947**	**886**	**973**	**1,859**
Revenue by Type and Fund						
Non Dedicated						
General	0	0	64	1	69	70
Cambridge Deposit Fund	54	0	0	0	0	0
Subtotal Non Dedicated	54	0	64	1	69	70
Dedicated						
Miscellaneous Agency	0	0	2	2	2	4
Subtotal Dedicated	0	0	2	2	2	4
Total Revenue	**54**	**0**	**66**	**3**	**71**	**74**
Full-Time Equivalents (FTE)	**7.3**	**9.4**	**8.9**	**8.9**	**8.9**	

State of Minnesota
Department of Finance

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the Governor's FY 2004-05 budget proposal for the Secretary of State. The Governor respects the separation of powers and the desire of officials in the judicial and legislative branches and other constitutional officers 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's general recommendations for the legislature and constitutional offices reflect both his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions examine and redesign their operations to increase efficiencies while minimizing the disruption to public services as much as possible. They should also consider collaboration with other agencies to consolidate operations, co-locate facilities, or otherwise share services in order to reduce costs.

For the Secretary of State, the Governor's recommendation is $11.944 million in General Fund appropriations for the FY 2004-05 biennium, which reflects a 15% reduction from the agency's forecast budget. This is consistent with the recommendations for other constitutional officers and the legislature. The Governor makes no recommendation regarding the specific initiatives put forward by the Secretary of State and other constitutional officers.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	14,541	976	15,517
Biennial Appropriations	-171	0	-171
Legislatively Mandated Base	-309	0	-309
Adjusted Base Funding	14,061	976	15,037
Change Items			
Budget Reduction	-2,108	0	-2,108
Governor's Recommendations	11,953	976	12,929
Biennial Change, 2002-03 to 2004-05	-2,728	-226	-2,954
Percent Change	-19%	-19%	-19%

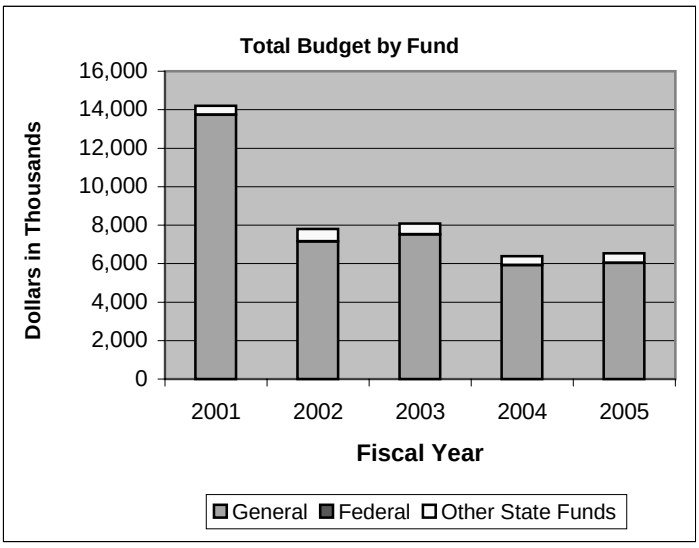
Brief Explanation Of Budget Decisions:

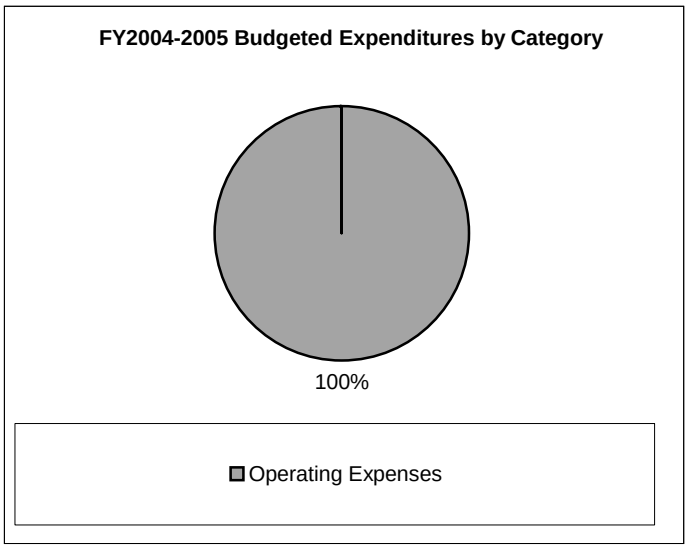
The FY 2004-05 base budget for the Office of the Secretary of State includes the following technical changes under "Biennial Appropriations:"

- increase of $1,000 for board compensation for presidential electors, which is budgeted every four years as it relates to the presidential election;
- decrease of $93,000 for printing the *Minnesota Legislative Manual*, because the document is printed every other year;
- decrease of $125,000 related to the operation of a voter information telephone line, because the line is in operation every other year;
- increase of $8,000 for the straw ballot conducted on the evening of precinct caucuses every other year; the first time is for the presidential election, and the next is for the gubernatorial election;
- increase of $20,000 for election training materials; every other year the costs are higher due to the election; and
- increase of $18,000 for producing an election judge training video, which is produced every other year.

Also, as indicated above under "Legislatively Mandated Base," the office's FY 2004-05 base budget includes technical changes for the following:

- increase of $24,000 to annualize the increase in the salary for the secretary of state as mandated by Laws 2001, 1st Special Session, Chapter 10, Article 1, Section 2; and
- decrease in expenditures of $333,000 for administration of the Uniform Commercial Code system as provided in Laws 2001, 1st Special Session, Chapter 10, Article 1, Section 7.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	13,742	7,158	7,518	5,912	6,032	11,944
Statutory Appropriations						
General	3	1	4	4	5	9
Special Revenue	457	649	549	475	495	970
Miscellaneous Agency	0	0	4	3	3	6
Total	**14,202**	**7,808**	**8,075**	**6,394**	**6,535**	**12,929**
Expenditures by Category						
Operating Expenses	14,064	7,806	8,075	6,394	6,535	12,929
Capital Outlay & Real Property	138	0	0	0	0	0
Other Financial Transactions	0	2	0	0	0	0
Total	**14,202**	**7,808**	**8,075**	**6,394**	**6,535**	**12,929**
Expenditures by Program						
Secretary Of State	14,202	7,808	8,075	6,394	6,535	12,929
Total	**14,202**	**7,808**	**8,075**	**6,394**	**6,535**	**12,929**
Revenue by Type and Fund						
Non Dedicated						
General	3	10,528	11,197	12,232	13,325	25,557
Cambridge Deposit Fund	11,149	0	0	0	0	0
Subtotal Non Dedicated	11,152	10,528	11,197	12,232	13,325	25,557
Dedicated						
General	2	1	4	4	5	9
Special Revenue	399	474	455	475	495	970
Miscellaneous Agency	0	0	3	3	3	6
Subtotal Dedicated	401	475	462	482	503	985
Total Revenue	**11,553**	**11,003**	**11,659**	**12,714**	**13,828**	**26,542**
Full-Time Equivalents (FTE)	**85.9**	**94.4**	**89.5**	**89.5**	**89.5**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($1,054)	($1,054)	($1,054)	($1,054)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($1,054)	($1,054)	($1,054)	($1,054)

Recommendation
The Governor recommends a direct General Fund appropriation of $5.912 million in FY 2004 and $6.032 million in FY 2005.

Background
The Governor respects the separation of powers and the desire of officials in the judicial and legislative branches and other constitutional officers 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 balanced budget.

The Governor's general recommendations for the legislature and constitutional offices reflect his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions individually redesign their operations to increase efficiencies while minimizing the disruption to public services as much as possible. They should also consider collaboration with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Relationship to Base Budget
The Governor's recommendation reflects an annual reduction of $1.054 million, which is a 15% reduction from the agency's forecast budget and is consistent with the recommendations for other constitutional officers and the legislature.

Mary Kiffmeyer

MINNESOTA SECRETARY OF STATE

February 18, 2003

Dear Legislators,

Like you, as an elected official I am acutely aware of the needs of our state in these difficult times. I recognize that a reduction in our General Fund appropriation is necessary.

Background

The secretary of state is an independently elected constitutional officer who serves the people of Minnesota by administering fair and honest elections; promoting citizen participation in government; facilitating commerce by recording business documents regarding entities and financing statements for business loans; and preserving for history the records entrusted to the office.

The Office of the Secretary of State (OSS) is a revenue-producing agency and a net contributor to the General Fund, unlike the other constitutional offices and most other agencies:

- contributing approx $11 million to the General Fund annually; and
- General Fund appropriation of only $7 million annually.

Therefore, I propose:

- **a 15% reduction to the FY 04-05 General Fund base; and**
- **a funding proposal to maintain essential services, continue contributions to the General Fund from the office at existing levels and position the state to leverage federal elections funds as required by federal law.**

Benefits of Proposal

Failure to enact the proposal would result in a reduction of $1.054 million in each fiscal year. Such a reduction affects commerce, revenue-producing operations, and elections in ways that are unacceptable and will jeopardize receipt of matching federal funds.

By enacting this proposal, the office can avoid the severe consequences of this reduction for both the public and private sector in our state.

These consequences would include degradation of services such as incorporation of businesses, recording of commercial transactions such as financing statements, delays in requests for corporate documents, as well as delays in requests for certification of status of companies, and similar delays, all of which would reduce economic growth, profits, and tax revenues.

Accuracy, integrity and uniformity of elections would also be at risk due to reduced election administration resources.

In addition, new federal legislation in the area of elections provides for federal funding to improve our elections equipment, systems, training, outreach, and other elections functions, BUT only if the state appropriates an amount equal to 5% of the total. Congress has not yet finalized the appropriation, but the maximum amount of match to be appropriated is approximately $2.5 million in this biennium. This must be appropriated to a separate fund (see HF 195/S.F. 152) as per federal law. This proposal would allow for the required match.

Proposal
In order to address the ongoing technology resource needs of OSS, fund the new Help America Vote Act (HAVA) matching requirements, and maintain services without a negative impact to the General Fund, OSS proposes that a secretary of state technology account be established in the state treasury. The account would be used to fund office-wide technology infrastructure, services, and operations.

The proposed account would be funded by future growth in General Fund revenues produced by OSS over and above $10,528,000, which was the total deposited to the General Fund during FY 2002, as well as the additional revenue generated as a result of an increase to business fees. General business entity filing fees are set by the legislature and have not been adjusted for inflation since 1989. Since that time inflation has risen a total of **45%.**

In each biennium starting after July 1, 2003, annual revenue generated by OSS in excess of the $10,528,000 amount actually turned back to the General Fund during the fiscal year ending June 30, 2002, would be deposited to the Voting Integrity and Voter Access Account (VIVA) and to the secretary of state technology fund for technology infrastructure investment and aforementioned technology costs. Revenues generated by the increase in filing fees would be deposited into this fund.

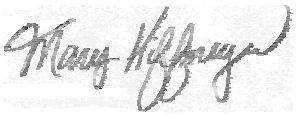
Process
75% of all General Fund revenues received would be deposited into the General Fund, 15% into the VIVA account and 10% to the OSS technology account until the FY 2002 revenue total of $10,528,000 is realized. Thereafter all revenues that would otherwise go to the General Fund would be deposited into the VIVA account to bring that account up to $1,250,000 in each of the first two years, and then to the OSS technology account. If, at the close of each fiscal year, the sums deposited into the General Fund under this proportion did not equal the revenue deposited into the General Fund during the baseline FY 2002, the difference would be transferred from the secretary of state technology account to the General Fund, so that the General Fund would be held harmless except in catastrophic economic times.

The technology fund would be dedicated to OSS and would carry forward from biennium to biennium. The secretary of state would report annually to the chairs of the finance committees of the legislature on the activities of that fund.

This proposal is driven by volume and demand for services. If demand increases in the future, as it historically has, resources to provide those services will increase and OSS will be able to respond in an efficient, market-driven manner.

This is a difficult budget period. I hope you will enact my proposed solution as an answer to the needs for these functions in government and commerce.

Sincerely,



Mary Kiffmeyer
Secretary of State

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($1,054)	($1,054)	($1,054)	($1,054)
Revenues	0	0	0	0
Other Fund				
Expenditures	3,275	3,275	2,000	2,000
Revenues	3,275	3,275	3,275	3,275
Net Fiscal Impact	($1,054)	($1,054)	$221	$221

Agency Request: Submitted for Reference Only

Recommendation

The Office of the Secretary of State (OSS) proposes a 15% reduction in its FY 2004-05 base budget, along with a funding mechanism to enable the office to maintain essential services, continue contributions to the General Fund at existing levels, and position the state to receive federal elections funds as required by federal law.

The Office of the Secretary of State recommends that funds totaling $3,275,000 each fiscal year be placed in two special revenue accounts as the result of this funding mechanism. The $3,275,000 total would be derived from additional revenue generated by OSS through proposed fee increases (totaling $1,775,000 each year) and capture of funds collected over and above $10,528,000 per year (the total contributed to the General Fund by the office in FY 2002). We estimate this additional revenue to be up to $1,500,000 per year in the foreseeable future.

The Secretary of State Technology Account within the state's special revenue fund would provide necessary operating and infrastructure funds related to technology. Up to $1,250,000 in each of FY 2004 and 2005 would also be directed to the Voting Integrity and Voter Access (VIVA) account proposed in H.F.195/S.F.152 to satisfy the state matching requirements under Section 253 of the Help America Vote Act (HAVA) (P.L.-107-252).

Background

The Office of the Secretary of State contributes more than $21 million to the General Fund each biennium and has normal operating costs of approximately $14 million. The office contributes more than enough fee revenue to fund the operations of the office and reasonable and necessary periodic office technology maintenance and upgrades. Customers of the office are paying for the services provided on a daily basis.

Relationship to Base Budget

The effect of this change item would be to reduce the General Fund budget and base of the Office of the Secretary of State by 15%, or $1,054,000. In the 2004–05 biennium there would be a direction of up to $1,250,000 in fee increase/growth fund dollars to the VIVA fund in order to meet our matching obligations under HAVA. That expenditure would not be necessary (under the current configuration of the federal law) in the following biennium.

Funds would be expended in these two funds as follows (all numbers in $000's):

Fund Name	FY2004	FY2005	FY2006	FY2007
VIVA				
Expenditures	$1,250	$1,250	-0-	-0-
Revenues	-0-	-0-	-0-	-0-
Tech Fund				
Expenditures	2,025	2,025	2,025	2,025
Revenues	-0-	-0-	-0-	-0-
Total New Expend.	$3,275	$3,275	$2,025	$2,025
Revenues from Chg.	$3,275	$3,275	$3,275	$3,275

Key Measures

The success of this change item will be measured by the ability of the office to generate sufficient additional fee revenues to cover the HAVA matching obligation and the normal costs of operation and infrastructure technology needs.

Technology is a major component to this change item. Success will be measured by:

- smooth, continuous delivery of election management system in coming years;
- uninterrupted, stable technical support of business services;
- seamless recovery from any disaster;
- ongoing prevention of hacking activity and avoidance of data corruption; and
- minimization of system downtime through maintenance of robust hardware and software.

The office expects to report back to the legislature each biennium with complete income and expenditure figures.

Alternatives Considered

The alternatives to funding the HAVA matching requirement in this manner are:

- not funding the match and foregoing up to $50,000,000 in federal funds which are authorized by HAVA for election improvement purposes;
- funding the HAVA match from the General Fund as a direct appropriation;
- funding the HAVA match from some unspecified non-General Fund source; and
- bonding for the HAVA match, as HAVA expenditures will likely include a substantial amount of voting equipment.

To the extent the HAVA match is dealt with in one of the above ways, fee increase revenues could be reduced by that amount during the FY 2004-05 biennium.

If the technology funding listed below is not provided:

- OSS revenue projections would not be realized, as they are dependent upon the ability to provide automated services to our customers;
- OSS operations will be compromised;
- existing OSS databases and technology investment will be subjected to serious security risks; and
- providing services to fee-paying customers will become problematic, as OSS systems become obsolete and thus incompatible with the automated systems of our major customers and customer groups.

All of the above will reduce the ability of OSS to facilitate tax-producing commerce in Minnesota and fund its operations under this change item.

Technology Funding Detail

(Dollars in Thousands)

Funding Distribution	2004-2005 Biennium		2006-2007 Biennium		2008-2009 Biennium	
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personnel	$130	$134	$138	$142	$146	$151
Supplies	5	5	5	5	5	5
Hardware	883	1,212	765	707	699	707
Software	637	100	567	663	667	654
Facilities	0	0	0	0	0	0
Services	290	494	470	428	428	428
Training	80	80	80	80	80	80
Grants	0	0	0	0	0	0
TOTAL	**$2,025**	**$2,025**	**$2,025**	**$2,025**	**$2,025**	**$2,025**

This information is specifically required by M.S. 16A.11 and should be taken directly from the business case in the SIRMP online database under the "Project Funding" tab.

Office of Technology Analysis

Information on this initiative arrived late, and the Office of Technology (OT) was unable to complete an analysis within the timeframe originally established. OT will work with the Office of the Secretary of State to analyze the proposal.

Statutory Change: Those statutes which currently direct fee revenues from the Office of the Secretary of State will be amended to provide that the marginal increases in specified fees and the amount in excess of $10,528,000 are dedicated to the VIVA and Secretary of State Technology accounts within the state's special revenue fund. Statutes covering office fees will be amended as appropriate.

Agency Purpose

The Minnesota Sentencing Guidelines Commission's Mission is to promote the rational, proportionate, consistent application of sentencing law to people convicted of felony offenses. With public safety as its first priority, the Commission develops, monitors, evaluates, and implements a variety of felony sentencing policies and practices.

The ongoing process of developing a consistent system for felony sentencing is very complex, and involves input from a variety of sources:

⇒ The Governor and Minnesota Legislature, who, through legislative changes, set both very broad and very specific sentencing polices.
⇒ Citizens, including crime victims, who serve on the commission and provide input from those who do not work within the criminal justice system.
⇒ The Judiciary, who must implement the guidelines, and who are most directly involved in day-to-day sentencing decisions.
⇒ Law Enforcement, who are aware of recent and future trends in both enforcement strategies and criminal conduct.
⇒ Corrections, which works with offenders and can provide assistance with measuring outcomes of the sentencing process.
⇒ Prosecutors and Defense Attorneys, who must navigate the system to provide just outcomes for their respective clients.

At A Glance

The Sentencing Guidelines Commission, a legislatively created body, is composed of a mix of criminal justice professionals, judges, and citizens interested in sentencing policy. The Commission created the Minnesota Sentencing Guidelines, a set of rules which the courts must use in deciding sentences for felony offenders.

Since 1981, when the Guidelines went into effect, the number of felons sentenced each year in Minnesota has increased from 5,500 to 10,400. Sentence lengths have increased dramatically during that time period, and the Sentencing Guidelines have become far more complex. The Commission strives to maintain a sentencing system which serves the public safety while remaining consistent and proportional.

Core Functions

The Sentencing Guidelines Commission is responsible for setting sentencing guidelines for the district court. Those guidelines must be followed unless substantial and compelling circumstances exist.

The key strategies for carrying out these core functions

- annual Revision of published Sentencing Guidelines
- collection of Data on all felony sentences
- support development of integrated statewide criminal justice information
- advise practitioners on sentencing law
- educate and inform public regarding sentencing policy
- provide impact analysis to sentencing policy decision makers
- evaluate sentencing policy outcomes

Operations

The Commission employs seven full-time employees who assemble the felony sentencing data and provide support for the Commission's decision-making process, along with providing assistance to people involved or interested in specific sentencing practices. The primary ways in which these services are delivered:

- collect, integrate, and maintain sentencing data for over 10,000 felony sentences per year;
- prepare a variety of annual reports, including a report to the legislature on sentencing practices;
- provide analysis to the Commission and to the legislature on the fiscal impact of a wide variety of proposed sentencing alternatives;
- answer thousands of questions regarding specific application of the Sentencing Guidelines;
- review and analyze specific sentencing practices and outcomes of those practices; and
- train criminal justice practitioners on application of the Guidelines.

Key Measures

⇒ The commission prepares and presents an Annual Report on Sentenced Offenders for the legislature at the beginning of each session.

⇒ Fiscal notes are delivered to legislative decision makers within time periods specified.

⇒ Specific legal and data questions from practitioners are answered prior to date requested.

Budget

The commission is funded through a $1,018,000 General Fund appropriation for the biennium and a small agency infrastructure grant of $46,000 through the Office of Technology. There are 7 FTEs.

Contact

Minnesota Sentencing Guidelines Commission
Suite 205
200 University Ave W
St. Paul, MN 55103
(651) 296-0144

Further information, including meeting dates and times, information on public hearings, email address, and previously issued reports, may be found on the World-Wide Web at: http://www.msgc.state.mn.us/

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Criminal Justice omnibus bill. These agencies collectively administer $11.043 million (Gov's Rec, all funds) for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $2.426 million (18%percent) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to regulate peace officers and partially reimburse their training costs, provide tax court services and disciplinary oversight of judges, regulate private detectives, administer sentencing guidelines, and promote passage of uniform laws.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

The funding recommended for most of these agencies will be reduced by 15%. No funding reduction is recommended for the Board on Judicial Standards to maintain minimal operations. The Office of Ombudsman for Corrections is recommended for elimination. Additional FY 2003 funding of $35,000 is recommended for the Board on Judicial Standards to pay the anticipated costs of a public hearing regarding disciplinary actions against a judge.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

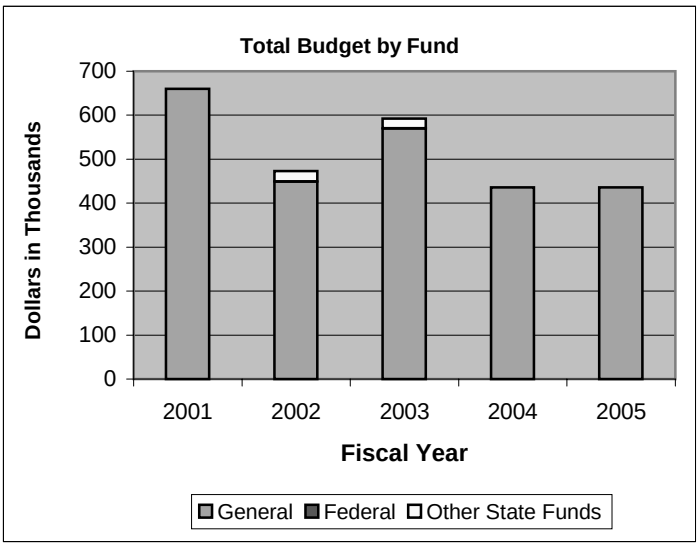
Dan McElroy
Commissioner

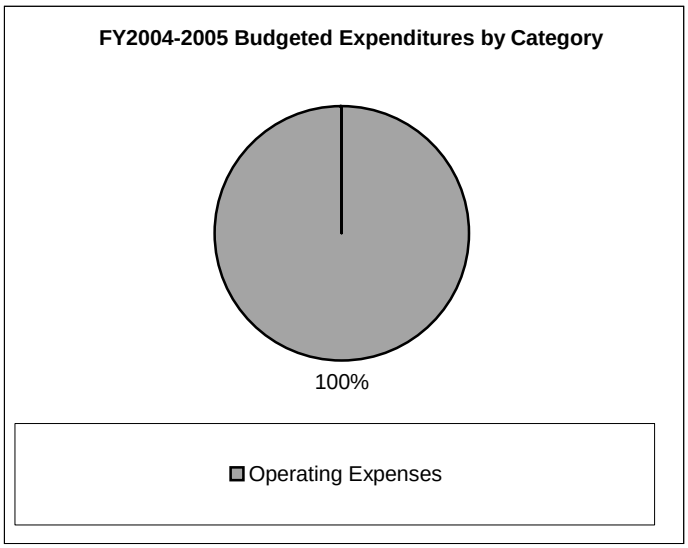
	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	990	0	990
Legislatively Mandated Base	-10	0	-10
Transfers Between Agencies	46	0	46
Adjusted Base Funding	1,026	0	1,026
Change Items			
Operating Budget Reductions	-154	0	-154
Governor's Recommendations	872	0	872
Biennial Change, 2002-03 to 2004-05	-147	-46	-193
Percent Change	-14%	-100%	-18%

Brief Explanation Of Budget Decisions:

Base adjustments include a reduction of $10,000 for budgetary tails as required by 2002 legislation and an increase of $46,000 for small agency infrastructure funding transferred from the Department of Administration as required by 2001 legislation.

The Governor recommends a budget of $436,000 in FY 2004 and $436,000 in FY 2005.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	660	449	570	436	436	872
Statutory Appropriations						
Special Revenue	0	24	22	0	0	0
Total	**660**	**473**	**592**	**436**	**436**	**872**
Expenditures by Category						
Operating Expenses	560	473	592	436	436	872
Local Assistance	100	0	0	0	0	0
Total	**660**	**473**	**592**	**436**	**436**	**872**
Expenditures by Program						
Mn Sentencing Guideline Com	660	473	592	436	436	872
Total	**660**	**473**	**592**	**436**	**436**	**872**
Revenue by Type and Fund						
Dedicated						
Gift	0	1	0	0	0	0
Subtotal Dedicated	0	1	0	0	0	0
Total Revenue	**0**	**1**	**0**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**7.5**	**6.9**	**7.0**	**6.0**	**6.0**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($77)	($77)	($77)	($77)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($77)	($77)	($77)	($77)

Recommendation

The Governor recommends a budget of $436,000 in FY 2004 and $436,000 in FY 2005 for the Minnesota Sentencing Guidelines Commission. These amounts reflect a 15% base reduction for the biennium. The Governor intends that the Commission should focus its appropriated funding on maintaining its highest priority services. In addition, the Governor intends to provide as much flexibility as possible to the agency for the implementation of these reductions.

Relationship to Base Budget

This change item results in a 15% reduction to the agency's base budget. It is anticipated that the number of FTE positions will decrease by one.

Alternatives Considered

None.

Statutory Change: Not Applicable.

Agency Purpose

Minnesota Statutes 148B.01-148B.28 require 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 chapter 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 2002-03:

Total Expenses: $2.189 million

Total Revenues: $2.360 million

Staff: 11.5 Full-time equivalent employees

MN Licensed Social Worker Statistics
(As of June 30, 2002*)*:

Total Licensed: **9,645**

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, permit 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.

Budget

Total direct and indirect expenses for FY 2002-03 biennium are $2.189 million. The board staff includes 11.5 full-time equivalent employees.

Of the total budget for the FY 2002-03 biennium, $2.360 million is collected as non-dedicated revenue and $28,000 is collected as dedicated – special revenue, which is deposited, into the state government special revenue fund. The board collects fees charged to applicants, licensees and professional corporations. The board is responsible to collect enough revenue to recover all direct and indirect costs.

The board is responsible for the costs of services received from the Attorney General's Office, Health Professional Services Program, and the Administrative Services Unit. A direct appropriation is given to each of these programs from the state government special revenue fund. The board must ensure that sufficient revenue is collected through its fees to fund their portion of these programs costs.

Contact

Minnesota Board of Social Work
2829 University Avenue Southeast
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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.

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State of Minnesota
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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Health and Human Services omnibus bill. These agencies collectively administer $163.2 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $1 million (0.6%) increase from the FY 2002-03 biennium. The funding for these agencies will be used to provide health and supportive housing services for Minnesota Veterans, license and regulate health professionals, promote high standards for treatment of mental illness, promote the protection of children, and coordinate training and administration for eight independent EMS organizations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, eliminate duplication, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Agencies have focused reduction plans around administrative areas of the budget. In most cases this protects the core function of the agency, albeit at a reduced level. In some cases, reduced staff will have direct effects on citizens as they try to access government services.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

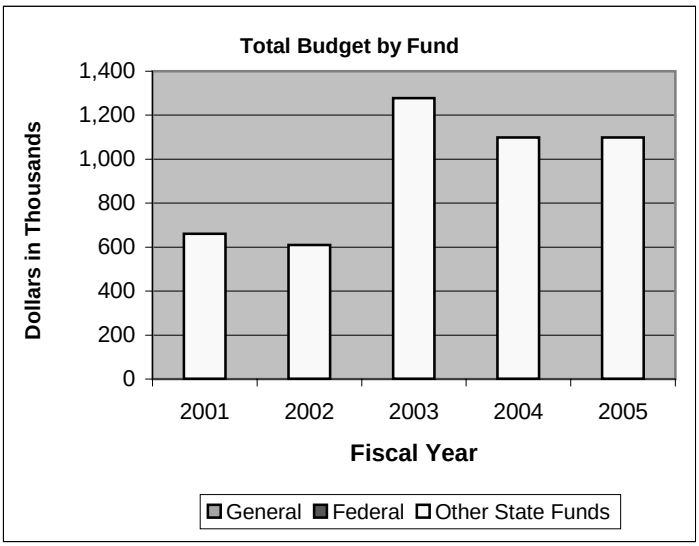
Sincerely,

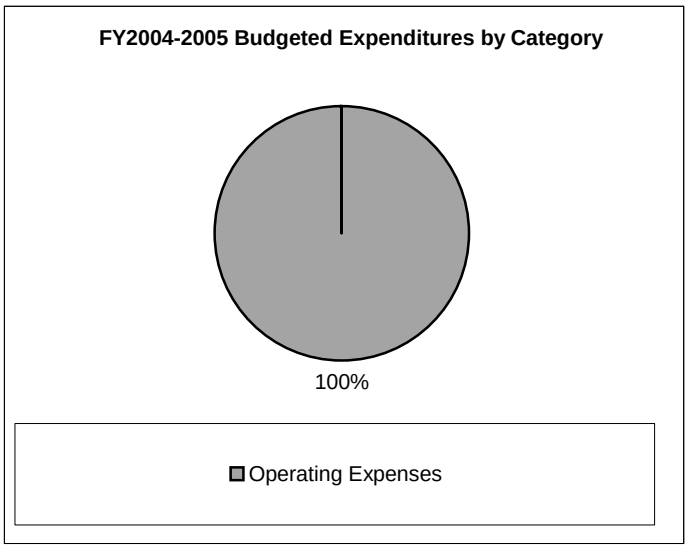
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	0	1,798	1,798
Legislatively Mandated Base	0	0	0
Transfers Between Agencies	0	400	400
Adjusted Base Funding	0	2,198	2,198
Governor's Recommendations	0	2,198	2,198
Biennial Change, 2002-03 to 2004-05	0	310	310
Percent Change	n.m	16%	16%

Brief Explanation Of Budget Decisions:

The Social Work Board is a fee-based organization that provides licensure and regulation services. No change in appropriation is requested from the State Government Special Revenue (SGSR) fund for FY 2004 and FY 2005. The biennial change in funding indicated above is due to small agency infrastructure funds from the Department of Administration.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
State Government Special Revenue	623	591	1,249	1,073	1,073	2,146
Open Appropriations						
State Government Special Revenue	27	10	12	12	12	24
Statutory Appropriations						
Special Revenue	11	9	17	14	14	28
Total	**661**	**610**	**1,278**	**1,099**	**1,099**	**2,198**
Expenditures by Category						
Operating Expenses	661	610	1,278	1,099	1,099	2,198
Total	**661**	**610**	**1,278**	**1,099**	**1,099**	**2,198**
Expenditures by Program						
Social Work, Board Of	661	610	1,278	1,099	1,099	2,198
Total	**661**	**610**	**1,278**	**1,099**	**1,099**	**2,198**
Revenue by Type and Fund						
Non Dedicated						
State Government Special Revenue	1,167	1,159	1,177	1,179	1,181	2,360
Subtotal Non Dedicated	1,167	1,159	1,177	1,179	1,181	2,360
Dedicated						
Special Revenue	11	10	14	14	14	28
Subtotal Dedicated	11	10	14	14	14	28
Total Revenue	**1,178**	**1,169**	**1,191**	**1,193**	**1,195**	**2,388**
Full-Time Equivalents (FTE)	**9.3**	**9.0**	**8.9**	**8.9**	**8.9**	

Agency Purpose

The mission of the Minnesota State Academies is to promote the highest level of self-sufficiency possible for deaf/hard of hearing and blind/visually-impaired students in the state of Minnesota. Established in 1863, the academies are statewide public schools that provide education and related services to students 0-21 who are blind, visually impaired, deaf or hard of hearing including those with multiple disabilities. The Minnesota State Academies are composed of two separate and unique schools--The Minnesota State Academy for the Blind (MSAB) and the Minnesota State Academy for the Deaf (MSAD). Federal law mandates that services provided by the Academies meet the student's need for a Free and Appropriate Public Education (FAPE) within the least restrictive environment.

At A Glance

On an annual basis, the Minnesota State Academies provide services to more than 500 students, as well as school districts and educators. The Minnesota State Academies serve deaf or blind students:

- ages 0-21 who reside in the state of Minnesota;
- in a residential setting, providing 24 hour educational services; and
- with additional disabilities, including physical and emotional needs.

The decision to attend the Minnesota State Academies (MSA) during the school year is made by an Individualized Educational Planning (IEP) team within the Special Education process, including the parent, the district of residence and Minnesota State Academies staff. Each IEP team must decide that MSA provides the most appropriate placement. Students may also attend MSA to obtain social skills or for short-term skill development. For more information, reference M.S. 125A.69 Admission Standards.

Core Functions

The Academies educate enrolled/non-enrolled students and/or support public schools to educate students to:

- develop self-esteem, social skills, leadership skills, and specialized skills like Braille or sign language;
- complete a course of study comparable to public schools;
- earn a living, become integrated in to the community, live on their own or in supported living arrangements;
- prepare for higher education or vocational training;
- access and utilize state of the art technology to prepare for employment in the 21st century; and
- acquire technology skills to access information otherwise inaccessible because of their disability.

Operations

The range of services provided by the Academies in support of the agency's mission is unique and often complex when compared to most public schools, making the Academies a necessary option for school districts. The Academies have provided educational services to deaf and blind students for more than 130 years. Historically, the Academies were the only educational options available to deaf or blind students. If students were deaf or blind it was assumed that they would attend the Academies. Today most deaf or blind students attend school in their local community. Recent capital improvements have positively impacted the Academies ability to meet its mission, including technology enhancements, dormitory improvements at MSAD, and an expansion of the main education building at MSAB (Lysen Hall).

The Academies:

- provide services that would be prohibitively expensive or unavailable in public schools;
- provide direct and indirect educational services through a number of program options;
- enrollment in the academic year programs, which include K-12 academics, early childhood intervention, transition, and programs for students with multiple disabilities;
- provide off-campus services in support of local school districts for non-enrolled students including specialized evaluations, direct teacher services, orientation and mobility training, and consultations;
- provide on-campus services in support of local school districts for non-enrolled students including weekend parent training programs, family and teacher visitation at the Academies to review specialized resources, short-term direct services such as basic skills testing remediation, independent living training, extended school year programming, and transition programs;

- help the state meet federal statutory requirements, the Individuals with Disabilities Act (IDEA);
- provide access to a direct communication environment, comprehensive services, additional resources and increased opportunities which meet the individual needs of students as mandated by their individual education plans (IEPs); and
- offer mainstream courses via the Faribault Public Schools which provides access to broader curriculum choices, advanced coursework, increase skills in working with interpreters, and integration with non-disabled peers.

Budget

The Academies 2002-2003 biennial budget totals $25.4 million. Academies staff include 203 full-time equivalent employees.

Of the total budget $21.7 million comes from General Fund tax dollars. Another $2.8 million is collected from school districts and the Department Of Children, Families, and Learning in the form of management aide reimbursement, tuition, and compensatory revenue. $400,000 is received in federal dollars. $500,000 is collected in employee's tax shelter annuities, student deposits, and gifts. In addition, the Academies collect $1.3 million in tuition from school districts, which is deposited in the state's General Fund.

Contact

For additional information contact:

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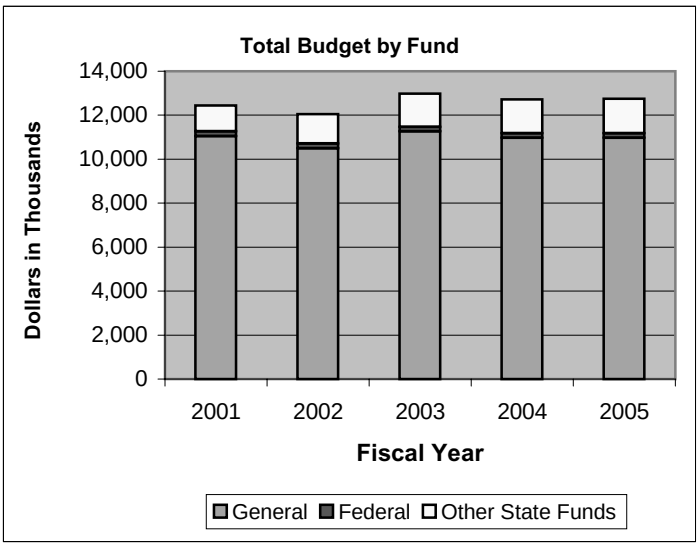
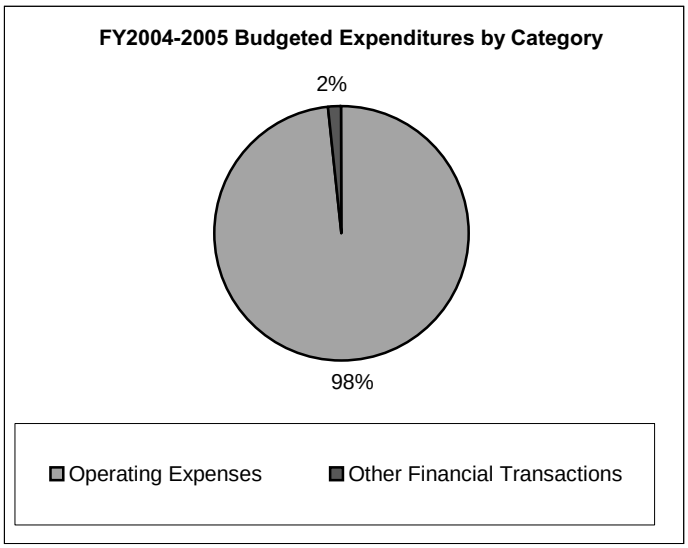




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	10,897	10,216	10,710	10,417	10,418	20,835
Statutory Appropriations						
General	142	282	555	555	555	1,110
Special Revenue	933	1,083	1,242	1,266	1,296	2,562
Federal	228	207	208	208	208	416
Miscellaneous Agency	228	244	259	259	259	518
Gift	10	13	12	12	12	24
Endowment	0	0	1	0	0	0
Total	**12,438**	**12,045**	**12,987**	**12,717**	**12,748**	**25,465**
Expenditures by Category						
Operating Expenses	12,025	11,701	12,672	12,388	12,419	24,807
Capital Outlay & Real Property	154	72	25	39	39	78
Payments To Individuals	65	63	65	65	65	130
Other Financial Transactions	194	209	225	225	225	450
Total	**12,438**	**12,045**	**12,987**	**12,717**	**12,748**	**25,465**
Expenditures by Program						
Residntl Academies/Deaf&Blind	8,787	8,505	9,225	9,031	9,061	18,092
Academy Operations	3,651	3,540	3,762	3,686	3,687	7,373
Total	**12,438**	**12,045**	**12,987**	**12,717**	**12,748**	**25,465**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	0	676	701	701	701	1,402
Special Revenue	662	0	0	0	0	0
Subtotal Non Dedicated	662	676	701	701	701	1,402
Dedicated						
General	372	423	395	395	395	790
Special Revenue	1,340	687	1,213	1,243	1,273	2,516
Federal	220	204	207	207	207	414
Miscellaneous Agency	226	243	259	259	259	518
Gift	17	11	12	12	12	24
Endowment	0	0	1	0	0	0
Subtotal Dedicated	2,175	1,568	2,087	2,116	2,146	4,262
Total Revenue	**2,837**	**2,244**	**2,788**	**2,817**	**2,847**	**5,664**
Full-Time Equivalents (FTE)	**204.3**	**206.9**	**202.9**	**195.6**	**195.6**	

Program Description/Population Served

The Minnesota State Academies provide educational opportunities to deaf/hard of hearing and blind/visually impaired students ages 0-21 when the student's local school district of residence cannot meet the educational needs of the student. A student may also attend the Academies to obtain social skills or for targeted short-term skill development. Federal law mandates that placement at the Academies be determined by the individual education planning team, including the parent, school district of residence, and Academies staff.

At A Glance

On an annual basis, the Minnesota State Academies provide services to more than 500 students, as well as school districts and educators. The Minnesota State Academies serve deaf or blind students:

- ages 0-21 who reside in the state of Minnesota;
- in a residential setting, providing 24 hour educational services; and
- with additional disabilities, including physical and emotional needs.

Services Provided

The Minnesota State Academies operate two separate campuses located about one mile apart from each other in Faribault, Minnesota: the Minnesota State Academy for the Deaf (MSAD) and the Minnesota State Academy for the Blind (MSAB). The Academies are governed by a nine member board which is appointed by the Governor. Support services, such as buildings and grounds maintenance, personnel, finance, food service, and health services are operated to support both MSAB and MSAD. The two academies share a common mission to educate students who are blind/visually impaired or deaf/ hard of hearing. Blind students rely on auditory information and deaf students rely on visual information. Teaching methods are so unique that higher education course work is divergent. Teachers qualified to work at one campus are often not qualified to work at the other.

MSAD

The educational process at the MSAD is provided in an environment where direct communication access is available to all students. Communication access involves many components. At MSAD, communication is designed to meet the needs of each individual child. For some children this means speech/language services; for others it may mean sign language instruction. The learning environment at MSAD is a 24-hour, language-rich environment, where American Sign Language and English are utilized to foster effective communication in a community with a critical mass of similar age, language peers. The MSAD provides social opportunities for students to develop positive self-esteem, leadership potential, self-advocacy skills, and the knowledge and confidence to become independent, self-sufficient Minnesotans. Students are able to participate fully in a wide array of activities like their public school peers. These activities include such things as drama, oratorical and academic competition, Jr NAD (National Association of the Deaf), athletics and student government.

MSAB

Ninety percent of learning for a sighted child occurs through the visual sense. The power of observation is lost to a blind student; thus, direct teaching of skills necessary to overcome the loss of vision is necessary. The curriculum taught at MSAB focuses on helping a blind/visually impaired child become a self-sufficient adult. The areas of curriculum instruction offered at MSAB include the following:

- Development of skills to access the curriculum, including Braille, large print and or print with the use of optical devices
- Orientation and mobility skills for independent travel
- Independent living skills
- Career education and
- Technology

An example of this instruction is a summer transition program that focuses on functional skill development and is offered in conjunction with local schools and vocational rehabilitation assistance at MSAB.

Historical Perspective

The decision to enroll at the Academies is not an easy one for parents and/or school districts to make. Research indicates that if there is early identification of deafness or blindness, with timely and adequate specialized services by appropriately trained teachers, students can develop the tools to be successful, responsible, independent citizens. However, if students do not receive appropriate educational opportunities, the further they

lag in developing their potential, thus diminishing the potential for future success and independence. In addition, the social-emotional needs of deaf/hard of hearing or blind/visually impaired students are unique and real. Children with disabilities have the same social-emotional needs as their non-disabled peers and have the right to

- Form an identity
- Have a peer group
- Participate in activities
- Develop their maximum potential
- Share life experiences and
- Feel good about who they are.

Determining the least restrictive environment for an individual student must be made on a case-by-case basis. The guiding principle in placement decisions should be matching the educational needs of the student with an appropriate school program that provides meaningful challenges, realistic expectations, maximum opportunities for achievement, and the development of healthy self-esteem.

Some students who attend the Academies are able to participate in regular public school classes within the local public schools in Faribault, while also taking courses at the Academies. This opportunity provides students with the experience of being a participant in a class with non-disabled peers. Deaf students acquire skills in working with an interpreter and note-taker, while blind students learn to negotiate a sighted environment that is not specifically designed to meet their learning style.

Key Measures

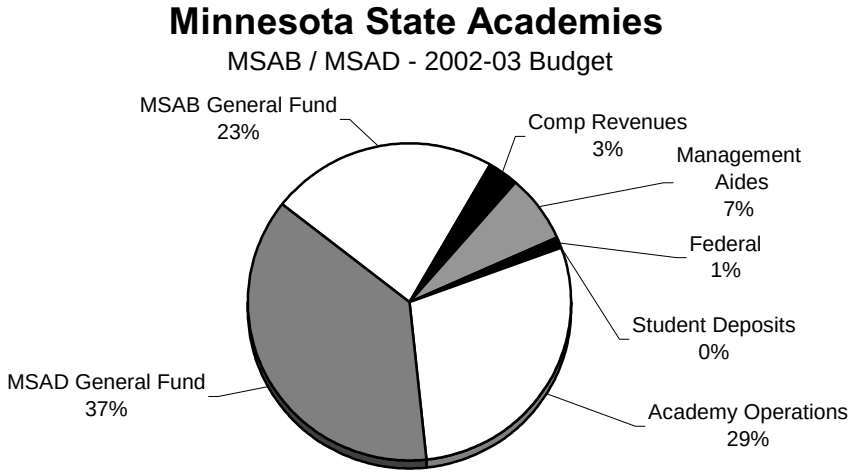
⇒ Students at MSAD and MSAB are subject to the Minnesota Graduation Standards and the goal for many students is to pass the Basic Skills Tests just like their non-disabled peers. A pilot program has been successfully operating since the summer of 2000, showing steady improvements in scores, with many of the students passing the tests.

⇒ Both MSAB and MSAD have elected to participate in the continuous improvement monitoring process (CIMP) through CFL. Data is analyzed, a plan of action developed, implemented and evaluated on a two-year cycle. All areas of improvement are directed at self-sufficiency.

⇒ Accreditation is sought by MSAD through the CEASD organization. Accreditation is already in place through the North Central Association process, and we are currently in year two of the five-year school improvement cycle.

⇒ The Minnesota State Academies provide support for teacher preparation programs. Student teachers from the University of Minnesota work under the guidance of MSAD licensed professionals. MSAB along with other professionals in the state are encouraging the University of Minnesota to re-institute a teacher preparation program. Currently, there are no teacher preparation programs for teachers of the Visually Impaired in the state of Minnesota. Among the 15 instructional FTEs at MSAB, there are currently two vacancies and 3.5 FTE's who are licensed teachers but do not have certification in visual impairment. We are working with these teachers to assist them in acquiring certification.

Program Funding



Contact

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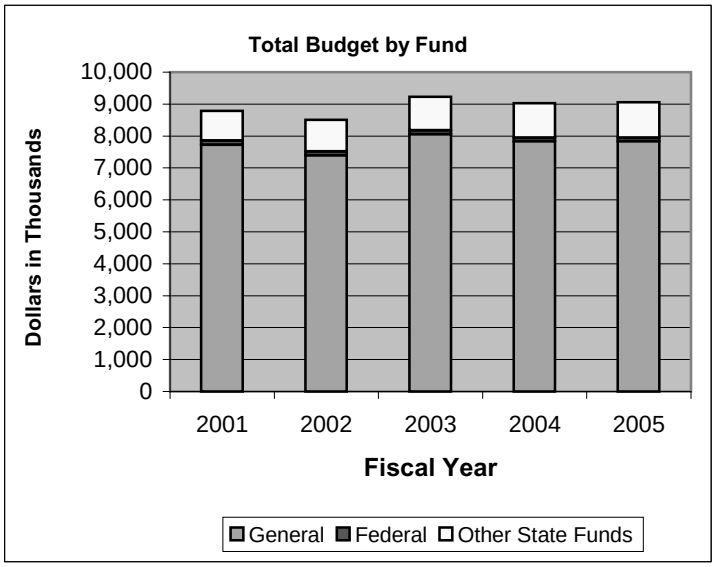
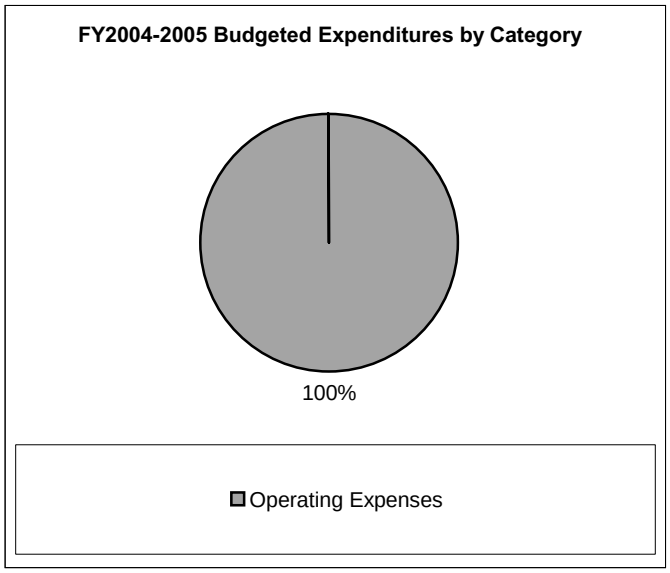
www.msad.state.mn.us



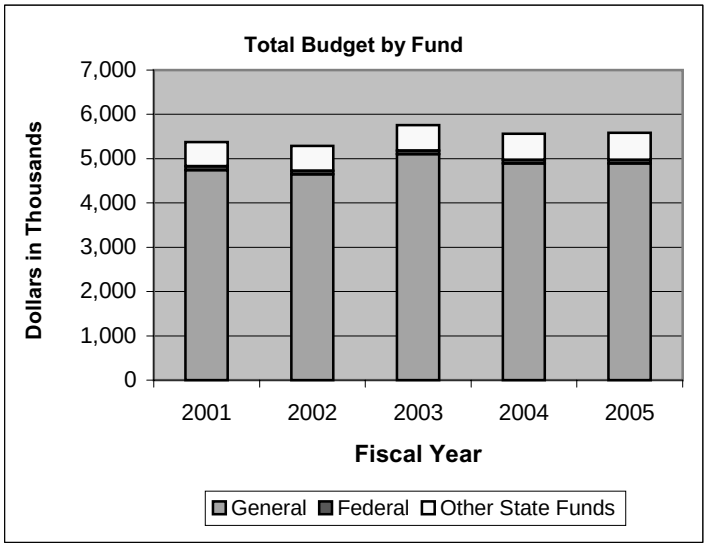


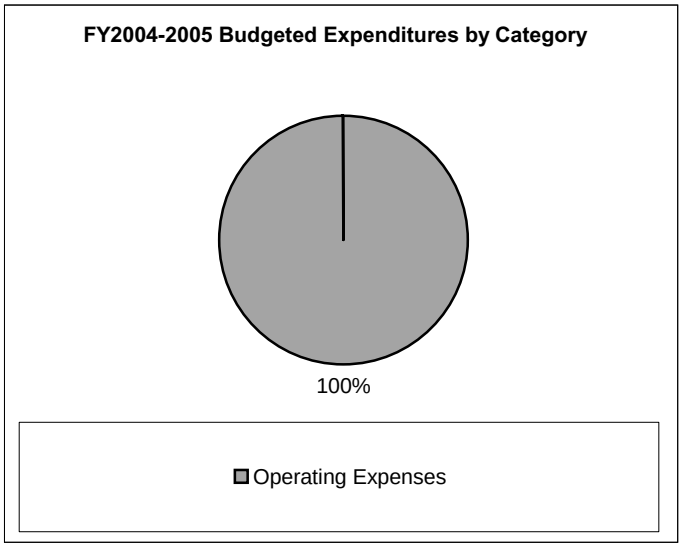
Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	7,583	7,110	7,500	7,277	7,277	14,554
Statutory Appropriations						
General	142	282	555	555	555	1,110
Special Revenue	891	943	1,006	1,036	1,066	2,102
Federal	127	122	117	117	117	234
Miscellaneous Agency	34	35	34	34	34	68
Gift	10	13	12	12	12	24
Endowment	0	0	1	0	0	0
Total	**8,787**	**8,505**	**9,225**	**9,031**	**9,061**	**18,092**
Expenditures by Category						
Operating Expenses	8,588	8,424	9,179	8,971	9,001	17,972
Capital Outlay & Real Property	144	26	0	14	14	28
Payments To Individuals	55	55	46	46	46	92
Total	**8,787**	**8,505**	**9,225**	**9,031**	**9,061**	**18,092**
Expenditures by Activity						
Academy For The Deaf	5,372	5,287	5,761	5,566	5,581	11,147
Academy For The Blind	3,415	3,218	3,464	3,465	3,480	6,945
Total	**8,787**	**8,505**	**9,225**	**9,031**	**9,061**	**18,092**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	0	676	701	701	701	1,402
Special Revenue	662	0	0	0	0	0
Subtotal Non Dedicated	662	676	701	701	701	1,402
Dedicated						
General	372	423	395	395	395	790
Special Revenue	1,340	687	1,213	1,243	1,273	2,516
Federal	220	204	207	207	207	414
Miscellaneous Agency	226	243	259	259	259	518
Gift	17	11	12	12	12	24
Endowment	0	0	1	0	0	0
Subtotal Dedicated	2,175	1,568	2,087	2,116	2,146	4,262
Total Revenue	**2,837**	**2,244**	**2,788**	**2,817**	**2,847**	**5,664**
Full-Time Equivalents (FTE)	**156.9**	**159.5**	**157.0**	**151.2**	**151.2**	

MN STATE ACADEMIES
Program: RESIDNTL ACADEMIES/DEAF&BLIND
Activity: ACADEMY FOR THE DEAF

Fiscal Report

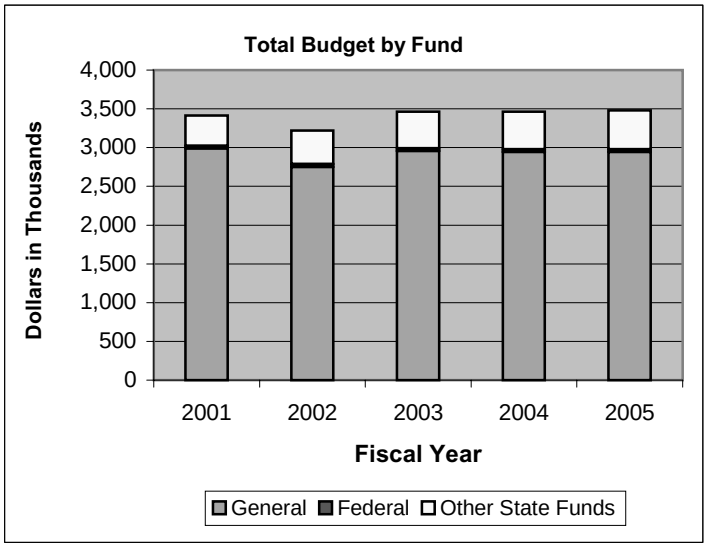


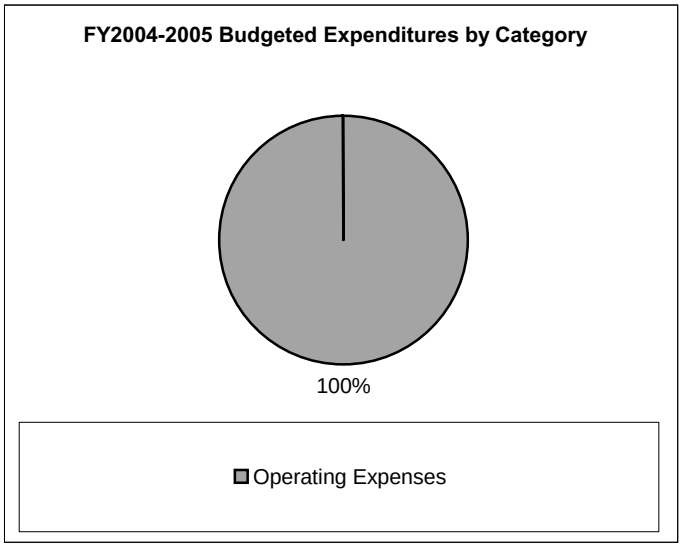


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,620	4,415	4,698	4,489	4,489	8,978
Statutory Appropriations						
General	117	228	400	400	400	800
Special Revenue	518	528	550	565	580	1,145
Federal	92	85	84	84	84	168
Miscellaneous Agency	25	26	25	25	25	50
Gift	0	5	3	3	3	6
Endowment	0	0	1	0	0	0
Total	**5,372**	**5,287**	**5,761**	**5,566**	**5,581**	**11,147**
Expenditures by Category						
Operating Expenses	5,236	5,236	5,731	5,522	5,537	11,059
Capital Outlay & Real Property	107	19	0	14	14	28
Payments To Individuals	29	32	30	30	30	60
Total	**5,372**	**5,287**	**5,761**	**5,566**	**5,581**	**11,147**
Revenue by Type and Fund						
Dedicated						
General	277	326	300	300	300	600
Special Revenue	953	191	710	730	750	1,480
Federal	127	120	117	117	117	234
Miscellaneous Agency	23	25	25	25	25	50
Gift	4	3	3	3	3	6
Endowment	0	0	1	0	0	0
Subtotal Dedicated	1,384	665	1,156	1,175	1,195	2,370
Total Revenue	**1,384**	**665**	**1,156**	**1,175**	**1,195**	**2,370**
Full-Time Equivalents (FTE)	**94.9**	**97.7**	**95.7**	**91.9**	**91.9**	

MN STATE ACADEMIES
Program: RESIDNTL ACADEMIES/DEAF&BLIND
Activity: ACADEMY FOR THE BLIND

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,963	2,695	2,802	2,788	2,788	5,576
Statutory Appropriations						
General	25	54	155	155	155	310
Special Revenue	373	415	456	471	486	957
Federal	35	37	33	33	33	66
Miscellaneous Agency	9	9	9	9	9	18
Gift	10	8	9	9	9	18
Total	**3,415**	**3,218**	**3,464**	**3,465**	**3,480**	**6,945**
Expenditures by Category						
Operating Expenses	3,352	3,188	3,448	3,449	3,464	6,913
Capital Outlay & Real Property	37	7	0	0	0	0
Payments To Individuals	26	23	16	16	16	32
Total	**3,415**	**3,218**	**3,464**	**3,465**	**3,480**	**6,945**
Revenue by Type and Fund						
Dedicated						
General	95	97	95	95	95	190
Special Revenue	197	261	265	275	285	560
Miscellaneous Agency	9	9	9	9	9	18
Gift	13	8	9	9	9	18
Subtotal Dedicated	314	375	378	388	398	786
Total Revenue	**314**	**375**	**378**	**388**	**398**	**786**
Full-Time Equivalents (FTE)	**62.0**	**61.8**	**61.3**	**59.3**	**59.3**	

Program Description
Academy Operations exists to provide support services required by the Minnesota State Academies Educational Program to run effectively and efficiently.

Population Served
Academy Operations serves 210 enrolled on campus students as well as 206 staff.

Services Provided
Academy Operations includes the following departments: buildings and grounds, personnel, business office, nutrition, and health services. Also included in Academy operations is the fixed cost line item. Services provided include the following:

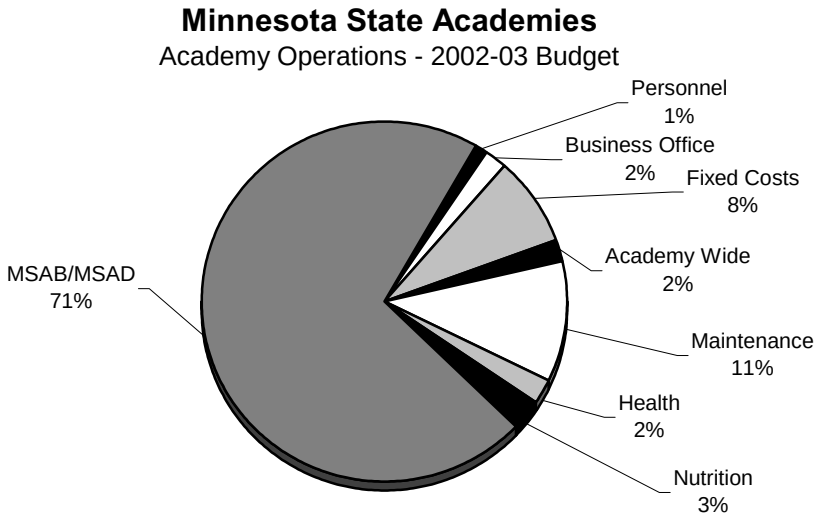
- Meeting the health and safety needs of the students.
- Maintaining and preserving the campuses and the physical plant, including historic buildings, in a manner which assures access and a safe learning and living environment for students and a safe working environment for staff
- Providing personnel management, human resource needs, contract negotiation and administration.
- Providing financial management including payroll, purchasing, accounts payable and receivable, and budgeting.
- Providing health services for students as directed by doctors – medications, treatments, tube feeding, etc. Treating minor injuries, maintaining health records, health screening services and referrals.
- Providing food services for breakfast, lunch, and dinner to meet the nutritional needs of students following specialized diets or food prep.
- Fixed costs include electricity, gas, steam, water and sewage, telephones, t-l line, etc.

Historical Perspective
Prior to 1975, each school had a full complement of services. In an effort to economize resources and reduce duplication, the two schools combined the departments above. Demands on the maintenance department increased due to recent capital bonding projects. Renovation means more cleaning, moving furniture and equipment so those services to students are not interrupted and the environment is safe and clean. The department effectively handled these duties without additional cost by postponing other work and having staff handle the increase demands.

In the current biennium the Academies added 20,000 sq. ft to the main building at the MSAB campus consisting of educational classrooms, physical therapy areas, and office space. At the MSAD campus 9,000 sq. ft. was recently renovated and brought back into service as educational classrooms, living skills training area, and office space for the resource centers. Both of these projects have increased the demand on heating, cooling, electricity, and janitorial services. Grounds care is being met minimally due to shift of personnel and building care.

Key Measures
- Periodic reviews by external agencies validate quality and insure standards are successfully met ie: Legislative Audits, OSHA Standards, Health Standards, Food Inspection, and Department of Children, Families, & Learning reviews.
- Staff members are licensed appropriately as required by their position description.
- Documentation of services are available as appropriate for each department as established by statute, rules and state/agency policies.
- Review and consideration of student, parent, and staff driven evaluations of services.

Activity Funding



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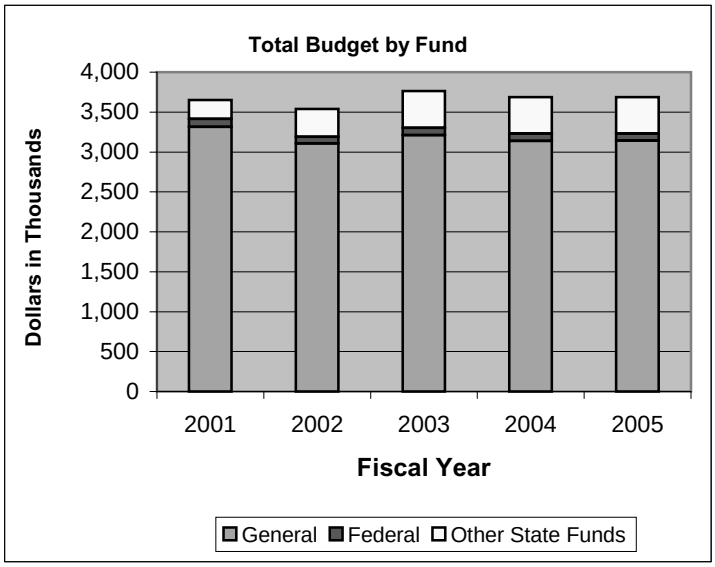

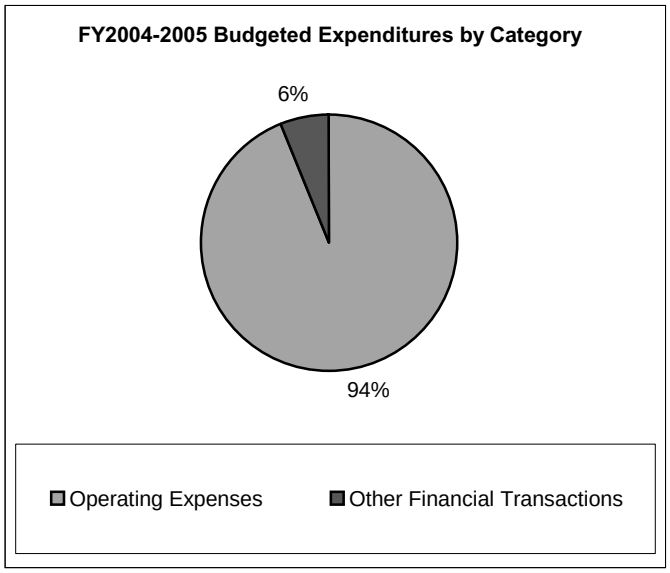

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	3,314	3,106	3,210	3,140	3,141	6,281
Statutory Appropriations						
Special Revenue	42	140	236	230	230	460
Federal	101	85	91	91	91	182
Miscellaneous Agency	194	209	225	225	225	450
Total	**3,651**	**3,540**	**3,762**	**3,686**	**3,687**	**7,373**
Expenditures by Category						
Operating Expenses	3,437	3,277	3,493	3,417	3,418	6,835
Capital Outlay & Real Property	10	46	25	25	25	50
Payments To Individuals	10	8	19	19	19	38
Other Financial Transactions	194	209	225	225	225	450
Total	**3,651**	**3,540**	**3,762**	**3,686**	**3,687**	**7,373**
Expenditures by Activity						
Academy Operations	3,651	3,540	3,762	3,686	3,687	7,373
Total	**3,651**	**3,540**	**3,762**	**3,686**	**3,687**	**7,373**
Full-Time Equivalents (FTE)	**47.4**	**47.4**	**45.9**	**44.4**	**44.4**	

State of Minnesota
Department of Finance

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the Minnesota State Academies for the Deaf and the Blind and the Perpich Center for Arts Education. These agencies collectively spend $41.3 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $1.067 million (2.5 percent) decrease from the FY 2002-03 biennium, with a five percent reduction recommended for the Academies and a 15 percent reduction recommended for the Perpich Center. The funding provided for these agencies will be used to allow them to protect and focus on their primary classroom functions.

Recommended reductions for both agencies primarily affect their non-classroom operations. The reductions to the Academies' budgets were small, compared to most agencies, reflecting the special needs of the students these schools serve. The Perpich Center reductions mainly affect those activities beyond the scope of the Arts High School.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

My staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

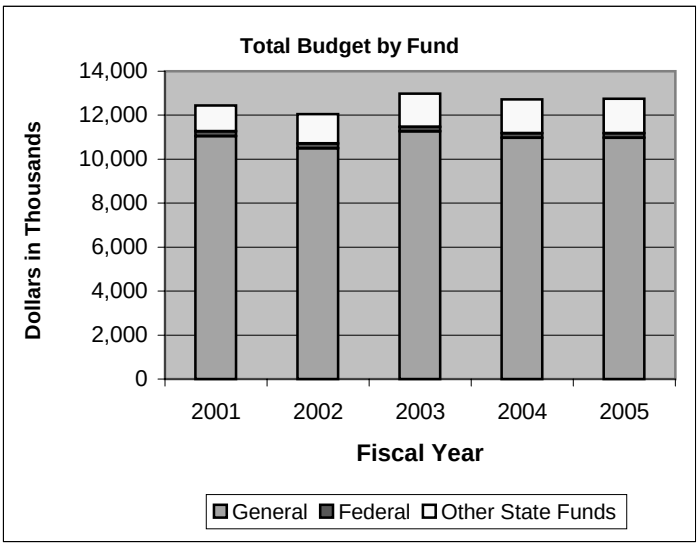
Sincerely,

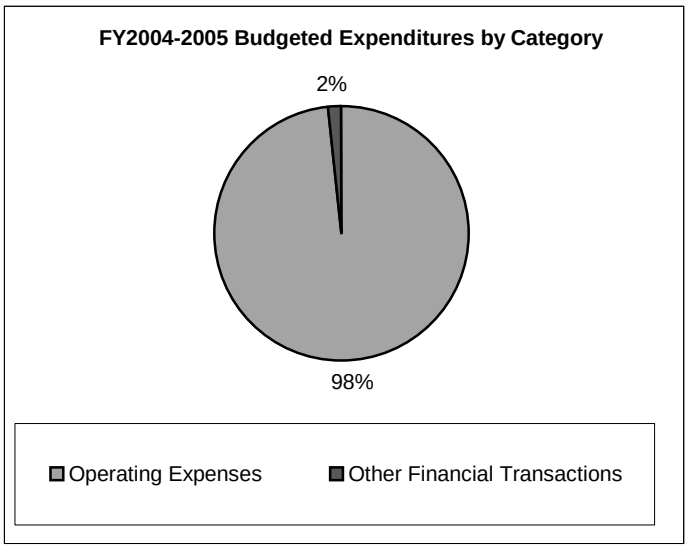
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	23,042	3,520	26,562
Adjusted Base Funding	23,042	3,520	26,562
Change Items			
Agency Operations	-525	0	-525
Short Term Services	-572	0	-572
Governor's Recommendations	21,945	3,520	25,465
Biennial Change, 2002-03 to 2004-05	182	251	433
Percent Change	1%	8%	2%

Brief Explanation Of Budget Decisions:

Budget decisions were in line with our legal obligation to ensure the two most important conditions for our students: 1) to provide for their overall health and safety and 2) to meet the individualized special education plans as mandated by federal law. With these two principles as priorities, the budget decisions were made to limit the impact on direct educational services provided to students.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	10,897	10,216	10,710	10,417	10,418	20,835
Statutory Appropriations						
General	142	282	555	555	555	1,110
Special Revenue	933	1,083	1,242	1,266	1,296	2,562
Federal	228	207	208	208	208	416
Miscellaneous Agency	228	244	259	259	259	518
Gift	10	13	12	12	12	24
Endowment	0	0	1	0	0	0
Total	**12,438**	**12,045**	**12,987**	**12,717**	**12,748**	**25,465**
Expenditures by Category						
Operating Expenses	12,025	11,701	12,672	12,388	12,419	24,807
Capital Outlay & Real Property	154	72	25	39	39	78
Payments To Individuals	65	63	65	65	65	130
Other Financial Transactions	194	209	225	225	225	450
Total	**12,438**	**12,045**	**12,987**	**12,717**	**12,748**	**25,465**
Expenditures by Program						
Residntl Academies/Deaf&Blind	8,787	8,505	9,225	9,031	9,061	18,092
Academy Operations	3,651	3,540	3,762	3,686	3,687	7,373
Total	**12,438**	**12,045**	**12,987**	**12,717**	**12,748**	**25,465**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	0	676	701	701	701	1,402
Special Revenue	662	0	0	0	0	0
Subtotal Non Dedicated	662	676	701	701	701	1,402
Dedicated						
General	372	423	395	395	395	790
Special Revenue	1,340	687	1,213	1,243	1,273	2,516
Federal	220	204	207	207	207	414
Miscellaneous Agency	226	243	259	259	259	518
Gift	17	11	12	12	12	24
Endowment	0	0	1	0	0	0
Subtotal Dedicated	2,175	1,568	2,087	2,116	2,146	4,262
Total Revenue	**2,837**	**2,244**	**2,788**	**2,817**	**2,847**	**5,664**
Full-Time Equivalents (FTE)	**204.3**	**206.9**	**202.9**	**195.6**	**195.6**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($263)	($262)	($263)	($262)
Revenues	0	0	0	0
Net Fiscal Impact	($263)	($262)	($263)	($262)

Recommendation

The Governor recommends a general fund appropriation of $6,281,000 for the agency operations budget of the Minnesota State Academies in the 2004-05 biennium, a reduction of $35,000 from the current biennium. To reach this level of spending, the Governor recommends a reduction of $525,000 from base level funding. This would include reductions in equipment, repairs and replacements, fixed costs, and administrative staff.

Background

The Academies consist of two campuses, 16 buildings, and approximately 480,000 square feet of buildings to maintain.

⇒ This strategy is the least harmful budget reduction for the Academies because it does not reduce direct services to children.

⇒ This strategy works for the current time but defers the purchase of equipment or maintenance to the future when emergency repairs may require attention.

⇒ We are delaying costs that may be more expensive in the future and more difficult to repair.

⇒ This strategy depends on our costs for heating, electricity, water and sewage, telephones, T-1 lines, workers comp, and other fixed costs being similar to FY 2001. Any increase in utilities or an unusually cold winter or hot summer would put added pressure on our budget in this area.

⇒ This strategy would involve the restructuring of the administrative staffing pattern at the Minnesota State Academy for the Deaf. One supervisor would be expected to serve in the place of two supervisors combining the roles of an assistant principal and dormitory director. Supervisory responsibilities will be handled, by a senior staff member, with over 30 years of experience in working at the Minnesota State Academies. With the experience and knowledge level of this unique individual it is expected that the new administrative structure will be successful. The person is near retirement, and at that time, the structure will be reviewed to ensure that basic supervisory functions are covered.

Relationship to Base Budget

This budget reduction reflects close to a 2.5% decrease in the general fund base funding of the Academies, and is a 0.4% reduction from the 2002-03 biennium.

Alternatives Considered

Other staff reductions were considered, and 5.5 FTE positions have been eliminated in the FY 2003 budget allocations in order to balance the budget.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($286)	($286)	($286)	($286)
Revenues	0	0	0	0
Net Fiscal Impact	($286)	($286)	($286)	($286)

Recommendation

The Governor recommends a general fund appropriation of $14,554,000 for the Minnesota State Academy for the Blind and the Minnesota State Academy for the Deaf for the 2004-05 biennium, a reduction of $56,000 from the current biennium. To reach this level of spending, the Governor recommends a reduction from base level funding of $572,000 for the biennium in the short term services program.

Background

The Academies provide services to both enrolled and non-enrolled students, and short term services affect both groups of students. By reducing expected expenditures on short term services, the Academies will be able to protect the core mission of health and safety for all students, as well as continue to focus on serving the needs of the enrolled students during the school year.

The current annual sum of $286,000 to provide short term services programming at the two Academies would be eliminated from the budget. The Academies also reduced short term services by $277,000 in FY 2003 due to the statewide allocation of budget reductions from the 2002 legislative session. Programming includes Parent-Child Institute at both Academies, and a wide range of opportunities for deaf and blind students from across the state of Minnesota to maintain skills and prevent regression, remediate and/or have instruction in areas critical to the goal of becoming self-sufficient, independent adults. Programs include preparing students to pass the Basic Skills Tests required to receive a high school diploma, specific extended year services as mandated by the federal Individuals with Disabilities Education Act (IDEA), and skills maintenance to prevent regression or disability specific skills as identified in Individual Education Plans.

⇒ Short Term Services programs would continue to be provided in FY 2004 and in FY 2005 through compensatory education funds, but then these funds would not be available to hire teachers and reduce the student/staff ratios which are increasing with our growing enrollment.

⇒ This strategy works as a one-time solution to continue short term services/programs for both enrolled and non-enrolled students and will translate in future years as a significant change in the provision of services.

Relationship to Base Budget

This budget reduction reflects a 2.6% decrease in the overall funding of the Academies and services to more than 200 deaf and blind students. This reduction would eliminate a core function of Academy services.

Statutory Change Not Applicable

Agency Purpose

The state auditor is a constitutional officer elected to a four-year term in the statewide general election. The mission of the Office of the State Auditor (OSA) is to serve as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governmental financial activities.

Core Functions

The core functions of all OSA 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 innovative methods to provide quality audit, data collection, and investigative services; and
- promoting compliance with Minnesota law.

At A Glance

Annual Business Functions:

- Oversees finances of 4,300 local governmental units.
- Completes 275 financial and compliance audits and reviews 485 single audit reports.
- Handles 300 special investigative matters.
- Monitors investment and regular reporting of 720 public pension funds.
- Maintains financial reporting databases on 2,700 local governments.
- Reviews expenditures of 2,100 TIF districts.

Operations

The state auditor's staff of 145 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 OSA is organized into six divisions: Audit Practice; Special Investigations; Government Information; Pension; Tax Increment Financing; and the Constitutional Office.

Budget

The OSA is funded by the General Fund but generates significant non-dedicated receipts. The FY 2002-03 biennial budget for the office is approximately $21 million in direct and statutory general funds. During the same period, the OSA anticipates returning more than half of this amount in revenues and offsets to the General Fund.

M.S. 6.58 requires that audit costs of the OSA 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 OSA, 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 (TIF) Division is funded by 0.36% of tax increment distributed to authorities that administer TIF districts.

⇒ The OSA also generates miscellaneous revenue through an interagency agreement with the Minnesota Department of Transportation, the sale of documents and accounting software, and by conducting training seminars.

Contact

For more information, please contact:
Greg Hierlinger, Assistant State Auditor, at (651) 296-7003, or visit our web site at http://www.osa.state.mn.us/

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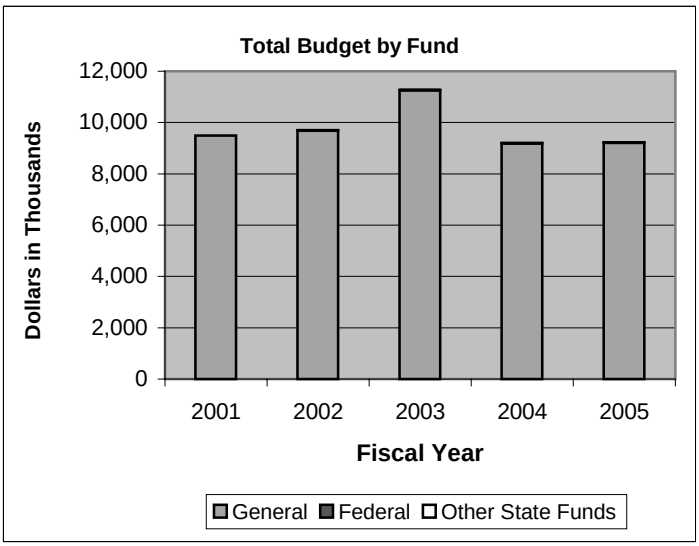
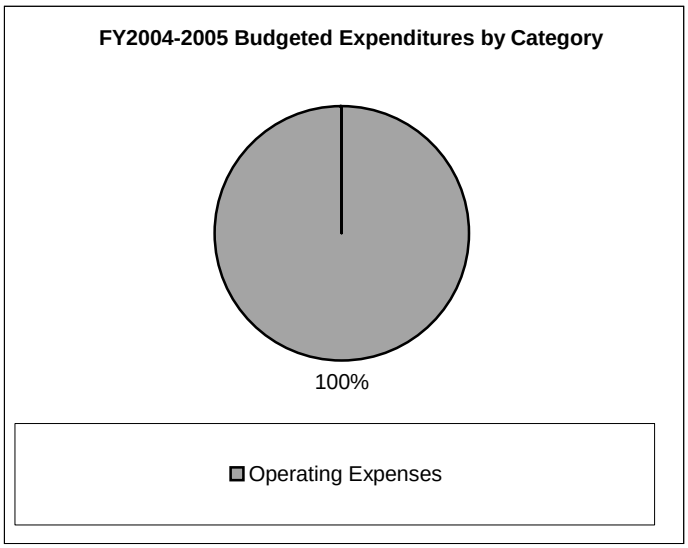




Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	8,750	8,893	10,410	8,306	8,306	16,612
Statutory Appropriations						
General	739	787	847	876	902	1,778
Special Revenue	6	22	22	23	21	44
Total	**9,495**	**9,702**	**11,279**	**9,205**	**9,229**	**18,434**
Expenditures by Category						
Operating Expenses	9,495	9,702	11,279	9,205	9,229	18,434
Total	**9,495**	**9,702**	**11,279**	**9,205**	**9,229**	**18,434**
Expenditures by Program						
State Auditor	9,495	9,702	11,279	9,205	9,229	18,434
Total	**9,495**	**9,702**	**11,279**	**9,205**	**9,229**	**18,434**
Revenue by Type and Fund						
Non Dedicated						
General	4	6,328	6,513	6,513	6,513	13,026
Cambridge Deposit Fund	6,469	0	0	0	0	0
Subtotal Non Dedicated	6,473	6,328	6,513	6,513	6,513	13,026
Dedicated						
Special Revenue	5	24	20	23	21	44
Subtotal Dedicated	5	24	20	23	21	44
Total Revenue	**6,478**	**6,352**	**6,533**	**6,536**	**6,534**	**13,070**
Full-Time Equivalents (FTE)	**136.0**	**135.1**	**146.4**	**146.2**	**146.0**	

Program Description

The purpose of the Office of the State Auditor (OSA) 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 Included:

This program's budget activities correspond to the Office of the State Auditor's 6 operational divisions:

⇒ **Audit Practice** conducts annual financial and legal compliance audits of 86 Minnesota counties, the cities of Duluth, Minneapolis, and St. Paul, component units affiliated with these counties and cities, and other entities as required by statute. The division performs approximately 275 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 cost-effectiveness and efficiency in local government. This division also conducts audits of federal funds in accordance with the Federal Single Audit Act.

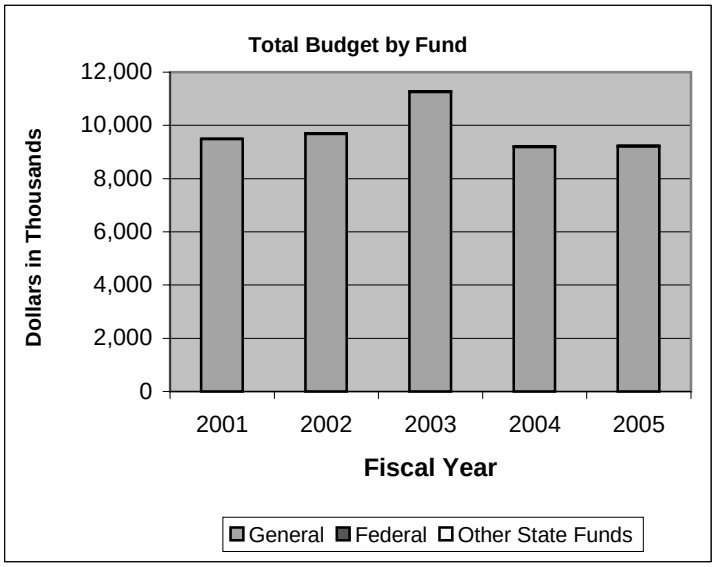
⇒ **Special Investigations** works to ensure integrity and accountability in local governments by investigating allegations of malfeasance, misfeasance, or nonfeasance on behalf of taxpayers in the State of Minnesota. This division supports field staff auditors when evidence of suspected wrongdoing is 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 OSA. 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.

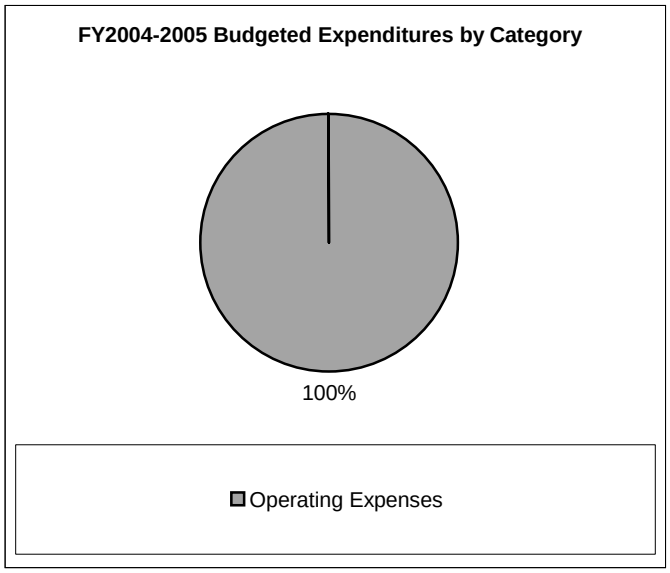
⇒ **Government Information** collects, examines, and disseminates information on the financial condition of local governments and the financial trends affecting government at the local level. This division issues 12 annual reports containing information on local government expenditures. This division also manages the information technology and network administration needs of the OSA.

⇒ **The Pension Division** is responsible for monitoring investment, financial, and actuarial reporting for 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.

⇒ **The Constitutional Office** oversees the management of all OSA 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 office oversees and supports the OSA's contribution to 6 state boards on which the State Auditor serves.

⇒ **Tax Increment Financing** 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 over 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.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	8,750	8,893	10,410	8,306	8,306	16,612
Statutory Appropriations						
General	739	787	847	876	902	1,778
Special Revenue	6	22	22	23	21	44
Total	**9,495**	**9,702**	**11,279**	**9,205**	**9,229**	**18,434**
Expenditures by Category						
Operating Expenses	9,495	9,702	11,279	9,205	9,229	18,434
Total	**9,495**	**9,702**	**11,279**	**9,205**	**9,229**	**18,434**
Expenditures by Activity						
Audit Practice	6,613	6,896	8,111	6,132	6,129	12,261
Special Investigations	580	562	597	587	587	1,174
Government Information	684	576	701	645	645	1,290
Pension	556	505	653	586	586	1,172
Constitutional Office	323	363	356	366	366	732
Tax Increment Financing	739	800	861	889	916	1,805
Total	**9,495**	**9,702**	**11,279**	**9,205**	**9,229**	**18,434**
Revenue by Type and Fund						
Non Dedicated						
General	4	6,328	6,513	6,513	6,513	13,026
Cambridge Deposit Fund	6,469	0	0	0	0	0
Subtotal Non Dedicated	6,473	6,328	6,513	6,513	6,513	13,026
Dedicated						
Special Revenue	5	24	20	23	21	44
Subtotal Dedicated	5	24	20	23	21	44
Total Revenue	**6,478**	**6,352**	**6,533**	**6,536**	**6,534**	**13,070**
Full-Time Equivalents (FTE)	**136.0**	**135.1**	**146.4**	**146.2**	**146.0**	

Activity Description

Audit Practice plays a primary role in the Office of the State Auditor's (OSA) ability 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 275 financial and legal compliance audits per year
- Reviews 400 single audits per year
- Conducts annual training for OSA staff and clients on new accounting procedures

Population Served

Audit Practice helps ensure integrity, accountability and cost-effectiveness at the local level by annually conducting approximately 275 financial and legal compliance audits for 86 counties; the cities of Duluth, Minneapolis, and St. Paul; organizations affiliated with counties and cities; and other local entities. 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 OSA 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 over 275 audit reports of counties, cities, organizations affiliated with counties and cities, and other local governments during each of the 2003, 2004, and 2005 FYs.

⇒ 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 new technology such as downloading data for analysis at field offices and other computer methods to streamline audits.

⇒ The division conducts joint OSA staff and client education programs on local government accounting principles and procedures to help improve efficiency of 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

- 275 audit examinations conducted per year;
- 400 single audit reports reviewed;
- Petition audits completed as requested (averaging 2-5 per year); and
- Training held for OSA 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 fees generate a significant source of revenue for the state. 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.

Contact

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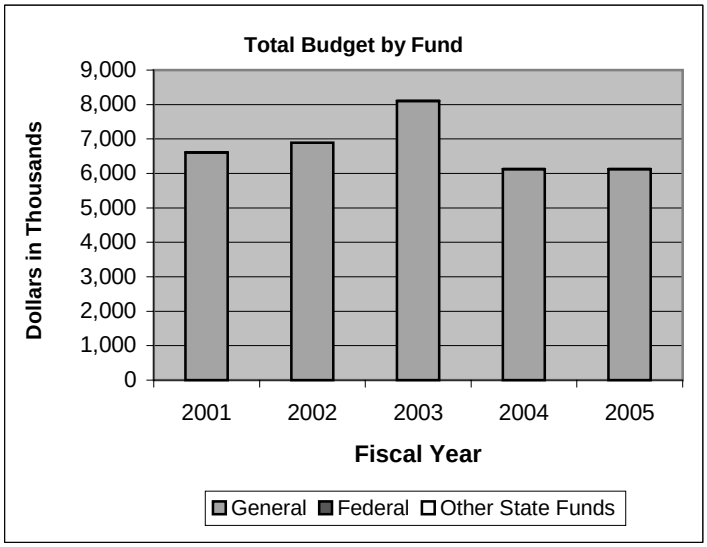

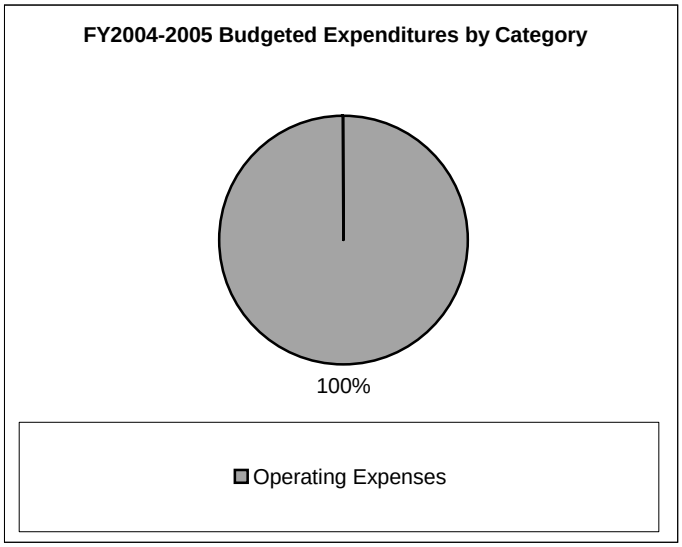

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	6,607	6,887	8,103	6,122	6,122	12,244
Statutory Appropriations						
Special Revenue	6	9	8	10	7	17
Total	**6,613**	**6,896**	**8,111**	**6,132**	**6,129**	**12,261**
Expenditures by Category						
Operating Expenses	6,613	6,896	8,111	6,132	6,129	12,261
Total	**6,613**	**6,896**	**8,111**	**6,132**	**6,129**	**12,261**
Revenue by Type and Fund						
Non Dedicated						
General	3	6,327	6,511	6,511	6,511	13,022
Cambridge Deposit Fund	6,469	0	0	0	0	0
Subtotal Non Dedicated	6,472	6,327	6,511	6,511	6,511	13,022
Dedicated						
Special Revenue	5	11	6	10	7	17
Subtotal Dedicated	5	11	6	10	7	17
Total Revenue	**6,477**	**6,338**	**6,517**	**6,521**	**6,518**	**13,039**
Full-Time Equivalents (FTE)	**96.1**	**95.4**	**105.9**	**104.3**	**104.1**	

Activity Description

The goal of the Special Investigations Division is to ensure integrity and accountability in local government by investigating allegations of wrongdoing on behalf of local government officials, law enforcement agencies, certified public accountants, and the citizens of Minnesota. 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.

Activity at a Glance

- Handles 300 investigative matters per year
- Investigates 5-10 major fraud cases per year

Population Served

The Special Investigations Division investigates allegations of malfeasance, misfeasance, and nonfeasance for Minnesota's 4,300 local units of government in a thorough and timely manner, communicating its findings of wrongdoing to the appropriate agencies and to the public. As its work becomes more recognized, the number of requests for special investigative services continues to increase. The division responds to concerns and requests made by private citizens, public officials or employees, state representatives and legislators, and audit staff.

Services Provided

Special Investigations evaluates allegations brought to its attention and, when appropriate, provides specialized auditing techniques, initiates independent investigations, or refers matters to external oversight authorities. Results of investigations are public and intended to serve as a deterrent to additional misappropriation of public funds. Since this division has no prosecutorial powers, investigations that disclose evidence of malfeasance, misfeasance, or nonfeasance are referred to the proper authorities. Evidence of criminal wrongdoing is directed to the appropriate city or county attorney for potential prosecution. Evidence of other local ordinance or policy violations are referred to local officials to pursue civil litigation, recover losses, or initiate disciplinary or other appropriate action. Improper financial management practices are referred to local officials for corrective action.

Personnel in this division have specialized backgrounds in law and accounting, which enables the OSA to investigate possible violations of law and address internal control and management issues. Staff is increasingly called upon to help train and educate local government officials and employees in detecting and preventing fraud, waste, and abuse in their programs. This division has assisted the Office of the State Auditor's (OSA) staff auditors, local law enforcement agencies, the Bureau of Criminal Apprehension, the Department of Trade and Economic Development, the Department of Administration, the Department of Children, Families and Learning, and the Office of the Attorney General where suspected fraud involving local funds required expertise in complex financial investigations.

Special Investigations also addresses and comments on major policy issues of statewide impact that relate to assessing the integrity, stewardship, and performance of local government finance, such as competitive bidding requirements, potential conflicts of interest, and other violations of Minnesota law.

Key Measures

⇒ Special Investigations will handle in a thorough and timely manner approximately 300 cases 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.

⇒ The division will continue to train and educate local government officials, employees, and OSA auditors in 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 control systems.

Activity Funding

This division receives funding from the General Fund. Local entities are not charged for services relating to the detection and investigation of suspected fraud because: 1) government officials may hesitate to utilize the services or may discontinue reporting as required by M.S. 609.456; 2) there would be great resistance to allowing this division to conduct the comprehensive and exploratory procedures that are an inherent part of the

investigative process; and 3) assessing fees against a government entity may not be appropriate in certain cases due to the source of the complaint, nature of the case, or target of the investigation.

Contact

Pat Awada, State Auditor, (651) 296-2524
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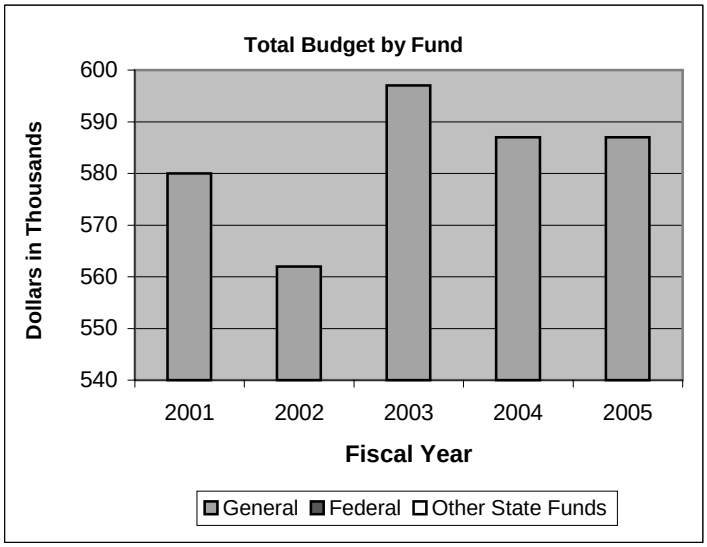

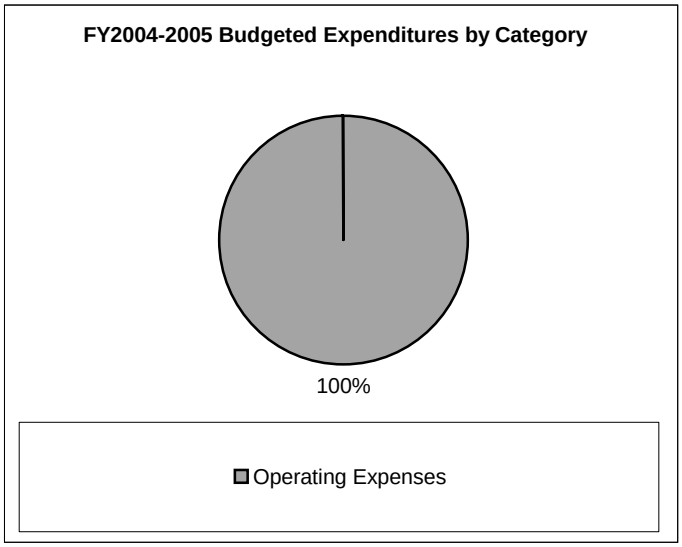

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	580	562	597	587	587	1,174
Total	**580**	**562**	**597**	**587**	**587**	**1,174**
Expenditures by Category						
Operating Expenses	580	562	597	587	587	1,174
Total	**580**	**562**	**597**	**587**	**587**	**1,174**
Full-Time Equivalents (FTE)	**8.3**	**7.9**	**7.6**	**8.1**	**8.1**	

Activity Description

The Government Information Division promotes financial accountability and cost-effective public services for over 2,700 Minnesota local governments. This division prescribes the chart of accounts and reporting requirements for the 854 cities and 1,791 towns, and collects, verifies, and analyzes financial information for cities, towns, and counties. This local government financial data is compiled into databases and 12 annual reports.

Activity at a Glance

- Issues 12 reports on local government finances per year
- Maintains financial information on over 2,700 local governments

Population Served

The information collected by the Government Information Division provides state and local policy makers 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, including the Department of Revenue, Pollution Control Agency, Department of Transportation, Minnesota Planning, and Department of Finance.

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 Office of the State Auditor's (OSA) website;
- 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, 854 cities, and 1,791 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;
- reviews annual reporting forms filed by local governments on the bonded debt for streets and highways and shares the data with the Department of Transportation;
- maintains the Small Cities and Towns Accounting System (CTAS) software purchased by 900 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 OSA;
- provides research and strategic planning support on technology issues to other OSA divisions;
- makes recommendations on equipment and software purchases;
- provides network and personal computer installation, support, and maintenance;
- procures common network equipment; and
- supervises the LAN administrator and web site technical staff.

Key Measures

⇒ Local government financial data is summarized consistently in 12 reports with discrepancies and reporting errors corrected.

⇒ Local government financial data is readily available to users in various formats.

⇒ Manage technology needs, including hardware, software, support and maintenance of the OSA network.

⇒ Maintain and support the CTAS software.

Activity Funding

This division is funded by the General Fund with supplemental funding and revenues received from various sources, 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.

The costs of collecting highway expenditure data from local governments and reporting the statewide data to state and federal transportation officials is repaid to the OSA by the Department of Transportation through an interagency agreement. The OSA was reimbursed $16,734 in FY 2001 and $16,325 in FY 2002 for this work.

Fees charged for sales of CTAS software are transferred to the Department of Administration under M.S. 16B.405 and totaled $15,671 in FY 2001 and $16,280 in FY 2002.

Contact

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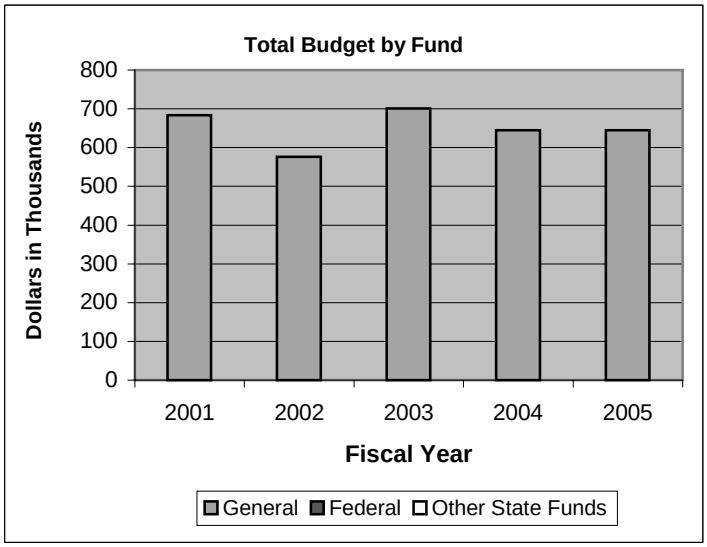

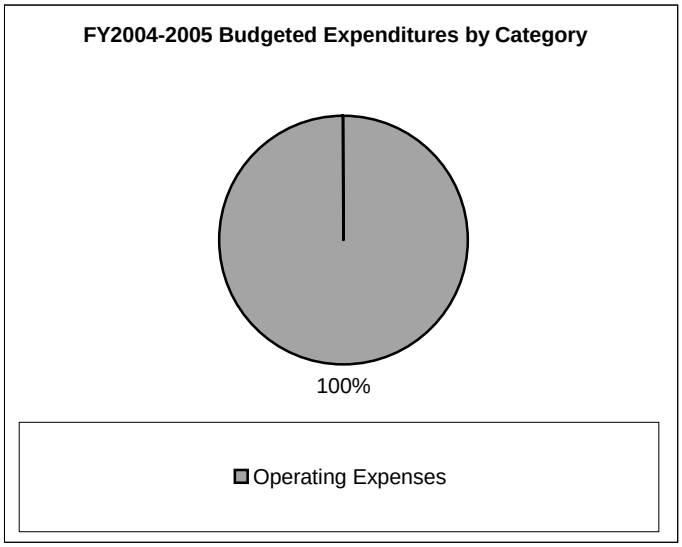

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	684	576	701	645	645	1,290
Total	**684**	**576**	**701**	**645**	**645**	**1,290**
Expenditures by Category						
Operating Expenses	684	576	701	645	645	1,290
Total	**684**	**576**	**701**	**645**	**645**	**1,290**
Revenue by Type and Fund						
Non Dedicated						
General	1	1	2	2	2	4
Subtotal Non Dedicated	1	1	2	2	2	4
Total Revenue	**1**	**1**	**2**	**2**	**2**	**4**
Full-Time Equivalents (FTE)	**8.9**	**8.7**	**9.0**	**9.0**	**9.0**	

Activity Description

The Pension Division monitors investment, financial and actuarial reporting for nearly 730 public pension funds. Its objective is to ensure a financially stable retirement system for the participants throughout the state, accountability for the fiscally prudent management of local tax dollars contributed to the retirement funds, and compliance with state statutes governing the administration of plans covering approximately 20,000 members.

Activity at a Glance

- Monitors 730 public pension funds
- Produces annual compilation 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 fund administration. The division plays an important role in the plan review process by attempting to deliver the highest quality service to pension plan members, policymakers, and taxpayers through: 1) promoting consistent interpretation and application of statutes and bylaws in all phases of operation; 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 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 distribute forms and reference tools, such as treasurer and auditor packets and tax and investment guidebooks, along with automated files on diskette 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 nearly 730 pension funds; and
- collect and review investment report submissions, compile and analyze rate-of-return data, and report investment performance information to policymakers, pension fund members and the public.

Research and Communications – Due to complex pension laws, significant technical resources are required to:

- provide assistance to pension funds on issues relating to tax laws, state statutes, form submissions, investment policies and valuation of benefits;
- prepare regular reports to policymakers on pension plan status and investment performance; and
- conduct approximately 5-6 training sessions per 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 fund officers, municipal officials, auditors or investment advisors regarding any technical irregularities or administrative or investment policy concerns; and
- assist the Office of the State Auditor's Legal, Audit Practice, and Special Investigations staff when pension issues arise; and prepare reports to the commissioner of Revenue certifying individual relief associations are eligible to receive various state aid distributions.

Key Measures

⇒ Annually review financial documents of nearly 710 public pension funds and produce a compilation report setting forth the financial condition of the funds.

⇒ Annually review investment reports of nearly 730 pension funds and compile investment performance information into a report for review by policy makers, pension fund members, and the public.

⇒ Annually 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 funds.

Activity Funding

Under M.S. 356.219, the costs for investment performance reporting ($225,512 in FY 2002) 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 ($283,314) 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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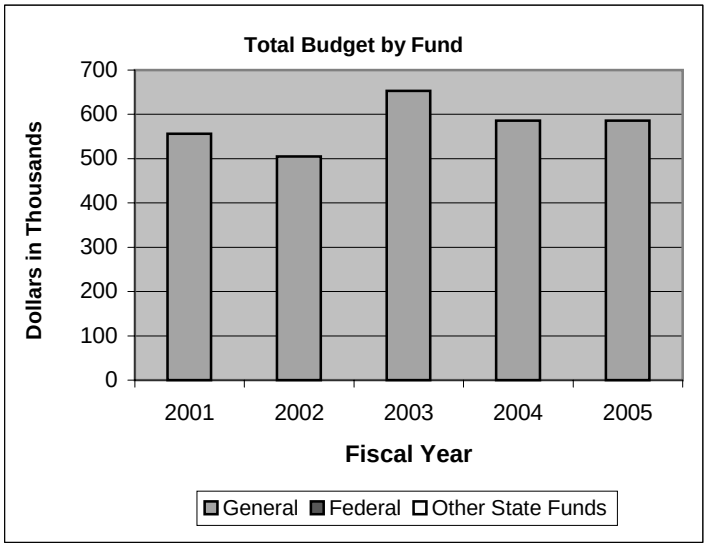
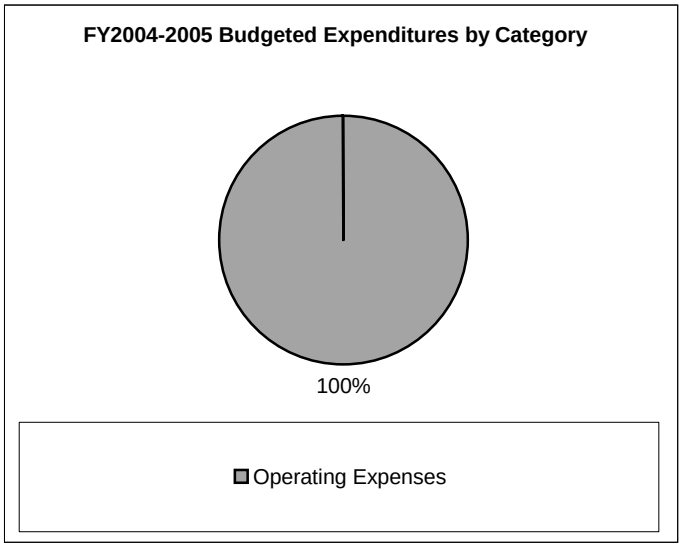
STATE AUDITOR
Program: STATE AUDITOR
Activity: PENSION

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	556	505	653	586	586	1,172
Total	**556**	**505**	**653**	**586**	**586**	**1,172**
Expenditures by Category						
Operating Expenses	556	505	653	586	586	1,172
Total	**556**	**505**	**653**	**586**	**586**	**1,172**
Full-Time Equivalents (FTE)	**7.8**	**8.3**	**8.9**	**9.2**	**9.2**	

Activity Description

The Constitutional Office provides senior level management for the Office of the State Auditor (OSA), overseeing all OSA 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 six OSA 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, Special Investigations Division, and the Tax Increment Financing (TIF) Division. The office directs the planning for educational programs held for staff and hosted by the OSA for clients. In addition, the Constitutional Office supports the State Auditor's contribution to, and the OSA's role on, the State Board of Investment, Executive Council, Land Exchange Board, Minnesota Housing Finance Agency, Rural Finance Authority Board, and the Public Employees Retirement 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 also assists the Government Information Division, Pension Division, and TIF Division to bring information to local governments and citizens through advances in technology. Citizens are also assisted in other ways, including the investigation of consumer fraud issues.

Services Provided

The Constitutional Office furnishes the following services:

⇒ Provides supervisory oversight and direction for all OSA staff.
⇒ Assists with the development, distribution, and drafting 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 OSA regarding proper financial controls and administrative procedures.
⇒ Provides assistance and information to citizens, local government officials, and state agencies concerning the operation of the OSA.
⇒ Serves as the OSA's primary contact with the legislature, citizens, and the media.
⇒ Assists in reviewing regulatory and legal compliance guidance offered by the Office of the State Auditor.

Key Measures

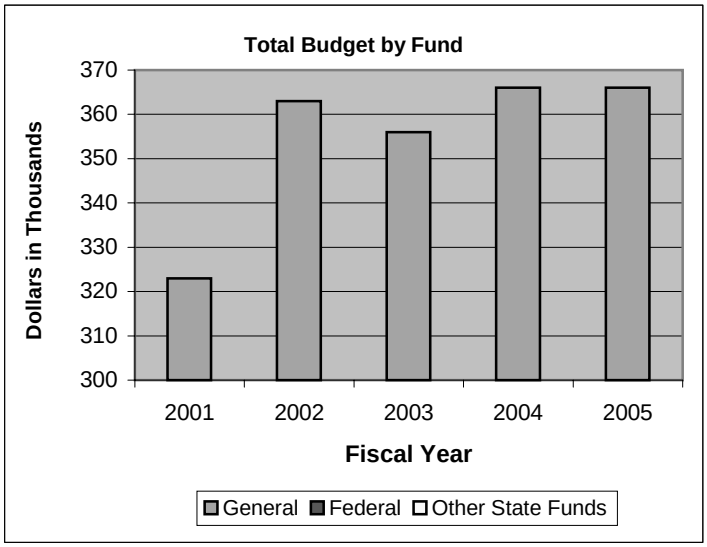
⇒ Communicate with local government officials and citizens at board meetings, speaking engagements, and through the release of regular and special audit reports and press advisories.
⇒ Provide continuing education of OSA staff to ensure a professional and trained audit staff.
⇒ Provide oversight of local government finances through the management of OSA staff responsible for auditing, reviewing, investigating, and collecting data on local entities.
⇒ Monitor the 6 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.

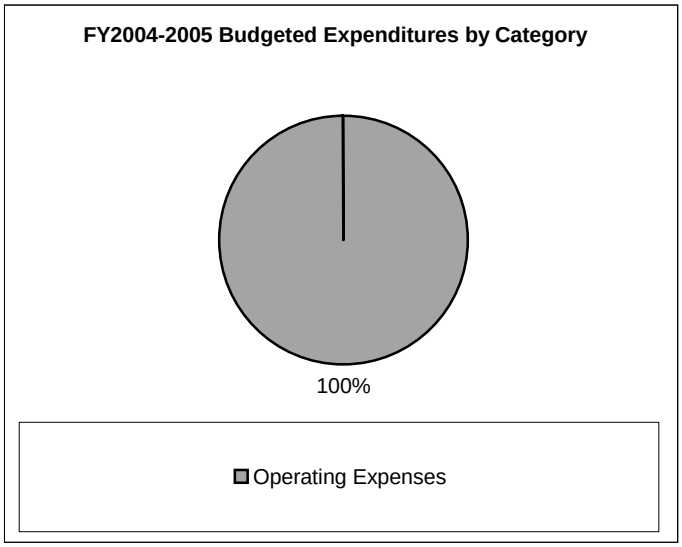
Activity Funding

The Constitutional Office activity is funded by the General Fund.

Contact

Pat Awada, State Auditor, (651) 296-2524
Greg Hierlinger, Deputy State Auditor, (651) 296-7003





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	323	363	356	366	366	732
Total	**323**	**363**	**356**	**366**	**366**	**732**
Expenditures by Category						
Operating Expenses	323	363	356	366	366	732
Total	**323**	**363**	**356**	**366**	**366**	**732**
Full-Time Equivalents (FTE)	**3.8**	**4.2**	**4.0**	**4.0**	**4.0**	

Activity Description

In 1996, the legislature transferred all oversight and audit responsibilities for tax increment financing (TIF) districts to the Office of the State Auditor. 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 2,200 TIF districts administered by 440 TIF authorities
- Conducts in-depth reviews of annual TIF reports on a rotational basis
- Produces annual TIF compliance report

New development on parcels in a TIF district increases the property tax revenue from the parcels. This revenue is used to pay associated costs of the new development. In 2001, the estimated 2,200 TIF districts throughout the state generated about $240 million of tax increment revenue to be used for development assistance.

The TIF Division's oversight 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.

Population Served

The TIF Division promotes legal compliance and accountability of local governments' uses of TIF 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 all TIF annual reports on a 4-year rotation (approximately 25% of filed reports reviewed each year); identifies and advises TIF authorities of problems or issues relating to their annual reports; and obtains the necessary corrected information.

⇒ Provides information and responds 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 on-site 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 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, and local government officials to provide training and education to individuals administering TIF districts in the state.

Key Measures

⇒ Review annual TIF reports from 2,200 TIF districts to determine substantial completeness.

⇒ Conduct in-depth reviews of TIF reports on a 4-year rotational basis.

⇒ Issue initial and final notices of noncompliance resulting from audits of TIF authorities.

⇒ Annually prepare report on TIF compliance issues for the legislative committees with jurisdiction over TIF.

⇒ Prepare and present educational materials on TIF compliance issues.

Activity Funding

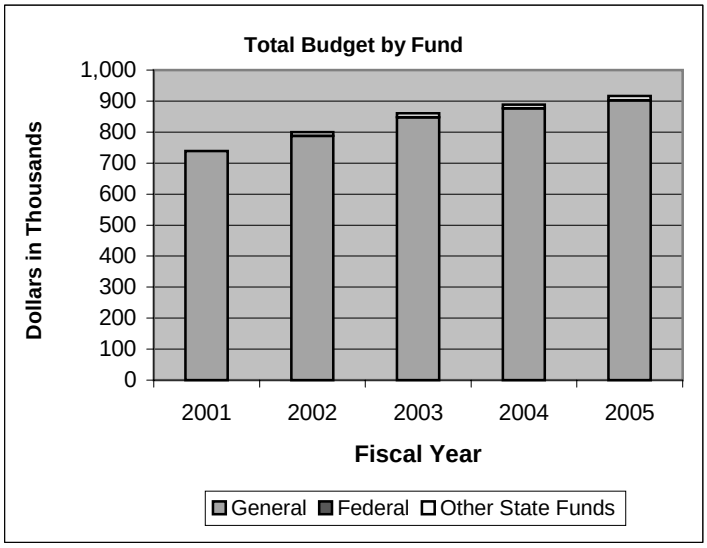
The TIF Division is funded exclusively by a statutory appropriation of revenue generated by deducting 0.36% of tax increment distributed to authorities that administer TIF districts. Counties pay the deducted revenue to the

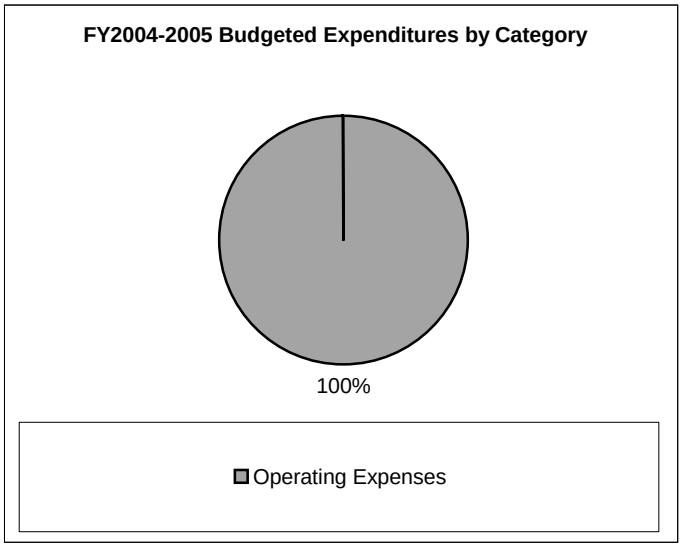
Office of the State Treasurer, which transfers the funds to the Office of the State Auditor. The annual revenue from the enforcement deduction will vary depending on the number of active TIF districts and the amount of tax increment generated by those districts.

The tax increment that funds the TIF Division is dedicated revenue that covers the costs of all operations. This activity does not receive a direct General Fund appropriation.

Contact

Pat Awada, State Auditor, (651) 296-2524
Greg Hierlinger, Deputy State Auditor, (651) 296-7003





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
General	739	787	847	876	902	1,778
Special Revenue	0	13	14	13	14	27
Total	**739**	**800**	**861**	**889**	**916**	**1,805**
Expenditures by Category						
Operating Expenses	739	800	861	889	916	1,805
Total	**739**	**800**	**861**	**889**	**916**	**1,805**
Revenue by Type and Fund						
Dedicated						
Special Revenue	0	13	14	13	14	27
Subtotal Dedicated	0	13	14	13	14	27
Total Revenue	**0**	**13**	**14**	**13**	**14**	**27**
Full-Time Equivalents (FTE)	**11.1**	**10.6**	**11.0**	**11.6**	**11.6**	

State of Minnesota
Department of Finance

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the Governor's FY 2004-05 budget proposal for the State Auditor. The Governor respects the separation of powers and the desire of officials in the judicial and legislative branches and other constitutional officers 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's general recommendations for the legislature and constitutional offices reflect both his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions examine and redesign their operations to increase efficiencies while minimizing the disruption to public services as much as possible. They should also consider collaboration with other agencies to consolidate operations, co-locate facilities, or otherwise share services in order to reduce costs.

For the State Auditor, the Governor's recommendation is $16.612 million in General Fund appropriations for the FY 2004-05 biennium, which reflects a 15% reduction from the agency's forecast budget. This is consistent with the recommendations for other constitutional officers and the legislature. The Governor makes no recommendation regarding the specific initiatives put forward by the State Auditor and other constitutional officers.

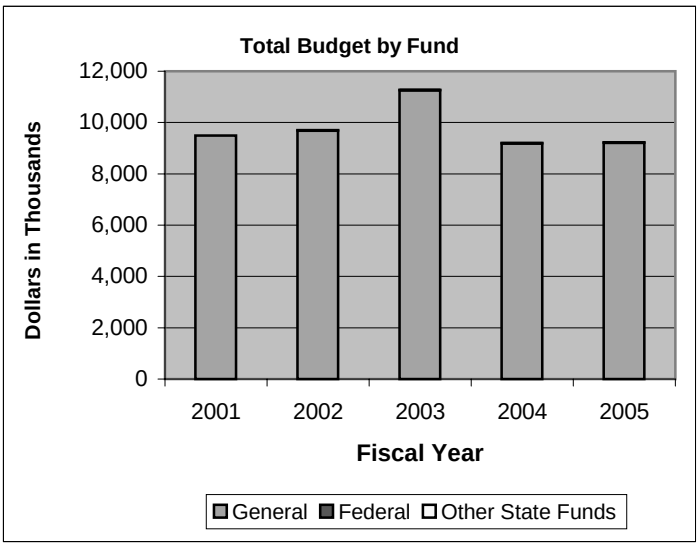
Sincerely,

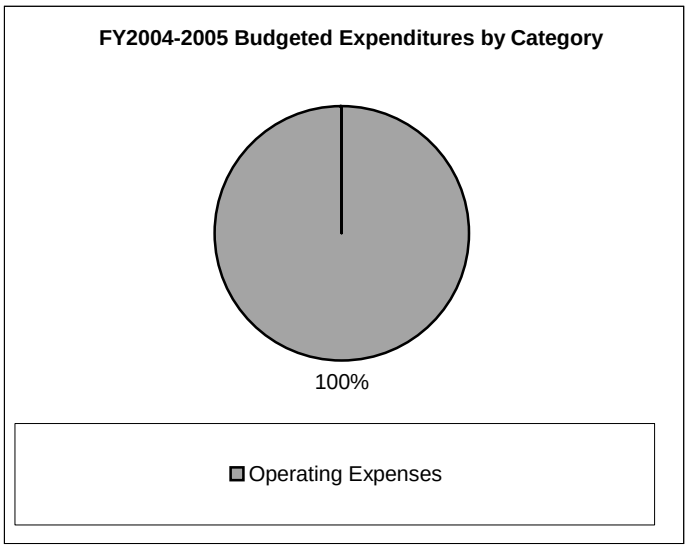
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	21,292	44	21,336
Legislatively Mandated Base	30	0	30
Adjusted Base Funding	21,322	44	21,366
Change Items			
Budget Reduction	-2,932	0	-2,932
Governor's Recommendations	18,390	44	18,434
Biennial Change, 2002-03 to 2004-05	-2,547	0	-2,547
Percent Change	-12%	0%	-12%

Brief Explanation Of Budget Decisions:

The Office of the State Auditor budget includes a legislatively mandated base adjustment for an increase of the state auditor's salary effective January 6, 2003. The new salary rate of the state auditor, approved in 2001, is equal to 85% of the governor's salary.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	8,750	8,893	10,410	8,306	8,306	16,612
Statutory Appropriations						
General	739	787	847	876	902	1,778
Special Revenue	6	22	22	23	21	44
Total	**9,495**	**9,702**	**11,279**	**9,205**	**9,229**	**18,434**
Expenditures by Category						
Operating Expenses	9,495	9,702	11,279	9,205	9,229	18,434
Total	**9,495**	**9,702**	**11,279**	**9,205**	**9,229**	**18,434**
Expenditures by Program						
State Auditor	9,495	9,702	11,279	9,205	9,229	18,434
Total	**9,495**	**9,702**	**11,279**	**9,205**	**9,229**	**18,434**
Revenue by Type and Fund						
Non Dedicated						
General	4	6,328	6,513	6,513	6,513	13,026
Cambridge Deposit Fund	6,469	0	0	0	0	0
Subtotal Non Dedicated	6,473	6,328	6,513	6,513	6,513	13,026
Dedicated						
Special Revenue	5	24	20	23	21	44
Subtotal Dedicated	5	24	20	23	21	44
Total Revenue	**6,478**	**6,352**	**6,533**	**6,536**	**6,534**	**13,070**
Full-Time Equivalents (FTE)	**136.0**	**135.1**	**146.4**	**146.2**	**146.0**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($1,466)	($1,466)	($1,466)	($1,466)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($1,466)	($1,466)	($1,466)	($1,466)

Recommendation
The Governor recommends a direct General Fund appropriation of $8.306 million each year of the FY 2004-05 biennium, a reduction of $1.466 million annually.

Background
The Governor respects the separation of powers and the desire of officials in the judicial and legislative branches and other constitutional officers 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's general recommendations for the legislature and constitutional offices reflect his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions individually redesign their operations to increase efficiencies while minimizing the disruption to public services as much as possible. They should also consider collaboration with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Relationship to Base Budget
The Governor's recommendation is a 15% reduction from the agency's forecasted budget and is consistent with the recommendations for other constitutional officers and the legislature.

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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STATE AUDITOR

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February 18, 2003

2003 Minnesota Legislature:

The Office of the State Auditor (OSA) is proposing a 13% reduction in actual net General Fund costs over the 2004-5 biennium. Additionally, this proposal allows us to bring our Audit Practice division back into required structural balance. With the changes proposed, we believe we will still be able to perform our core functions as prescribed by state law.

The OSA oversees local government finances by performing audits of local government financial statements, and reviews documents, data, reports, and complaints submitted to or gathered by the office. The OSA performs approximately 275 audits per year, and collects, verifies, and analyzes financial information for 87 counties, 854 cities, 1791 towns, and 730 public pension funds. In addition, approximately 300 special investigations cases are reviewed annually.

Audit Practice

The core function of the Audit Practice division is the auditing of local governments and is required by state law. The OSA prescribes accounting systems, and audits 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, we "may" audit all other cities, school districts, towns, development authorities, and soil/water conservation districts.

Although funded through the General Fund, Minnesota statutes require the Office of the State Auditor to recover its audit practice costs through fees charged to its audit clients. Those fees are deposited back into the General Fund to meet the intent of state law essentially resulting in Audit Practice expenses having a $0 impact on the state General Fund.

In recent years, the audit fees and expenditures have not been structurally balanced. This was due in part to the fact that there were no fee increases from January 1997 – December 2000. A 4% fee increase was implemented on January 1, 2003. Also, we are proposing to increase audit fees by 12% on January 1, 2004, and 4% on January 1, 2005. Together, these increases will generate approximately $1,956,000 in additional revenue over the biennium, which will be sufficient to recover budgeted expenditures, as required by state statute.

The budget request for the Audit Practice division is $15,419,000, or 1% more than the biennial base budget.

Other Divisions

The other divisions of the OSA are Special Investigations, Government Information, Pension, and Constitutional Office. The Special Investigations, Government Information, and Pension divisions review special investigation cases, and collect, verify, and analyze financial information for counties, cities, towns, and public pension funds. The Constitutional Office oversees the management of all OSA divisions. The budget request for these divisions is $3,521,000, or 19% less than the biennial base budget. The total reduction in proposed expenditures for these divisions is $847,000.

Including the increase of $226,000 in the Audit Practice division base budget expenditures, the total reduction in proposed expenditures for the OSA is $621,000, or 3% less than the biennial base budget. To meet this reduction in the biennial base budget, it is necessary to eliminate six to seven positions through restructuring. This restructuring is currently underway and can be met by the beginning of the biennium.

Additional reductions to the proposed budget will result in the OSA conducting fewer audits. The effect of conducting fewer audits is a reduction in the amount of revenues deposited into the General Fund. The audits not performed by the OSA would have to be contracted out by the OSA to private certified public accounting firms.

Sincerely,

Patricia Awada
State Auditor

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($313)	($308)	($308)	($308)
Revenues	719	1237	1237	1237
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($1,032)	($1,545)	($1,545)	($1,545)

Recommendation
Agency Request: Submitted for Reference Only

Background
The Office of the State Auditor (OSA) oversees local government finances by performing audits of local government financial statements, and reviews documents, data, reports, and complaints submitted to or gathered by the Office. The Audit Practice division performs approximately 275 audits per year. The Government Information and Pension divisions collect, verify and analyze financial information for 87 counties, 854 cities, 1791 towns, and 730 public pension funds and the Special Investigation division reviews approximately 300 cases annually. The Constitutional Office oversees the management of all OSA divisions.

Reduction of Expenditures
The OSA is proposing to reduce the base budget expenditures of the Special Investigations, Government Information, Pension, and Constitutional Office by $847,000 or 19% of the base budget for these divisions. In addition, this proposal includes an increase of $226,000 in the Audit Practice division expenditures resulting in a net reduction in the base budget expenditures of $621,000.

To meet this reduction in the biennial base budget, it is necessary to eliminate 6-7 positions through restructuring. This restructuring is currently underway and can be met by the beginning of the biennium.

Increase in Revenues
The core function of the Audit Practice division is the auditing of local governments and is required by State Law. Although funded through the general fund, Minnesota statutes require the Office of the State Auditor to recover its audit practice costs through fees charged to its audit clients. Those fees are deposited back into the general fund to meet the intent of state law essentially resulting in Audit Practice expenses having a $0 impact on the State General Fund.

In recent years, the audit fees and expenditures have not been structurally balanced. This was due in part to the fact that there were no fee increases from January 1997 – December 2000. A 4% fee increase was implemented on January 1, 2003. Also, the OSA is proposing to increase audit fees by 12% on January 1, 2004, and 4% on January 1, 2005. Together, these increases will generate approximately $1,956,000 in additional revenue over the biennium, which will be sufficient to recover budgeted expenditures, as required by state statute.

Relationship to Base Budget
The base budget for the OSA is $19,561,000. This change item requests an increase of $266,000 in expenditures for the Audit Practice division and a reduction of $847,000 in expenditures for the other divisions of the OSA resulting in a net reduction of expenditures of $621,000. In addition, the OSA is proposing to increase revenues by $1,956,000 during the 2004 – 2005 biennium. The net effect on the base budget of the reduction of expenditures and the increased revenues is $2,577,000 or 13% of the base budget.

Key Measures
The reduction of expenditures in the Special Investigations, Government Information, Pension, and Constitutional Office divisions will eliminate approximately 6 –7 positions, but will not impact the OSA's ability to carry out the core functions of these divisions.

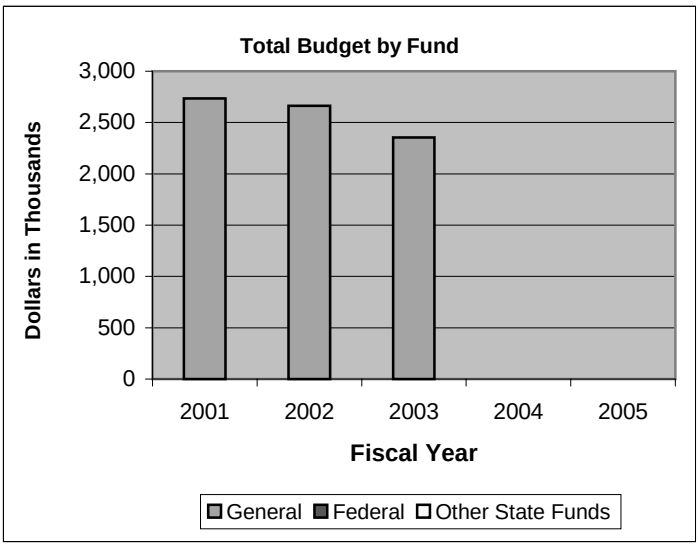
The additional revenues proposed by the OSA will allow the Audit Practice division to be structurally balanced and permit the OSA to complete the audits required by state law.

Alternatives Considered

Additional reductions to the proposed budget will result in the OSA conducting fewer audits. If fewer audits are conducted there will be an equal reduction in the amount of revenues deposited into the general fund because the cost of conducting audits is recovered through fees charged to audit clients. The audits not performed by the OSA would have to be contracted out, by the OSA, to private certified public accounting firms.

Statutory Change:
Not Applicable.

A constitutional amendment to abolish the office of the State Treasurer, effective January 6, 2003, was passed in November 1998. Department of Administration Reorganization Order No. 185 transferred all statutory powers, responsibilities, and duties of the dissolved agency to the Department of Finance.



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,734	2,663	2,353	0	0	0
Total	**2,734**	**2,663**	**2,353**	**0**	**0**	**0**
Expenditures by Category						
Operating Expenses	2,734	2,663	2,353	0	0	0
Total	**2,734**	**2,663**	**2,353**	**0**	**0**	**0**
Expenditures by Program						
State Treasurer	2,734	2,663	2,353	0	0	0
Total	**2,734**	**2,663**	**2,353**	**0**	**0**	**0**
Revenue by Type and Fund						
Non Dedicated						
General	28,516	342,949	332,431	0	0	0
State Government Special Revenue	147	133	130	0	0	0
Cambridge Deposit Fund	16,677	0	0	0	0	0
Miscellaneous Agency	0	0	42	0	0	0
Subtotal Non Dedicated	45,340	343,082	332,603	0	0	0
Dedicated						
General	7,896	15,334	16,969	0	0	0
State Government Special Revenue	1,305	1,051	1,070	0	0	0
Special Revenue	1,601	10,033	11,278	0	0	0
Game And Fish (Operations)	0	175	181	0	0	0
Miscellaneous Agency	632	668	639	0	0	0
Housing Finance Agency	422	364	425	0	0	0
Subtotal Dedicated	11,856	27,625	30,562	0	0	0
Total Revenue	**57,196**	**370,707**	**363,165**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**13.0**	**14.0**	**13.8**	**0.0**	**0.0**	

Agency Purpose

Created by the state legislature in 1991, the office is charged with:

- developing an integrated long-range plan for the state;
- coordinating activities among all levels of government; and
- stimulating public interest and participation in the future of the state.

Our mission – *To identify strategic issues and provide the information, analysis, coordination, and tools necessary for informed decision-making to guide Minnesota's future* – clarifies this broad mandate.

The Office of Strategic and Long-Range Planning (Minnesota Planning) is a small agency with a wide range of expertise. The office consists of analysts, cartographers, demographers, geographers, researchers, and statisticians who are experts on community development, crime and justice, demographics, education, environmental quality, geographic information systems, and government. Those who want to make Minnesota's criminal justice data systems the best in the nation work side-by-side with researchers who examine the state's strategic issues and long-range needs.

At A Glance

- In FY 2002, Minnesota Planning handled 350 applications for municipal boundary adjustments, up from 265 in FY 1999.
- In FY 2002, the office processed 25 power plant siting and transmission line routing applications, up from a total of 15 during the entire prior two years.
- Minnesota Planning satisfies more than 1,000 requests for geographic data each month.
- The office publishes 15-20 research and analysis reports and presents its findings at approximately 300 national, state, and local forums annually.
- The office is assigned to lead, serve on, or staff more than 70 national, state, and regional task forces, commissions, and working groups.
- Current and future research will include use of the 2000 Census, a comprehensive study of the state's fiscal position as a result of the recent economic downturn, and a new crime survey that will measure Minnesotans' sense of community safety since the September 11th attacks.

Core Functions

To help government and citizens make timely and informed decisions by:

- gathering, creating, organizing, and providing access to data; providing analytical tools to use data, and coordinating data across state agencies;
- providing information that reflects an appropriate context for and interpretation of data;
- focusing on the future; identifying strategic and critical issues, developing strategic plans, performing analysis, providing grants and technical assistance, and making policy recommendations; and
- reducing the cost of managing data and increasing its availability and usability.

To adjust municipal boundaries, coordinate and regulate activity that affects the environment, produce population estimates and projections, coordinate the use of geographic and criminal justice information, and provide planning assistance to local governments.

Operations

The **Criminal Justice Statistics Center** tracks crime, including juvenile offenses, and researches the state's justice system.

The **Critical Issues Team** provides analysis and reports which equip policy-makers and all Minnesotans to respond effectively to key challenges facing the state.

The **State Demographic Center**, Minnesota's liaison with the U.S. Census Bureau, estimates, forecasts, and investigates changes in the state's population, analyzes census data and distributes information.

The **Environmental Quality Board** develops policy and reviews proposed projects that could significantly affect the environment.

The **Land Management Information Center** offers data, software, project consultation, and coordination services that promote the effective use of geographic information and technology.

The **Local Planning Assistance Center** offers a variety of technical services and information and coordinates state assistance to help communities with local comprehensive planning and implementation work.

The **Municipal Boundary Adjustments Team** reviews and adjudicates municipal boundary changes in response to requests from cities, townships, and property owners.

Budget

Of the total biennial budget for Minnesota Planning, 76% comes from the General Fund, 21% from dedicated revenues (power plant siting assessment, project fees and LMIC Service Bureau fees), 2% from the Environmental Trust Fund, and 1% from the federal government.

Contact

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(651) 296-3985
World Wide Web Home Page: http://www.mnplan.state.mn.us

Acting Director Jack Uldrich
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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.

Program Description

Among its legislative charges, the Office of Strategic and Long-Range Planning (Minnesota Planning) is directed to coordinate activities among all levels of government and keep Minnesotans focused on the future. Accordingly, the office focuses on activities important to the state's future, categorized under five general goals:

- **Data and tools** – collect and organize data that will be useful to government, business, and citizens in making informed decisions and provide tools for using that data effectively;
- **Information** – provide context and interpretation of data so that government, business, and citizens can make informed decisions;
- **Strategic Advice** – identify emerging issues, and develop strategic plans so that government, business, and citizens can make timely and informed decisions;
- **Coordination** – promote effective and efficient delivery of government services by providing coordination among state agencies, other levels of government, and the private sector; and
- **Mandated operations** – perform statutory functions that support state policy, such as adjust municipal boundaries, coordinate and regulate activity that affects the environment, produce population estimates and projections, coordinate the use of geographic and criminal justice information, and provide planning assistance to local governments.

Program at a Glance

- 18,000 students in 112 schools use *EPPLViewer* and the *Minnesota Environmental Atlas*, GIS tools developed at Minnesota Planning.
- 1,100 Minnesotans receive *IssueWatch*, a monthly electronic newsletter highlighting major social, business, government, and environmental trends around the world.
- 87 counties, approximately 100 townships and 100 cities are using *Under Construction*, a comprehensive guide for local planners.
- The office implemented a mediation process for disputed municipal boundary adjustments. Since then, seven contested cases originally scheduled for administrative hearing have been settled and joint agreements signed.

Population Served

Citizens	Local governments	Executive branch agencies	Environmental groups
Legislators	Governor's office	Educators and students	Public policy groups
Energy providers	Data centers	Human service providers	Special planning districts
Businesses	Developers	Non-profits	Law enforcement groups

Services Provided

These customers use Minnesota Planning tools in a variety of ways.

The office provides assistance and advice that help **local governments** in many ways, among them developing plans for emergency response and hazard mitigation, conducting environmental review, adjusting municipal boundaries, planning for energy and telecommunications needs, and mapping population, natural resource, and development features. To help **citizens** plan the future of their communities, the office recently secured foundation grants for Todd County, Oronoco, and Pine Island. With our help, the communities are using *Building A Sense of Place*, an innovative Geographic Information Systems (GIS) and Internet public participation tool.

For **legislators**, staff at the office conduct research, perform analysis, and offer policy options on topics including development along urban rivers, the impact of feedlots in rural Minnesota, the expansion of a railroad line, criteria for locating state agencies, and a plan for reorganization of state water programs. The office also provides capital and biennial budget advice and assistance to the **governor**.

The office's online planning tools, *Minnesota Milestones, Children's Report Card, Datanet,* and the *GeoGateway* enable our customers to track trends on indicators of the state's progress and build for themselves customized reports and datasets necessary for long-range **education**, **human services,** and **business** plans.

State agencies with emergency response duties use Minnesota Planning tools. A mapping system developed by the office has significantly reduced disease emergency response time for the Board of Animal Health. Farms adjacent to an outbreak, and candidates for quarantine, can be identified in less than one minute; previous response time was more than 30 minutes.

Other agencies look to Minnesota Planning for data needed to fulfill their mandates. For example, the Office of Environmental Assistance depends on the State Demographic Center's population estimates to distribute $14 million in recycling grants to Minnesota counties.

Minnesota Planning has permitted seven Large Wind Energy Conversion Systems, which will produce over 500 megawatts of **energy**. They represent more than $500 million in capital investment.

Educators and **human service providers** look to Minnesota Planning for trends in education and health, for analysis of the impacts of declining population in rural Minnesota, for information to project student enrollment, and for the numbers of immigrants and elderly likely to need service in a given community. They use the office's maps of school district and food subsidy programs to learn about the populations they serve.

So that **citizens** are served efficiently, the office coordinates federal, state, and local government functions. For example:

⇒ Minnesota Planning staff serve on the national State Data Center Program steering committee. This organization coordinates U.S. Census Bureau state government outreach, evaluation, planning, and data delivery programs. Minnesota Planning also coordinates the **Minnesota Data Center** program, which serves 60 state and local **business** and **economic development** affiliates as well as government documents libraries.

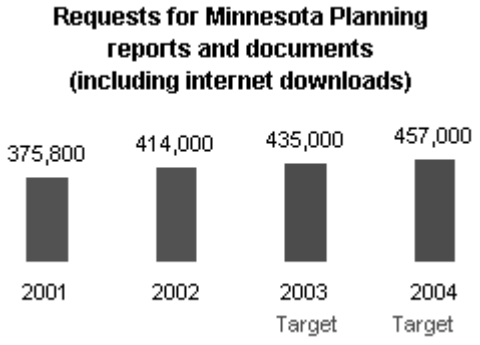
⇒ Serving as evaluators for the Governor's Results Management project, staff offer performance assessment and strategic planning advice to **state agencies**. Minnesota Planning membership on the Telecom, K-12 and Health Care Task Forces, the Association of Minnesota Counties (AMC) policy board, State Agencies for Effectiveness (S.A.F.E.), and the Farm Cabinet supplies these groups with policy expertise as well as the coordination necessary to avoid duplication of efforts.

⇒ Office membership on the National States Geographic Information Council, which advocates for data coordination among states and for the development of data standards, assures that the state has a strong voice in the development and maintenance of geographic information used by **all levels of government** and the **private sector** in Minnesota. Additionally, membership on the executive committee of the national Justice Research and Statistics Association helps the state influence the development of policies surrounding the collection and dissemination of criminal justice information used by federal, **state, and local law enforcement officials.**

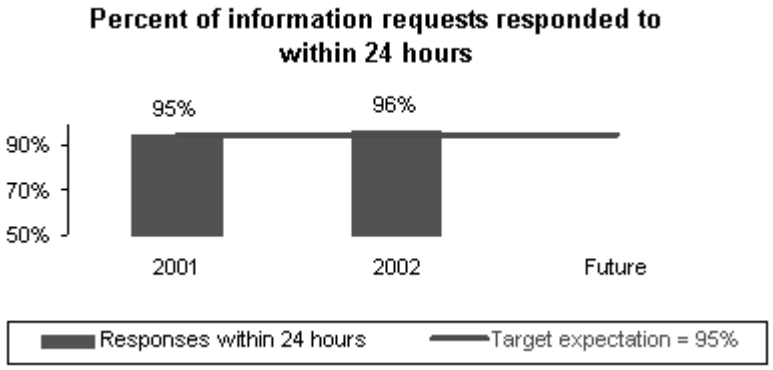
⇒ Minnesota Planning has initiated a number of collaborative projects, such as the Local Solutions Alliance, which provides coordinated state and federal agency planning assistance to **local governments**, and the Governor's Work Force Development Task Force, which resulted in a legislative decision to reorganize several **state agencies.**

Key Measures

Minnesota Planning uses five goals and 14 indicators to measure performance. One goal is to make useful information available to policy-makers and the public. An indicator for this goal is the number of requests for Minnesota Planning publications, printed and online, since these are an important means of making conveniently available the information that enables good decision-making for the future.



The office exists to provide timely information in a timely manner. Staff has made a commitment to respond to requests within 24 hours. This indicator measures our success in meeting this standard.



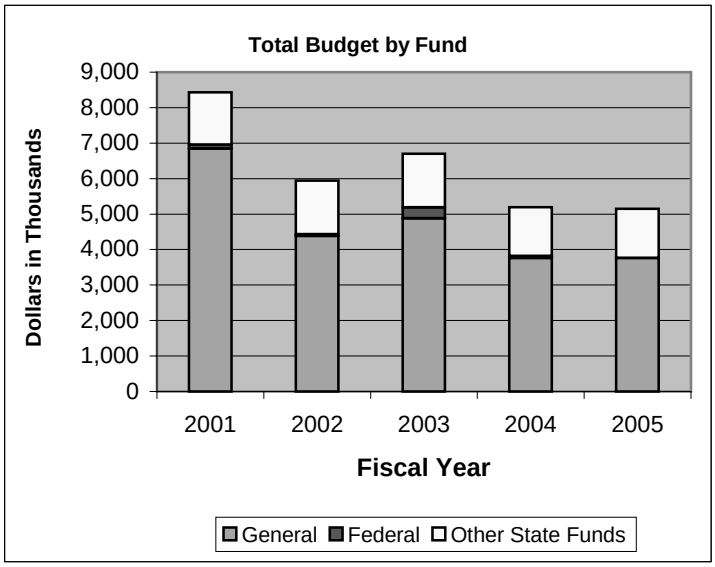
Program Funding

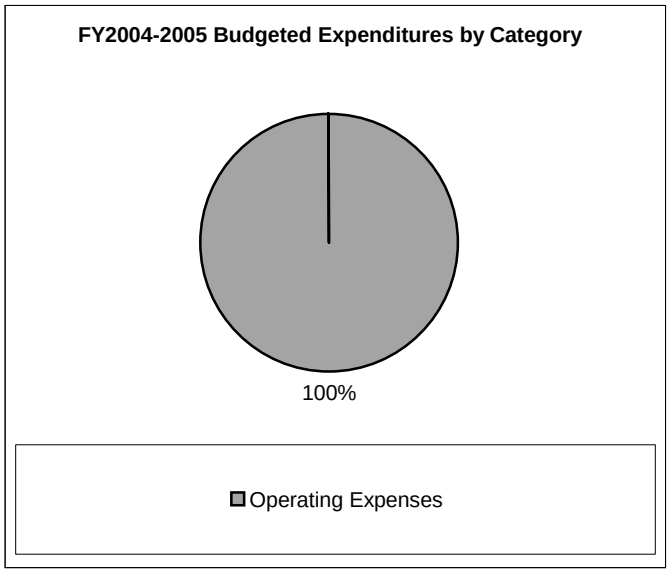
The office is funded primarily (76%) through General Fund appropriations. Twenty-one percent of funding comes from dedicated revenues (power plant siting assessment and project fees, Land Management Information Center [LMIC] Service Bureau fees), 2% from the Environmental Trust Fund, and 1% from the federal government.

Contact

For further information, contact Jack Uldrich, Acting Director, Minnesota Planning, 300 Centennial Office Building, 658 Cedar Street, St. Paul, Minnesota 55155, or call (651) 296-3985 or Fax (651) 296-3698.

You may also visit the department web site at http://www.mnplan.state.mn.us/.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	108	240	0	0	0	0
General	6,846	4,382	4,877	3,764	3,764	7,528
Minnesota Resources	70	0	0	0	0	0
Environmental	0	75	0	0	0	0
Statutory Appropriations						
Special Revenue	1,298	1,197	1,517	1,378	1,381	2,759
Federal	110	49	306	55	0	55
Total	**8,432**	**5,943**	**6,700**	**5,197**	**5,145**	**10,342**
Expenditures by Category						
Operating Expenses	7,995	5,943	6,700	5,197	5,145	10,342
Local Assistance	437	0	0	0	0	0
Total	**8,432**	**5,943**	**6,700**	**5,197**	**5,145**	**10,342**
Expenditures by Activity						
Agency Operations	2,102	1,133	1,983	1,059	1,068	2,127
Environmental Quality Board	482	560	500	426	428	854
Enviromental Impact Statements	1,358	172	6	0	0	0
Power Plant Siting	526	585	839	879	879	1,758
Lmic Coordination	1,000	881	926	741	731	1,472
Lmic Service Bureau	747	589	530	497	500	997
Critical Issues	595	671	635	584	589	1,173
Criminal Justice	110	33	153	50	0	50
Local Planning Assistance	627	456	379	214	214	428
Municipal Boundary Adjustment	330	297	254	278	268	546
Demographers Office	555	566	495	469	468	937
Total	**8,432**	**5,943**	**6,700**	**5,197**	**5,145**	**10,342**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	0	54	60	60	60	120
Cambridge Deposit Fund	49	0	0	0	0	0
Subtotal Non Dedicated	49	54	60	60	60	120
Dedicated						
Special Revenue	1,302	1,147	930	1,378	1,381	2,759
Federal	96	11	250	55	0	55
Subtotal Dedicated	1,398	1,158	1,180	1,433	1,381	2,814
Total Revenue	**1,447**	**1,212**	**1,240**	**1,493**	**1,441**	**2,934**
Full-Time Equivalents (FTE)	**77.4**	**75.3**	**70.5**	**58.0**	**58.0**	

MINNESOTA PLANNING

February 18, 2003

To the 2003 Minnesota Legislature:

With this letter, I am submitting the FY 2004-2005 budget for the Office of Strategic and Long-Range Planning. The Governor's budget recommends a General Fund appropriation of $7.5 million and departmental earnings of $2.8 million for the activities of the Office. In the next couple of weeks, the Governor will also announce a proposal to reorganize Minnesota Planning that will move some activities of the agency to other organizations with which they share natural synergies. Other activities will be eliminated.

The budget submitted for the Office seeks to safeguard the Office's core activities and reduce administrative overhead, consistent with the Governor's reorganization plans. In order for these core services to continue, we have already taken steps to consolidate office space, reduce travel and printing costs and limit technology purchases in the current biennium. We have also reduced staffing by 19.5 positions, primarily support, administrative and managerial positions. For example: the Centennial Library, shared with the departments of Administration and Employee Relations, will be closed; editing and publication production services have been reduced; communications and legislative relations positions have been eliminated, as have executive aide and assistant director positions. These changes were made in order to live within a funding level that was reduced by $900,000 or 19% in FY 2002-03 and we believe that they will be sufficient to address the 15% reduction recommended for 2004-2005.

Some core services, supported by departmental earnings, will not be affected. These are energy facility siting, transmission and pipeline routing and fee-based geographic information technology services.

Sincerely,

Jack Uldrich
Acting Director

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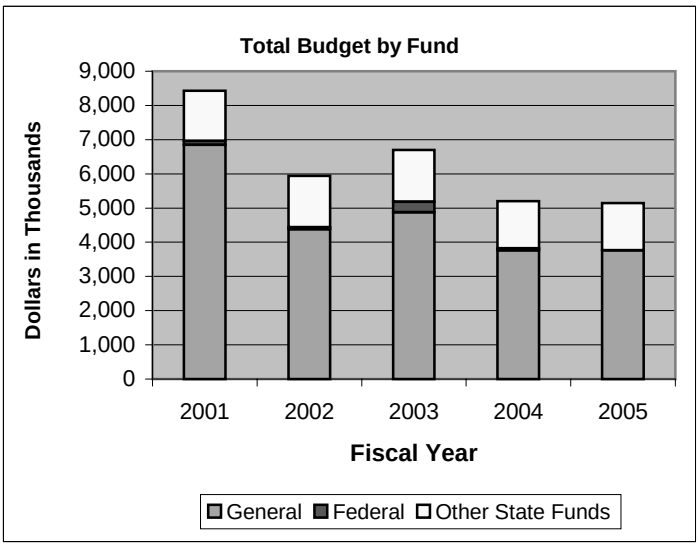
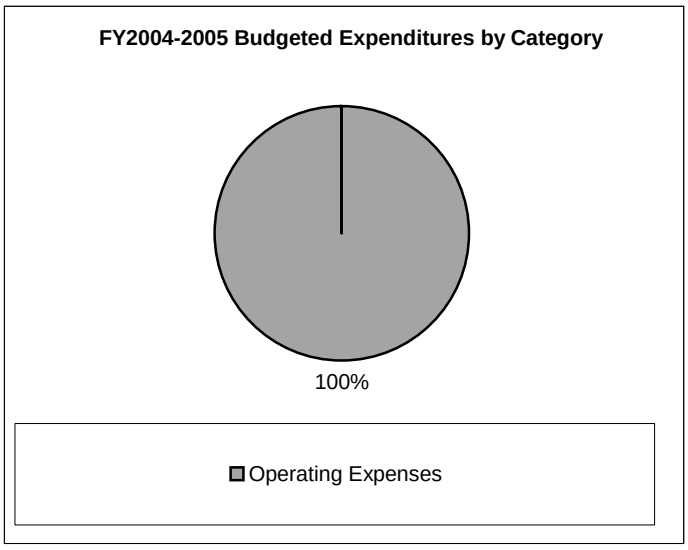
	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	8,856	2,814	11,670
Adjusted Base Funding	8,856	2,814	11,670
Change Items			
Budget Reduction	-1,328	0	-1,328
Governor's Recommendations	7,528	2,814	10,342
Biennial Change, 2002-03 to 2004-05	-1,731	-570	-2,301
Percent Change	-19%	-17%	-18%





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
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General	6,846	4,382	4,877	3,764	3,764	7,528
Minnesota Resources	70	0	0	0	0	0
Environmental	0	75	0	0	0	0
Statutory Appropriations						
Special Revenue	1,298	1,197	1,517	1,378	1,381	2,759
Federal	110	49	306	55	0	55
Total	**8,432**	**5,943**	**6,700**	**5,197**	**5,145**	**10,342**
Expenditures by Category						
Operating Expenses	7,995	5,943	6,700	5,197	5,145	10,342
Local Assistance	437	0	0	0	0	0
Total	**8,432**	**5,943**	**6,700**	**5,197**	**5,145**	**10,342**
Expenditures by Program						
Strategic & Long Range Plan	8,432	5,943	6,700	5,197	5,145	10,342
Total	**8,432**	**5,943**	**6,700**	**5,197**	**5,145**	**10,342**
Revenue by Type and Fund						
Non Dedicated						
General	0	54	60	60	60	120
Cambridge Deposit Fund	49	0	0	0	0	0
Subtotal Non Dedicated	49	54	60	60	60	120
Dedicated						
Special Revenue	1,302	1,147	930	1,378	1,381	2,759
Federal	96	11	250	55	0	55
Subtotal Dedicated	1,398	1,158	1,180	1,433	1,381	2,814
Total Revenue	**1,447**	**1,212**	**1,240**	**1,493**	**1,441**	**2,934**
Full-Time Equivalents (FTE)	**77.4**	**75.3**	**70.5**	**58.0**	**58.0**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($664)	($664)	($664)	($664)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($664)	($664)	($664)	($664)

Recommendation
The Governor recommends a General Fund appropriation of $3.764 million for each year of the FY 2004-05 biennium, a $664,000 (15%) annual reduction from the FY 04-05 base. In the next couple of weeks, the Governor will also announce a proposal to reorganize the department, moving some activities to other entities and eliminating others.

Background
Generally, this recommendation continues the FY 2002-03 reductions into the FY 2004-05 biennium. To address General Fund reductions of $560,000 in FY 2002, 11 positions were eliminated, office space was consolidated, and travel, supplies, and technology purchases were limited. In FY 2003, an additional 8% reduction of $338,000 meant the further elimination of 8.5 positions. The Minnesota Planning workforce was reduced from 75.5 FTE in July 2001 to 56 FTE in January 2003. Of these 13.5 are supported by departmental earnings, 42.5 by the General Fund.

The Office contains the following programs:

⇒ The *Criminal Justice Statistics Center* tracks crime, including juvenile offenses, and researches the state's justice system.

⇒ The *Critical Issues Research* Team provides analysis and reports, which equip policy-makers and all Minnesotans to respond effectively to key challenges facing the state.

⇒ The *State Demographic Center*, Minnesota's liaison with the U.S. Census Bureau, estimates, forecasts, and investigates changes in the state's population.

⇒ The *Environmental Quality Board* develops policy and reviews proposed projects that could significantly affect the environment.

⇒ The *Land Management Information Center* offers data, consultation, and coordination services that promote the effective use of geographic information and technology.

⇒ The *Local Planning Assistance Center* offers a variety of technical services and information and coordinates state agency assistance for local governments.

⇒ The *Municipal Boundary Adjustments* team reviews and adjudicates municipal boundary changes in response to requests from cities, townships, and property owners.

Relationship to Base Budget
The recommended reduction is a 15 percent reduction from the FY 04-05 base.

Key Measures
Staff reduction decisions were made to preserve core activities as much as possible, while reducing administrative overhead. Anticipated consequences of the reductions include: a significant slowdown in service delivery, a potential inability to fully address core activities, and an inability to meet timelines.

Also, see www.departmentresults.state.mn.us for target indicators.

Statutory Change: Not applicable

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.

At A Glance

⇒ Supreme Court reviews more than 800 cases a year.

⇒ Supreme Court oversees judicial system of 292 judges, 3,000 employees, and 22,000 attorneys.

⇒ 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 courts are mid-way through a major financial transition from county-based funding to state funding.
- ♦ 3,000 county employees will be transferred to state payrolls by FY 2006.
- ♦ Collective bargaining is now conducted for state funded judicial districts

⇒ Redesign of core court technology is underway.
- ♦ Implementation of MNCIS, the central hub of CriMNet, has begun.

⇒ The Minnesota Courts regularly review their effectiveness by monitoring
- ♦ Case filing trends.
- ♦ Case clearance rates.
- ♦ Elapsed case time from filing to disposition.

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 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.

The Supreme Court conducts its administrative functions in support of the following four strategic priority areas:

⇒ **Access to Justice** – Ensuring the justice system is open, affordable, effective, and accountable to the people it serves.

⇒ **Children's Justice** – Working across branches of government and with other stakeholders to improve outcomes for and the delivery of services to Minnesota's children.

⇒ **Technology** – Updating and integrating technology to improve and expedite the work of the courts, making justice more consumer-oriented and accountable.

⇒ **Public Trust and Confidence** – Through education, outreach to diverse communities, and a commitment to system-wide customer service, 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.

SUPERVISORY OPERATIONS
In the Chief Justice's general supervisory role over the courts, she is assisted by the State Court Administrator's Office, which provides the administrative infrastructure for the judicial branch.

Working at the direction of the Chief Justice and with the Conference of Chief Judges, 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, 85.8% is from General Fund direct appropriations. Federal grants represent 9.4% of the funding for the Court. The balance of the funding is from Special Revenue Funds and other grants and gifts, representing 4.8% of the Courts funding.

Of the Supreme Court expenditures, 45% is used for technology (including the MNCIS project, which supports judicial branch operations for all three levels of court and in each county in the state.) Court operations represents 29%, which includes the cost of the Justices and their staff as well as the staff of the State Court Administrator's Office. Civil Legal Services funds are 20%, and the remaining 6% supports the State Law Library.

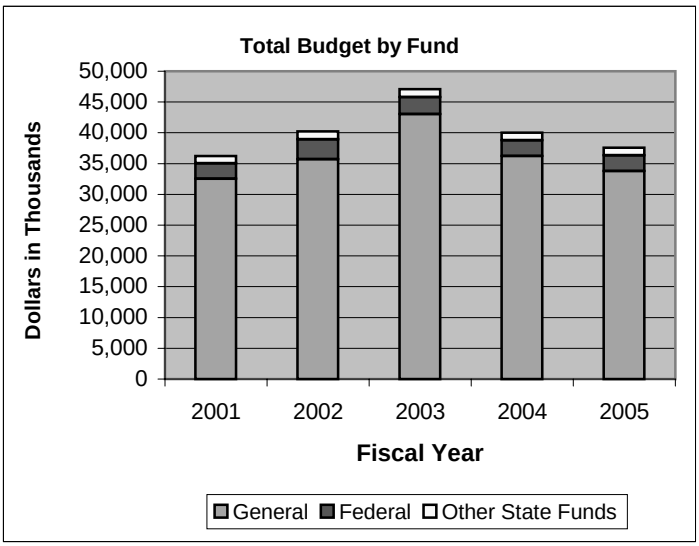
The Supreme Court has 222.43 FTEs. This excludes the Legal Profession Boards.

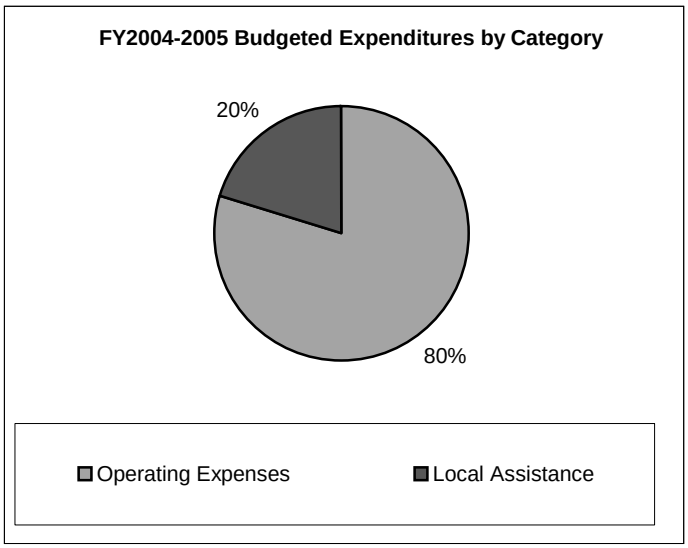
Contact

Minnesota Supreme Court
Minnesota Judicial Center
25 Constitution Avenue
St. Paul, Minnesota 55155

Sue Dosal
State Court Administrator
Phone: (651) 296-2474
Fax: (651) 297-5636

Home page: http://www.courts.state.mn.us





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	32,159	34,810	42,188	35,986	33,537	69,523
Statutory Appropriations						
General	379	872	835	253	257	510
Special Revenue	1,146	1,235	1,242	1,196	1,200	2,396
Federal	2,488	3,261	2,754	2,524	2,524	5,048
Miscellaneous Agency	1	1	1	1	1	2
Gift	64	40	44	39	41	80
Total	**36,237**	**40,219**	**47,064**	**39,999**	**37,560**	**77,559**
Expenditures by Category						
Operating Expenses	27,428	31,285	38,233	32,087	29,648	61,735
Capital Outlay & Real Property	6	68	112	0	0	0
Local Assistance	7,792	8,866	8,719	7,912	7,912	15,824
Other Financial Transactions	1,011	0	0	0	0	0
Total	**36,237**	**40,219**	**47,064**	**39,999**	**37,560**	**77,559**
Expenditures by Program						
Supreme Court Operations	4,681	4,917	5,486	5,387	5,408	10,795
Civil Legal Services	7,473	8,758	8,609	8,569	8,569	17,138
Unallocated Reduction	0	0	0	-3,999	-3,726	-7,725
State Court Administrators	22,226	24,598	30,724	27,887	25,153	53,040
Law Library Operations	1,857	1,946	2,245	2,155	2,156	4,311
Total	**36,237**	**40,219**	**47,064**	**39,999**	**37,560**	**77,559**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	0	412	417	417	417	834
Cambridge Deposit Fund	385	0	0	0	0	0
Subtotal Non Dedicated	385	412	417	417	417	834
Dedicated						
General	1,500	878	835	253	257	510
Special Revenue	1,174	1,227	1,214	1,196	1,199	2,395
Federal	2,735	3,218	2,394	2,524	2,524	5,048
Miscellaneous Agency	1	1	1	1	1	2
Gift	58	38	39	39	39	78
Subtotal Dedicated	5,468	5,362	4,483	4,013	4,020	8,033
Total Revenue	**5,853**	**5,774**	**4,900**	**4,430**	**4,437**	**8,867**
Full-Time Equivalents (FTE)	**198.8**	**220.8**	**249.9**	**245.5**	**245.5**	

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 decides about 800 cases a year
- Supreme Court oversees judicial system of 292 judges, 3,200 employees, and 22,000 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 volume of petitions for review was 691 cases in 2001. The volume of filings is expected to remain at this level through the next biennium. 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 2001 113 mandatory cases were heard.

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 which involves special advisory committees and requires numerous public hearings.

The Chief Justice has general supervisory responsibility for all courts in the state. She exercises this authority through standing and ad hoc conferences, committees and commissions, and through the Office of the State Court Administrator, which provides central administrative and technology support for all appellate and trial courts in the state and for the legal regulatory boards.

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.
⇒ To ensure the effective operation of the state court system in a way that provides access to all citizens.

Program Funding

The Supreme Court Operations budget is totally funded by the General Fund except for approximately $85,000 annually in dedicated funds allocated for collection of attorney registration fees and approximately $40,000 annually in gift funds for small projects.

Contact

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Minnesota Supreme Court
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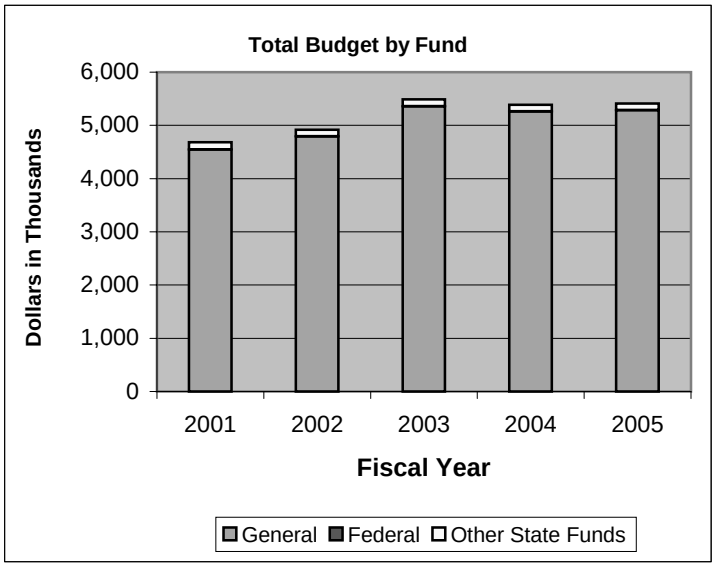
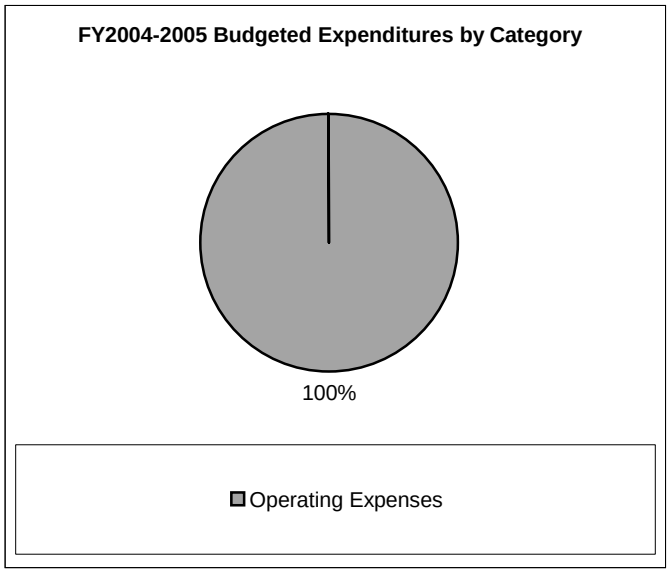
Fax: (651) 297-5636
http://www.courts.state.mn.us





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,547	4,793	5,357	5,263	5,282	10,545
Statutory Appropriations						
Special Revenue	72	84	85	85	85	170
Gift	62	40	44	39	41	80
Total	**4,681**	**4,917**	**5,486**	**5,387**	**5,408**	**10,795**
Expenditures by Category						
Operating Expenses	4,681	4,917	5,486	5,387	5,408	10,795
Total	**4,681**	**4,917**	**5,486**	**5,387**	**5,408**	**10,795**
Expenditures by Activity						
Supreme Court Operations	4,681	4,917	5,486	5,387	5,408	10,795
Total	**4,681**	**4,917**	**5,486**	**5,387**	**5,408**	**10,795**
Revenue by Type and Fund						
Non Dedicated						
General	0	396	400	400	400	800
Cambridge Deposit Fund	385	0	0	0	0	0
Subtotal Non Dedicated	385	396	400	400	400	800
Dedicated						
Special Revenue	85	85	85	85	85	170
Gift	55	38	39	39	39	78
Subtotal Dedicated	140	123	124	124	124	248
Total Revenue	**525**	**519**	**524**	**524**	**524**	**1,048**
Full-Time Equivalents (FTE)	**52.9**	**42.0**	**45.9**	**45.9**	**45.9**	

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 - 28
- Number of people served – 36,000 +

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 2003, 22 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). A 1994 American Bar Association (ABA) Study, "Legal Needs and Civil Justice, A Survey of Americans," estimated that 47% of low-income households or 120,000 Minnesota households experience at least one legal problem a year. Legal services programs turn away more than 20,000 requests for service each year.

Seventy percent of persons served by the Legal Services Coalition are women and their children. Fifteen percent are age 60 or over and over; 33% are persons of color. A significant number of persons with physical or mental disabilities are also served by this program.

Services Provided

Through representation, negotiation, conciliation and enforcement of legal rights, 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 needy people: their homes, family, health and support for their children and personal safety.

Historical Perspective

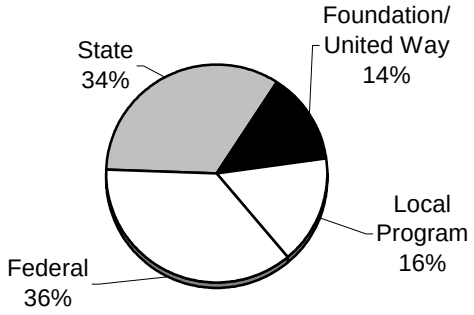
Since the early 1980's Legal Services Coalition programs have experienced a 60% increase in requests for services while program income in real dollars has increased only 36%.

Funding for civil legal services in Minnesota is a combination of state, federal, foundation and private funding. In 1995 the Supreme Court Task Force on Legal Services Funding proposed a state/private bar partnership urging an increase of $2 million state dollars by 2000. Half that goal was realized by 2002.

The Supreme Court has assessed attorneys an annual fee to support legal services which raises $1 million annually. Additionally attorneys statewide contribute volunteer hours annually. Among the 6 Legal Services Coalition programs, volunteer attorneys have contributed time valued in excess of $1.6 million annually.

In 2003 the estimated funding for the Legal Services Coalition programs will be $24,210,732 from the following sources:

Civil Legal Services
Estimated Funding (Total: $24 million)



Key Measures

Due to reduced revenue in 2001, the Coalition programs were able to serve only 36,000 clients in 2001, down from over 40,000 in 1998. Further reductions in client services are expected into the next biennium with the loss of $175,000 in state appropriations, $675,000 lost from the IOLTA (Interest on Lawyers Trust Account) program in FY 2003 because of low interest rates with an additional cut of $300,000 anticipated in FY 2004, and a decrease of federal funds.

Program Funding

Program grants are funded by a General Fund appropriation and dedicated revenue from a licensed attorney assessment.

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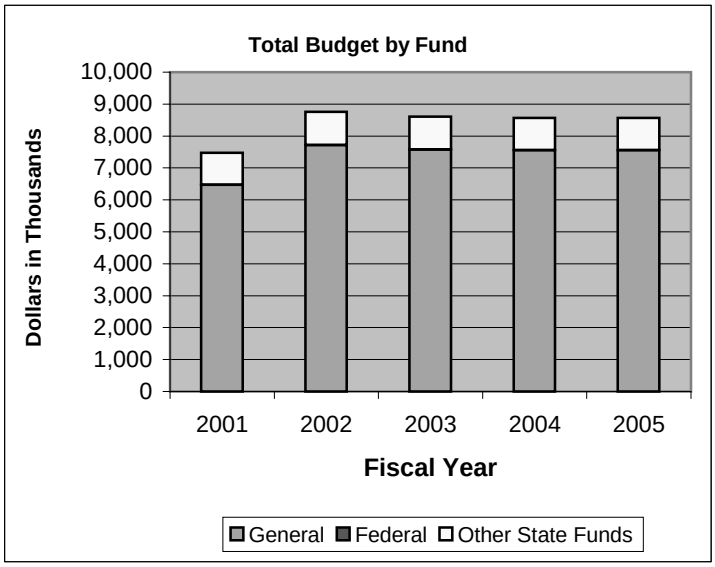

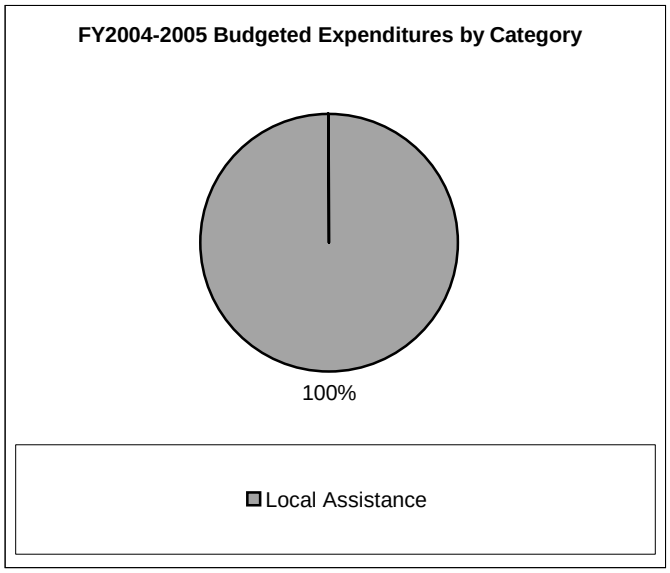

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	6,471	7,720	7,573	7,559	7,559	15,118
Statutory Appropriations						
Special Revenue	1,002	1,038	1,036	1,010	1,010	2,020
Total	**7,473**	**8,758**	**8,609**	**8,569**	**8,569**	**17,138**
Expenditures by Category						
Operating Expenses	2	2	0	0	0	0
Local Assistance	7,471	8,756	8,609	8,569	8,569	17,138
Total	**7,473**	**8,758**	**8,609**	**8,569**	**8,569**	**17,138**
Expenditures by Activity						
Civil Legal Serv Dedicated	1,002	1,038	1,036	1,010	1,010	2,020
Family Law Legal Services	877	877	877	877	877	1,754
Civil Legal Services	5,594	6,843	6,696	6,682	6,682	13,364
Total	**7,473**	**8,758**	**8,609**	**8,569**	**8,569**	**17,138**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	0	0	-3,999	-3,726	-7,725
Total	**0**	**0**	**0**	**-3,999**	**-3,726**	**-7,725**
Expenditures by Category						
Operating Expenses	0	0	0	-3,232	-2,959	-6,191
Local Assistance	0	0	0	-767	-767	-1,534
Total	**0**	**0**	**0**	**-3,999**	**-3,726**	**-7,725**
Expenditures by Activity						
Unallocated Reduction	0	0	0	-3,999	-3,726	-7,725
Total	**0**	**0**	**0**	**-3,999**	**-3,726**	**-7,725**

Program Description
The Office of the State Court Administrator was established to plan for and administer the courts of the state.

Population Served
In addition to judges, court personnel, lawyers and litigants at all three levels of court, the services provided by the State Court Administrator's office touch many diverse groups in Minnesota. One key group served is the children of Minnesota, who benefit from the Guardian ad Litem program, the Children's Justice Initiative (CJI) and the Child Support Enforcement program. Both children and Minnesotans of all ages have attended public education events developed and sponsored by the State Court Administration staff. Jurors benefit from statewide jury process innovations. All citizens of Minnesota will soon benefit from the new, user-friendly statewide CrimNET project, of which the Court's MNCIS (Court Information System) project is an integral part.

Services Provided
The State Court Administrator assists the chief justice in supervising and supporting the court operations of the state. Staff assist the judiciary in providing central administrative support services, establishing standards, policies and priorities; in recommending the allocation of resources to meet workload demands, and in developing a long-range strategic plan for the improvement of the courts. The State Court Administrator is the coordinating link between the court administrative structure and the judiciary.

Program at a Glance

Provides human resource, financial, technology, training, legal research, management analysis, research and development, court interpreter, guardian ad litem, expedited child support, and public information services for the judicial branch.

- Supports 3,200 state funded employees and 300 judges, located in 100 locations throughout the state
- Impacts 22,000 lawyers
- Serves litigants in 2 million cases per year

Directs the major transformation of the judicial branch currently under way involving the transfer from county-based funding to state funding of six judicial districts, 32 counties and 1,500 employees.

Develops and is implementing a major new statewide automated case management system which is the hub of CriMNet.

The courts are mid-way through a major transformation of the judicial branch, led by the State Court Administrator's office, involving the transfer of all trial courts from county to state funding. Four judicial districts and 55 counties, covering the western half of Minnesota, are now state funded. The remaining six districts and 32 counties will transfer to state funding as follows: Districts 2 and 4 on 7-1-03; Districts 1 and 3 on 7-1-04 and Districts 6 and 10 on 7-1-05. Dramatically increased financial, human resources and systemwide administrative support responsibilities and workload have fallen upon this office to support the transfer. This includes the addition of approximately $77 million in base budgets, the transfer of 1,500 county employees into the state system, new collective bargaining responsibility for four statewide court employee units, and development of the associated infrastructure of policies and procedures, training, technology, and legal and managerial technical assistance.

State Court Administration operates in the following major program areas:

Information Technology Division. This division helps the judicial branch of the state government as well as its state, county and local justice business partners meet their business objectives. The division develops, operates and maintains mission critical enterprise operational information systems, networks and web servers for the trial and appellate courts. It has implemented a new statewide Web Services system giving courts and criminal justice partners single query access to all state criminal data from web browser. It is beginning to implement a new court case management system as a major component of an integrated justice system called "CriMNet". It continues to play a leadership role in statewide criminal justice information integration. The division electronically supplies driving conviction data to the Department of Public Safety as well as adult and juvenile criminal conviction data to the Bureau of Criminal Apprehension. It provides criminal data to the district public defenders computer system, and child support data to the Department of Human Services. It operates and maintains a data warehouse to support policy analysis in juvenile and adult criminal matters.

Finance. This division helps to ensure that the funding provided to the courts is spent efficiently and effectively to promote equal access to justice for all Minnesotans. Finance staff develop and monitor appellate and trial court budgets, provide financial management for grant programs, and develop branchwide financial policies and procedures. Finance staff provide accurate and timely processing of transactions, including bill payment, payroll, and cash receipts. Finance staff process transactions for some judicial districts and advise district management on sound financial practices.

Human Resources. The Human Resources Division provides for development, support and administration of statewide functions in the areas of recruitment, selection, classification, compensation, labor relations, employee relations, performance management, benefits, and workers' compensation and safety.

Functions include development of statewide human resources policies and procedures, as well as consultation and guidance to district and local offices. Human Resources also partners with the Education and Organization Development Division in the development and delivery of Human Resource related training and development.

Court Information Office. The Court Information Office provides communications support for the Minnesota Supreme Court, Court of Appeals and District Court Judges. The office oversees media relations, Judicial Branch employee communications, community outreach, public education, and answers public inquiries.

Education, Training, and Organization Development. This functional area provides programs to insure that judges and court personnel stay abreast of new developments and meet mandatory education course work requirements established by the Supreme Court and the Conference of Chief Judges. Court administrators, judicial district administrators and judges must complete 45 hours of continuing education every three years. Leadership, management, and team building training is provided for administrative and judicial personnel. Regional, multi-disciplinary training including all justice system partners has been a key component in implementing system improvement initiatives. The ADR registration program is managed by this division.

Court Services. This division examines the structure and operation of the judicial system, conducts research and makes recommendations for improvements in the area of judicial resources, court management, and court processes; conducts legal and management research required to draft statewide administrative policies and to respond to requests for legal and policy guidance on administrative procedures in appellate and trial courts; advises the Supreme Court in the exercise of its sunset and transfer authority over trial court judgeships, presents statistical information on the work of the courts to the legislature, other governmental agencies and the public. The Court Services Division also is responsible for the Children's Justice Initiative, Expedited Child Support, Court Interpreter programming and Guardian ad Litem programming statewide.

Key Measures

- ⇒ As of 7-1-05, will have transferred 87 county court operations to state funding including $77 million in additional budgets and 1,500 new state employees.
- ⇒ Support 3,500 court and criminal justice users of statewide computerized court management applications and statewide network to track 2 million cases filed annually. Over the next two years we expect the number of users to increase by 7,500 with the implementation of MNCIS/CriMNet.
- ⇒ Maintain 99% uptime of statewide computer system.
- ⇒ In 1999, the court guardian ad litem program only provided about 50% coverage for mandated child abuse and neglect cases. In 2002, coverage increased to 80% of mandated cases.
- ⇒ In 2000, child support magistrates heard 16,000 cases. In FY 2001, this increased to 19,000 cases, an increase of 18%.

Program Funding

Forty-three percent of the State Court Administrator's office budget is for the Judicial Branch/Statewide Technology Office serving courts statewide and other state and local criminal justice agencies. Eight-three percent of the funding for FY 2002-03 for the State Court Administrator's office is from the General Fund, 15% from federal funds, and 2% from dedicated revenue.

Revenue Summary: The State Court Administrator's Office receives cost reimbursements from non-court users of the Total Court Information System, Alternative Dispute Resolution (ADR) registration fees, interpreter training fees and seminar fees. The total biennial revenue from these sources is estimated to be $743,000.

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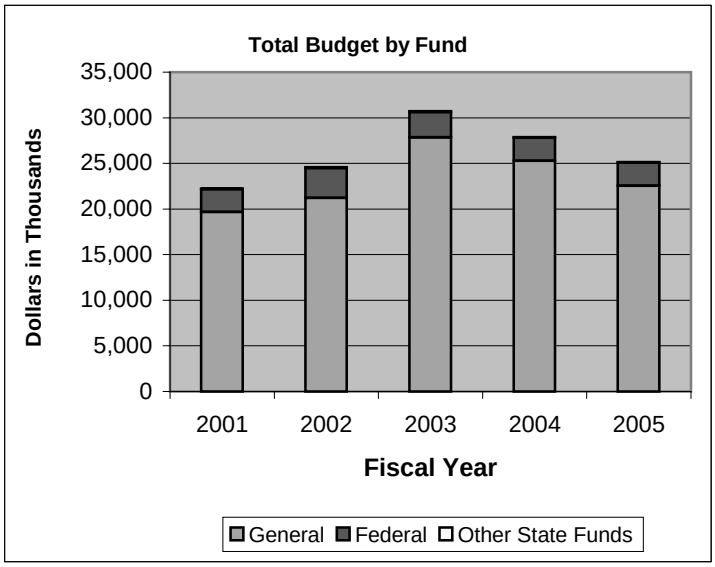

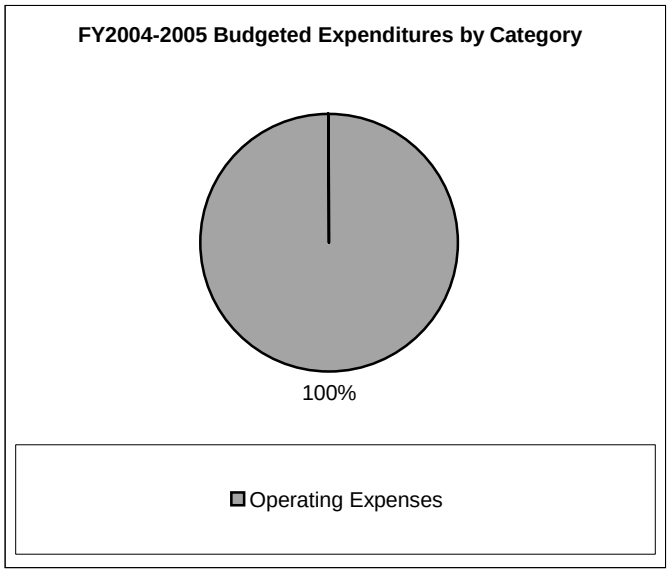

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	19,295	20,360	27,025	25,020	22,279	47,299
Statutory Appropriations						
General	379	872	835	253	257	510
Special Revenue	63	104	109	89	92	181
Federal	2,488	3,261	2,754	2,524	2,524	5,048
Miscellaneous Agency	1	1	1	1	1	2
Total	**22,226**	**24,598**	**30,724**	**27,887**	**25,153**	**53,040**
Expenditures by Category						
Operating Expenses	20,888	24,420	30,502	27,777	25,043	52,820
Capital Outlay & Real Property	6	68	112	0	0	0
Local Assistance	321	110	110	110	110	220
Other Financial Transactions	1,011	0	0	0	0	0
Total	**22,226**	**24,598**	**30,724**	**27,887**	**25,153**	**53,040**
Expenditures by Activity						
State Court Administrators	21,403	24,488	30,614	27,777	25,043	52,820
Community Dispute Resolution	823	110	110	110	110	220
Total	**22,226**	**24,598**	**30,724**	**27,887**	**25,153**	**53,040**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	0	16	17	17	17	34
Subtotal Non Dedicated	0	16	17	17	17	34
Dedicated						
General	1,500	878	835	253	257	510
Special Revenue	70	95	107	89	92	181
Federal	2,735	3,218	2,394	2,524	2,524	5,048
Miscellaneous Agency	1	1	1	1	1	2
Subtotal Dedicated	4,306	4,192	3,337	2,867	2,874	5,741
Total Revenue	**4,306**	**4,208**	**3,354**	**2,884**	**2,891**	**5,775**
Full-Time Equivalents (FTE)	**131.5**	**164.0**	**188.3**	**183.9**	**183.9**	

Program Description

This program provides research and information services on a statewide basis to users of legal data. A complete range of traditional and automated professional library functions is offered at the Minnesota Judicial Center. The program offers advisory services to all 87 county law libraries, manages computerized legal data services, and participates in an interlibrary consortium and projects on a local, state, and national level.

Population Served

Besides the courts, user groups include the general public, members of the legislature, executive officers and other government employees, private attorneys (especially solo and small firms across the state), libraries (public, academic and special), students, and prisoners.

Program at a Glance

Provides research and information services on a statewide basis to users of legal data.

- Advice and assistance to all 87 county law libraries
- Law library service to over 1,700 inmates in eight prisons
- Over 57,000 reference requests processed
- Over 1,679,000 web site hits
- Over 40,000 resources added in a collection of over 500,000

Services Provided

The Library provides research support to the appellate courts and their staff. In addition, under the supervision of the Supreme Court, the Law Library's resources and services are dedicated to ensuring that all Minnesota citizens have access to legal information. Targeted populations include district court personnel, public library patrons, pro se litigants, prisoners, and solo and small-firm attorneys.

The staff provides legal reference assistance in-house and by mail, phone, fax, or e-mail. The library's web site helps users locate Minnesota legal resources available on the web as well as providing access to unique resources such as the opinion archive, an index to Minnesota legal periodicals, and links to ordinances online.

As required by statute, the Law Library provides advice and assistance to Minnesota county law libraries through on-site visits, a newsletter, an annual training conference and manual for county law library managers, and telephone and e-mail consultations. Under an interagency agreement with the Department of Corrections, Law Library Service to Prisoners provides law library service to inmates incarcerated in Minnesota through circuit-riding prison law librarians and legal collections in individual prisons.

The Library supports many educational objectives through tours, lectures, and publications. In the last few years, library staff played key roles in the development and distribution of Inside Straight: The Third Branch, a video that introduces judicial concepts to junior and senior high school students.

The Library preserves such historical collections as briefs of the appellate courts, the most extensive historical collection of Minnesota agency rules and regulations and the Minnesota Justice Series, which compiles articles, photos, newspaper accounts, letters, commendations, judicial opinions, and essays by and about retired Supreme Court Justices.

As a selective government depository the Library has developed a unique program in which we share documents with 22 state agency libraries. The Library is also a state document depository and the official depository for the State Justice Institute, Council of Appellate Staff Attorneys, and Minnesota Sentencing Guidelines Commission. The Library also participates in various materials exchange programs with other libraries in Minnesota and in other states as well as receives donations from individuals and institutions.

The library is a participant in the MnLINK (Minnesota Library Information Network) and is a beta site for the new integrated online system mandated by statute for government-funded libraries. As a beta site, the Library will assist in the system conversion of other state government libraries.

By statute, the Law Library is the only library authorized to certify copies for introduction into evidence at court.

Historical Perspective

The Minnesota State Law Library is the oldest continuing library in the state of Minnesota and also one of the state's oldest institutions. A focus of the last 20 years has been to adapt to change and technology and keep the Library's organizational structure fluid enough to accommodate the challenges that these changes create. Technology has profoundly affected how people do legal research and how the Library operates. On the other hand, the library has a strong sense of history and the importance of preserving historical collections.

Key Measures

- ⇒ The public services staff provides reference and circulation assistance, suggesting research strategies to locate cases, statutes, regulations and books on point for the 57,350 reference requests in 2001.
- ⇒ The technical services staff handles the acquisitions, processing, cataloging and conservation of the library's resources using the latest in automated technology. State, county and academic law libraries benefit from three technical service programs: shared government documents, county law library cataloging, and briefs on microfiche. In 2001 the library staff processed approximately 22,500 government documents and cataloged 18,600 titles.
- ⇒ The library, in cooperation with several other libraries, participates in the production and distribution of the records and briefs of cases argued before the Minnesota Supreme Court and the Court of Appeals. The microfiche format saves shelf space, binding costs, and state time needed to process documents.
- ⇒ Under contract with the Department of Corrections, the library provided over 1,700 inmates in Minnesota's eight adult correctional institutions with access to legal materials and information. Librarians assigned to the program make regular visits to the prisons, supplementing the institutional core collections with materials and research results from the library collection.
- ⇒ The library is required by law to advise and assist development of county law libraries throughout the state. The librarian is assigned to coordinate the project on-site visits to the libraries and submit recommendations for solving issues confronting the boards of trustees. The coordinator also provides training in law library management and develops cooperative programs.
- ⇒ The library operates the first computer-assisted legal research program available throughout the state. In addition, in 2001, the library's web site averaged over 4,600 hits per day. Thirty-two percent of the library's reference assistance is provided with or via computers and/or electronic resources.

Program Funding

State Law Library operations are financed 93% by direct general appropriation and 7% by contract with the Department of Corrections to provide reference materials for prisoners at eight institutions.

Approximately $18,000 in copying costs are reimbursed each biennium.

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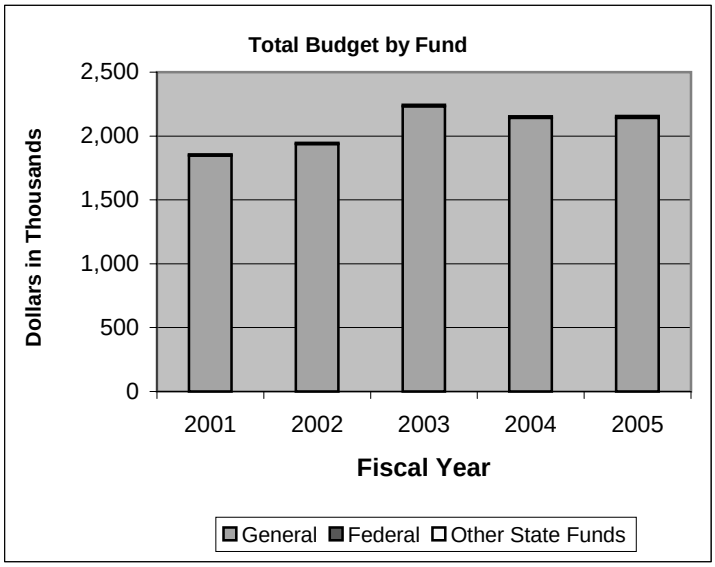

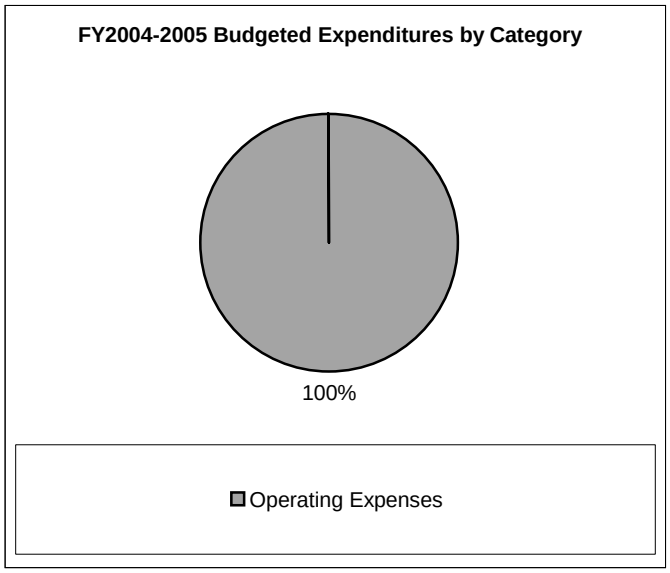

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,846	1,937	2,233	2,143	2,143	4,286
Statutory Appropriations						
Special Revenue	9	9	12	12	13	25
Gift	2	0	0	0	0	0
Total	**1,857**	**1,946**	**2,245**	**2,155**	**2,156**	**4,311**
Expenditures by Category						
Operating Expenses	1,857	1,946	2,245	2,155	2,156	4,311
Total	**1,857**	**1,946**	**2,245**	**2,155**	**2,156**	**4,311**
Expenditures by Activity						
Law Library Operations	1,857	1,946	2,245	2,155	2,156	4,311
Total	**1,857**	**1,946**	**2,245**	**2,155**	**2,156**	**4,311**
Revenue by Type and Fund						
Dedicated						
Special Revenue	9	10	12	12	12	24
Gift	3	0	0	0	0	0
Subtotal Dedicated	12	10	12	12	12	24
Total Revenue	**12**	**10**	**12**	**12**	**12**	**24**
Full-Time Equivalents (FTE)	**14.4**	**14.8**	**15.7**	**15.7**	**15.7**	

State of Minnesota
Department of Finance

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the Supreme Court, Court of Appeals, District Courts, Legal Profession Boards, and Board of Public Defense. The Governor respects the separation of powers and the desire of officials in the judicial and legislative branches and other constitutional officers 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 balanced budget.

The Governor's general recommendations for the judicial and legislative branches and other constitutional officers reflect his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions individually redesign their operations to increase efficiencies while minimizing the disruption to public services as much as possible. They should also consider collaboration with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

For the Supreme Court, Court of Appeals, and the District Courts, the Governor recommends a 10% reduction in appropriations for the FY 2004-05 biennium. For the Board of Public Defense, the Governor recommends a 15% reduction in appropriations for the FY 2004-05 biennium. The Legal Profession Boards are fully funded by fees collected under court rules, so no further actions are required on their budgets. The Governor makes no recommendation regarding the specific initiatives put forward by these agencies.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	80,364	7,526	87,890
Legislatively Mandated Base	-1,721	0	-1,721
New Programs To Agency Base	95	0	95
Adjusted Base Funding	78,738	7,526	86,264
Change Items			
Budget Reductions	-7,725	0	-7,725
Reduce Grant Funding From DPS	-980	0	-980
Governor's Recommendations	70,033	7,526	77,559
Biennial Change, 2002-03 to 2004-05	-8,672	-1,052	-9,724
Percent Change	-11%	-12%	-11%

Brief Explanation Of Budget Decisions:

Adjustments to the base include:

⇒ Legislatively mandated changes of a $3,000,000 reduction for the end of MNCIS development costs, a $1,159,000 increase for judicial infrastructure positions, and a $120,000 increase in FY 2004-05 tails required under 2002 legislation.

⇒ New programs to agency base include $95,000 for judges salary increases provided under statute.

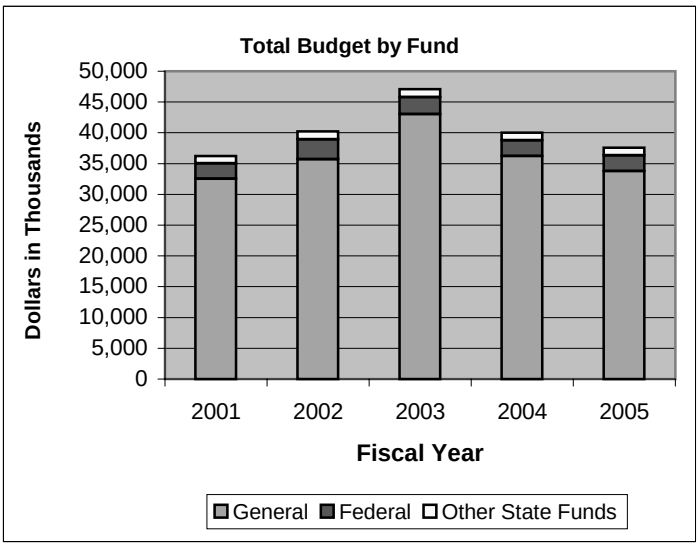
Reductions in other funding primarily reflect completion of federal funding for parent education and juvenile accountability in the current biennium.

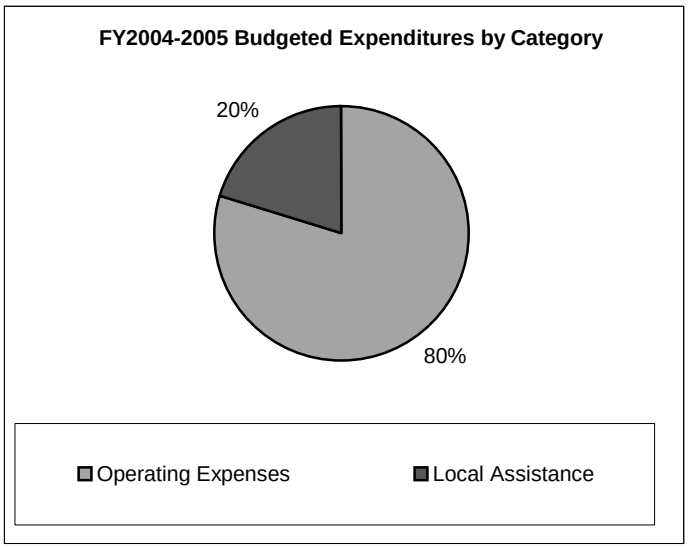
The Governor recommends a 10% reduction in funding totaling $7,725,000. The Governor also recommends a reduction in payments from the Department of Public Safety for criminal justice projects in the amount of $980,000.

Agency Request:

The Governor has submitted the Supreme Court's request to the Legislature. A narrative summary of the agency's request is included after the transmittal letter in this document. Additional detail on the Supreme Court's change items may be found on the Department of Finance's budget web site at http://www.budget.state.mn.us/budget/operating/. The following table summarizes the agency's request:

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
FY 2003 Funding Level (Biennial Base)	80,364	7,526	87,890
Legislatively Mandated Base	-1,721	0	-1,721
One-Time Appropriations	95	0	95
Adjusted Base Funding	78,738	7,526	86,264
Agency Change Items			
Childrens Justice Mandates	569	0	569
Civil Legal Services	4,000	0	4,000
Maintain Core Justice Operations	2,561	0	2,561
FY 2004-05 Total Agency Request	85,868	7,526	93,394
Biennial Change 2002-03 to 2004-05	7,163	-1,052	6,111
Percent Change	9%	-12%	7%





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	32,159	34,810	42,188	35,986	33,537	69,523
Statutory Appropriations						
General	379	872	835	253	257	510
Special Revenue	1,146	1,235	1,242	1,196	1,200	2,396
Federal	2,488	3,261	2,754	2,524	2,524	5,048
Miscellaneous Agency	1	1	1	1	1	2
Gift	64	40	44	39	41	80
Total	**36,237**	**40,219**	**47,064**	**39,999**	**37,560**	**77,559**
Expenditures by Category						
Operating Expenses	27,428	31,285	38,233	32,087	29,648	61,735
Capital Outlay & Real Property	6	68	112	0	0	0
Local Assistance	7,792	8,866	8,719	7,912	7,912	15,824
Other Financial Transactions	1,011	0	0	0	0	0
Total	**36,237**	**40,219**	**47,064**	**39,999**	**37,560**	**77,559**
Expenditures by Program						
Supreme Court Operations	4,681	4,917	5,486	5,387	5,408	10,795
Civil Legal Services	7,473	8,758	8,609	8,569	8,569	17,138
Unallocated Reduction	0	0	0	-3,999	-3,726	-7,725
State Court Administrators	22,226	24,598	30,724	27,887	25,153	53,040
Law Library Operations	1,857	1,946	2,245	2,155	2,156	4,311
Total	**36,237**	**40,219**	**47,064**	**39,999**	**37,560**	**77,559**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	0	412	417	417	417	834
Cambridge Deposit Fund	385	0	0	0	0	0
Subtotal Non Dedicated	385	412	417	417	417	834
Dedicated						
General	1,500	878	835	253	257	510
Special Revenue	1,174	1,227	1,214	1,196	1,199	2,395
Federal	2,735	3,218	2,394	2,524	2,524	5,048
Miscellaneous Agency	1	1	1	1	1	2
Gift	58	38	39	39	39	78
Subtotal Dedicated	5,468	5,362	4,483	4,013	4,020	8,033
Total Revenue	**5,853**	**5,774**	**4,900**	**4,430**	**4,437**	**8,867**
Full-Time Equivalents (FTE)	**198.8**	**220.8**	**249.9**	**245.5**	**245.5**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(3,999)	(3,726)	(3,726)	(3,726)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(3,999)	(3,726)	(3,726)	(3,726)

Recommendation
The Governor recommends a 10% reduction in the agency's base budget, to be distributed proportionately between operating costs and grants. The Governor makes no specific recommendations on the agency's change requests.

Background
The Governor respects the separation of powers and the desire of officials in the judicial and legislative branches and other constitutional officers 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 and balanced budget.

The Governor's general recommendations for the judicial and legislative branches and other constitutional officers reflect his concern with the magnitude of the projected budget shortfall and the desire to protect core government functions. As with the executive branch, the Governor suggests that these offices and institutions individually redesign their operations to increase efficiencies while minimizing the disruption to public services as much as possible. They should also consider collaboration with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Relationship to Base Budget
This reduction represents 10% of the base funding for the FY 2004-05 biennium.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund--Statutory				
Expenditures	(490)	(490)	(490)	(490)
Revenues	(490)	(490)	(490)	(490)
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor's budget proposal for the Department of Public Safety includes a reduction of $980,000 for interagency agreements related to criminal justice information systems. That funding has been used to contract with the Supreme Court for projects in this area. The proposal means this funding will no longer be provided to the Supreme Court. General fund revenues and expenditures would be reduced accordingly for this agency.

Background

The funding was originally appropriated to the Department of Public Safety to contract with the Supreme Court for criminal justice information projects. Public Safety considers the use of this funding a lower priority item and is eliminating it under the Governor's proposal. The proposal is noted under the Supreme Court's budget to fully disclose the effects of other budget proposals on the agency.

Relationship to Base Budget

This funding is not part of general fund expenditures directly appropriated to the Supreme Court. It is funding that has been provided to the agency on a contractual basis by the Department of Public Safety. The budgetary effect of this change is that it will reduce revenues and expenditures of funding statutorily appropriated to the agency.

Statutory Change: Not Applicable.

THE SUPREME COURT OF MINNESOTA
MINNESTOA JUDICIAL CENTER
25 REV. DR. MARTIN LUTHER KING JR. BLVD.
SAINT PAUL, MINNESOTA 55155

February 18, 2003

The 2003 Minnesota Legislature:

On behalf of the hundreds of thousands of litigants, 297 judges and more than 3,000 employees of the judicial branch of the state of Minnesota, I transmit the FY 2004-05 budget request for the judicial branch.

In addition to the FY 2004-05 base budget for the Supreme Court, the Court of Appeals and the District Courts, I am transmitting four change requests highlighting additional needs of the judicial branch for the next biennium. Those requests are:

- $25.904 million in salary and insurance funding to Maintain Core Justice Operations
- $9.865 million for Children's Justice Mandates
- $1.3 million for staffing to address Caseload Needs
- $4 million for Civil Legal Services for the Poor

You may ask why the judicial branch has proposed a budget increase rather than a budget reduction in this time of financial retrenchment. The Minnesota judiciary is in a period of transition on a number of legislatively authorized, mission-critical initiatives including the completion of the Minnesota Court Information System (a key component of CriMNet); transition of Districts 1, 2, 3, and 4 to state funding; and aggressive efforts to meet federal and state mandates regarding protection of children in cases of abuse and neglect. At the same time the judiciary is undertaking these major initiatives, we are experiencing an 11% increase in criminal and civil caseloads for judges who, the Office of the Legislative Auditor recently concluded, already carry caseloads 49% higher than other comparable states. The judiciary recognizes that in this time of budgetary crisis we all need to share in the solution. However, we believe the Minnesota judicial branch is different and unique as compared to many Executive Branch agencies and other state funded programs.

Constitutional Promise to Minnesota Citizens

The Minnesota Constitution dictates the manner and boundaries under which the Judiciary must operate. Article I, Section 8 provides:

> "Every person is entitled to a certain remedy in the laws for all injuries or wrongs which he may receive to his person, property or character and to obtain justice freely and without purchase, completely and without denial, promptly and without delay conformable to the laws."

Other provisions of the Minnesota Constitution promise citizens a right to a speedy and public trial by an impartial jury. It is imperative that the judicial branch carry out its constitutional and legal mandates to protect the rights and safety of our citizens. In order to meet these requirements, we must provide court services "promptly and without delay." To do so, courts must be staffed sufficiently to ensure prompt service because justice delayed is justice denied. The judicial branch is also required by law to ensure that courts, even those in rural areas, remain open for those residents who need to seek justice. Severely reducing the court's budget threatens the ability of the judiciary to meet these constitutional and statutory imperatives.

The budget that we have proposed provides timely adjudication of the more than two million cases presented to the courts for disposition each year. It protects public safety by the fair, but swift disposition of criminal cases and the enforcement of court sanctions, including collection of fines, in those cases. It protects the most vulnerable of our citizens -- children -- through guardians ad litem who advocate for their best interests and through additional child support collection efforts. By providing sufficient resources, this budget protects the rights of each citizen to due process, to well reasoned decisions, and to the fair and impartial administration of justice.

No Control Over Workload

The Minnesota judiciary is an open door for justice in the 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 citizens for protection. The judiciary is unable to turn away those who enter the courthouse and has an impact on the lives of citizens from birth to death. Unlike other agencies, we do not run programs and have no discretionary budget to cut. All resources of the court system support the adjudication of matters brought to us by other entities.

Judicial Response to Federal and Legislative Mandates

The judicial branch is currently engaged in implementing CriMNet to improve the information available to courts and other state and local agencies such as the Department of Public Safety, the Board of Public Defense, Corrections, Revenue, the Secretary of State, and county and city prosecutors and law enforcement. This multi-year court initiative has begun implementation in local courts and should be completed in the next biennium. The Minnesota Court Information System (MNCIS) is the hub of the CriMNet system. Fifty percent of the information flowing to CriMNet is produced by the courts. Without implementation of the MNCIS system, CriMNet will not be able to function and the resources already expended to develop the system will be lost.

The judicial branch is also engaged in completing the legislative mandate to transfer courts to state funding by July 2005. Fifty-five counties of the court system, including the entire western half of the state, have already transferred to state funding. During the FY 2002-03 biennium, thousands of hours of state and county staff time has been devoted to identifying and resolving the issues and developing the policies and administrative systems to facilitate a smooth transition in the FY 2004-05 biennium of the states' largest courts in Hennepin and Ramsey Counties on July 1, 2003 and in the counties of the First and Third Judicial Districts in southeastern Minnesota on July 1, 2004. The employees in these counties have worked tirelessly to prepare for the transition and are poised to move forward with the funding provided by this budget request. Successful transition to state funding will allow the judiciary to operate as one system and develop the efficiencies which could not be accomplished with 87 individual county-based courts.

The courts are working diligently to implement federal law (1974 Child Abuse Prevention and Treatment Act) and state law (M.S. 260C.163, subd. 5(a)) which mandate the appointment of a Guardian ad litem in every case in which a child has been alleged to have been abused and neglected. Today 20% of the maltreated children in Minnesota still have no guardian ad litem and no effective voice in our courtrooms despite the longstanding federal and state mandates. Additional resources are necessary to ensure that all children suffering from abuse and neglect have an appointed guardian. Failure to meet these federal mandates could result in the loss of significant federal funds which would only increase the budgetary demands on the state.

Federal law requires all states to have an expedited process for the adjudication of IV-D cases establishing, modifying or enforcing child support obligations. The Federal government requires that 75% of the IV-D matters in the expedited process move from service of process to filing of the final order in six months or less. Historically this program has grown at the rate of 15% per year. Any downturn in the economy increases the demand for services in the Expedited Child Support Process as more families separate and current support obligations require adjustment downward. The judiciary has not asked for any increase in state funding since 1998 despite a

53% caseload growth. Every state dollar allocated to this service generates a significant return of federal dollars. By using child support magistrates, 66% of the cost of handling these matters is borne by the federal government. More importantly, basic financial support to sustain the health and well being of Minnesota's children is put in place.

Enforcement of court sanctions is critical to respect for the law. Courts must have the staff adequate to implement the orders and judgments of the courts. As a by-product of that enforcement effort, the courts collect annually fees and fines in excess of $130 million, which are currently shared by state, county, and municipal governments.

With fewer resources, the courts would be unable to meet these fundamental constitutional and statutory mandates, nor address the workload that has increased almost 40% in the past decade and be prepared to handle the additional increase in workload that occurs in periods of economic downturn.

We have examined various budget reduction scenarios in anticipation of this budget discussion. Absorbing the skyrocketing FY 2004-05 costs for employee health insurance and sustaining a 10-15% budget base cut would mean a reduction in the range of 33% of court staff statewide. While the court's entire caseload would be impacted, without a third of our staff, including law clerks, court reporters, courtroom and filing staff, wholesale categories of cases essentially would not be heard. Growing backlogs and delay would prevent courts from effectively enforcing court sanctions, especially for misdemeanor, petty misdemeanor, and even some gross misdemeanor case types with a resultant loss of state and local government revenue. This cut likely would mean closing court locations as well, forcing citizens, law enforcement and prosecutors to travel significant distances to conduct court business. In sum, public safety will be put at risk and our citizens' constitutionally guaranteed access to justice would be substantially impeded, undermining the public's trust and confidence in the courts – a central tenet of our democratic form of government.

We believe it is important that the legislature understand the needs of the judicial branch before any determination is made about whether the judicial branch should curtail its operation. I am therefore presenting to the legislature for its consideration a FY 2004-05 budget request which funds core justice operations and meets federal and state justice mandates. I look forward to discussing it with you in the days ahead.

Very truly yours,

<<signed>>

Kathleen A. Blatz
Chief Justice

Supreme Court

	FY 2004	FY 2005	Total
Adjusted Base Budget	**$ 44,488**	**$ 41,776**	**$ 86,264**
Change Requests:			
Maintain Core Justice Mandates	**836**	**1,725**	**2,561**
Children's Justice Mandates	**214**	**355**	**569**
Civil Legal Services	**2,000**	**2,000**	**4,000**
Total Request	**$ 47,538**	**$ 45,856**	**$ 93,394**

Total base funding for the Supreme Court for FY 2004-05 is $86.264 million or 1.2% less than available for the FY 2002-03 biennium. If the change level requests were granted, the FY 2004-05 total base funding would be 7% more than the FY 2002-03 biennium.

The Supreme Court requests additional funding for:

⇒ **Maintain Core Justice Operations** seeks to fund employee compensation and projected insurance cost increases to be negotiated by the Department of Employee Relations.

⇒ **Childrens Justice Mandates** seeks funding to comply with the federal requirements to process 75% of the IV-D child support cases within six months from service of process to filing of the final order. Caseloads have grown 53% since 1998 while state appropriation has remained the same. During the period of economic downturn accelerated caseload growth for modification of child support orders is projected. Each state dollar is matched by two federal dollars. The request leverages $1.138 million in additional federal funds.

⇒ **Civil Legal Services** seeks funding for representation for 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 homestead; (4) help prevent homelessness; (5) repair substandard housing (6) assist adults to move from welfare to work by overcoming legal obstacles.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$214	$355	$355	$355
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$214	$355	$355	$355

Recommendation
Agency Request: Submitted for Reference Only

Background
Federal law requires all states to have an expedited process for the adjudication of IV-D cases establishing, modifying or enforcing child support obligations. The Federal government requires that 75% of the IV-D matters in the expedited process move from service of process to filing of the final order in six months or less. Child Support Magistrates are used to provide the mandatory expedited process. By using Child Support Magistrates, 66% of the cost of handling these matters is borne by the federal government and 34% of the cost is state dollars.

The current annual state appropriation of $1,170,000 has remained constant since 1998 even though there has been a 53% increase in the number of hearings held each year. Cost shifts that occurred with the change from an administrative process to a judicial process minimized the impact of the lack of increased funding, but the program now needs additional funds to meet the growing demand. Historically, this program has grown at the rate of 15% per year. Any downturn in the economy increases the demand for services in the Expedited Process as more families separate and current child support obligations require adjustment downward, virtually all (95%) of the appropriation is expended to pay the people who hear and decide the cases or those who process the paperwork. There is no significant overhead or other “extra” that can be reallocated to meet this need. The program primarily uses magistrates on a contract basis so their workload can be adjusted up or down based on demand. $214,000 in FY 2004 and $355,000 in FY 2005 is requested to cover one-third of the cost to meet the federal mandated hearings.

Relationship to Base Budget
This request represents an increase of 24% over the Expedited Child Support base budget. This increase will be matched on a 1/3 state; 2/3 federal basis, therefore it will allow additional federal funds of $1,138,000.

Key Measures
The number of hearings has increased from 12,414 in FY 1998 to 18,996 in FY 2001, an increase of 53%. The appropriation has not changed at all during this period. The federal government requires that 75% of the cases go from service of process to final order in six months or less and that 90% of cases go from service of process to final order in twelve months. The program is currently meeting these requirements, although compliance will not be possible if new resources are not available to dispose of the increase in caseload.

Alternatives Considered
The Judiciary has looked (and will continue to look) for ways to increase efficiency in the expedited child support system. Giving people their “day in court” is not a reality if they are severely limited in time. The average time on the record for a modification hearing is 25 minutes. This is very efficient for the amount of information that needs to be gathered, often from two parents and the county agency. Hearings with a narrower issue (for example whether a driver’s license should be suspended or reinstated or whether a cost of living adjustment should take effect) take even less time – 12 to 20 minutes per hearing on average. The Child Support Magistrates have no support staff and prepare their own orders. Given the high level of detail involved in these orders, it is doubtful that much time would be saved by having support staff assist with order preparation since the Magostrate still has

to direct the content and review and correct the product of the staff person. The Judiciary has explored whether there is a way to have certain data provided electronically by DHS, but this is not currently possible due to the nature of the DHS computer system.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
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

Recommendation
Agency Request: Submitted for Reference Only'

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. Because of the even greater need for civil legal services due to difficult economic times, and the $4,400.00 biennial decline in leveraged federal, state, and local public and private funds for civil legal services, increased base funding for civil legal services of $4,000,000 during this biennium is requested.

Because of the economy and the resulting potential deficit facing the state, this request is scaled back from the actual need for civil legal services funding, necessary for all low income persons to receive access to Minnesota's justice system. Recommendations will be developed on a special revenue source to pay for this requested increase in state funding.

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 $10,000,000 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, as many as 7,000 additional families facing crisis situations, will go without needed legal assistance; and at least three rural legal aid offices will close.

Because of national census adjustments, Minnesota's civil legal aid programs will drop 17.35% in federal Legal Services Corporation funding (or $670,000 annually) for the year beginning 1-1-03. Interest On Lawyer Trust Account (IOLTA) revenues are down over 50% because of low interest rates; civil legal services providers suffered a 31.5% cut in funding ($972,000 annually), beginning 7-1-02, and have been warned of even greater cuts next fiscal year. Because of the poor economy, other federal, state, and local public entities and private foundations have fewer resources available. As a result, civil legal services providers are also experiencing a decline in funds from these sources.

In the previous biennium, the legislature approved increases in judicial law clerk salaries to $39,000 with no commensurate increase in legal aid funding. Starting civil legal aid salaries in 2002 average $30,400; 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 to absorb increased costs in health insurance, in program operations and the increased cost of interpreter services.

Legal aid lawyers do not accumulate pensions. New attorney student loan debt loads reach or exceed $100,000. While volunteer attorneys provide free services well in excess of $5,000,000 per year, the Supreme Court Committee also recognized the need to strengthen and further leverage volunteer resources 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 at administrative law hearings, and will engage in preventative law and community education activities, all with respect to 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, thus, helping to save the state in 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 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); (4) repair substandard housing; and (5) assist adults to move from welfare to work by overcoming legal obstacles.

Relationship to Base Budget

At one time, surcharges on civil court filing fees and real estate document fees directly supported legal aid. Those surcharges now go into the general fund. Until the 2001 session, civil legal services had not had an increase in the funding base since 1997. In 2002, its base was reduced by 2.3%. The Minnesota State Bar Association, the civil legal services providers and other members of Minnesota's justice partnership will make recommendations to the 2004-2005 legislature on increases in fees to directly support this requested increase in funding. State funds are used to match additional federal funds to serve the elderly and disabled and Minnesota may lose these funds if an increase in state funding is not realized.

Key Measures

At an average cost of $600 per case, 6,700 Minnesota families would receive assistance with critical legal needs from the use of a $4,000,000 appropriation for staffing direct services. The quantifiable measures will include: 1) 2,800 single parent families and their children will be protected from domestic abuse; 2) 800 families will be prevented from becoming homeless; 3) 800 disabled persons, including veterans, will obtain stable income and access to medical care; 4) 600 potential workers will overcome barriers and move from welfare to productive employment; 5) 600 vulnerable senior citizens will be protected from victimization; 6) 500 families will obtain needed access to healthcare; 7) 300 children will remain in school; and 8) 300 farm families will remain on their homestead or make the adjustment away from farming.

Alternatives Considered

Minnesota's civil legal services providers have largely exhausted all alternatives to raise these funds, but will continue to seek other resources to help address the large unmet need for civil legal services. As Chief Justice Kathleen Blatz has stated, "I am impressed that legal aid providers do not request the legislature to fund all of these critical community service. Rather, they have worked hard and successfully to leverage over $10 million per year of federal, United Way, foundation and private attorney financial support."

Statutory Change: Not Applicable, at this time.

Change Item: MAINTAIN CORE JUSTICE OPERATIONS

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$836	$1,725	$1,725	$1,725
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	$836	$1,725	$1,725	$1,725

Recommendation
Agency Request: Submitted for Reference Only

Background
The Supreme Court is responsible for pay plans for the more than 2,500 employees in courts at all levels within the judicial branch and is responsible for administering the payroll for judges at the appellate and trial court level. The Supreme Court, State Court Administration and Law Library employees are paid within this pay plan.

The judicial branch non-judicial pay plan consists of the same three basic components as the executive branch: across the board adjustments to the salary range, merit increases and the insurance benefit program negotiated by the Department of Employee Relations for other state employees. Judges salary increase, recommended by the Compensation Council through 2004 have been adopted in law

During the FY 2004–05 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 2005. Especially problematic is the continued double digit cost increase for the insurance program for the third biennium. DOER has estimated that the insurance costs will increase an additional 20% in each of the next two fiscal years.

Relationship to Base Budget
This request represents a 4% increase to the Supreme Court operations biennial base budget request exclusive of funding for Legal Services.

Key Measures
The success of any pay plan is to preserve and fairly reward a competent employee pool so that the necessary work of the agency is accomplished expeditiously and professionally. Turnover results in less effective and efficient work performance. Upon replacement new employees must be trained to accomplish the work of the agency at additional costs.

Failure to fund negotiated pay plans will result in lay offs, again significantly impacting the ability of the courts to accomplish their constitutional role of adjudicating disputes.

Alternatives Considered
Because human resources costs are 80%+ of judicial branch budgets, the effective alternatives available to fund salary increases are few, a reduction in force being the most likely and least desirable.

Statutory Change: Not Applicable.

Agency Purpose

Minnesota Tax Court is a specialized trial court in the executive branch, with statewide jurisdiction. It was specifically 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 Revenue, and petitions from local property tax valuation, classification, equalization, and/or exemption issues. The judges have expertise in the tax laws and apply that expertise in a manner to ensure taxpayers are assessed only what they owe, and no more. Although the Tax Court is located in the Minnesota Judicial Center, the judges travel throughout Minnesota to conduct trials.

At A Glance

Six full-time staff:
- three judges;
- three administrative staff.

Annual budget of approximately $735,000

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:

⇒ Provides information on decisions, about judges, and other general information about the court, including information for taxpayers to represent themselves (pro se) in court.
⇒ Accepts filings, schedules hearings, and notifies parties.
⇒ Tracks status of case movement; providing information as needed.
⇒ Schedules and conducts hearings (including trials, motions, continuances, and other pre-trial and post-trial hearings).
⇒ Development of a consistent and uniform body of tax case law.

Other services the Tax Court provides include:
- maintaining correct and current records, as statutorily required;
- acting as a model for other states and other tax courts through presentations, speeches, and networking; and
- coordinating with and educating 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 use these handbooks as a model.

Key Measures

⇒ Minnesota Tax Court is a leader in producing and distributing procedural handbooks for self-represented (pro se) litigants.
⇒ Minnesota Tax Court does not rely upon an automated phone answering system.
⇒ Minnesota Tax Court is one of the few state Tax Courts that offer information via a web site.
⇒ Minnesota Tax Court is one of the few state Tax Courts that provides searchable text decisions on its web site.
⇒ Minnesota Tax Court issues decisions in all cases within three months of final submission to the court.

Budget

All funding for Tax Court operations comes from a General Fund appropriation. In the FY 2002-03 biennium, the appropriation was approximately $1.4 million.

Minnesota Tax Court generates approximately $10,000 annually in non-dedicated revenue from filing fees on appeals to an order from the Commissioner of Revenue. Property tax petitions are filed in District Court, which collects all filing fees on those matters. Current fees are $135 for a regular division matter and $25 for a small claims matter.

Contact

Contact Tax Court by mail:
Minnesota Tax Court
245 Minnesota Judicial Center
25 Constitution Avenue
St. Paul, Minnesota 55155

Visit the Tax Court web site:
http://www.taxcourt.state.mn.us
Call the Court: (651) 296-2806
(M-F 8:00 a.m. to 4:30 p.m.)

State of Minnesota
Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 296-5900
Fax: (651) 296-8685
TTY: 1-800-627-3529

February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Criminal Justice omnibus bill. These agencies collectively administer $11.043 million (Gov's Rec, all funds) for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $2.426 million (18%percent) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to regulate peace officers and partially reimburse their training costs, provide tax court services and disciplinary oversight of judges, regulate private detectives, administer sentencing guidelines, and promote passage of uniform laws.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

The funding recommended for most of these agencies will be reduced by 15%. No funding reduction is recommended for the Board on Judicial Standards to maintain minimal operations. The Office of Ombudsman for Corrections is recommended for elimination. Additional FY 2003 funding of $35,000 is recommended for the Board on Judicial Standards to pay the anticipated costs of a public hearing regarding disciplinary actions against a judge.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

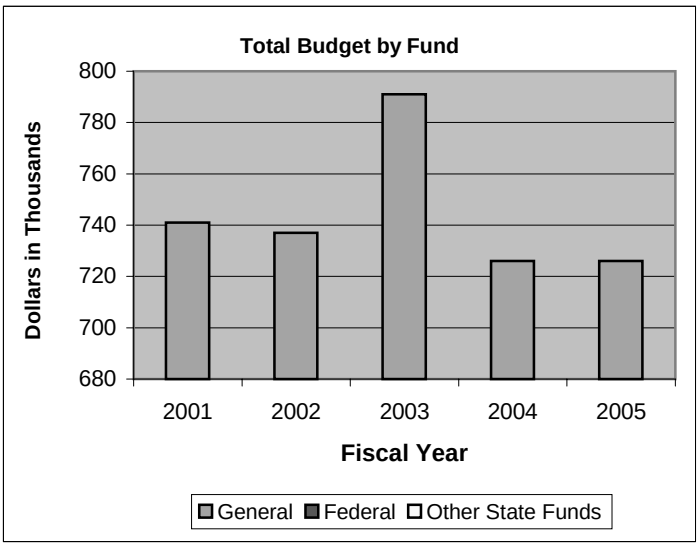
Sincerely,

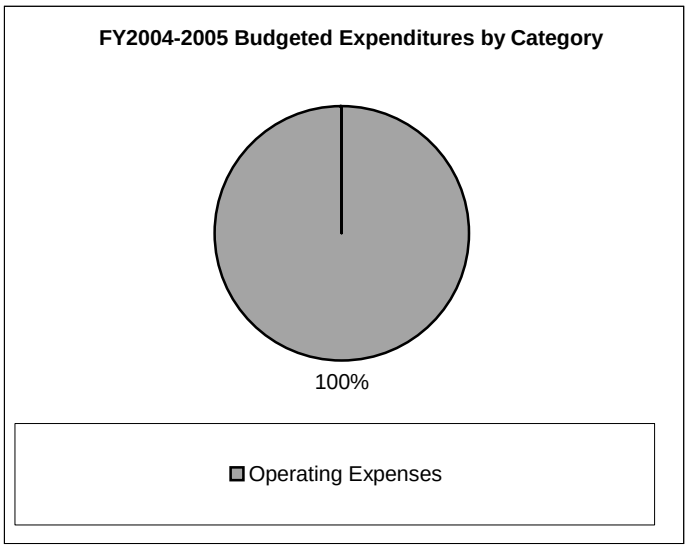
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	1,502	0	1,502
Adjusted Base Funding	1,502	0	1,502
Change Items			
Operating Budget Reduction	-50	0	-50
Governor's Recommendations	1,452	0	1,452
Biennial Change, 2002-03 to 2004-05	-76	0	-76
Percent Change	-5%	n.m.	-5%

Brief Explanation Of Budget Changes:

The remainder of the biennial change ($26,000) is due to the completion of a Small Agency Technology grant originally made in FY 2000.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	741	737	791	726	726	1,452
Total	**741**	**737**	**791**	**726**	**726**	**1,452**
Expenditures by Category						
Operating Expenses	741	737	791	726	726	1,452
Total	**741**	**737**	**791**	**726**	**726**	**1,452**
Expenditures by Program						
Tax Court	741	737	791	726	726	1,452
Total	**741**	**737**	**791**	**726**	**726**	**1,452**
Revenue by Type and Fund						
Non Dedicated						
General	6	11	10	10	10	20
Subtotal Non Dedicated	6	11	10	10	10	20
Total Revenue	**6**	**11**	**10**	**10**	**10**	**20**
Full-Time Equivalents (FTE)	**6.0**	**6.0**	**6.0**	**6.0**	**6.0**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($25)	($25)	($25)	($25)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($25)	($25)	($25)	($25)

Recommendation

The Governor recommends a General Fund appropriation of $726,000 in FY 2004 and $726,000 in FY 2005. These amounts reflect a $76,000 or 5% expenditure reduction from FY 2002-03. The Governor intends that the court should focus its appropriated funding on maintaining its highest priority services. Additionally, the Governor intends to provide as much flexibility as possible to the agency for the implementation of these reductions.

Background

The Tax Court is a small agency whose budget is approximately 75% compensation, 19% rent, and 6% other operating costs. To achieve this operating cost reduction, the court will have to reduce both salary and non-salary operational costs.

The staff is made up of three judges (by statute), three paid support positions, and several volunteer intern positions. In general, each Tax Court judge has significantly fewer paid support resources than other courts. Tax Court judge's salaries are tied to District Court judge's salaries by law. For 25 years, this Court has managed an ever-expanding caseload with efficiency and without a backlog. Other than a small agency technology appropriation received in 1999, the Tax Court's budget has been stable receiving only salary and operating cost base adjustments.

The Tax Court is funded entirely by the General Fund. Filing fees deposited to the general fund, some collected by Tax Court ($10,000 annually) and some collected by District Court ($200,000 annually) do offset approximately 30% of the Tax Court basic appropriation.

Relationship to Base Budget

This is a reduction of approximately 3% in the base operating budget of the Tax Court.

It is anticipated that approximately $15,000 of this annual reduction cut will be managed within the salary budget using tools voluntary unpaid leave, staff hour reductions to the maximum extent possible. Approximately $10,000 of this annual reduction will be achieved by yet unspecified operating reductions (e.g. travel, supplies, equipment).

The Tax Court does not anticipate the need to lay off any of its six staff positions and all core services will be retained.

Agency Purpose

The mission of the Teachers Retirement Association (TRA) is to administer retirement benefits for Minnesota 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 132,000 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.

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 five main areas of service to its members:

⇒ *Processing Services Division* pays over $80 million monthly of retirement benefits and provides other post-retirement services to nearly 35,000 recipients.

⇒ *Customer Services Division* provides pre-retirement planning and other benefit counseling services to over 71,000 active teachers.

⇒ *Data Services Division* receives and records member payroll and human resource information from TRA employers and verifies for accuracy.

⇒ *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.

TRA is in the midst of a four-year business reengineering project (called FROST), designed to replace its antiquated processes and computer programs with a state-of-the-art, fully-integrated information system that will enable TRA to provide prompt, precise, and efficient service to our members. Upon full implementation in 2004, TRA will have automated most of its manually-intensive administrative processes. In addition, TRA members and customers will have on-line access to their account information and future benefit estimates.

At A Glance

(data as of June 30, 2001)

71,097	Active Members
27,801	Inactive Members
33,757	Retired/Disabled Members
463	Employers
$2.8 billion	Covered Payroll of Active Members
5%	Member Contribution Rate of Covered Salary
5%	Employer Contribution Rate of Covered Salary
$16.8 billion	Actuarial Value of Assets
$15.9 billion	Actuarial Liabilities
105.9%	Funding Ratio
$862 million	Annual Benefits and Refunds Paid
$13 million	Annual Administrative Expenses
94	Employees

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 are in development 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. TRA FY 2003 expenditures are budgeted at $1.045 billion. Over 98% 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. FY 2001 produced negative investment income due to the decline in the stock market.

Contact

Teachers Retirement Association
60 Empire Drive, Suite 400
Saint Paul, Minnesota 55103-4000

World Wide Web Home Page:
http://www.tra.state.mn.us
Gary Austin, Executive Director
Phone: (651) 296-2409
Fax: (651) 297-5999

State of Minnesota
Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 296-5900
Fax: (651) 296-8685
TTY: 1-800-627-3529

February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the Governor's FY 2004-05 budget proposals for the non-cabinet agencies in the state government omnibus bill. Under the Governor's recommended budget, these agencies would collectively spend $12.882 million in General Fund dollars for the FY 2004-05 biennium. The funding provided for these agencies will be used for the protection of public assets and resources, assurance of due process related to governmental rulemaking, the regulation of the gambling and racing industries, administration of campaign finance and disclosure laws, and support to small non-profit organizations that assist Minnesota veterans.

The FY 2004-05 funding recommended for these agencies represents a $6.695 million (34.2%) decrease from the FY 2002-03 biennium. The recommendations will also result in a net decrease in revenue to the General Fund of $954,000 for the biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing and reorganizing some functions. Therefore, for some of the agencies in this bill, the Governor recommends that funding and/or operations be consolidated with other related operations in the state in order to ensure cooperation and shared services to reduce costs.

In addition, the Governor recommends mitigating the impact of the state's deficit by spreading the cuts among more agencies rather than less, and by ensuring that the industries and parties that benefit from these services assist in paying for them. Therefore, for some of the agencies in this bill, the Governor recommends that dependence upon General Fund dollars be supplanted or offset with fees and user charges, and that where appropriate, some fees billed to governmental agencies be reduced.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium as well as the Governor's recommendations for state funding of pension systems.

My staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

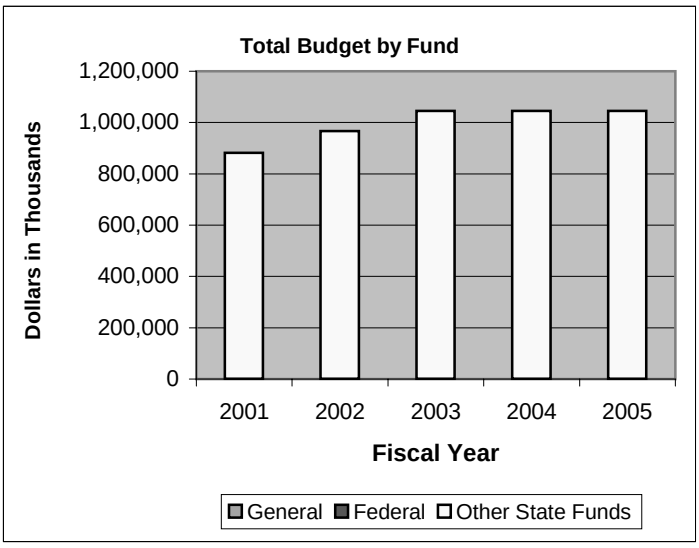
	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	0	2,091,714	2,091,714
Adjusted Base Funding	0	2,091,714	2,091,714
Governor's Recommendations	0	2,091,714	2,091,714
Biennial Change, 2002-03 to 2004-05	0	79,072	79,072
Percent Change	n.m	4%	4%

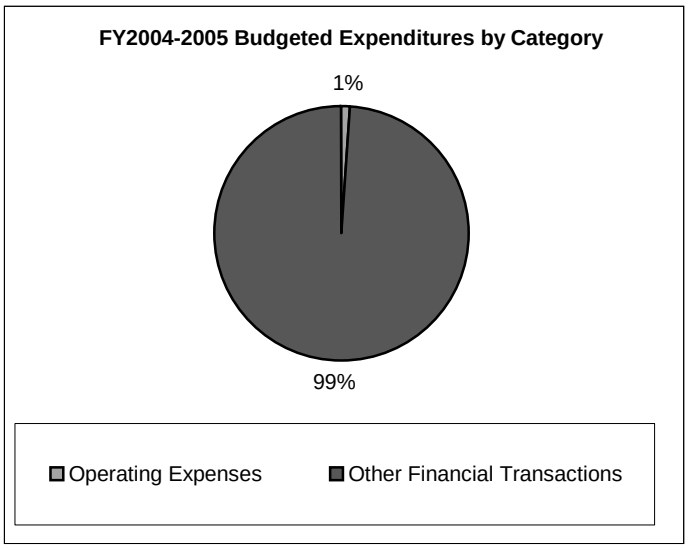
Brief Explanation Of Budget Decisions:

The Teachers Retirement Association (TRA) is funded by its 71,000 active members and 463 employers. There are no state General Fund appropriations for this activity, nor are there any state level base adjustments.

Governor's Recommendation(s):

The Governor recommends no changes to base level funding.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Open Appropriations						
Teachers Retirement	881,958	966,905	1,045,737	1,045,857	1,045,857	2,091,714
Total	**881,958**	**966,905**	**1,045,737**	**1,045,857**	**1,045,857**	**2,091,714**
Expenditures by Category						
Operating Expenses	12,564	12,675	12,895	13,015	13,015	26,030
Local Assistance	3	2	2	2	2	4
Other Financial Transactions	869,391	954,228	1,032,840	1,032,840	1,032,840	2,065,680
Total	**881,958**	**966,905**	**1,045,737**	**1,045,857**	**1,045,857**	**2,091,714**
Expenditures by Program						
Teachers Retire Asn	881,958	966,905	1,045,737	1,045,857	1,045,857	2,091,714
Total	**881,958**	**966,905**	**1,045,737**	**1,045,857**	**1,045,857**	**2,091,714**
Revenue by Type and Fund						
Non Dedicated						
Teachers Retirement	290,406	286,303	301,605	301,605	301,605	603,210
Subtotal Non Dedicated	290,406	286,303	301,605	301,605	301,605	603,210
Total Revenue	**290,406**	**286,303**	**301,605**	**301,605**	**301,605**	**603,210**
Full-Time Equivalents (FTE)	**85.2**	**86.8**	**86.0**	**86.0**	**86.0**	

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.

Mn/DOT's vision is to develop a coordinated transportation network that meets customer expectations for a safe, time-predictable, smooth, uninterrupted trip on a variety of transportation modes. Mn/DOT customers include commuters, personal travelers, farmers, emergency vehicle operators, carriers, shippers, intermodal shippers, and neighborhoods/communities – anyone who relies on the transportation system for work, school or personal travel.

At A Glance

FY 2002-03 Budget

Operating budget:	$1,109
Capital expenditure:	2,103
Grants:	1,422
Total:	$4,634

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 strategic objectives are multi-modal travel options, interregional corridor connections, program delivery streamlining, and accurate, timely information. Mn/DOT's strategic direction is to:

⇒ **Safeguard existing transportation systems** by operating, maintaining, and preserving the state's highways, supporting transit, rail, water, and air services, and providing transportation choices.

⇒ **Make the network operate better** with a balanced, statewide, multimodal, and long-term transportation strategy known as Moving Minnesota. To increase Minnesota's economic competitiveness and respond to future congestion and urban growth, Mn/DOT will focus on the ABC's of transportation:

- **A**dvantages for transit that provide transportation alternatives;
- **B**ottleneck removal to improve mobility and safety in urban areas; and
- **C**orridor connections that provide important links between the state's regional trade centers.

⇒ **Make Mn/DOT work better** by continuously improving management of its resources by emphasizing strategic management, developing financial management tools, emphasizing human resource management, and simplifying and improving access to information.

Major Functions

Multimodal Systems - Includes advocating the use and development of 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.

State Roads - Includes the construction, operation, and maintenance of the state's 12,000-mile trunk highway system.

Local Roads - Includes the local financial resources for county and municipal roads generated by the constitutional funding sources.

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.

Operations

Highways

Mn/DOT constructs, operates, and maintains the state trunk highway system that includes approximately 12,000 miles of roads and 5,700 bridges. This system carries about 61% of all the miles of travel for the entire 130,000-mile system of state and local roads.

Rail
Mn/DOT represents the state's interests in the movement of freight by railroads, administers highway/railroad construction projects, and manages investments in rail service improvements.

Freight
Mn/DOT facilitates the improvement of freight transportation services to the state on all transportation systems by studies, policies, and investments that increase freight productivity and safety.

Commercial Waterways
Mn/DOT represents the state's interests in the Federal Systems of Commercial Navigation on the Great Lakes/St. Lawrence Seaway and the Mississippi River Commercial Navigation system. Mn/DOT also manages investments in the public ports on the Minnesota portions of these systems.

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, commuter bus, passenger rail, and the construction of the Hiawatha LRT line.

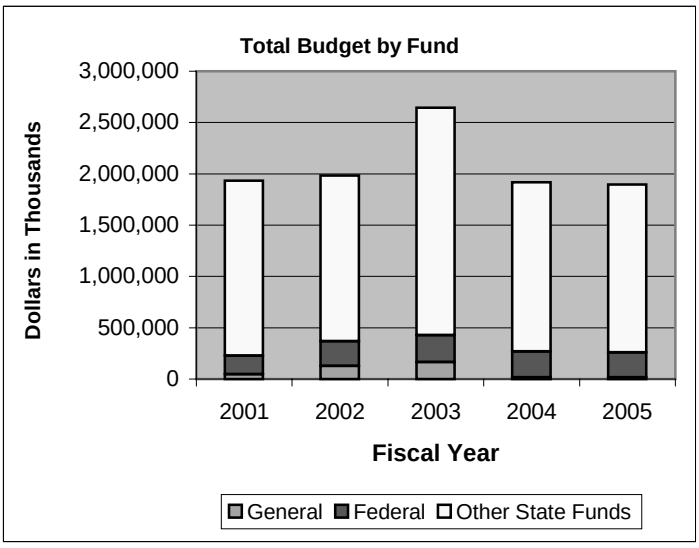
Motor Carrier Services
Mn/DOT administers and enforces the state's for-hire and private motor carrier industry and safety regulations.

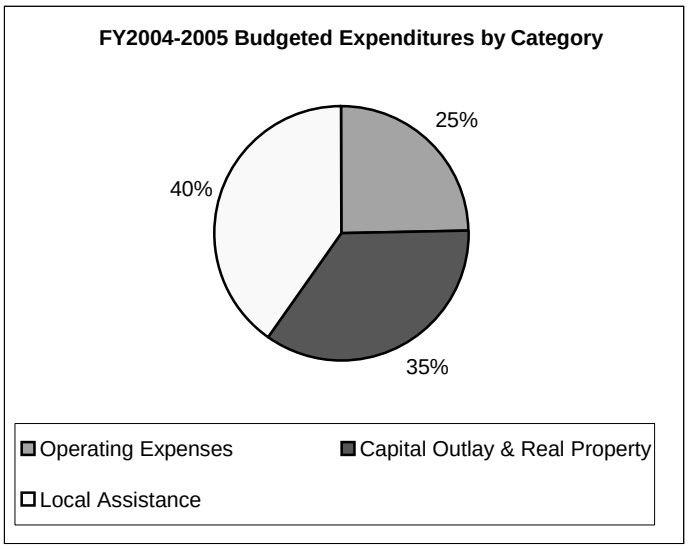
Budget
The key to meeting Minnesota's transportation needs is a long-term, statewide, and multi-modal strategy. Moving Minnesota is a 10-year investment strategy that focuses on advantages for transit, bottleneck removal, and interregional corridor connections. The 2000 Moving Minnesota funding package included a one-time allocation of $459 million for transportation projects that addresses these initiatives. Mn/DOT is committed to deliver on this funding package by the 6-30-03, statutory deadline. Mn/DOT will prepare an activity-based budget for FY 2004-05 that will reflect the actual products and services they deliver to customers and incorporate a comprehensive business planning process to support investment decisions and performance measurement.

Contact

For more information about Mn/DOT, contact: Kevin Gray, Chief Financial Officer, at (651) 296-7942. The Mn/DOT web site at http://www.dot.state.mn.us provides transportation information to visitors including hot topics, news and views, road construction and maintenance information, tips for travelers, district information, doing business with Mn/DOT, career information, and more.

For information on how this agency measures whether it is meeting its statewide goals, please refer to http://www.departmentresults.state.mn.us.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	75	0	0	0	0	0
General	46,121	126,747	164,840	16,220	16,221	32,441
State Government Special Revenue	24	0	0	0	0	0
State Airports	20,675	15,125	26,130	20,148	20,148	40,296
Municipal State Aid Street	87,482	109,115	112,227	112,290	114,661	226,951
County State Aid Highway	375,485	362,942	415,713	426,020	433,631	859,651
Trunk Highway	1,151,960	1,019,409	1,491,364	1,016,199	1,016,484	2,032,683
Greater Minnesota Transit	0	0	6,875	7,264	7,264	14,528
Open Appropriations						
State Airports	80	57	71	71	71	142
Municipal State Aid Street	2,066	1,932	2,242	2,292	2,340	4,632
County State Aid Highway	6,291	5,808	8,536	10,194	11,792	21,986
Trunk Highway	8,448	6,455	7,879	7,879	7,879	15,758
Highway Users Tax Distribution	590	410	504	504	504	1,008
Statutory Appropriations						
Special Revenue	44,981	89,884	137,233	37,477	14,389	51,866
State Airports	1,426	1,970	2,297	1,604	1,604	3,208
Trunk Highway	735	1,217	3,090	2,728	2,728	5,456
Federal	182,554	241,558	263,743	253,456	243,014	496,470
Miscellaneous Agency	4,194	405	2,567	2,413	2,413	4,826
Total	**1,933,187**	**1,983,034**	**2,645,311**	**1,916,759**	**1,895,143**	**3,811,902**

Expenditures by Category						
Operating Expenses	570,833	519,159	578,925	466,386	463,326	929,712
Capital Outlay & Real Property	738,062	796,178	1,271,222	673,151	650,091	1,323,242
Payments To Individuals	120	68	85	85	85	170
Local Assistance	613,121	663,018	764,315	759,514	763,733	1,523,247
Other Financial Transactions	10,774	4,611	30,764	17,623	17,908	35,531
Non-Cash Transactions	277	0	0	0	0	0
Total	**1,933,187**	**1,983,034**	**2,645,311**	**1,916,759**	**1,895,143**	**3,811,902**

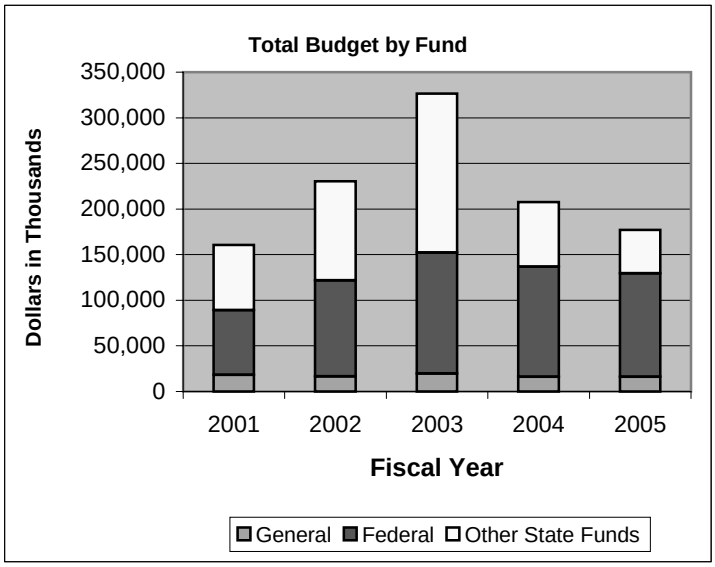
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Program	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Multimodal System	160,615	230,438	326,653	207,651	177,201	384,852
State Roads	1,095,851	1,073,019	1,566,622	972,354	969,560	1,941,914
Local Roads	580,782	615,316	663,718	675,796	687,424	1,363,220
General Support And Svcs	95,939	64,261	88,318	60,958	60,958	121,916
Total	**1,933,187**	**1,983,034**	**2,645,311**	**1,916,759**	**1,895,143**	**3,811,902**
Revenue by Type and Fund						
Non Dedicated						
General	135	483	281	291	291	582
Cambridge Deposit Fund	169	0	0	0	0	0
State Airports	17,544	16,396	15,608	16,400	16,500	32,900
Municipal State Aid Street	7,583	5,131	6,000	6,000	6,500	12,500
County State Aid Highway	17,672	11,391	12,000	13,000	14,000	27,000
Trunk Highway	351,302	318,051	664,283	342,338	341,363	683,701
Highway Users Tax Distribution	2,160	1,670	1,380	1,450	1,521	2,971
Subtotal Non Dedicated	396,565	353,122	699,552	379,479	380,175	759,654
Dedicated						
Special Revenue	46,337	91,214	128,773	37,437	14,349	51,786
State Airports	1,303	1,003	1,593	1,593	1,593	3,186
Trunk Highway	18,755	17,921	48,849	20,004	20,004	40,008
Federal	182,242	242,069	261,079	253,456	243,014	496,470
Miscellaneous Agency	4,195	448	2,413	2,413	2,413	4,826
Subtotal Dedicated	252,832	352,655	442,707	314,903	281,373	596,276
Total Revenue	**649,397**	**705,777**	**1,142,259**	**694,382**	**661,548**	**1,355,930**
Full-Time Equivalents (FTE)	**5,435.0**	**5,198.0**	**5,170.5**	**4,875.5**	**4,875.5**	

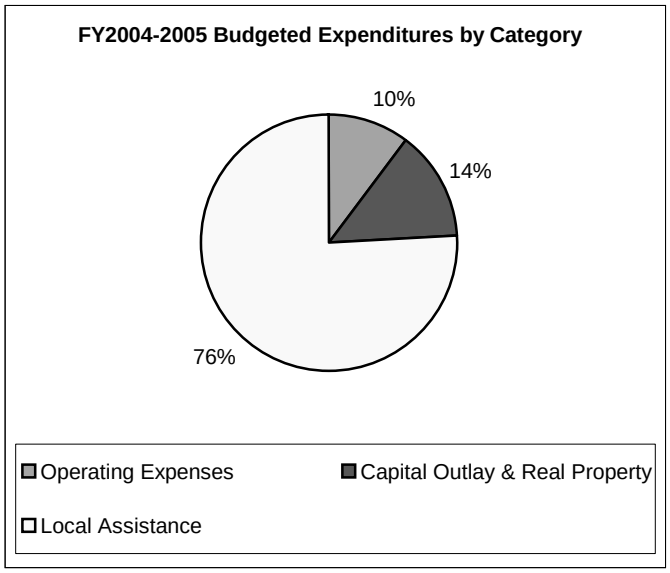
Program Description

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, the construction of Light Rail Transit (LRT), and the planning, design and construction of commuter rail. Rail includes statutory responsibilities for rail/water system improvements primarily through loans or grants to public port authorities, regional railroad authorities and shippers. Air includes aircraft registration, aviation system planning, airport development, aviation education and government aircraft services.

Budget Activities Included:

⇒ Aeronautics
⇒ Transit
⇒ Freight
⇒ Commercial Vehicles





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	18,298	16,573	19,779	16,155	16,156	32,311
State Airports	20,625	15,100	26,105	20,123	20,123	40,246
Trunk Highway	6,160	6,289	7,374	6,010	6,010	12,020
Greater Minnesota Transit	0	0	6,875	7,264	7,264	14,528
Statutory Appropriations						
Special Revenue	43,086	85,111	131,487	35,402	12,314	47,716
State Airports	1,426	1,970	2,297	1,604	1,604	3,208
Federal	70,711	105,070	132,281	120,733	113,370	234,103
Miscellaneous Agency	309	325	455	360	360	720
Total	**160,615**	**230,438**	**326,653**	**207,651**	**177,201**	**384,852**
Expenditures by Category						
Operating Expenses	42,342	25,974	30,238	19,982	19,704	39,686
Capital Outlay & Real Property	23,412	83,870	124,449	38,080	15,020	53,100
Payments To Individuals	120	68	85	85	85	170
Local Assistance	91,115	117,466	165,445	148,804	141,692	290,496
Other Financial Transactions	3,626	3,060	6,436	700	700	1,400
Total	**160,615**	**230,438**	**326,653**	**207,651**	**177,201**	**384,852**
Expenditures by Activity						
Aeronautics	64,018	93,518	112,460	105,534	105,284	210,818
Transit	82,041	124,245	192,271	88,266	58,066	146,332
Freight	10,218	7,990	15,883	9,344	9,344	18,688
Commercial Vehicles	4,338	4,685	6,039	4,507	4,507	9,014
Total	**160,615**	**230,438**	**326,653**	**207,651**	**177,201**	**384,852**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	103	433	230	240	240	480
Cambridge Deposit Fund	169	0	0	0	0	0
State Airports	17,544	16,396	15,608	16,400	16,500	32,900
Trunk Highway	3,870	4,191	4,051	4,051	4,051	8,102
Subtotal Non Dedicated	21,686	21,020	19,889	20,691	20,791	41,482
Dedicated						
Special Revenue	43,342	87,103	126,003	35,412	12,324	47,736
State Airports	1,303	1,003	1,593	1,593	1,593	3,186
Federal	70,523	105,446	129,899	120,653	113,290	233,943
Miscellaneous Agency	309	325	360	360	360	720
Subtotal Dedicated	115,477	193,877	257,855	158,018	127,567	285,585
Total Revenue	**137,163**	**214,897**	**277,744**	**178,709**	**148,358**	**327,067**
Full-Time Equivalents (FTE)	**153.2**	**150.2**	**156.5**	**146.5**	**146.5**	

Activity Description

The Aeronautics activity exists to accomplish the following statutory goals:

⇒ To enhance aviation safety and promote aviation by assuming a leadership role in providing educational, technical and financial assistance for developing and maintaining an excellent air transportation system for the social and economic benefit to all.

⇒ Support development and maintenance of a system of airports.

⇒ Establish and operate a system of navigation aids.

Activity at a Glance

- 15,900 pilots
- 6,369 active registered aircraft
- 138 publicly-owned airports
- 27 key system airports
- 80 intermediate system airports
- 31 turf landing strips
- 6 privately-owned, public use airports
- 18 public-use seaplane bases
- 1,413 users of Mn/DOT air transportation services (2002 data)

Population Served

Business Travelers: Trades people, sales people, government employees, business and corporate airline travelers, etc.

Personal Travelers: People traveling for non-work purposes including trips for recreation, medical purposes, vacations, etc.

Carriers: Those carrying goods and people – Delivery services such as US Mail, UPS, FEDEX, etc.; Airlines such as Minnesota based Northwest Airlines, Mesaba Airlines, Champion Air and Sun Country Air Lines.

Shippers: Those businesses making decisions about which mode to use for the shipment of their company's goods within or through our state to local or international destinations.

Emergency Services Operators: Emergency personnel using our transportation system in an emergency capacity such as state patrol, air ambulance, aerial fire fighting, and local police.

Communities and Neighborhoods: These are individuals that gather for "issue-specific" purposes, such as zoning, aircraft overflight and helicopter and ultra light aircraft usage.

Industry employees, teachers and students: Individuals who receive education, training and development assistance. Includes promotional efforts to future industry employees.

Infrastructure Providers: Airport owners, planning organizations, consultants, and vendors.

Services Provided

Airport System Investment and Planning

This service provides technical, financial and administrative assistance to publicly owned airports in airport 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 can be requested by municipalities for eligible airport projects in the form of state airport improvement grants and Federal Aviation Administration Airport Improvement Program grants. In the application for financial aid the municipality must show the project scope and justification, the estimated cost, the time schedule, and the availability of local matching funds. Minnesota Department of Transportation (Mn/DOT) 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.

In much the same manner, the office administers two additional funding programs. The Airport Maintenance Grant Program provides a state reimbursement for a portion of documented eligible maintenance expenses up to a certain amount that is dependent on airport size. The hangar loan program provides loan monies to municipalities for the construction of storage hangars.

Enroute and terminal navigational aids are installed at no cost to the local government and in partnership with the Federal Aviation Administration.

Aviation System Management
This service provides aviation users with the continued reliability of infrastructure investments such as airport pavement, maintenance, and navigational aids repair and maintenance. Safety and regulatory compliance including safety seminars, training programs the registration of aircraft and licensing of commercial operators on the airports. Aviation educational opportunities for secondary and post secondary students, teachers and the general public are provided.

Traveler Information
This service provides critical weather information to pilots by gathering statewide weather information and transmitting information to the National Weather Service who processes and makes the information 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 out-state Minnesota. This information is used by many user groups other than aviation such as school systems, farmers, contractors and individuals who wish to make informed decisions on their activities.

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 one eight passenger 1993 Beechcraft King Air B200, one six passenger 1981 Beechcraft King Air C90 and one five passenger 1975 Cessna Citation 500 jet. Aircraft are scheduled on receipt of a telephone request, followed by a written air travel request signed by an approving authority.

This section also offers “air shuttle” service to cities with Mn/DOT offices on a rotating basis on Thursdays. Service is provided to Duluth/Eveleth and Bemidji/Detroit Lakes. The schedule is designed to conform closely to normal work hours and allows users about six hours at each destination. Shuttle flights depart from the St. Paul Downtown Airport. Service on the shuttle is available to other state agencies on a space available basis. Mn/DOT charges a single rate per mile for all aircraft.

Administrative Support
This service oversees the function of personnel and payroll transactions; accounting, purchasing and inventory control; secretarial support; budget preparation; monitors the spending plan; training coordination; and facilitates management of the Aeronautics office building.

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 5-year Capital Improvement Plan (CIP) that lists potential projects with estimated costs and time schedules.
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 and the size of lighting system(s). Each category has a state/local cost share and a maximum allowable reimbursement.
***Airport Improvement Program (A.I.P.) Grants* – Federal, M.S. 360.011, 360.015, 360.016.** The Federal Aviation Administration (FAA) issues grants to municipalities for capital improvements to their airports. The airport must be a part of the National Plan of Integrated Airport Systems to be eligible for a grant. The FAA uses a rating system to evaluate and rank projects for programming purposes. Under state law, Mn/DOT serves as agent for communities when they apply for a federal grant, as well as receiver and disburser of the 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 2002, 85% of pavements were rated good or better and 6% were poor or worse. Based on local CIPs estimated levels will be 79% good and 6% poor in 2004, and 77% good and 5% poor in 2005.

⇒ Mn/DOT operated navigational aids will have an operating reliability of 98% or greater under current funding. The 2001 level was 98.03%.

⇒ The Office of Aeronautics, the FAA and customer groups will work to reduce general aviation crashes to 30 per year by 2023, down from 37 in 2001. Fatalities will be reduced to 6 per year by 2023, down from 8 in 2001 (3-year averages).

⇒ Weather dissemination services will be increased by 20% in the biennium. A measure for pilot and traveler access to weather information is being developed.

⇒ 90% of the population of Minnesota will be within one hour driving time of an airport providing regularly scheduled air service. The current level is 91%, meeting the target (1999).

⇒ 90% of the population of Minnesota is within thirty miles of a paved and lighted airport. The current level is 99.6% (1999).

⇒ All airports should meet current FAA design standards for safety and other issues.

Activity Funding

The state airports fund, a statutory dedicated fund, supports this program. Income to this fund comes from the aviation fuel tax, the aircraft registration tax, the airline flight property tax, and investment income. Federal Airport Improvement Program grants to municipalities also help to support the program.

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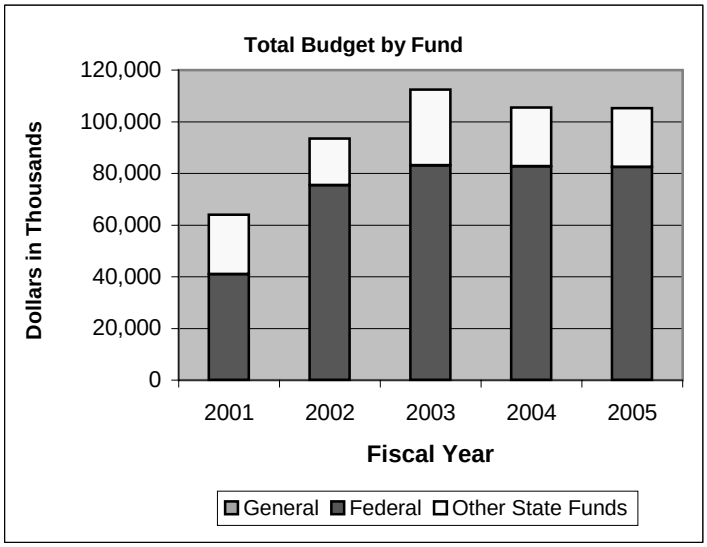
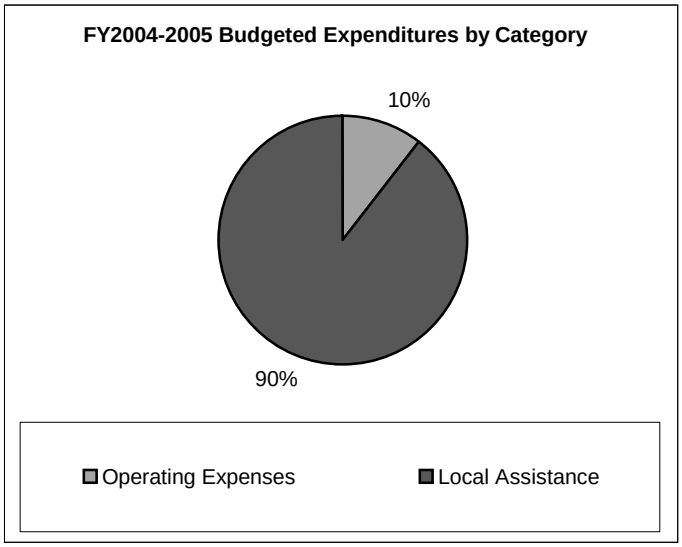
TRANSPORTATION DEPT
Program: MULTIMODAL SYSTEM
Activity: AERONAUTICS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
State Airports	20,625	15,100	26,105	20,123	20,123	40,246
Trunk Highway	942	948	1,012	1,012	1,012	2,024
Statutory Appropriations						
Special Revenue	47	39	10	10	10	20
State Airports	1,426	1,970	2,297	1,604	1,604	3,208
Federal	40,978	75,461	83,036	82,785	82,535	165,320
Total	**64,018**	**93,518**	**112,460**	**105,534**	**105,284**	**210,818**
Expenditures by Category						
Operating Expenses	10,453	7,986	12,876	11,070	10,820	21,890
Capital Outlay & Real Property	157	123	155	155	155	310
Payments To Individuals	36	0	0	0	0	0
Local Assistance	52,590	84,042	98,454	93,609	93,609	187,218
Other Financial Transactions	782	1,367	975	700	700	1,400
Total	**64,018**	**93,518**	**112,460**	**105,534**	**105,284**	**210,818**
Revenue by Type and Fund						
Non Dedicated						
General	0	12	30	40	40	80
Cambridge Deposit Fund	13	0	0	0	0	0
State Airports	17,544	16,396	15,608	16,400	16,500	32,900
Subtotal Non Dedicated	17,557	16,408	15,638	16,440	16,540	32,980
Dedicated						
Special Revenue	49	69	60	60	60	120
State Airports	1,303	1,003	1,593	1,593	1,593	3,186
Federal	40,978	75,490	82,785	82,535	82,535	165,070
Subtotal Dedicated	42,330	76,562	84,438	84,188	84,188	168,376
Total Revenue	**59,887**	**92,970**	**100,076**	**100,628**	**100,728**	**201,356**
Full-Time Equivalents (FTE)	**50.2**	**49.3**	**49.2**	**49.2**	**49.2**	

Activity Description

The Transit activity provides multimodal 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) and the new Greater Minnesota Transit Assistance Fund (M.S. 174.242 – property tax replacement aid) provide 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
- Northstar Commuter Coach pilot project in operation
- Ongoing planning activities for bicycles and pedestrians
- Hiawatha LRT line begins full operation in 2004
- Northstar Corridor Rail Project preliminary engineering complete
- Red Rock Corridor Rail Project Alternatives Analysis and Draft Environmental Impact Statement begins in FY 2003
- Rochester Rail Link Study completed in 2002
- Development of the Midwest Regional Rail Initiative 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). Work is underway on two commuter rail corridors—the Northstar has completed Preliminary Engineering and awaits funding to proceed to final design and construction, while Red Rock is about to begin Alternatives Analysis and preparation of its Draft Environmental Impact Statement. The Hiawatha LRT project is under construction—the segments from downtown Minneapolis to Fort Snelling and the remainder through the airport to the Mall of America will open in 2004. The Central Corridor is nearing the end of its Alternatives Analysis/Draft Environmental Impact Statement—a locally preferred alternative of LRT or Bus Rapid Transit will be selected upon completion. Mn/DOT also takes a leadership role in inter-city rail planning for the state and is an active participant in the ongoing development of the Midwest Regional Rail Initiative, a nine state effort to develop a high-speed rail network centered on Chicago.

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 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. The Northstar Commuter Coach pilot project gives commuters an additional travel option for those traveling on Highway 10 between Elk River and Minneapolis.

Transit Administration provides support services and management of transit grants and capital projects.

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. Since 1/1/84, public transit systems in Greater Minnesota have received 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 67 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 Transportation to develop a Commuter Rail System Plan by January 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 has completed Preliminary Engineering on the first Tier One line, Northstar Corridor Rail Project, and is seeking funding to complete the project. The second Tier One line, Red Rock, is beginning its Alternatives Analysis and Draft Environmental Impact Statement. 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 was constant at 950,000 hours from 2001 through 2003, and ridership in Greater Minnesota was 9.37 million in 2001.

⇒ *Increase the availability of public transit service in Greater Minnesota*
Meet 80% of transit service need by 2010 – increase bus service hours 7% annually.

Number of counties in Greater Minnesota with countywide public transit service:

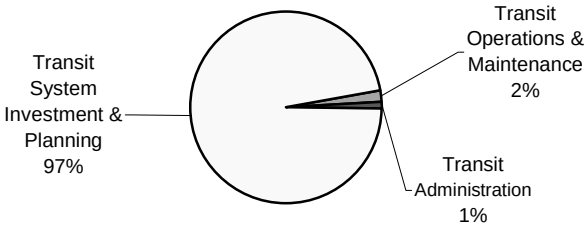
1995	1996	1997	1998	1999	2000	2001	2002	2003
51	53	58	59	63	64	64	66	67

⇒ Number of commuter bus routes. One demonstration route is operating in 2002-2003 from Elk River to Minneapolis.

⇒ Route miles and annual revenue service hours will be measured for commuter rail and inter-city rail when those services open.

Activity Funding

FY2002-03 Expenditures by Products & Services (Total: $318.8 Million)



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 funds used for activities such as rideshare, transit ways, corridor studies, buses and bus facilities in the Twin Cities Metro Area.

Mn/DOT is currently constructing LRT in the Hiawatha Corridor. Construction is scheduled for completion in 2004. The Metropolitan Council will operate Hiawatha LRT.

Contact

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Related documents and information:
http://www.dot.state.mn.us/transit
Greater Minnesota Public Transit Plan; 2001 Annual Transit Report; Northstar Commuter Coach Demonstration Program; and Transit Programs - Federal
http://www.dot.state.mn.us/bike.html
Information on bike, pedestrians and telework

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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; Tri-State High Speed Rail Feasibility Study; and Rochester Rail Link Study

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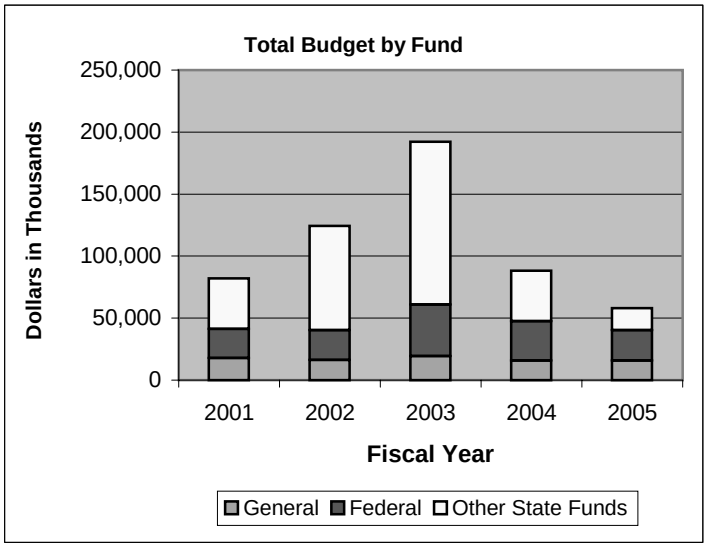
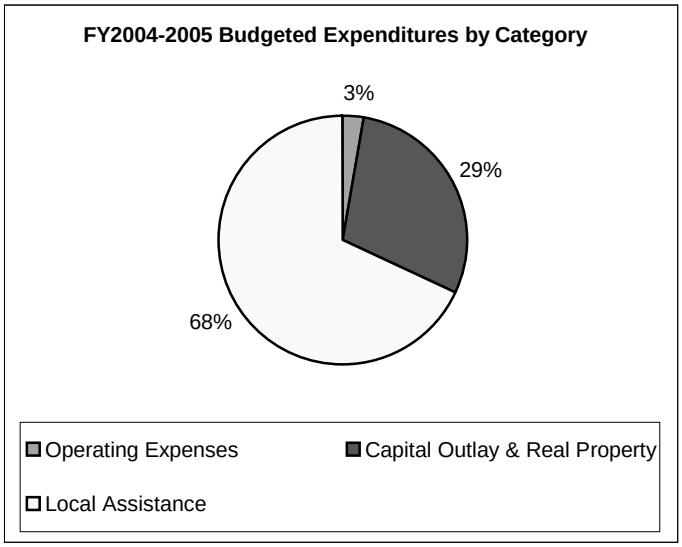




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	17,826	16,275	19,336	15,809	15,810	31,619
Trunk Highway	358	333	355	148	148	296
Greater Minnesota Transit	0	0	6,875	7,264	7,264	14,528
Statutory Appropriations						
Special Revenue	40,117	83,363	123,709	33,117	10,029	43,146
Federal	23,431	23,949	41,541	31,568	24,455	56,023
Miscellaneous Agency	309	325	455	360	360	720
Total	**82,041**	**124,245**	**192,271**	**88,266**	**58,066**	**146,332**
Expenditures by Category						
Operating Expenses	24,895	10,770	7,901	2,061	2,033	4,094
Capital Outlay & Real Property	18,537	80,014	119,294	32,925	9,865	42,790
Payments To Individuals	84	68	85	85	85	170
Local Assistance	38,525	33,393	64,991	53,195	46,083	99,278
Total	**82,041**	**124,245**	**192,271**	**88,266**	**58,066**	**146,332**
Revenue by Type and Fund						
Non Dedicated						
General	103	216	50	50	50	100
Subtotal Non Dedicated	103	216	50	50	50	100
Dedicated						
Special Revenue	40,028	83,363	123,668	33,077	9,989	43,066
Federal	23,008	24,135	40,204	31,738	24,375	56,113
Miscellaneous Agency	309	325	360	360	360	720
Subtotal Dedicated	63,345	107,823	164,232	65,175	34,724	99,899
Total Revenue	**63,448**	**108,039**	**164,282**	**65,225**	**34,774**	**99,999**
Full-Time Equivalents (FTE)	**24.8**	**23.7**	**32.7**	**29.7**	**29.7**	

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. The Office of Freight, Railroads and Waterways delivers freight, railroad and waterway expertise, projects and studies that save lives and keep Minnesota competitive in a global economy.

There are four key components to Freight activity. Each component provides a primary linkage between the state, the railroad and waterway industries and users of the systems.

Identify and develop safety improvements at railroad grade crossings.

Develop statewide railroad and waterway plans that guide future investment of state and federal funds and establish a framework for policy development.

Develop agreements and provide loans or grants to public port authorities, regional railroad authorities, railroads, and shippers to improve rail and water facilities through the Port Development Assistance program (M.S. 457A) and the Minnesota Rail Service Improvement (MRSI) program (M.S. 222.46 – 222.63).

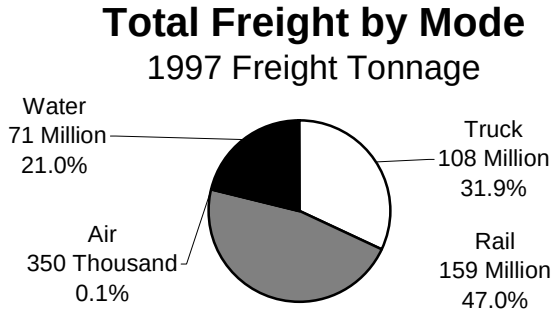
Develop strategies to improve freight productivity.

Activity at a Glance

- MRSI loans distributed: $7,155,048
- MRSI repayments: $3,657,401
- Port Assistance grants: $3,500,000
- Grade Crossing Safety Improvement projects: 50
- Construction Projects: 36
- IRC Bottleneck Projects: 9
- Corridor Safety Studies (completed): 3
- Corridor Safety Studies (in process): 5
- Mergers, Acquisitions, etc.: 2
- Rail Abandonments (under 10 miles total abandoned rail line): 3
- Rail Banking: 2

Population Served

In 1997, Minnesota's extensive transportation network carried in excess of 338 million tons of freight. The pie chart to the right describes the breakdown of freight movement by mode.



Minnesota's rail system consists of four major carriers (Class I), which operate on 2,857 miles of rail line in Minnesota. There are also six Class II carriers that total 856 miles and thirteen Class III carriers operating over 764 miles of line in Minnesota. Minnesota's rail network carries the largest share of freight, by weight, representing the state's major export commodities. Low-cost rail transport makes Minnesota competitive in the marketplace.

In addition to Minnesota's vital rail network, two waterway systems, an inland river waterway and the Great Lakes/St. Lawrence Seaway serve Minnesota.

Minnesota's railroad and waterway systems provide important commercial links for Minnesota farmers, the taconite industry, manufacturers, and other businesses. More specifically, the population sectors this program serves include:

- Shippers
- Farmers
- Railroads
- Ship and barge operators
- Trucking companies
- Transportation associations
- Modal integrators
- Traveling public
- Carriers
- Brokers/forwarders
- Chambers of commerce
- Government agencies

Services Provided

This activity includes the following products and services.

- Rail and Waterways System Investment and Planning preserves and improves rail lines that might be lost to abandonments and improves the public port facilities in Minnesota. State investment in rail lines, shipper facilities, and public ports ensures that Minnesota shippers and receivers have competitive mode choices to meet their current and future transportation needs, preserves abandoned rail corridors for future transportation purposes, and provides economic alternatives to truck transportation that prevent additional wear and tear on our highway infrastructure.
- Railroads and Waterways (program) administration provides funding necessary to support the following:
  Promote the safe interaction of rail transportation with highway and pedestrian movements through administration of Federal Grade Safety Improvement program agreements between the state, railroads, and local units of government.
  Identify, negotiate, and manage all approved grade crossing safety projects including installation of signs and signals, roadway improvements, crossing closures and consolidations.
  Develop and maintain comprehensive rail and water transportation plans that identify the major needs and issues of shippers, receivers, rail and water transportation providers and provides the basis for prioritizing those needs.
  Partner with Minnesota's shipping community to identify public/private ventures for freight infrastructure investments.
  Manage research projects that offer the potential to enhance goods movement for Minnesota shippers.
  Expedite the relocation and restoration of railroad facilities and acquisition of railroad rights-of-way where affected by trunk highway construction projects.
  Provide railroad expertise to trunk highway construction projects where they affect railroad operations.
  Provide information and technical assistance to rail users who face the potential loss of rail service through rail abandonment.
  Administer the Minnesota Rail Service Improvement program and the Port Development Assistance program.
  Guide investments for the Minnesota Rail Service Improvement program and the Port Development program.
  Build freight partnerships that promote the exchange of information, ideas and opportunities between the shipping community and Mn/DOT.
  Seek research opportunities that enhance safety and improve productivity for the shipping community.

Historical Perspective

Minnesota Department of Transportation's (Mn/DOT) Office of Freight, Railroads & Waterways (OFRW) is responsible for managing activities that impact multimodal freight movements, and the use of private rail systems in Minnesota. OFRW programs include activities that impact freight rail service and safety, commercial navigation and environmental impacts, truck size and weight policy, as well as, data and analysis to support multimodal freight planning.

The Office administers a variety of programs and activities to support the safe, efficient movement of goods in Minnesota including the Minnesota Rail Service Improvement Program, the Port Development Program, the Railroad – Highway Grade Crossing Safety Improvement Program, and the Minnesota Freight Advisory Committee. The OFRW is also responsible for a variety of planning activities such as the development of rail and waterway plans and freight movement studies.

Key Measures

OFRW's mission is to deliver freight, railroad and waterway expertise, projects and studies that save lives and keep Minnesota competitive in a global economy. Therefore, key measures that provide performance indicators on how well OFRW is achieving its mission are:

- ⇒ Number of railroad crossing crashes. There were 83 crashes in 2001 (3-year average). The 20-year target is to reduce crashes to 15 per year.
- ⇒ Number of railroad crossing fatalities. There were seven fatalities in 2001 (3-year average). The 20-year target is to reduce fatalities to two per year.

⇒ Number of railroad crossings programmed for safety improvement each year. Fifty-seven were programmed for improvement in FY 2002. The annual target with current funding is to improve 40 or more.

Another key measure, currently under development is:

⇒ Percentage of commercial ports/terminals with appropriately designed water and/or rail access. Current levels are 84% on the Mississippi River system and 100% on the Lake Superior system.

Activity Funding

Base level funding continues to fund MRSI, Port Development, Grade Crossing Safety Improvement program administration. A combination of federal, state (trunk highway and General Fund), local road authority, and railroad company funds finance grade crossing safety improvements. General Fund obligation bonding has previously funded the MRSI program. Revenue from the repayment of MRSI loans is placed in the Minnesota Rail Service Improvement account in the special revenue fund for future project investments. General Fund obligation bonds also finance the Port Development Assistance program.

Contact

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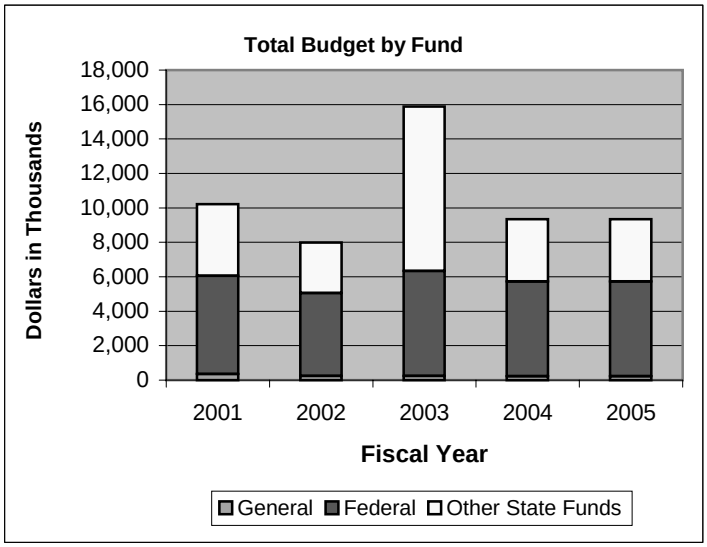
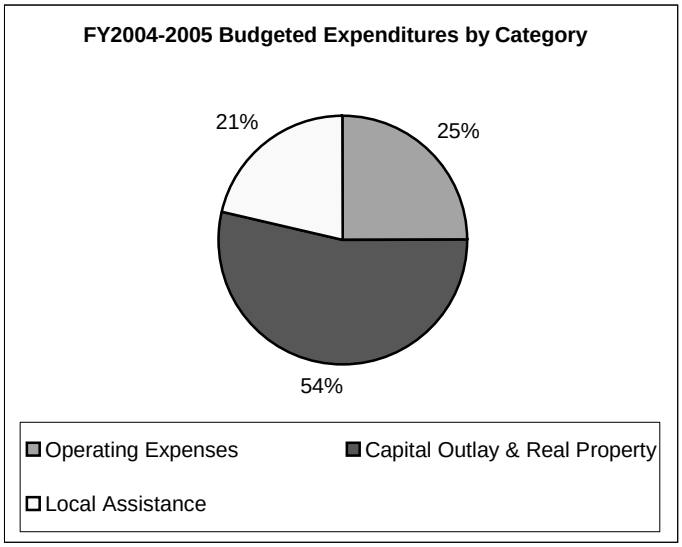




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	348	250	243	220	220	440
Trunk Highway	1,243	1,231	1,778	1,349	1,349	2,698
Statutory Appropriations						
Special Revenue	2,922	1,709	7,768	2,275	2,275	4,550
Federal	5,705	4,800	6,094	5,500	5,500	11,000
Total	**10,218**	**7,990**	**15,883**	**9,344**	**9,344**	**18,688**
Expenditures by Category						
Operating Expenses	2,656	2,535	3,422	2,344	2,344	4,688
Capital Outlay & Real Property	4,718	3,731	5,000	5,000	5,000	10,000
Local Assistance	0	31	2,000	2,000	2,000	4,000
Other Financial Transactions	2,844	1,693	5,461	0	0	0
Total	**10,218**	**7,990**	**15,883**	**9,344**	**9,344**	**18,688**
Revenue by Type and Fund						
Dedicated						
Special Revenue	3,265	3,671	2,275	2,275	2,275	4,550
Federal	5,797	4,841	6,030	5,500	5,500	11,000
Subtotal Dedicated	9,062	8,512	8,305	7,775	7,775	15,550
Total Revenue	**9,062**	**8,512**	**8,305**	**7,775**	**7,775**	**15,550**
Full-Time Equivalents (FTE)	**21.5**	**19.8**	**19.2**	**16.2**	**16.2**	

Activity Description

The purpose of the commercial vehicle activity is to advance highway safety by working with providers of commercial transportation to improve and enhance the safety and security of their operations.

Activity at a Glance

- 36,000 interstate motor carriers
- 4,400 intrastate property and passenger carriers
- 140,000 trip and annual overweight/over dimension permits
- 1,000 hazardous material transporters
- 1,100 safety performance evaluations
- 200 safety classes

Population Served

Main customers include:
Carriers: Those carrying goods and people – delivery services, trucking and bus companies.
Industry employees: Those carrier employees, trainers, government agencies, industry associations, and individuals who receive education, training, and technical assistance.
Shippers: Those who use modal transportation systems to ship their company's goods within or through the state. Shippers include those who offer general freight or hazardous materials for shipment by truck.
Personal Travelers: Those traveling for non-work purposes including users of special transportation services, limousines, and motor carriers of passengers who charter trips to various functions.

Services Provided

Motor Carrier Management meets customer needs by providing the following services:
Credentials: The activity administers credentialing programs for intrastate and interstate motor carrier operations and shippers. A primary goal of credentialing programs is to make sure that the authority to operate on Minnesota's roads is given only to insured carriers who meet the state's safety requirements. These programs include: a) registering interstate carriers that operate in and through Minnesota as well as intrastate for hire carriers of property and passengers; b) certifying the safety of providers of special transportation services to the elderly and disabled; and c) granting conditional waivers to drivers who would otherwise not meet physical requirements for operating commercial vehicles.

Oversize/Overweight Permits: The activity issues single trip and annual permits authorizing the movement of oversize/overweight loads on the state highways and interstate transportation systems within Minnesota. The goals of the permit program are to protect Minnesota's roads and bridges and to protect the general public from the unsafe movement of such loads.

Carrier Safety Evaluation: The activity conducts reviews of regulated commercial transportation providers and shippers to ensure that they comply with safety and hazardous materials regulations. The goal is to improve and enhance the safety of commercial transportation providers and shippers and provide expertise in limiting the damage caused by hazardous materials incidents.

Communications and Training: The activity produces educational outreach materials, provides technical assistance through a call center, and develops and delivers technical training to commercial vehicle operators, shippers and other industry groups on motor carrier safety regulations. The primary goal is to provide easy access to accurate information about commercial vehicle safety regulations in a timely and consistent manner.

Motor Carrier (Program) Administration services provide technical assistance, information technology, office management and administration for commercial vehicle activities. It also provides Commercial Vehicle Operation (CVO) Planning and Systems Integration which partners with other Minnesota Department of Transportation (Mn/DOT) offices and with other agencies to develop the commercial vehicle information systems and networks (CVISN) project; lead and coordinate interagency efforts to reengineer and/or streamline the way products and services are delivered to the state's CVO customers.

Historical Perspective

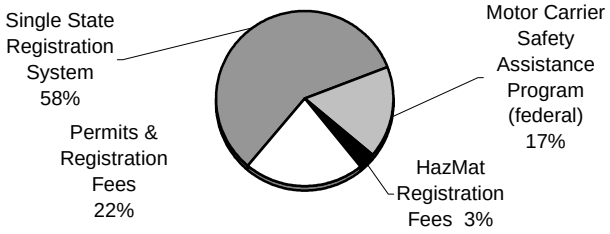
Regulation of motor carriers in Minnesota began in 1925 with the passage of the Auto Transportation Act. The Railroad and Warehouse Commission (RRWH) administered and enforced its provisions. During the 1930s, the

Minnesota Legislature gave the commission the authority to enforce motor carrier laws. The commission first adopted the Federal Motor Carrier Safety Regulations in Minnesota in 1940. In 1976, the legislature created the Minnesota Department of Transportation "to provide a balanced transportation system, including aeronautics, highways, motor carriers, ports, public transit, railroads and pipelines." With the creation of the new agency, the legislature also transferred motor carrier safety and insurance regulation from the Public Service Commission to Mn/DOT.

This activity has changed significantly over the years. Today the Office of Motor Carrier Services is responsible for implementing, administering and enforcing Minnesota laws and federal regulations governing the for-hire and private motor carrier industry in Minnesota. It regulates for-hire carriers of property and passengers, private carriers who transport their own goods, building movers, hazardous material and hazardous waste transporters, for-hire luxury limousine operators, and special transportation services for the elderly and disabled. It administers comprehensive programs that address: commercial driver qualifications; driver hours of service requirements; safe operation of commercial vehicles; vehicle inspection, repair and maintenance; insurance requirements; hazardous materials packaging and transportation standards; and hazardous materials accident/incident reporting requirements. The Office works closely with the Federal Motor Carrier Safety Administration (FMCSA) and the Minnesota State Patrol to achieve a comprehensive commercial transportation safety program in Minnesota.

Activity Funding

FY 2002 Revenue Summary
($4.9 Million Total)



Key Measures

⇒ The percentage of Minnesota-based interstate carriers (freight and passenger) with an acceptable level of safety performance.
- 83.5% had a satisfactory federal safety rating in FY 2002
- 84% are projected to have a satisfactory federal safety rating in FY 2003
- 85% satisfactory is the target for FY 2004.
- 85.5% is the target for FY 2005.

⇒ The percentage of Minnesota-based intrastate passenger carriers (charter, special transportation, limousine) with an acceptable level of safety performance. Recent legislative mandate – no data available at this time; targets are for 65% of passenger carriers to have an acceptable safety rating in 2004 and 70% in 2005.

⇒ The percent of commercial vehicle customer transactions (licenses, permits, and other credentials) conducted electronically.
- FY 2002 – 5%
- FY 2003 – 10%
- The target is to achieve 40% electronic transactions in FY 2004 and 60% in FY 2005.

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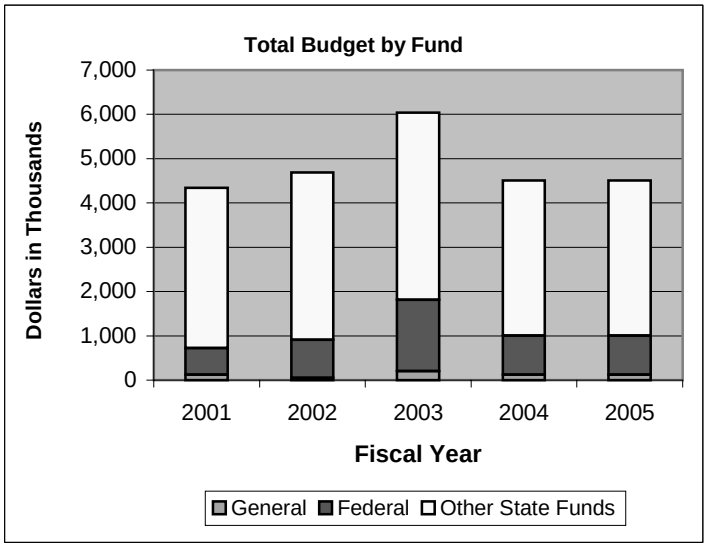
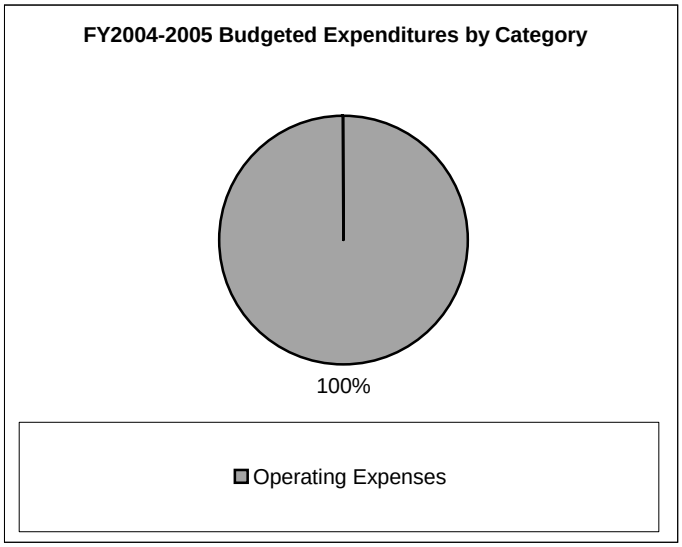




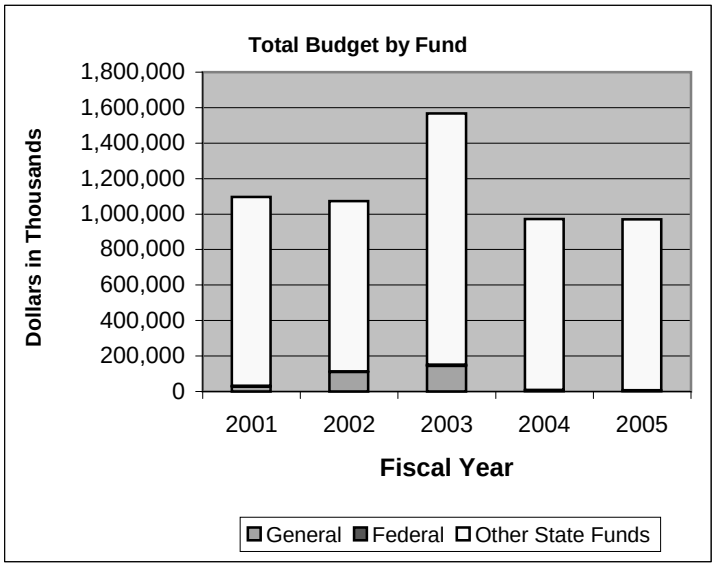
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	124	48	200	126	126	252
Trunk Highway	3,617	3,777	4,229	3,501	3,501	7,002
Statutory Appropriations						
Federal	597	860	1,610	880	880	1,760
Total	**4,338**	**4,685**	**6,039**	**4,507**	**4,507**	**9,014**
Expenditures by Category						
Operating Expenses	4,338	4,683	6,039	4,507	4,507	9,014
Capital Outlay & Real Property	0	2	0	0	0	0
Total	**4,338**	**4,685**	**6,039**	**4,507**	**4,507**	**9,014**
Revenue by Type and Fund						
Non Dedicated						
General	0	205	150	150	150	300
Cambridge Deposit Fund	156	0	0	0	0	0
Trunk Highway	3,870	4,191	4,051	4,051	4,051	8,102
Subtotal Non Dedicated	4,026	4,396	4,201	4,201	4,201	8,402
Dedicated						
Federal	740	980	880	880	880	1,760
Subtotal Dedicated	740	980	880	880	880	1,760
Total Revenue	**4,766**	**5,376**	**5,081**	**5,081**	**5,081**	**10,162**
Full-Time Equivalents (FTE)	**56.7**	**57.4**	**55.4**	**51.4**	**51.4**	

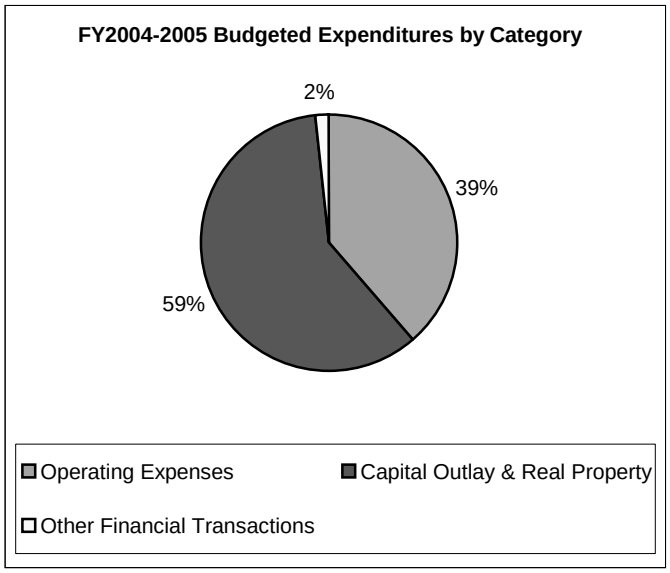
Program Description

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, striping, etc. 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, identifying encroachments, etc. 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 Included:

⇒ Infrastructure Investment & Planning
⇒ Infrastructure Operations & Maintenance
⇒ Electronic Communications





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	27,774	110,120	145,005	9	9	18
Trunk Highway	1,061,027	956,546	1,405,638	958,290	958,575	1,916,865
Statutory Appropriations						
Special Revenue	1,653	4,487	5,571	1,900	1,900	3,800
Trunk Highway	153	850	2,864	2,504	2,504	5,008
Federal	2,266	936	5,437	7,598	4,519	12,117
Miscellaneous Agency	2,978	80	2,107	2,053	2,053	4,106
Total	**1,095,851**	**1,073,019**	**1,566,622**	**972,354**	**969,560**	**1,941,914**
Expenditures by Category						
Operating Expenses	453,674	423,425	455,391	377,228	374,214	751,442
Capital Outlay & Real Property	630,872	645,832	1,085,973	577,273	577,273	1,154,546
Local Assistance	3,888	2,211	930	930	865	1,795
Other Financial Transactions	7,148	1,551	24,328	16,923	17,208	34,131
Non-Cash Transactions	269	0	0	0	0	0
Total	**1,095,851**	**1,073,019**	**1,566,622**	**972,354**	**969,560**	**1,941,914**
Expenditures by Activity						
Infrastructure Invest & Plng	856,407	862,411	1,312,687	761,233	759,453	1,520,686
Infrastructure Oper & Maint	230,412	204,559	238,071	204,347	204,347	408,694
Electronic Communications	9,032	6,049	15,864	6,774	5,760	12,534
Total	**1,095,851**	**1,073,019**	**1,566,622**	**972,354**	**969,560**	**1,941,914**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
Trunk Highway	347,432	313,862	660,232	338,287	337,312	675,599
Highway Users Tax Distribution	2,160	1,670	1,380	1,450	1,521	2,971
Subtotal Non Dedicated	349,592	315,532	661,612	339,737	338,833	678,570
Dedicated						
Special Revenue	2,711	3,817	2,455	1,710	1,710	3,420
Trunk Highway	18,755	17,921	48,849	20,004	20,004	40,008
Federal	2,441	1,143	6,180	7,803	4,724	12,527
Miscellaneous Agency	2,980	123	2,053	2,053	2,053	4,106
Subtotal Dedicated	26,887	23,004	59,537	31,570	28,491	60,061
Total Revenue	**376,479**	**338,536**	**721,149**	**371,307**	**367,324**	**738,631**
Full-Time Equivalents (FTE)	**4,806.1**	**4,587.9**	**4,530.2**	**4,360.2**	**4,360.2**	

Activity Description

The Infrastructure Investment and Planning Budget Activity sets goals and policy, gathers and evaluates data, and recommends alternatives for future action. It also commits available transportation funds over a period of several years to specific projects. This activity provides transportation system investment decisions that meet the needs and promote the transportation goals of the people of Minnesota. In addition, it provides expert analytical support, information, and direction for determining and implementing improvements to the state road and bridge system.

Activity at a Glance

- 12,703 centerline miles
- 29,698 lane miles of interstate and regular trunk highways
- 263,510 acres of right-of-way (including wetland and ponds)
- 77 rest areas
- 4,458 miles of on-road bikeways
- 4,600 T.H. 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 & Integration

Performs short and long-range planning and policymaking activities for transportation programs and investments, including the Statewide Transportation Plan, State Transportation Improvement Program (STIP), Area Transportation Program, corridor plans, district plans, bike and pathways planning, and other multi-modal planning. Also, administers Mn/DOT's research program.

State Roads Investment

Manages the 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.

Key Measures

⇒ 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 84.5% in 1999 and 85% in 2000.

⇒ 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 2002, 21% of urban freeway system miles were congested, up from 16.9% in 2000 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. According to the 2002-04 State Transportation

Improvement Program (STIP), the number of High-Crash-Cost TH Locations improved per year will be 46 in 2002. The target is to improve 40 or more High-Crash-Cost locations each year. There were 625 fatalities in 1999, 634 in 2000, and 606 in 2001 (three-year average).

⇒ Customer Ride Quality/Pavement Serviceability Rating (PSR) – Percent of pavement (Principal Arterial) miles rated "Good", "Fair", and "Poor". "Good" ratings were measured at 74.2% in 1999, 76.1% in 2000, and 75.8% in 2001. "Poor" ratings were measured at 1.4% in 1999, 1.1% in 2000, and 1.6% in 2001. Ongoing targets are over 70% "Good" and less than 2% "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 57.7% in 1999, 57.2% in 2000, and 56.8% in 2001. Bridge "Poor" ratings measured 3.7% in 1999, 3.9% in 2000 and 4.1% in 2001.

⇒ 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 2000, 83% of the projects were let. In 2001, 81% 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.

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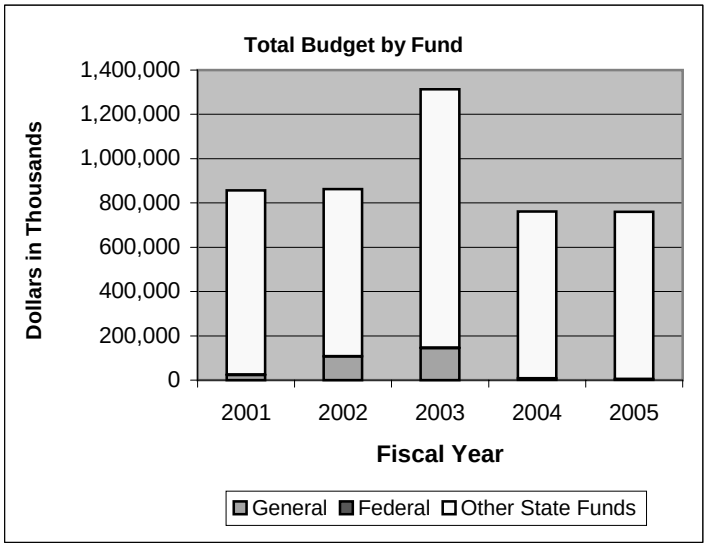

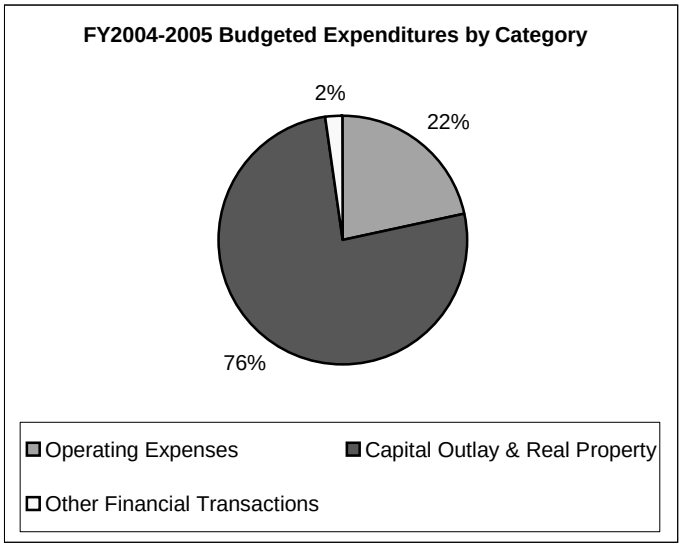

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	22,770	106,265	144,472	0	0	0
Trunk Highway	831,008	752,702	1,163,623	754,468	754,753	1,509,221
Statutory Appropriations						
Special Revenue	1,342	2,663	2,428	148	148	296
Trunk Highway	0	2	77	0	0	0
Federal	1,251	699	1,980	6,564	4,499	11,063
Miscellaneous Agency	36	80	107	53	53	106
Total	**856,407**	**862,411**	**1,312,687**	**761,233**	**759,453**	**1,520,686**
Expenditures by Category						
Operating Expenses	215,600	214,179	201,690	166,241	164,241	330,482
Capital Outlay & Real Property	629,502	645,139	1,085,739	577,139	577,139	1,154,278
Local Assistance	3,888	2,211	930	930	865	1,795
Other Financial Transactions	7,148	882	24,328	16,923	17,208	34,131
Non-Cash Transactions	269	0	0	0	0	0
Total	**856,407**	**862,411**	**1,312,687**	**761,233**	**759,453**	**1,520,686**
Revenue by Type and Fund						
Non Dedicated						
Trunk Highway	347,260	313,847	660,232	338,287	337,312	675,599
Highway Users Tax Distribution	2,160	1,670	1,380	1,450	1,521	2,971
Subtotal Non Dedicated	349,420	315,517	661,612	339,737	338,833	678,570
Dedicated						
Special Revenue	1,973	1,238	1,418	673	673	1,346
Trunk Highway	17,836	14,070	45,055	16,200	16,200	32,400
Federal	1,428	1,104	2,723	6,769	4,704	11,473
Miscellaneous Agency	38	123	53	53	53	106
Subtotal Dedicated	21,275	16,535	49,249	23,695	21,630	45,325
Total Revenue	**370,695**	**332,052**	**710,861**	**363,432**	**360,463**	**723,895**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Full-Time Equivalents (FTE)	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
	2,162.1	**2,149.1**	**2,064.9**	**2,008.9**	**2,008.9**	

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

- 12,703 centerline miles
- 29,698 lane miles of interstate and regular trunk highways
- 263,510 acres of right-of-way (including wetland and ponds)
- 1,042 buildings (including truck stations, traffic management centers and rest areas)
- 4,763 adopt a highway groups
- 4,458 miles of on-road bikeways
- 1,329 Traffic Maintenance Systems (signals, etc.)
- 4,600 Trunk Highway bridges
- 3,100 Trunk Highway bridges receive safety inspections annually
- 90 Trunk Highway bridges annually require in depth fracture critical safety inspections

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. 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) etc. – 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, vacations, etc.

⇒ Carriers: Those carrying goods throughout – truckers, pilots, barge operators, etc.

⇒ Shippers: Those making decisions about which mode to use for the shipment of their company's goods within or through our state. Examples of these decisions include: 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 as carriers.

⇒ Emergency Vehicle Operators: Emergency personnel using our transportation system in an emergency capacity such as: state patrol, ambulance, fire, police, tow trucks, etc.

⇒ Communities and Neighborhoods: These are 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 snow event 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 providing traveler information via updates on radio, changeable message signs, internet and telephones.

⇒ ***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 provides annual bridge inspections, necessary and emergency bridge repairs, and normal maintenance required to keep structures safe and in service.
- ⇒ ***Traveler Information:*** This product and/or service provides the traveler with information via updates on radio, message signs, Internet and telephones. It also coordinates dispatch activities of Transportation with State Patrol for better 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 Management:*** This product and/or service provides vehicles and pieces of equipment that are suitable to the needs of users for getting the job done. This includes acquisition, disposal, lease/buy, maintenance, training, operation, safety, inventory and service.
- ⇒ ***Facilities Management:*** Provides building operation and maintenance contract services for state-owned buildings and facilities under Mn/DOT's jurisdiction. This also includes rest area facilities.
- ⇒ ***Inventory Control:*** Materials Management includes purchasing, warehousing materials, receiving, handling and issuing materials, record keeping and hazardous waste coordination. It also includes monitoring inventory levels and turn rates.

Historical Perspective

The state's Trunk Highway and Interstate Highway System represents an investment of billions of dollars by the people of Minnesota and has taken decades to develop. 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 good shipments. Concentrations of employment and economic activity in the Twin Cities metropolitan area have increased vehicle mile 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 have declined, but the number of fatalities has increased. 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.

The number of Trunk Highway bridges rated in "Good" structural condition has declined slightly in recent years from 61%, to 57% due to deterioration and the available funds to replace and repair. Numerous bridges built in the 1950's and after reach replacement age in the next 20 years.

Key Measures

There are key measures that provide overall performance indicators for the Infrastructure Operations and Maintenance budget activity. Each of these measures is based on a certain program level.

- ⇒ ***Snow and Ice Removal: Hours to Bare Lane:*** This measure provides guidance to operations on customer expectation regarding snow and ice removal. It is measured in hours to bare lanes by highway classification based on volumes. Targets are: supercommuter one to three hours, urban commuter two to five hours, rural commuter four to nine hours, primary collector six to 12 hours, and secondary collector nine to 36 hours. The hours of overtime, tons of chemical and pieces of equipment utilized are all based on the need to satisfy these targets. In the winter of 2001-2002 targets were met statewide except for the high-volume supercommuter roads, which averaged 3.8 hours to bare lanes. The overall combined statewide target for all highway classifications is 4.4 to 10.9 hours. Overall, results were an average of 10.5 hours in 2001-02 and 7.3 in 2002-03.
- ⇒ ***Customer Ride Quality:*** This measure is a percentage pavement (Principal Arterial/IRC) miles meeting Good and Poor performance. Mn/DOT aims to achieve a greater than 70% pavement mile rating of Good and less than 2% pavement miles of Poor. The 2001 level was 75.8% Good and 1.6% Poor. This measure is supported by the Smooth and Reliable Pavement product and service within Infrastructure Operations and Maintenance.
- ⇒ ***Physical Condition of Pavement:*** This measures average years of remaining service life (RSL) of the road pavement (Principal Arterials/IRC's). Mn/DOT aims to achieve 12 to 13 years on average of remaining service life. The current level is near 12 years. The target is for less than 10% of the system to have less than three

years of remaining life and more than 50% to have greater than 12 years remaining life. The current level is 12% less than three years life and 56% more than 12 years life (2001).

⇒ ***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 65% or greater are in Good Condition and 2% or less are in Poor Condition. In 2001 56.8% were Good and 4.1% were Poor. Operations and Maintenance supports this measure by providing inspection procedures that determines the structural condition of bridges, performs routing and emergency maintenance on bridge structures when necessary and makes suggestions for improvement to designs to increase the longevity and safety of bridges.

⇒ ***Safety Features:*** This measure provides for managing the retroreflectivity of signs and pavement markings on and along Trunk Highways and Interstate Highways. 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 goal for sign replacement is 10 to 15 years, depending on the type of sheeting used and the sign purpose (i.e. regulatory, informational, or directional). In 2001, 82% of scheduled sign replacement was achieved. The target is 100% replacement on schedule to meet 365-day reflectivity.

⇒ ***Crash Rate:*** This measure looks at the Trunk Highway crashes per million Vehicle Miles Traveled (VMT) (three year average) Mn/DOT strives for a 1.5% annual reduction in crash rate. In 2000, the Trunk Highway crash rate was 1.27 crashes per million VMT (three-year average).

⇒ ***Fatalities – all state and local roads:*** Mn/DOT strives to improve 40 or more High-Crash Cost Trunk Highway locations each year. Work is toward long-range State Plan fatality-reduction targets and Zero Death goals. There were 625 fatalities in 1999,634 in 2000, and 606 in 2001.

Activity Funding

This activity is funded by direct appropriation from the Trunk Highway Fund.

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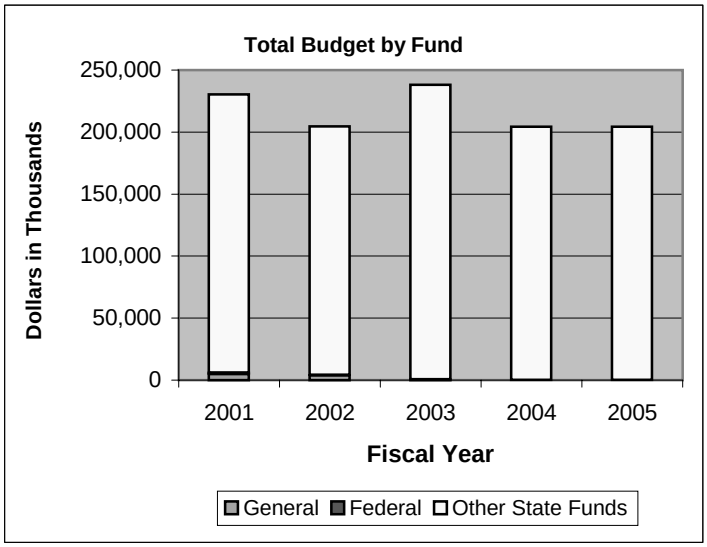

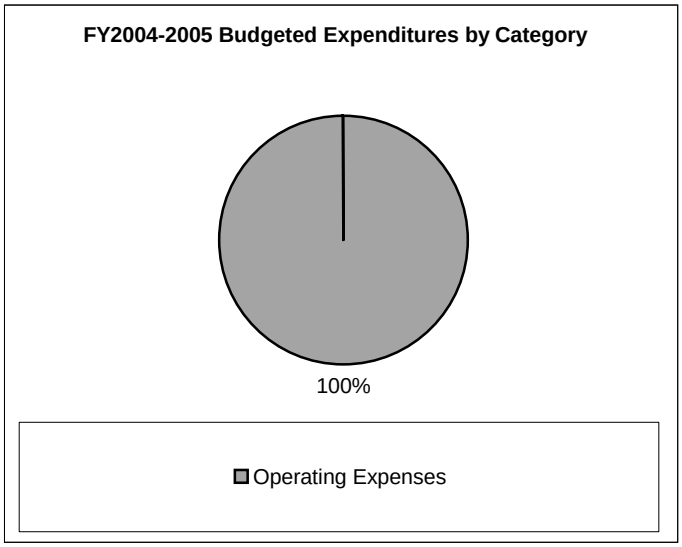

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,952	3,852	518	0	0	0
Trunk Highway	221,057	198,104	229,977	198,441	198,441	396,882
Statutory Appropriations						
Special Revenue	307	1,555	2,838	1,452	1,452	2,904
Trunk Highway	139	811	2,738	2,454	2,454	4,908
Federal	1,015	237	0	0	0	0
Miscellaneous Agency	2,942	0	2,000	2,000	2,000	4,000
Total	**230,412**	**204,559**	**238,071**	**204,347**	**204,347**	**408,694**
Expenditures by Category						
Operating Expenses	229,304	203,584	238,037	204,313	204,313	408,626
Capital Outlay & Real Property	1,108	306	34	34	34	68
Other Financial Transactions	0	669	0	0	0	0
Total	**230,412**	**204,559**	**238,071**	**204,347**	**204,347**	**408,694**
Revenue by Type and Fund						
Non Dedicated						
Trunk Highway	172	15	0	0	0	0
Subtotal Non Dedicated	172	15	0	0	0	0
Dedicated						
Special Revenue	733	2,310	737	737	737	1,474
Trunk Highway	790	3,395	3,354	3,354	3,354	6,708
Federal	1,013	39	0	0	0	0
Miscellaneous Agency	2,942	0	2,000	2,000	2,000	4,000
Subtotal Dedicated	5,478	5,744	6,091	6,091	6,091	12,182
Total Revenue	**5,650**	**5,759**	**6,091**	**6,091**	**6,091**	**12,182**
Full-Time Equivalents (FTE)	**2,576.0**	**2,372.0**	**2,399.4**	**2,287.4**	**2,287.4**	

Activity Description

The electronic communications activity provides expertise in electronic communication technologies by addressing the wireless communications needs of state agencies:

⇒ Provide policy development, planning, engineering, budget preparation, project management, equipment installation, and system maintenance.

⇒ Supply telecommunications services and electronic systems to customers by designing and maintaining local, regional, and statewide communications networks, 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 Twin Cities metropolitan area region-wide 800MHz public safety radio system.

⇒ Support agencies through service contracts, which reimburse the Trunk Highway Fund.

Activity at a Glance (FY 2002 Date)

Communications Infrastructure Maintenance:
- 4,649 mobile repairs
- 1,678 base repairs
- 337 preventative maintenance inspections
- 418 tower/building sites maintained

Electric Equipment Repair:
- Serve DOT, Patrol, DNR electronic equipment repairs – RWIS system, Cameras, VMS, ITS devices, Weight Scales, Gate controls, Smart truck, and Mayday.

Communications System Upgrades:
- 754 mobile installations
- 52 base installs
- 23 system installs

System Planning/Integration:
- 23 mobile and related projects
- 30 network related projects

Inventory Control:
- Supplies to 16 repair facilities statewide.

Population Served

Many agencies of state government have large mobile work forces that rely on mobile communications in the performance of their daily operations. The Minnesota Department of Transportation (Mn/DOT) has the largest single fleet within state government. Currently Mn/DOT has over 5,000 employees, many with technical backgrounds in a variety of fields. Of those 5,000 employees, nearly 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, 7 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 agencies upon request. OEC is reimbursed for cost of services provided to other agencies. Approximately 36% of this activity is billed for reimbursement.

In addition to state agencies, OEC indirectly serves 25,000 Public Safety professionals within the nine county metropolitan area through its maintenance of the regional public safety radio system backbone.

Services Provided

Electronic Communications Investment and Planning:

This service provides specialized technical, engineering, and maintenance expertise in wireless communications systems, electronic technologies, Intelligent Transportation Systems (ITS), and local and wide area data networks. Manages the wireless communications and electronic systems used by state government in their delivery of public safety services, management of resources, and performance of daily operations. 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. Provides electronic and communications system engineering expertise for various Mn/DOT office and district projects including ITS. 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. 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. Provides for the maintenance of the facilities needed to support the states wireless telecommunications infrastructure, and the maintenance for electronic equipment, systems and technology such as road weather systems, traffic weight scale electronics, variable message signs, etc. The service includes ownership and P&E inventory responsibilities of 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. 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
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 band mobile radio service. The Federal Communications Commission (FCC) 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. Other state agencies such as the DPS and the DNR also operate their own independent radio systems. The current 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 Federal Communications Commission changes. The state may have to consider replacing existing systems with independent digital narrowband systems, or implementing a single shared digital radio system. At the county and municipal levels this redundancy in radio systems and the need to replace aging equipment also exists.

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.

Key Measures
There are two measures that provide overall performance indicators for the electronic communications activity. Each of these global measures have 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 Patrol and DNR Very High Frequency (VHF) systems measure *portable* radio coverage and are currently providing 76% and 61% coverage respectively. The Mn/DOT radio system measures *mobile* coverage and it is currently at 82%. The Mobile Data Computer (MDC) system covers 53% of the major corridors. The 800 MHZ Trunked system provides 95% portable coverage throughout the seven county 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 four factors: equipment installation, equipment

repair, equipment replacement, and preventative maintenance. A target rating of 10 for Reliability/ Maintenance is the goal; the actual rating for FY 2002 was 6.8.

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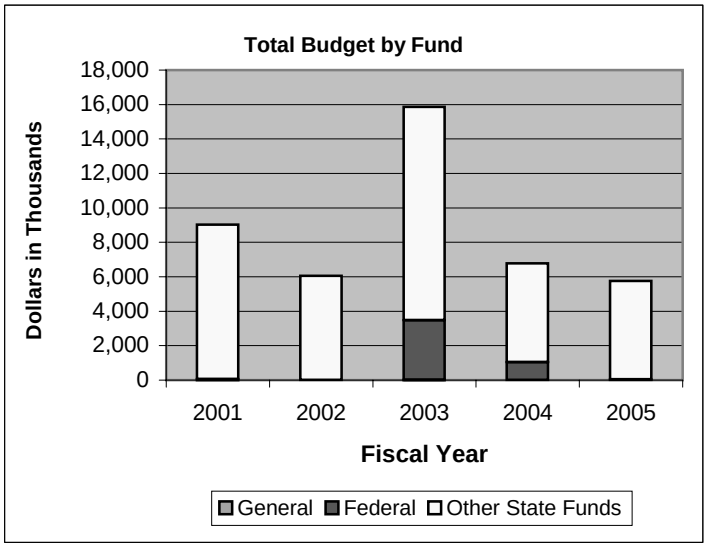
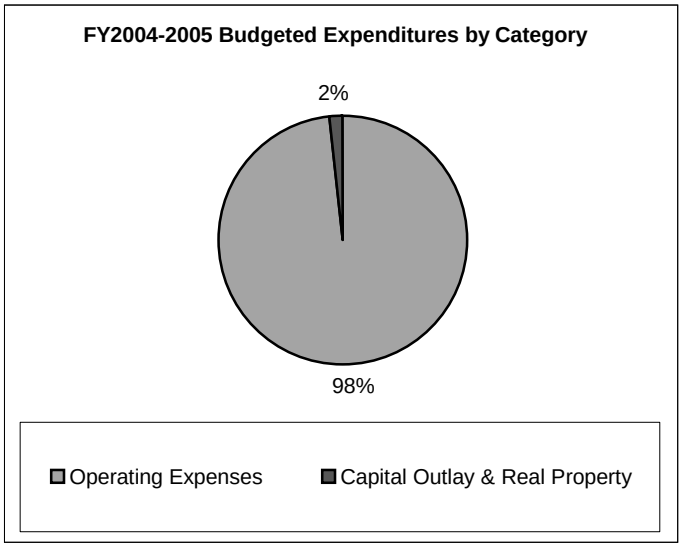




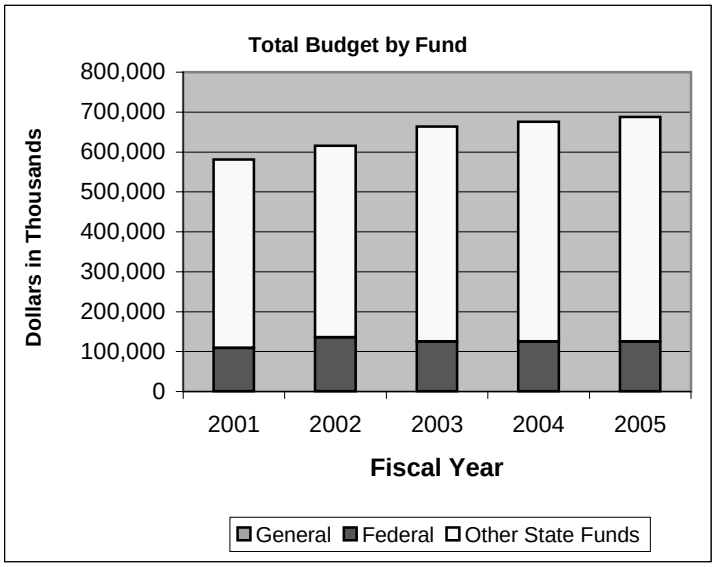
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	52	3	15	9	9	18
Trunk Highway	8,962	5,740	12,038	5,381	5,381	10,762
Statutory Appropriations						
Special Revenue	4	269	305	300	300	600
Trunk Highway	14	37	49	50	50	100
Federal	0	0	3,457	1,034	20	1,054
Total	**9,032**	**6,049**	**15,864**	**6,774**	**5,760**	**12,534**
Expenditures by Category						
Operating Expenses	8,770	5,662	15,664	6,674	5,660	12,334
Capital Outlay & Real Property	262	387	200	100	100	200
Total	**9,032**	**6,049**	**15,864**	**6,774**	**5,760**	**12,534**
Revenue by Type and Fund						
Dedicated						
Special Revenue	5	269	300	300	300	600
Trunk Highway	129	456	440	450	450	900
Federal	0	0	3,457	1,034	20	1,054
Subtotal Dedicated	134	725	4,197	1,784	770	2,554
Total Revenue	**134**	**725**	**4,197**	**1,784**	**770**	**2,554**
Full-Time Equivalents (FTE)	**68.0**	**66.8**	**65.9**	**63.9**	**63.9**	

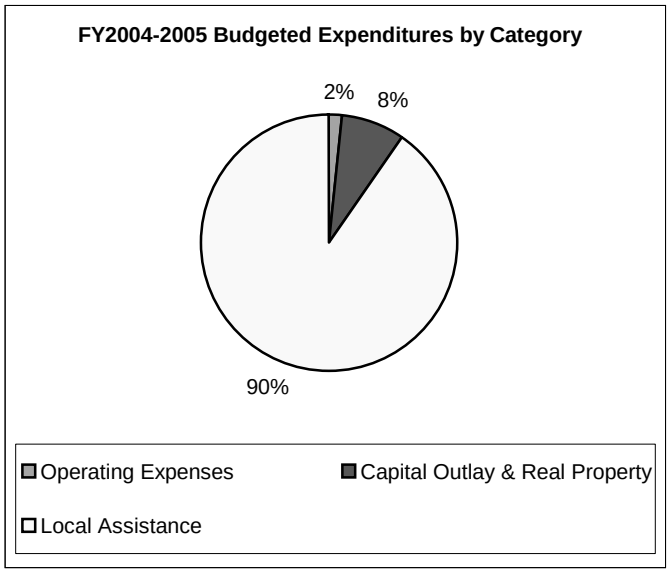
Program Description

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 Included:

⇒ County State Aid Roads
⇒ Municipal State Aid Roads





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	75	0	0	0	0	0
State Government Special Revenue	24	0	0	0	0	0
Municipal State Aid Street	87,482	109,115	112,227	112,290	114,661	226,951
County State Aid Highway	375,485	362,942	415,713	426,020	433,631	859,651
Open Appropriations						
Municipal State Aid Street	2,066	1,932	2,242	2,292	2,340	4,632
County State Aid Highway	6,291	5,808	8,536	10,194	11,792	21,986
Statutory Appropriations						
Federal	109,359	135,519	125,000	125,000	125,000	250,000
Total	**580,782**	**615,316**	**663,718**	**675,796**	**687,424**	**1,363,220**

Expenditures by Category						
Operating Expenses	9,198	7,794	10,778	11,016	11,248	22,264
Capital Outlay & Real Property	53,523	64,186	55,000	55,000	55,000	110,000
Local Assistance	518,053	543,336	597,940	609,780	621,176	1,230,956
Non-Cash Transactions	8	0	0	0	0	0
Total	**580,782**	**615,316**	**663,718**	**675,796**	**687,424**	**1,363,220**

Expenditures by Activity						
County State Aid Roads	491,234	504,269	549,249	561,214	570,423	1,131,637
Municipal State Aid Roads	89,548	111,047	114,469	114,582	117,001	231,583
Total	**580,782**	**615,316**	**663,718**	**675,796**	**687,424**	**1,363,220**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
Municipal State Aid Street	7,583	5,131	6,000	6,000	6,500	12,500
County State Aid Highway	17,672	11,391	12,000	13,000	14,000	27,000
Subtotal Non Dedicated	25,255	16,522	18,000	19,000	20,500	39,500
Dedicated						
Federal	109,278	135,480	125,000	125,000	125,000	250,000
Subtotal Dedicated	109,278	135,480	125,000	125,000	125,000	250,000
Total Revenue	**134,533**	**152,002**	**143,000**	**144,000**	**145,500**	**289,500**
Full-Time Equivalents (FTE)	**46.0**	**43.2**	**43.6**	**43.6**	**43.6**	

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 30,366 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) Group 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.

Population Served

The SALT Group 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 (CSAH) support the county state-aid program, including the needs study; information resources; 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. The bridge replacement program itself is usually funded during the capital bonding session and therefore is not addressed in this program narrative.

County State Aid Investment Services pertain to the county's construction, maintenance and project delivery costs. It also includes the SALT Group's project specific activities and the research program. The SALT Group is responsible to fulfill the state's statutory roles in the areas of design, construction and maintenance of the CSAH system. The SALT Group approves construction plans and project funding requests to ensure consistency with the Rules for State Aid Operation.

Federal Local Aid Services are activities resulting from the Transportation Equity Act (TEA-21) 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 Group 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 Group 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.

Historical Perspective

The SALT group 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 is in place.

Key Measures

The products and services provided by the SALT group 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 25% 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 22% 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, 596 miles of road need to be rebuilt each year; currently 390 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, 1.5% is set aside by statute for the operating expenses of SALT Group and for system-wide expenditures.

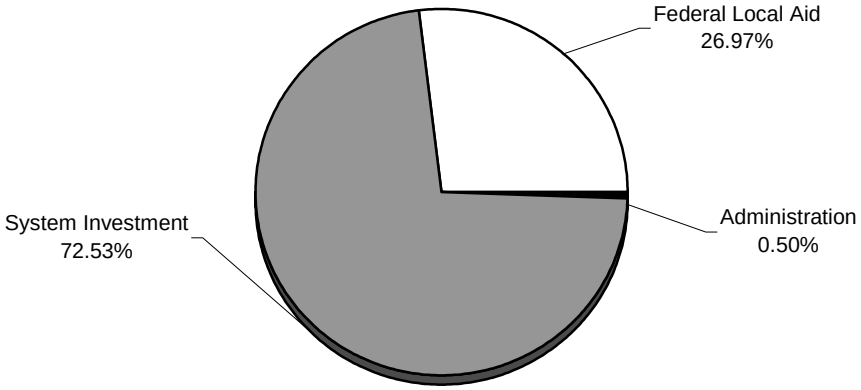
Federal funds are distributed by the Area Transportation Partnerships (ATP) in each of the Minnesota Department of Transportation (Mn/DOT) Districts. Local Roads receive a portion of the total federal funding available based upon a competitive system, which varies by ATP. The federal funding product 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 is to consult with committees representing statewide county and municipal associations before determining how to propose the budget for flexible account dollars. For FY 2004-05 the entire flexible account is needed to fund the turn back program and the proposal is to use the flexible account as follows:

	FY 2004	FY 2005
County Turn Back Account	$21.6 million	$28.7 million
Municipal Turn Back Account	$14.4 million	$ 8.3 million
Trunk Highway Fund	$ 0	$ 0

Expenditures by Product/Service

FY 2002 Total = $503.2 Million)
Data as of 7/31/02



Contact

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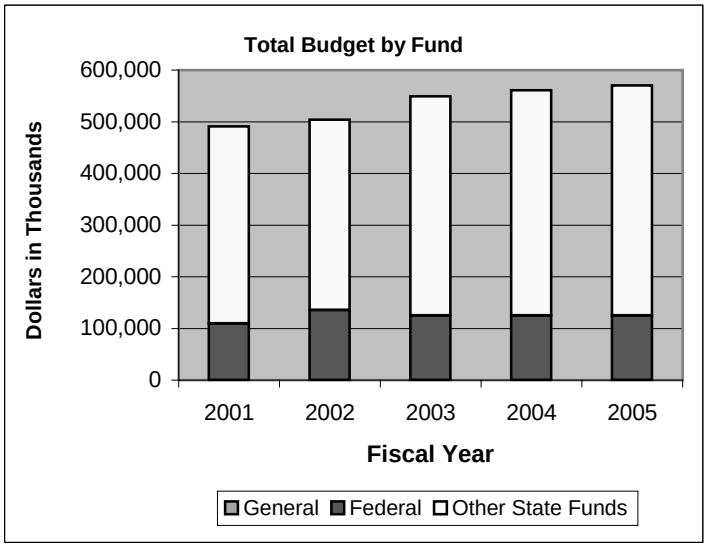
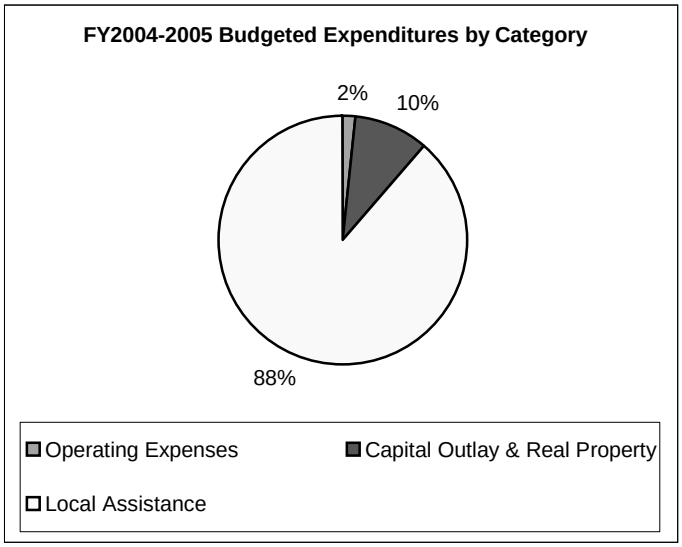
TRANSPORTATION DEPT
Program: LOCAL ROADS
Activity: COUNTY STATE AID ROADS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	75	0	0	0	0	0
State Government Special Revenue	24	0	0	0	0	0
County State Aid Highway	375,485	362,942	415,713	426,020	433,631	859,651
Open Appropriations						
County State Aid Highway	6,291	5,808	8,536	10,194	11,792	21,986
Statutory Appropriations						
Federal	109,359	135,519	125,000	125,000	125,000	250,000
Total	**491,234**	**504,269**	**549,249**	**561,214**	**570,423**	**1,131,637**
Expenditures by Category						
Operating Expenses	7,132	5,862	8,536	8,724	8,908	17,632
Capital Outlay & Real Property	53,523	64,186	55,000	55,000	55,000	110,000
Local Assistance	430,571	434,221	485,713	497,490	506,515	1,004,005
Non-Cash Transactions	8	0	0	0	0	0
Total	**491,234**	**504,269**	**549,249**	**561,214**	**570,423**	**1,131,637**
Revenue by Type and Fund						
Non Dedicated						
County State Aid Highway	17,672	11,391	12,000	13,000	14,000	27,000
Subtotal Non Dedicated	17,672	11,391	12,000	13,000	14,000	27,000
Dedicated						
Federal	109,278	135,480	125,000	125,000	125,000	250,000
Subtotal Dedicated	109,278	135,480	125,000	125,000	125,000	250,000
Total Revenue	**126,950**	**146,871**	**137,000**	**138,000**	**139,000**	**277,000**
Full-Time Equivalents (FTE)	**33.9**	**31.6**	**31.9**	**31.9**	**31.9**	

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 over 5,000 populations. 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 3,014 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) Group reviews and approves individual construction plans for compliance with standards and rules.

Activity at a Glance

- Supervise the distribution of funds to 132 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.

Population Served

The SALT Group provides program support and project delivery services to approximately 132 cities.

Services Provided

Municipal State Aid Administration Services support the municipal state-aid program, including the needs study; information resources; 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 (MSAS) Investment Services pertain to the city's construction, maintenance and project delivery costs. It also includes the SALT Group's project specific activities and the research program. The SALT Group is responsible to fulfill the state's statutory roles in the areas of design, construction and maintenance of the MSAS system. The SALT Group 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 132 in 2002 which means that there are more cities 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 group 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 37% 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).

⇒ Currently about 33% of the system mileage is considered to be in poor condition (more than 40 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, 53 miles of road need to be rebuilt each year; currently 38 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, 1.5% is set aside by statute for the operating expenses of SALT Group and for system-wide expenditures.

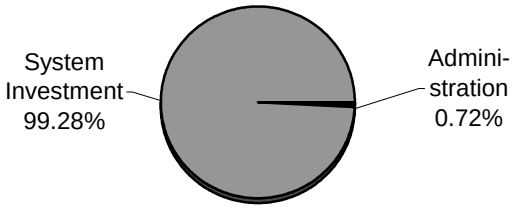
Federal funds are distributed by the Area Transportation Partnerships (ATP) in each of the Minnesota Department of Transportation (Mn/DOT) Districts. Local Roads receive a portion of the total federal funding available based upon a competitive system, which varies by ATP. The federal funding product 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. The dollars flow through the county state aid road program since they are 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 is to consult with committees representing statewide county and municipal associations before determining how to propose the budget the flexible account dollars. For FY 2004-05 the entire flexible account is needed to fund the turn back program and the proposal is to use the flexible account as follows:

	FY 2004	FY 2005
County Turn Back Account	$21.6 million	$28.7 million
Municipal Turn Back Account	$14.4 million	$ 8.3 million
Trunk Highway Fund	$ 0	$ 0

FY2002 Expenditures by Product/Service

(Total = 110.5 Million)



Contact

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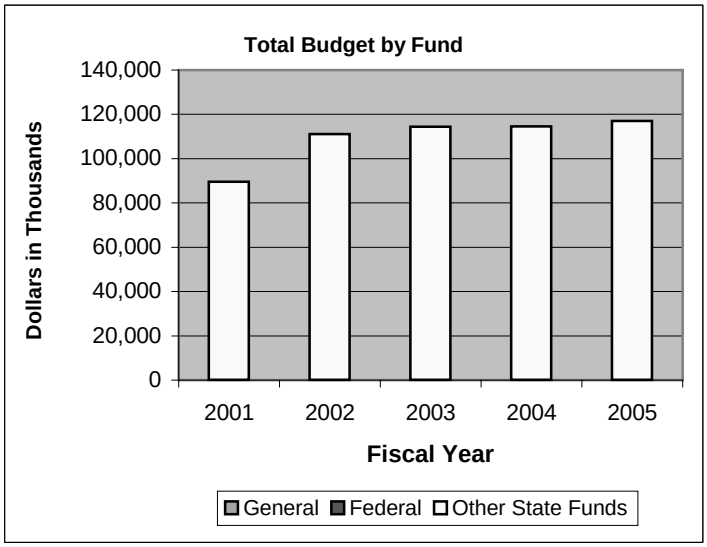
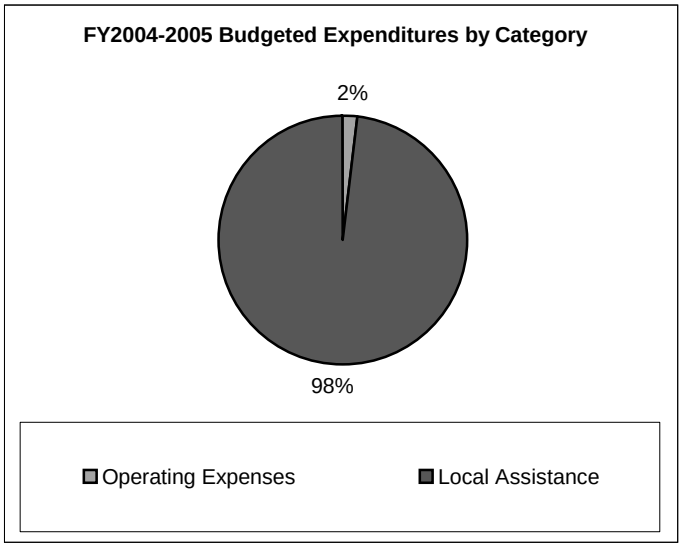




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Municipal State Aid Street	87,482	109,115	112,227	112,290	114,661	226,951
Open Appropriations						
Municipal State Aid Street	2,066	1,932	2,242	2,292	2,340	4,632
Total	**89,548**	**111,047**	**114,469**	**114,582**	**117,001**	**231,583**

Expenditures by Category						
Operating Expenses	2,066	1,932	2,242	2,292	2,340	4,632
Local Assistance	87,482	109,115	112,227	112,290	114,661	226,951
Total	**89,548**	**111,047**	**114,469**	**114,582**	**117,001**	**231,583**

Revenue by Type and Fund						
Non Dedicated						
Municipal State Aid Street	7,583	5,131	6,000	6,000	6,500	12,500
Subtotal Non Dedicated	7,583	5,131	6,000	6,000	6,500	12,500
Full-Time Equivalents (FTE)	**12.1**	**11.6**	**11.7**	**11.7**	**11.7**	

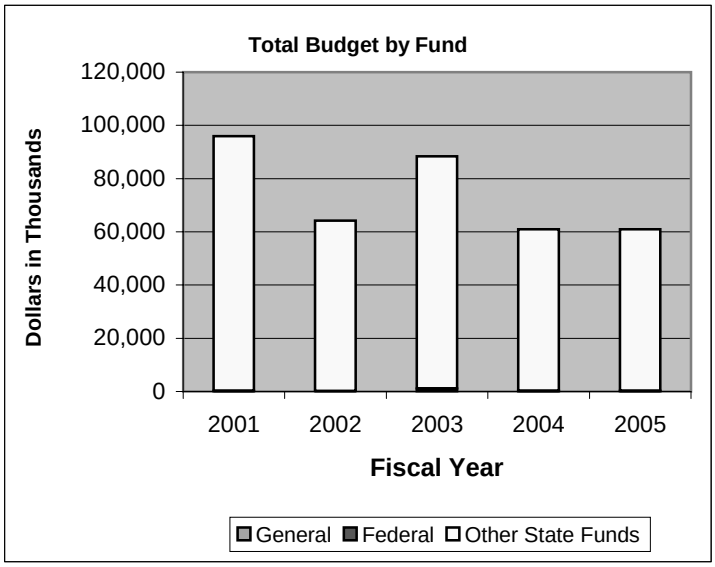
Program Description

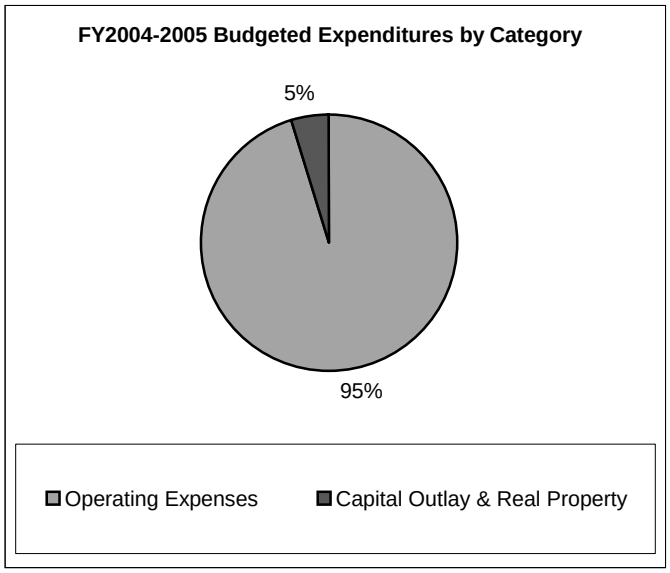
The General Support and Services program provides strategic policy, direction and processes that lead to new and/or improved ways of working. The goal of this program is to effectively and efficiently guide and support the Minnesota Department of Transportation's (Mn/DOT) business of providing transportation system leadership, management and information. This program provides services that continuously improve management of Mn/DOT's resources:

- *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 Included:

⇒ Department Support
⇒ Buildings





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	49	54	56	56	56	112
State Airports	50	25	25	25	25	50
Trunk Highway	84,773	56,574	78,352	51,899	51,899	103,798
Open Appropriations						
State Airports	80	57	71	71	71	142
Trunk Highway	8,448	6,455	7,879	7,879	7,879	15,758
Highway Users Tax Distribution	590	410	504	504	504	1,008
Statutory Appropriations						
Special Revenue	242	286	175	175	175	350
Trunk Highway	582	367	226	224	224	448
Federal	218	33	1,025	125	125	250
Miscellaneous Agency	907	0	5	0	0	0
Total	**95,939**	**64,261**	**88,318**	**60,958**	**60,958**	**121,916**
Expenditures by Category						
Operating Expenses	65,619	61,966	82,518	58,160	58,160	116,320
Capital Outlay & Real Property	30,255	2,290	5,800	2,798	2,798	5,596
Local Assistance	65	5	0	0	0	0
Total	**95,939**	**64,261**	**88,318**	**60,958**	**60,958**	**121,916**
Expenditures by Activity						
Department Support	56,066	50,955	70,260	47,631	47,631	95,262
Buildings	39,873	13,306	18,058	13,327	13,327	26,654
Total	**95,939**	**64,261**	**88,318**	**60,958**	**60,958**	**121,916**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	32	50	51	51	51	102
Trunk Highway	0	-2	0	0	0	0
Subtotal Non Dedicated	32	48	51	51	51	102
Dedicated						
Special Revenue	284	294	315	315	315	630
Miscellaneous Agency	906	0	0	0	0	0
Subtotal Dedicated	1,190	294	315	315	315	630
Total Revenue	**1,222**	**342**	**366**	**366**	**366**	**732**
Full-Time Equivalents (FTE)	**429.7**	**416.7**	**440.2**	**325.2**	**325.2**	

Activity Description

The Department Support budget activity exists to provide executive leadership, set policy and 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. For additional information on Mn/DOT's strategic plan go to: http://www.dot.state.mn.us/information/statplan00/index.html

Activity at a Glance

- Department Support consists of approximately 417 Employees
- Department Support serves all of Mn/DOT, approximately 5,500 employees
- Department Support accounts for approximately 3% of the department budget

Population Served

The Department Support budget activity serves the entire 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.

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.

Communications Services includes strategic communications planning and consultation that help Mn/DOT gather customer input for improved decision making, improve 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, office management, contingency planning, security, mail and document services and tracking performance measures.

Workforce Management Services/Human Resources provides the full range of human resource management services including workforce planning, recruitment, development and retention; labor relations investigations and policy development; occupational safety and health services including workers compensation; and benefits administration.

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,*** a key performance measure of Workforce Management Services, is a composite score of the difference of program delivery production hours required versus production hours available, and diversity. The current score is 7.7 on a 10-point scale.

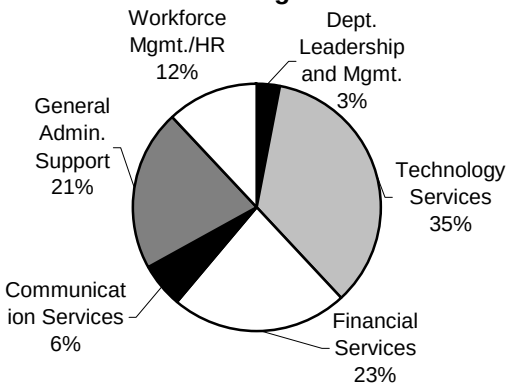
Availability of a skilled, productive and diverse workforce is critical for Mn/DOT to deliver the program. Success of two indicators is scored on a 10-point scale and tallied in a composite to track progress:

a) Availability of production hours needed to production hours available
b) Workforce representation of women, minorities and disabled people

A Availability	B Minority	C Women	D Disabled	E AA Avg	Current Composite
7.3	6.7	9.3	8.3	8.1	7.7

⇒ ***Reliable Information,*** a key performance measure of Communications Services, is a score based on the percentage of Minnesotans who view Mn/DOT as a reliable source of information. The score in 1999 was 56%, and 49% in 2001. The long-term target is 60%.

Allocations Among Services Provided



Activity Funding

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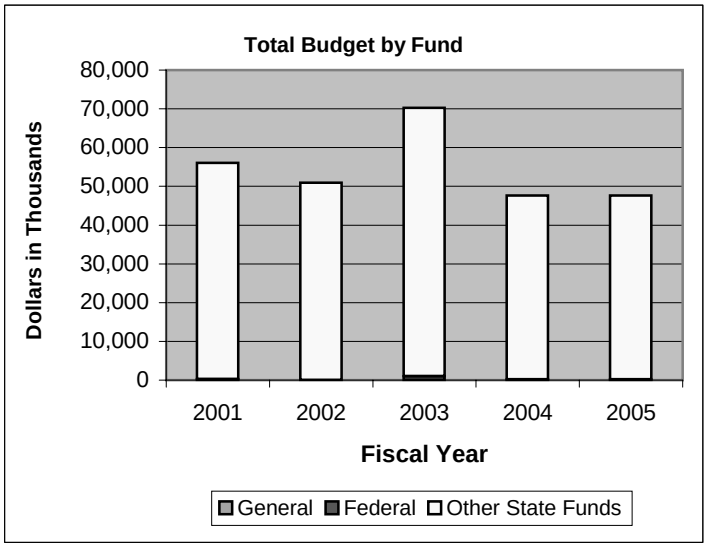
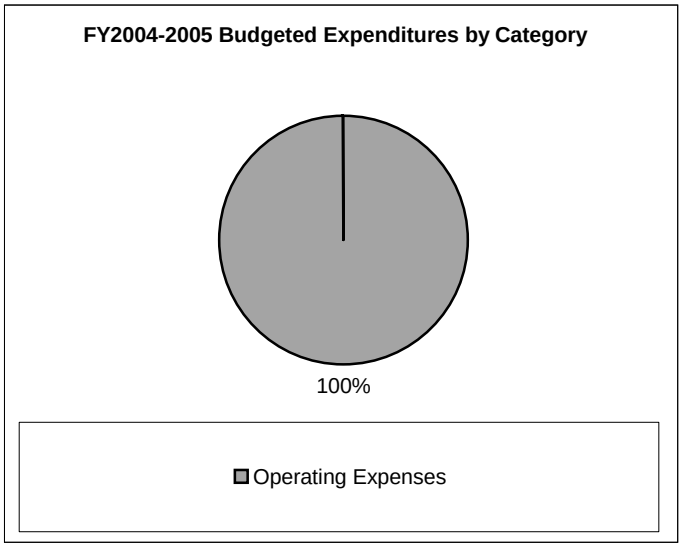
TRANSPORTATION DEPT
Program: GENERAL SUPPORT AND SVCS
Activity: DEPARTMENT SUPPORT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
State Airports	50	25	25	25	25	50
Trunk Highway	44,949	43,322	60,350	38,628	38,628	77,256
Open Appropriations						
State Airports	80	57	71	71	71	142
Trunk Highway	8,448	6,455	7,879	7,879	7,879	15,758
Highway Users Tax Distribution	590	410	504	504	504	1,008
Statutory Appropriations						
Special Revenue	242	286	175	175	175	350
Trunk Highway	582	367	226	224	224	448
Federal	218	33	1,025	125	125	250
Miscellaneous Agency	907	0	5	0	0	0
Total	**56,066**	**50,955**	**70,260**	**47,631**	**47,631**	**95,262**

Expenditures by Category						
Operating Expenses	55,294	51,139	70,183	47,556	47,556	95,112
Capital Outlay & Real Property	707	-189	77	75	75	150
Local Assistance	65	5	0	0	0	0
Total	**56,066**	**50,955**	**70,260**	**47,631**	**47,631**	**95,262**

Revenue by Type and Fund						
Non Dedicated						
General	32	50	51	51	51	102
Trunk Highway	0	-2	0	0	0	0
Subtotal Non Dedicated	32	48	51	51	51	102
Dedicated						
Special Revenue	284	294	315	315	315	630
Miscellaneous Agency	906	0	0	0	0	0
Subtotal Dedicated	1,190	294	315	315	315	630
Total Revenue	**1,222**	**342**	**366**	**366**	**366**	**732**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Full-Time Equivalents (FTE)	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
	429.4	**416.7**	**440.2**	**325.2**	**325.2**	

Activity Description

This building activity covers the facilities investment and planning (planning, programming, 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. 2000, Ch. 174.03 Duties of the Commissioner, Subd. 4 (1), construct and maintain transportation facilities as authorized by law.

Activity at a Glance

Mn/DOT owns and operates 1,042 buildings with a total of 5,754,851 square feet, including:

- 131 Truck Station Sites
- 17 Regional/HQ maintenance sites
- 5 Special Service Sites
- 55 Class I Rest Area Sites
- 22 Class II Rest Area Sites
- 8 Truck Weigh Stations
- 88 Radio Communication Sites
- 64 Salt/Sand Loading Sites
- Facilities estimated replacement cost of $454,380,335
- 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 for our mission of providing support facilities for the Mn/DOT. Space is required for vehicle storage and repairs, ancillary equipment, and installed facility-supporting equipment. Facilities are provided at correct locations for operations so Mn/DOT employees can efficiently and promptly respond to the highway users needs. These facilities are constructed to accommodate program requirements, new equipment demands or are regulatory or building code driven. Further, Mn/DOT facilities are built and maintained to support and meet transportation systems user needs, 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 & Vehicle Services currently operates in a number of our headquarters facilities, providing customer services to the citizens of Minnesota.

Services Provided

This activity provides support facilities to the Minnesota Department of Transportation through two product and service lines:

⇒ ***Facilities Investment and Planning***
Planning, programming, budget development, design, and construction of department facilities. Further includes the supervision of consultants hired to perform these functions.

⇒ ***Facilities Operations and Maintenance***
Performing the necessary, maintenance and repairs to keep facilities operating for intended purpose. Development and enforcement of facility standards, building codes compliance and other regulatory requirements, and partnership agreements with other political subdivisions. 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 and future building space and renewals. The process generally results in an 8 to 10 year plan for projects. This process also develops annual required maintenance and repair projects. Presently, the plan lists over 350 maintenance and repair projects scheduled for completion this year, and over 200 smaller ongoing projects for future years.

Wherever and whenever possible, Mn/DOT partners with local government subdivisions to construct facilities that will provide savings in effort, methods of operation, efficiencies of manpower and taxpayer monies.

Mn/DOT has a limited in-house architectural design and construction staff, capable of producing project documentation, 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 - percent of buildings meeting functional needs.***
Based on the Facilities Assessment Report developed by Mn/DOT Facilities Management Services and performed by the District Physical Plant Supervisors. The number of facilities scoring a certain number of points determines the percent. 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 2002, 80% of buildings met functional needs. The target is 80%.

⇒ ***Building Improvement and Replacement - percent 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. The same process is used to schedule and track maintenance projects.

Contact

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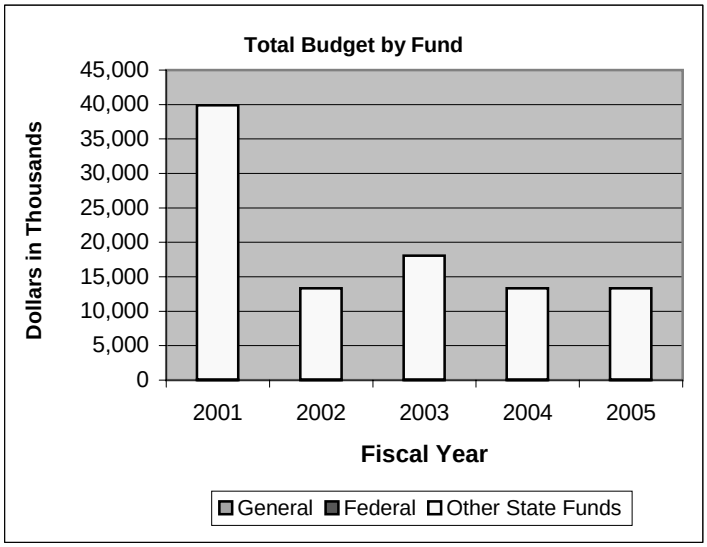
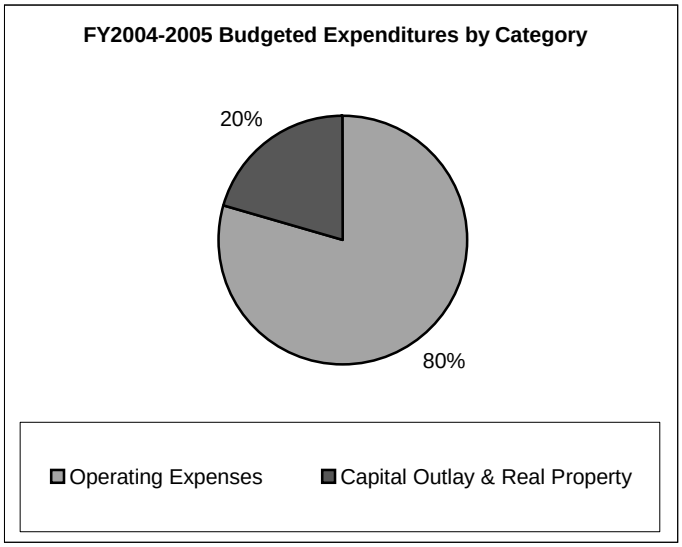




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	49	54	56	56	56	112
Trunk Highway	39,824	13,252	18,002	13,271	13,271	26,542
Total	**39,873**	**13,306**	**18,058**	**13,327**	**13,327**	**26,654**
Expenditures by Category						
Operating Expenses	10,325	10,827	12,335	10,604	10,604	21,208
Capital Outlay & Real Property	29,548	2,479	5,723	2,723	2,723	5,446
Total	**39,873**	**13,306**	**18,058**	**13,327**	**13,327**	**26,654**
Full-Time Equivalents (FTE)	**0.3**	**0.0**	**0.0**	**0.0**	**0.0**	

Minnesota Department of Transportation

Transportation Building
395 John Ireland Boulevard
Saint Paul, Minnesota 55155-1899

February 18, 2003

The 2003 Minnesota Legislature:

This is the submission of the Governor's recommendation of the 2004-2005 biennial budget for the Department of Transportation. The total request for funding for 2004-05 is $3.812 billion. Base spending reductions for the biennium have been identified of $84 million for general support, operations and maintenance from the Trunk Highway Fund (THF) and $3.6 million from the General Fund (GF) for rural transit.

The focus of the 2004/2005 budget request is to meet the current financial resource needs of the department and identify additional revenues to support future transportation investments. Also, this budget is based upon a product and service based budgeting structure, which is a departure from the appropriation/organizational structure used in previous bienniums. The goal is to display the financial resource needs in a structure that links directly to what customers will receive in exchange for the funds appropriated.

At the funding level requested Mn/DOT will continue to provide core transportation services, including delivery of our construction program and essential highway maintenance and operations activities, assisting with rail crossing safety, regulatory compliance of commercial vehicles, supporting airport improvements, and providing assistance to rural transit providers.

Outlined in the budget is a reduction for the biennium of $3.6 million in GF expenditures for rural transit providers and administration. This reduction will result in a decrease in funding to support rural transit services, however the impact will be distributed broadly and a significant commitment to rural transit remains in place.

Also outlined in this budget are THF base reductions for the biennium of $84 million that reflect an aggressive effort to realign spending priorities in the department. Emphasis is on significantly decreasing administration and overhead costs throughout the agency while preserving the department's ability to develop and deliver construction projects. Some of the proposed reductions will be to maintenance and operations, though the impact of these reductions will be offset by increased productivity or eliminating lower priority activities. However, historic levels of service in this area may decrease modestly as a result of these spending changes.

Increased efficiency and improved communication in the department will also be achieved through a change to a simpler organization, focused on Mn/DOT's core activities. This reorganization reduces the number of layers in the department organizational structure, clarifies reporting roles and relationships, and enhances accountability.

This budget proposal is a reflection of our commitment to being accountable and focused on the department's core business of improving the state's transportation infrastructure. An additional benefit is the releasing of resources to support future transportation investment strategies. The Governor in his recommendation is proposing that these savings will provide the resources to allow a transportation investment package to be proposed at a later time that will address the substantial transportation needs of the state. Mn/DOT remains committed to delivering the highest quality and cost effective transportation system to the citizens of Minnesota.

Sincerely,

Carol Molnau

Carol Molnau
Lt. Governor/Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	36,046	3,843,252	3,879,298
One-Time Appropriations	0	-1,050	-1,050
Open Appr. Forecast Adj.	0	21,259	21,259
Adjusted Base Funding	36,046	3,863,461	3,899,507
Change Items			
Agency Operations Reductions	0	-84,000	-84,000
Multimodal System Transit General Fund Reduction	-3,605	0	-3,605
Governor's Recommendations	32,441	3,779,461	3,811,902
Biennial Change, 2002-03 to 2004-05	-259,146	-557,297	-816,443
Percent Change	-89%	-13%	-18%

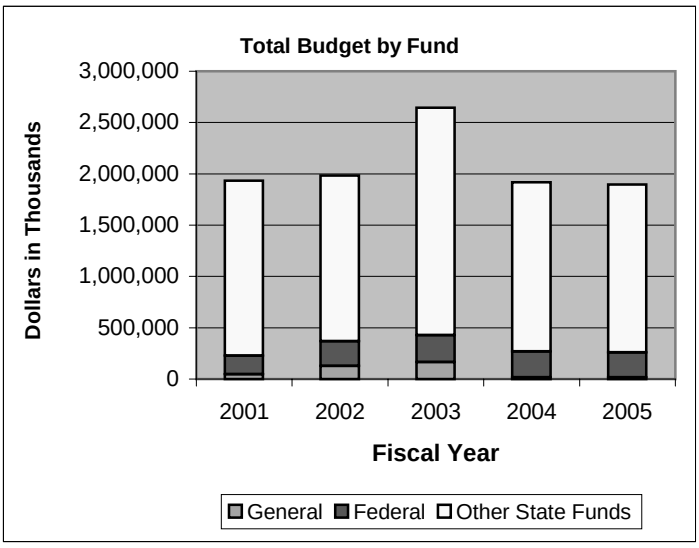
Brief Explanation Of Budget Decisions:

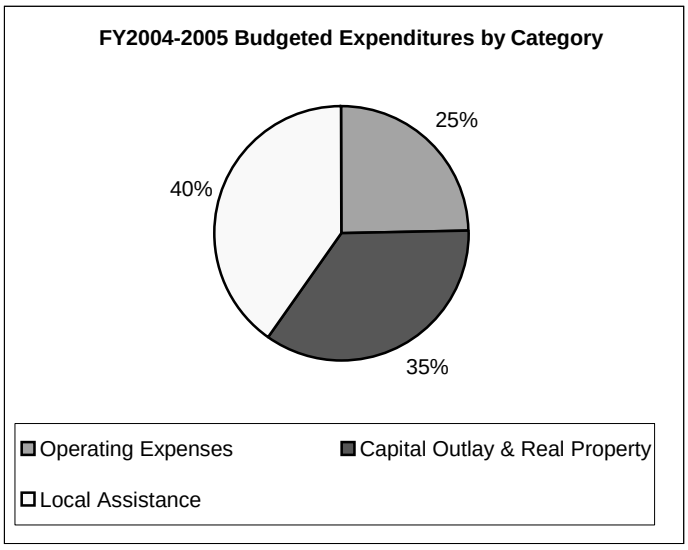
The two adjustments to the base funding shown are as follows:

- decreases to the base for one-time appropriations from FY 2002-03 for implementation of an Aeronautics GPS navigation system and a Commercial Vehicles Information System totaling $525,000 per year or $1,050,000 for the biennium; and
- open appropriation forecast adjustments of a negative (from the base) $14.525 million for debt service for existing bond obligations, as well as a positive adjustment of $35.784 million to state aid accounts to reflect changes to forecast revenue from the Highway Users Tax Distribution Fund - these forecast adjustments net to $21.259 million for the biennium.

The negative changes in General Fund and Other Funds budgeted from the previous biennium represent decreases because of one-time appropriations and revenue. These items were one-time General Fund appropriations for bottleneck removal and interregional corridors, one-time federal advance construction funds, and federal and local funds for the Hiawatha light rail project.

	FY 2004-05 Revenues ($000s)		
	General Fund	Other Funds	Total
FY 2004-05 Current Law Revenues	582	1,355,348	1,355,930
Change Items			
No Revenue Change Items	0	0	0
FY 2004-05 Total Revenues	582	1,355,348	1,355,930
Biennial Change 2002-03 to 2004-05	0	0	0
Percent Change	(24%)	(28%)	(28%)





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	75	0	0	0	0	0
General	46,121	126,747	164,840	16,220	16,221	32,441
State Government Special Revenue	24	0	0	0	0	0
State Airports	20,675	15,125	26,130	20,148	20,148	40,296
Municipal State Aid Street	87,482	109,115	112,227	112,290	114,661	226,951
County State Aid Highway	375,485	362,942	415,713	426,020	433,631	859,651
Trunk Highway	1,151,960	1,019,409	1,491,364	1,016,199	1,016,484	2,032,683
Greater Minnesota Transit	0	0	6,875	7,264	7,264	14,528
Open Appropriations						
State Airports	80	57	71	71	71	142
Municipal State Aid Street	2,066	1,932	2,242	2,292	2,340	4,632
County State Aid Highway	6,291	5,808	8,536	10,194	11,792	21,986
Trunk Highway	8,448	6,455	7,879	7,879	7,879	15,758
Highway Users Tax Distribution	590	410	504	504	504	1,008
Statutory Appropriations						
Special Revenue	44,981	89,884	137,233	37,477	14,389	51,866
State Airports	1,426	1,970	2,297	1,604	1,604	3,208
Trunk Highway	735	1,217	3,090	2,728	2,728	5,456
Federal	182,554	241,558	263,743	253,456	243,014	496,470
Miscellaneous Agency	4,194	405	2,567	2,413	2,413	4,826
Total	**1,933,187**	**1,983,034**	**2,645,311**	**1,916,759**	**1,895,143**	**3,811,902**

Expenditures by Category						
Operating Expenses	570,833	519,159	578,925	466,386	463,326	929,712
Capital Outlay & Real Property	738,062	796,178	1,271,222	673,151	650,091	1,323,242
Payments To Individuals	120	68	85	85	85	170
Local Assistance	613,121	663,018	764,315	759,514	763,733	1,523,247
Other Financial Transactions	10,774	4,611	30,764	17,623	17,908	35,531
Non-Cash Transactions	277	0	0	0	0	0
Total	**1,933,187**	**1,983,034**	**2,645,311**	**1,916,759**	**1,895,143**	**3,811,902**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Program	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Multimodal System	160,615	230,438	326,653	207,651	177,201	384,852
State Roads	1,095,851	1,073,019	1,566,622	972,354	969,560	1,941,914
Local Roads	580,782	615,316	663,718	675,796	687,424	1,363,220
General Support And Svcs	95,939	64,261	88,318	60,958	60,958	121,916
Total	**1,933,187**	**1,983,034**	**2,645,311**	**1,916,759**	**1,895,143**	**3,811,902**
Revenue by Type and Fund						
Non Dedicated						
General	135	483	281	291	291	582
Cambridge Deposit Fund	169	0	0	0	0	0
State Airports	17,544	16,396	15,608	16,400	16,500	32,900
Municipal State Aid Street	7,583	5,131	6,000	6,000	6,500	12,500
County State Aid Highway	17,672	11,391	12,000	13,000	14,000	27,000
Trunk Highway	351,302	318,051	664,283	342,338	341,363	683,701
Highway Users Tax Distribution	2,160	1,670	1,380	1,450	1,521	2,971
Subtotal Non Dedicated	396,565	353,122	699,552	379,479	380,175	759,654
Dedicated						
Special Revenue	46,337	91,214	128,773	37,437	14,349	51,786
State Airports	1,303	1,003	1,593	1,593	1,593	3,186
Trunk Highway	18,755	17,921	48,849	20,004	20,004	40,008
Federal	182,242	242,069	261,079	253,456	243,014	496,470
Miscellaneous Agency	4,195	448	2,413	2,413	2,413	4,826
Subtotal Dedicated	252,832	352,655	442,707	314,903	281,373	596,276
Total Revenue	**649,397**	**705,777**	**1,142,259**	**694,382**	**661,548**	**1,355,930**
Full-Time Equivalents (FTE)	**5,435.0**	**5,198.0**	**5,170.5**	**4,875.5**	**4,875.5**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Trunk Highway Fund				
Expenditures	(42,000)	(42,000)	(42,000)	(42,000)
Revenues	0	0	0	0
Net Fiscal Impact	(42,000)	(42,000)	(42,000)	(42,000)

Recommendation

The Governor recommends reductions in base appropriations from the Trunk Highway Fund for agency operations within the Department of Transportation. These reductions reflect an aggressive effort to realign spending priorities in the department. Emphasis is on significantly decreasing administration and overhead costs throughout the agency while preserving the department's ability to develop and deliver construction projects.

The Governor intends that these savings will provide the resources to allow a transportation investment package to be proposed at a later time that will address the substantial transportation needs of the state.

Background

Most of the Minnesota Department of Transportation's (Mn/DOT) funding is from the trunk highway fund, which is dedicated by the Minnesota Constitution to trunk highway purposes. Based upon customer and stakeholder input, Mn/DOT has revised its historical hierarchal appropriation structure to a budget structure that aligns with activities within product and service lines familiar to our customers and stakeholders.

Product and service lines affected by this change item include multimodal, state roads and general support and services. State roads includes the state road construction program and supporting investment, design and planning activities, operations and maintenance, and electronic communications. The state road construction program is not affected by this budget initiative. The general support program provides leadership, general management and specialized support services including finance and administrative services, human resources, information technology, communications and building services.

Relationship to Base Budget

A reduction in agency operations of $42 million per year is proposed in a number of programs and budget activities:

	Base Reductions
Multimodal System	
Transit	$200,000
Freight	175,000
Commercial Vehicles	375,000
State Roads	
Infrastructure Investment & Planning	8,750,000
Infrastructure Operations & Maintenance	17,500,000
Electronic Communications	500,000
General Support and Services	
Department Support	13,750,000
Buildings	750,000
TOTAL	$42,000,000

Reductions were focused on administration and overhead costs throughout Mn/DOT, as well as fleet management practices, information technology staff and spending levels, human resources and other areas of potential administrative redundancies.

The reduction will provide additional funds in the trunk highway fund balance. These resources will allow a transportation package to be developed and presented at a later time.

Significant cost savings and increased efficiency will be achieved through a new, simpler organizational structure that reduces the number of layers within Mn/DOT, while clarifying reporting roles, improving communications and access, and enhancing accountability.

Key Measures

This level of reductions cannot be completely achieved without impacting the delivery of programs, including revising targets upward for snow and ice "time to bare pavement," road repair and deterioration, and traffic and congestion management. Key measures to be monitored include the ability to achieve targets for snow and ice removal, congestion growth rate/traffic management, safety and timely lettings, and monitoring of construction contracts.

The time to get bare pavement will increase following snow events; incident management response may deteriorate and contribute to higher levels of traffic delay; project letting dates will not be evenly distributed; our ability to field inspect and manage multiple construction projects will be impacted, which may result in project start and completion delays. Overall, though, a majority of the reductions will not significantly impact key performance targets.

Alternatives Considered

All areas of the department were reviewed to identify where adjustments could be made to institute greater operating efficiencies without detrimental effects to Mn/DOT's various programs.

Statutory Change: Not Applicable

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($1,803)	($1,802)	($1,802)	($1,802)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($1,803)	($1,802)	($1,802)	($1,802)

Recommendation
The Governor recommends a direct General Fund appropriation for Greater Minnesota Transit Assistance of $15,698,000 in FY2004 and $15,699,000 in FY2005. This appropriation represents a reduction of $1,803,000 in FY2004 and $1,802,000 in FY2005.

Background
The Office of Transit administers state and federal funds that support public transit systems in Greater Minnesota. These funds are distributed in the form of grants to cities, counties, and other eligible recipients for the purpose of providing public transit. Systems range in size from Duluth, with 90 vehicles, to Pelican Rapids with one small bus. Many transit patrons are persons without alternative transportation, whose ability to access work, school, and other activities in the community may be affected by a reduction in service levels. Greater Minnesota transit systems are working with limited budgets already impacted by increased insurance costs and unstable fuel prices.

Relationship to Base Budget
State transit funds are used mostly for operations, and any reduction may translate into reduced service. A 10% General Fund reduction will result in transit service reductions on the street—estimated at 52,000 hours. This translates to approximately 500,000 trips.

The larger transit providers have indicated that they may cut routes or reduce the frequency of service. Adjustments will be made in evening, weekend, and midday service because they tend to be the least used; however, a many riders during those times are transit dependent persons who may not have other options. Smaller systems will modify segments of their services and, in some cases, may have to stop the use of a vehicle. The more rural areas could possibly lose service. Providers will address staffing reductions, where possible, and look for administrative efficiencies. The Minnesota Department of Transportation (Mn/DOT) will continue to provide technical assistance to transit systems as adjustments are considered.

Alternatives Considered
Public transit systems are funded through a grant program. The only other resources available to the state to support Greater Minnesota Transit Assistance is the Greater Minnesota Transit Fund, which is funded by 1.25% of Motor Vehicle Sales Tax collections.

Technology Funding Detail
Not Applicable

Office of Technology Analysis
Not Applicable

Statutory Change: Not Applicable

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
Aviation Planning Grant	10% state	GPS	0	250	250	0
Federal Airports	Variable local	GPS	73,453	80,000	80,000	80,000
Airport Inspection Program	None	SO	0	35	35	35
Air Traffic Control Training	None	GPS	2,008	2,500	2,500	2,500
Minneapolis –St. Paul Airport Cargo Study	None	SO	0	250	0	0
Vehicle Disposition (190821)	None	GPS	37	50	50	50
Capital: Buses for Elderly & Disabled Program FTA Section 5310 (190822)	Capital 20% local Admin 20% state	GCBO/SO	1,339	1,438	1,438	1,438
Operating, Capital, Rural Transit Assistance Program Administration FTA Section 5311 (190823)	Operating: state & local Capital 20% local	GPS/SO	6,419	7,901	7,901	7,901
CMAQ: Rideshare Section 5307 (190824)	Rideshare Grants: 20% local	GPS/SO	1,913	1,477	2,399	2,399
Consolidated Planning: FTA Section 5303/5313 (190831)	20% local	GPS	3,192	3,587	3,587	3,587
New Starts: Central Corridor FTA Section 5309 (190833)	20% local	GPS	849	2,599	0	0
New Starts: Transitways FTA Section 5309 (190838)	20% local	GPS	224	0	0	0
New Starts: Northstar, Riverview, and Red-Rock Corridors – Planning, Engineering, Etc. FTA Section 5309	20% local	GPS	0	0	2,977	0
New Starts: Northstar & Red Rock Corridors – Planning & Engineering 5309	20% local	GPS	0	0	2,831	0
New Starts: Northstar Commuter Rail Potential FTA Section 5309	20% local	GPS	0	0	0	7,000
STP: Rebuild Bus Transmissions: Metro Mobility Section 5307	20% local	GPS	24	0	0	0
STP: Vehicle/Park-Ride SW Metro FTA Section 5307	20% local	GPS	749	320	0	0
STP: Mn Valley Park-Ride FTA Section 5307	20% local	GPS	26	45	0	0
STP: Riverview Corridor FTA Section 5307	20% local	GPS	81	1,419	0	0
STP: Riverview & Central Corridor FTA Section 5307	20% local	GPS	1,388	2,358	0	0
CMAQ: SW Metro Reverse Commute FTA Section 5307 (190847)	20% local	GPS	209	771	0	0
CMAQ:U of M U-Pass FTA Section 5307 (190850)	20% local	SO	1,361	2,285	0	0
STP: Northstar Preliminary FTA Section 5307 (190852)	20% state	GPS	1,819	1,552	0	0

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
CMAQ: MVTA Joint Use Facility FTA Section 5307 (190908)	20% local	GPS	0	400	0	0
STP: MVTA – Bus Purchase FTA Section 5307	20% local	GPS	0	0	600	0
Bus Capital: Northstar Park & Ride Lots and Commuter Bus Operations FTA Section 5309 (190914)	20% state	GPS	3,662	5,821	0	0
Bus Capital: Foley Park & Ride FTA Section 5309 (190915)	20% local	SO	872	109	0	0
Bus Capital: Arrowhead Economic Opportunity Agency Transit Facility FTA Section 5309	20% local	GPS	0	208	0	0
Potential Discretion- ary Statewide funds for Buses, Facilities & Commuter Bus Routes FTA Section 5309	20% state & local	GPS	0	5,007	8,705	2,000
Potential Discretion-ary: Rushline Corridor FTA Section 5309	20% local	GPS	0	500	1,000	0
CMAQ: SW Metro Vehicle Purchase FTA Section 5307 (190926)	20% local	GPS	0	2,107	0	0
CMAQ: Bike/Ped Coordinators FTA Section 5307 (190835)	20% state	SO	118	94	80	80
Federal/Local Rail Project (190819)	Variable local	GCBO	4,676	5,000	5,000	5,000
Fed. Rail Assistance – 97 Flood (190837)	None	GCBO	31	0	0	0
Rush Line Corridor (190844)	Variable local and state	GCBO	64	0	0	0
Freight – Border Crossing (190845)	None	GCBO	70	30	0	0
MN Valley Rail Grant (190927)	None	GCBO	0	1,000	500	500
Motor Carrier Safety (190825)	80/20 after first $213,000	SO	980	880	880	880
Non-Intrusive Technology (190827)	20% state	SO	98	0	0	0
Pooled Fund Project (190830)	20% state	SO	415	1,242	1,242	1,242
Metropolitan Planning Grants (Sec 112 Planning Grants)	20% local	GPS	68	65	65	0
TRLF Receiving	None	SO/GPS	0	119	79	79
ITS Special Projects (190843)	20% state	SO	198	178	178	178
FACT Program - EEO/Contract Mgmt (190848)	None	SO	16	275	125	125
PIE/TERO (190879)	20% state	SO	6	269	0	0
Disadvantage Business Ent (190907)	None	SO	11	386	0	0
Biztrak (190922)	20% state	SO	0	95	0	0

Federal Program ($ in Thousands)	Related SFY 2002 Spending	Primary Purpose	SFY 2002 Revenues	SFY 2003 Revenues	Estimated SFY 2004 Revenues	Estimated SFY 2005 Revenues
Roadway Safety (190849)	None	SO	124	0	5,000	3,000
TOCC – Wireless Base Station	None	SO	0	3,420	0	0
Northstar Safety Grant (190853)	20% state	SO	50	0	0	0
National Mayday Readiness Initiative	None	SO	0	37	36	20
FEMA – Living Snow Fence (190846)	25% state	SO	39	0	0	0
Cops Radio Tower Grant (190916)	None	SO	0	0	998	0
Federal Formula Highway Funds	Variable state	SO	307,338	636,000	315,000	315,000
Fed. County Road & Bridge (190834)	Variable local	GPS	135,480	125,000	125,000	125,000
Agency Total			549,407	897,079	568,456	558,014

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

	FY 2004-05 Expenditures ($000s)		
	FY2004	**FY2005**	**FY2004-05**
2003 Funding Level	415,713	415,713	831,426
Open Appr. Forecast Adj.	10,307	17,918	28,225
Adjusted Base Funding	**426,020**	**433,631**	**859,651**
Governor's Recommendations	**426,020**	**433,631**	**859,651**

	FY 2004-05 Expenditures ($000s)		
	FY2004	**FY2005**	**FY2004-05**
2003 Funding Level	7,264	7,264	14,528
Adjusted Base Funding	**7,264**	**7,264**	**14,528**
Governor's Recommendations	**7,264**	**7,264**	**14,528**

	FY 2004-05 Expenditures ($000s)		
	FY2004	**FY2005**	**FY2004-05**
2003 Funding Level	112,227	112,227	224,454
Open Appr. Forecast Adj.	63	2,434	2,497
Adjusted Base Funding	**112,290**	**114,661**	**226,951**
Governor's Recommendations	**112,290**	**114,661**	**226,951**

	FY 2004-05 Expenditures ($000s)		
	FY2004	**FY2005**	**FY2004-05**
2003 Funding Level	20,498	20,498	40,996
One-time Appropriations	-350	-350	-700
Adjusted Base Funding	**20,148**	**20,148**	**40,296**
Governor's Recommendations	**20,148**	**20,148**	**40,296**

	FY 2004-05 Expenditures ($000s)		
	FY2004	**FY2005**	**FY2004-05**
2003 Funding Level	1,065,779	1,065,779	2,131,558
One-time Appropriations	-175	-175	-350
Open Appr. Forecast Adj.	-7,405	-7,120	-14,525
Adjusted Base Funding	**1,058,199**	**1,058,484**	**2,116,683**
Change Items			
Agency Operations Reductions	-42,000	-42,000	-84,000
Governor's Recommendations	**1,016,199**	**1,016,484**	**2,032,683**

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 . . . 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 collaborative center at Rochester, and research and outreach centers and extension service offices throughout the state.

The University is a multi-campus university and not a system with a separate system office. 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 three largest campuses in the country in terms of enrollment (46,000 students) and also one of the most comprehensive. It is the state's major research campus and with $400 million annually in research, it accounts for more than 93% of all research expenditures at Minnesota's higher education institutions, both public and private.

The Duluth campus (9,000 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.

At A Glance

Governance:

The University of Minnesota is governed by a 12-member, legislatively appointed Board of Regents.

Statewide Presence:

- 4 campuses (Crookston, Duluth, Morris, Twin Cities)
- 1 collaborative center in Rochester
- 7 research & outreach centers (Crookston, Grand Rapids, Lamberton, Morris, Rosemount, Waseca, Cloquet)
- 87 University of Minnesota Extension offices (one in each county)

Annual Budget:

$1.94 billion (FY 2001 actual revenues)

Student Enrollment (Fall 2001):

38,847	Undergraduate
10,761	Graduate
2,739	Professional
8,086	Non-Degree
60,433	TOTAL / all campuses

Faculty and Staff (2002):

17,881	Faculty and Staff
13,019	Student Workers

The Morris campus (2,000 students) provides an innovative and high quality residential undergraduate liberal arts education to a very select and intellectually-gifted student body.

The Crookston campus (1,200 students) provides career-oriented education at the baccalaureate level, primarily in poly-technical disciplines.

The Rochester collaborative center 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 1) instruction, 2) research, and 3) public service.

Instruction: 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: The University of Minnesota generates and preserves knowledge, understanding, and creativity by conducting research, scholarship, and artistic activity.

Public Service: The University of Minnesota exchanges its knowledge and resources with 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 60,000 students;
- graduates 10,500 students, 35% with graduate or first professional degrees;
- conducts approximately $400 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 2001 revenues of $1.94 billion are a combination of five main sources of revenue:

♦ Gifts, Grants, and Contracts*	$647 million / 33%
♦ State Appropriations:	$616 million / 32%
♦ Sales Revenue:	$309 million / 16%
♦ Tuition and Fees:	$306 million / 16%
♦ Endowment/Other:	$ 65 million / 3%

*NOTE: Includes approximately $400 million of sponsored research grants and contracts.

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).

Contact

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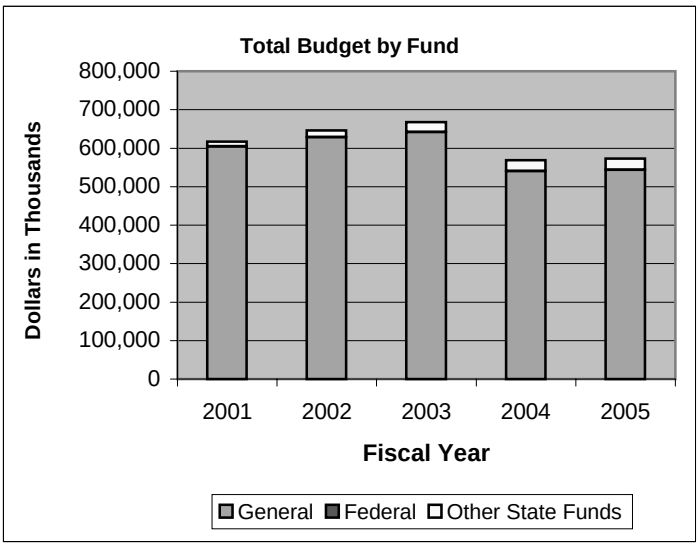

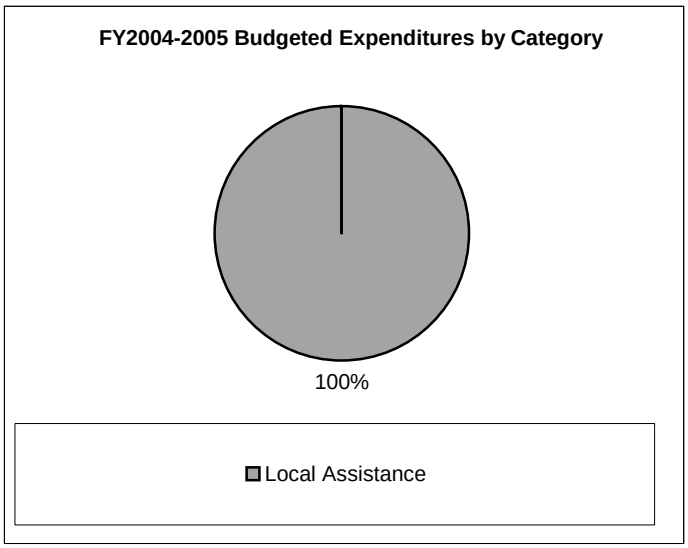

Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
Environment & Natural Resource	1,836	480	734	467	467	934
General	604,382	628,470	641,210	540,724	543,887	1,084,611
Minnesota Resources	0	475	0	0	0	0
Health Care Access	2,837	2,537	2,537	2,157	2,157	4,314
Medical Education & Research	6,969	12,327	20,562	0	0	0
Open Appropriations						
General	0	0	460	0	0	0
Statutory Appropriations						
Special Revenue	0	0	500	21,450	21,450	42,900
Miscellaneous Agency	990	2,102	1,914	3,848	5,371	9,219
Total	**617,014**	**646,391**	**667,917**	**568,646**	**573,332**	**1,141,978**

Expenditures by Category						
Local Assistance	617,014	646,391	667,917	568,646	573,332	1,141,978
Total	**617,014**	**646,391**	**667,917**	**568,646**	**573,332**	**1,141,978**

Expenditures by Program						
Maintenance & Operations	531,053	554,561	567,563	477,357	480,520	957,877
Agriculture Special	57,588	58,838	58,838	50,625	50,625	101,250
Health Science Special	15,652	20,710	28,828	28,536	28,536	57,072
Permanent University Fund	990	2,102	2,374	3,848	5,371	9,219
Special Projects	0	0	500	0	0	0
Technology Special	1,645	1,645	1,612	1,387	1,387	2,774
System Specials	7,430	7,580	7,468	6,426	6,426	12,852
Lcmr/Mn Resources	2,656	955	734	467	467	934
Total	**617,014**	**646,391**	**667,917**	**568,646**	**573,332**	**1,141,978**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Dedicated						
General	0	0	12,700	17,400	22,100	39,500
Health Care Access	0	2,537	2,537	2,157	2,157	4,314
Special Revenue	0	0	500	4,900	4,900	9,800
Medical Education & Research	0	4,891	4,900	0	0	0
Subtotal Dedicated	0	7,428	20,637	24,457	29,157	53,614
Total Revenue	**0**	**7,428**	**20,637**	**24,457**	**29,157**	**53,614**

Program Description

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 . . . be the primary state supported academic agency for research and extension services." (MS 135A.052)

The University of Minnesota, founded in 1851, has four campuses (Twin Cities, Duluth, Morris, Crookston), a collaborative center at Rochester, and research and outreach centers and extension service offices throughout the state.

The University is a multi-campus university and not a system with a separate system office. The chief operating officers for the Twin Cities campus also serve as the senior officers for the entire University.

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 instruction, research, and public service are mutually reinforcing activities and often intersect in the delivery of services.

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. Over 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/systemwide/syscoll.html. Talented secondary students receive instruction through the Post-Secondary Education Option Act, the Talented Youth Mathematics program, the Minority Health High School Superstar 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 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 2002 research activity can be found at http://www.rtportal.umn.edu/images/pdfs/2002statefair.pdf.

Program at a Glance

Governance

The University of Minnesota is governed by a 12-member, legislatively-appointed Board of Regents.

Instruction

Student Enrollment (Fall 2001):

38,847	undergraduate
10,761	graduate
2,739	professional
8,086	non-degree
60,433	TOTAL all campuses

- More than 15 academic programs rank in the top 10 nationally
- More than 10,000 degrees awarded in 2001
- 70% of all freshman live on campus

Research

- $526.6 million in research grant awards in FY 2002; $370.1 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
- 38 patents issued to U researchers in 2002 and 65 new technologies licensed

Public Service

- More than 1 million people served annually
- An Extension presence in every Minnesota county
- 6 research and outreach centers in state

The public service and outreach mission of the University serves communities throughout the state. Outreach programs serve as a way to transfer and exchange 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, which has a presence in every county in the state. 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. University of Minnesota faculty who are veterinarians, dentists, pharmacists, and physicians also provide a special kind of public service through their clinical work at the University and affiliated hospitals and clinics.

Services Provided

The University of Minnesota's three mission activities are 1) instruction, 2) research, and 3) public service.

1. Instruction: 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.

2. Research: The University of Minnesota generates and preserves knowledge, understanding, and creativity by conducting research, scholarship, and artistic activity.

3. Public Service: The University of Minnesota exchanges 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., the graduation and retention rates of undergraduates). The University has added faculty to institute freshman seminars, which offer challenging, in-depth study with a distinguished faculty member in a small-group setting. 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 physical environment for students.

The University continues to grow its highly-ranked research endeavor to meet the needs of the state and nation. In FY 2002, the University was awarded a record $526.6 million in grants to pursue research activities. Included in this figure is approximately $370 million from federal agencies; additional grants were received from business and industry as well as state and local governments. The University was issued 38 patents in FY 2002, currently has more than 500 active licenses with industry, and is ranked number 4 nationally in the number of start-up companies formed as a result of university research.

Throughout the decades, the University has fulfilled its mission as the state's land-grant university through numerous public service and outreach activities. Though achieving greater efficiencies, the University of Minnesota Extension Service still has a presence in all 87 counties in the state. And in the last few years, with the aim of "renewing the civic mission of research universities," the Office of the President has supported a University-wide Civic Engagement Initiative in collaboration with the Center for Democracy and Citizenship. Through this and other endeavors, the University has made an institutional commitment to its responsibility to strengthen the democratic way of life in a rapidly changing society.

Key Measures

In 1994, the Board of Regents established 12 benchmarks for measuring institutional performance. By 1996, they had expanded to 14 institutional measurement areas. These 14 measurement areas fall into 4 subject matter groups: core resources, students, faculty accomplishments, and external relationships. Each group has multiple specific measures. A full description of all 14 measures can be found at http://www.evpp.umn.edu/evpp/critmeas/.

In 2000, the Board of Regents requested that three institutional reports — Institutional Measures, Compact Planning, and an annual academic plan and report — be consolidated into one comprehensive report. The first consolidated report, the University Plan, Performance, and Accountability Report, was released in 2001. It is available at http://www.evpp.umn.edu/uplan/2001. This report articulates the alignment of collegiate and unit academic priorities to the overall goals of the University.

Program Funding

The general state appropriation for the University of Minnesota totaled $554 million in FY 2002. 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 ($74 million in FY02); statutorily appropriated income from the two medical education endowments established with tobacco settlement revenue ($12.3 million in FY02); MinnCare funds for primary care resident educational programs ($2.5 million in FY02); and various Legislative Commission on Minnesota Resource funded projects.

Combined, these general and restricted sources of state funding supported approximately 31% of the University's FY 2002 total budget.

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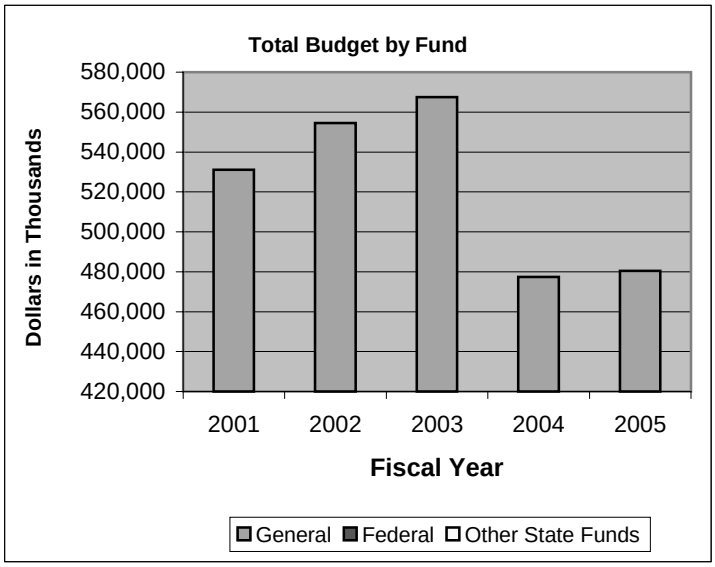
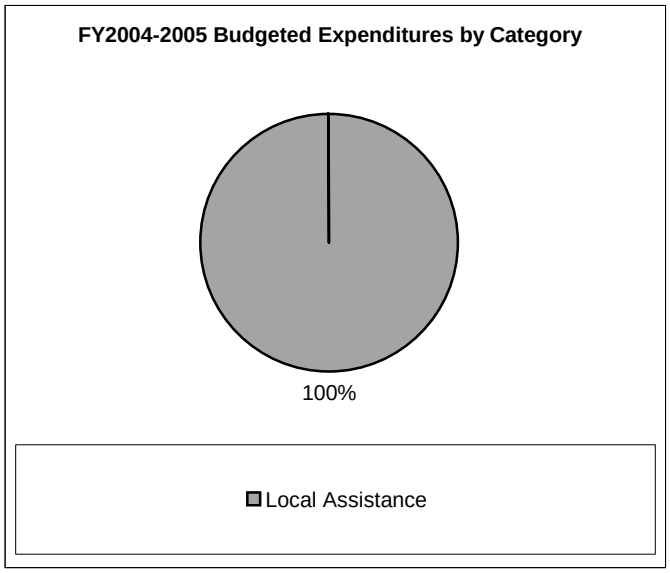
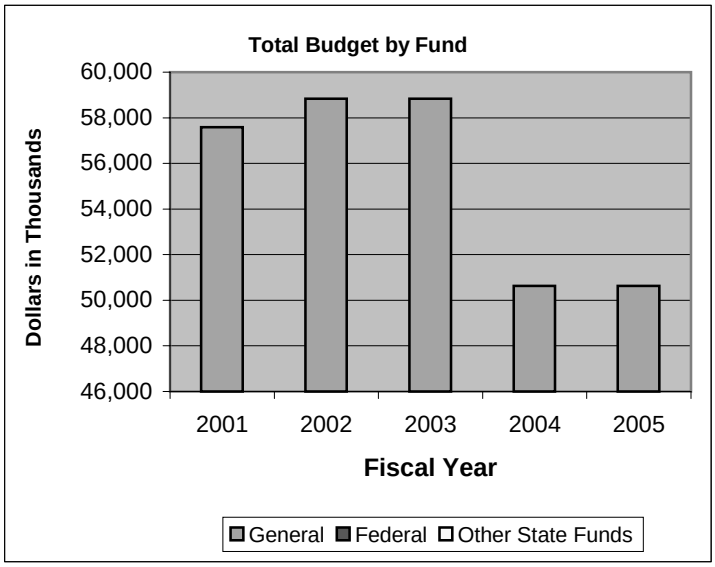
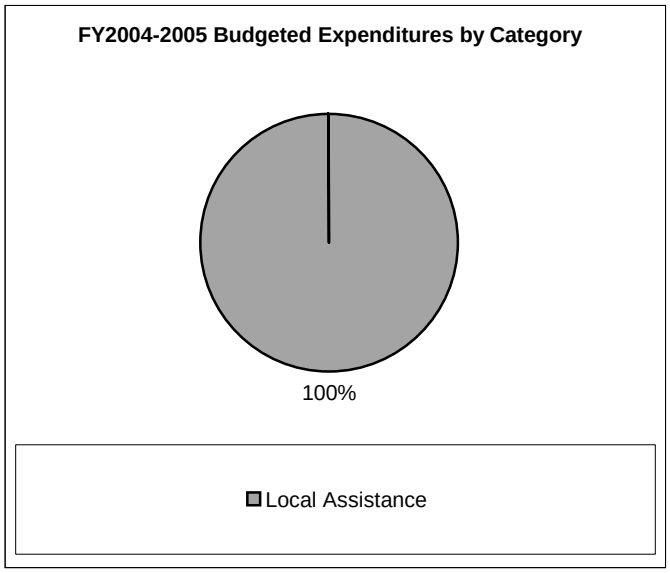


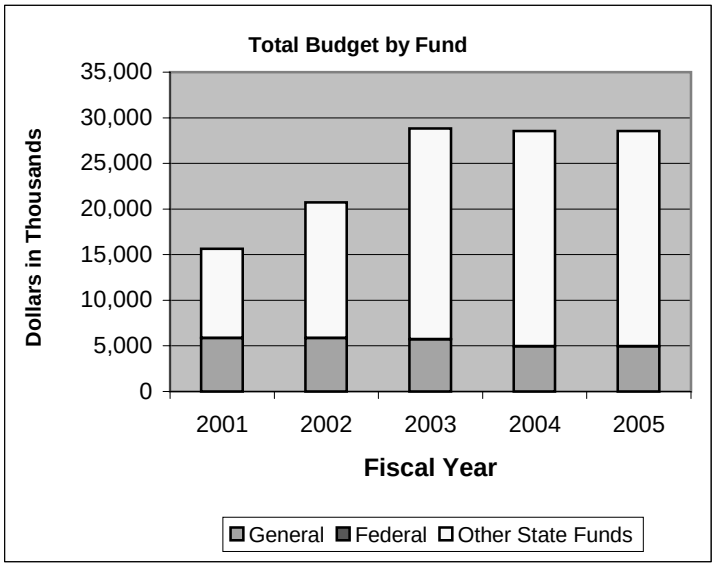


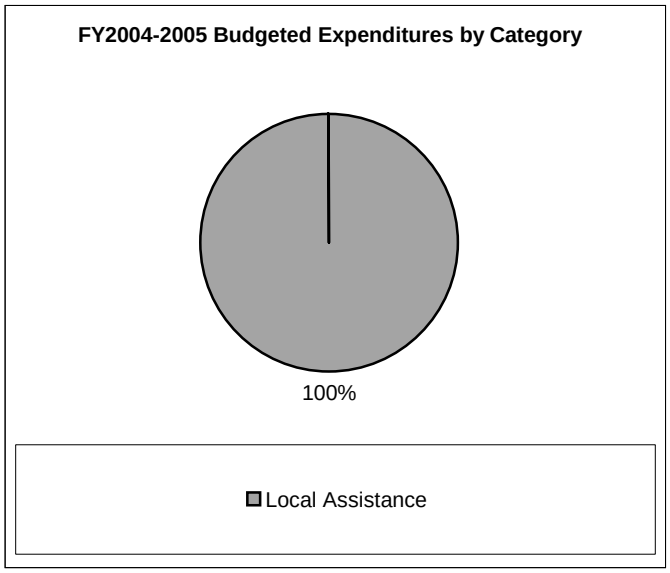
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	531,053	554,561	567,563	477,357	480,520	957,877
Total	**531,053**	**554,561**	**567,563**	**477,357**	**480,520**	**957,877**
Expenditures by Category						
Local Assistance	531,053	554,561	567,563	477,357	480,520	957,877
Total	**531,053**	**554,561**	**567,563**	**477,357**	**480,520**	**957,877**
Expenditures by Activity						
Maintenance & Operations	531,053	554,561	567,563	477,357	480,520	957,877
Total	**531,053**	**554,561**	**567,563**	**477,357**	**480,520**	**957,877**





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	57,588	58,838	58,838	50,625	50,625	101,250
Total	**57,588**	**58,838**	**58,838**	**50,625**	**50,625**	**101,250**
Expenditures by Category						
Local Assistance	57,588	58,838	58,838	50,625	50,625	101,250
Total	**57,588**	**58,838**	**58,838**	**50,625**	**50,625**	**101,250**
Expenditures by Activity						
Agriculture Special	57,588	58,838	58,838	50,625	50,625	101,250
Total	**57,588**	**58,838**	**58,838**	**50,625**	**50,625**	**101,250**



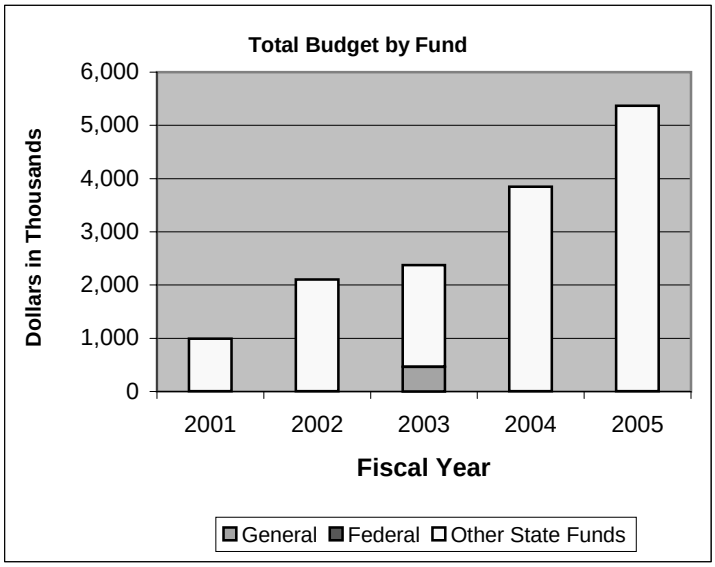


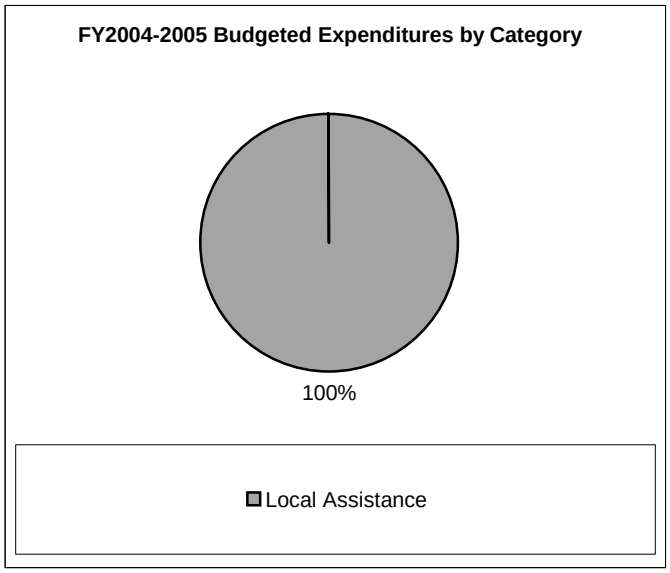
Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	5,846	5,846	5,729	4,929	4,929	9,858
Health Care Access	2,837	2,537	2,537	2,157	2,157	4,314
Medical Education & Research	6,969	12,327	20,562	0	0	0
Statutory Appropriations						
Special Revenue	0	0	0	21,450	21,450	42,900
Total	**15,652**	**20,710**	**28,828**	**28,536**	**28,536**	**57,072**

Expenditures by Category						
Local Assistance	15,652	20,710	28,828	28,536	28,536	57,072
Total	**15,652**	**20,710**	**28,828**	**28,536**	**28,536**	**57,072**

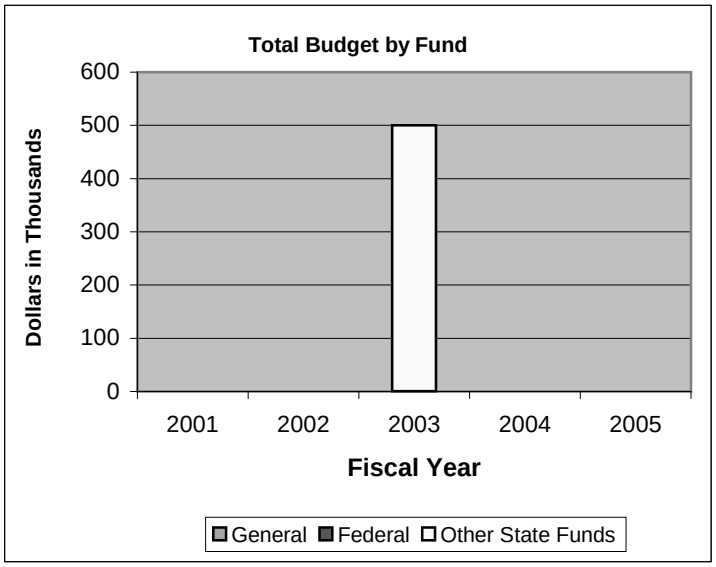
Expenditures by Activity						
Academic Health Center	0	623	8,840	21,450	21,450	42,900
Health Science Special	5,846	5,846	5,729	4,929	4,929	9,858
Minncare	2,837	2,537	2,537	2,157	2,157	4,314
Tobacco Medical Education	6,969	11,704	11,722	0	0	0
Total	**15,652**	**20,710**	**28,828**	**28,536**	**28,536**	**57,072**

Revenue by Type and Fund						
Dedicated						
General	0	0	12,700	17,400	22,100	39,500
Health Care Access	0	2,537	2,537	2,157	2,157	4,314
Special Revenue	0	0	0	4,900	4,900	9,800
Medical Education & Research	0	4,891	4,900	0	0	0
Subtotal Dedicated	0	7,428	20,137	24,457	29,157	53,614
Total Revenue	**0**	**7,428**	**20,137**	**24,457**	**29,157**	**53,614**

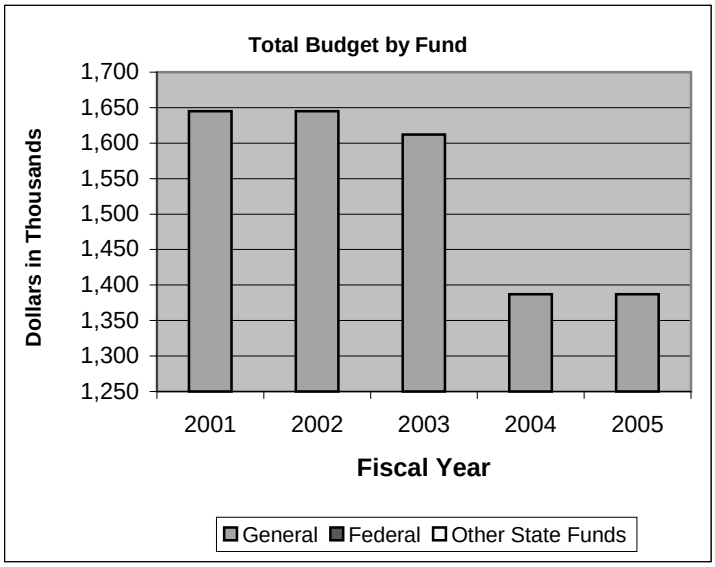


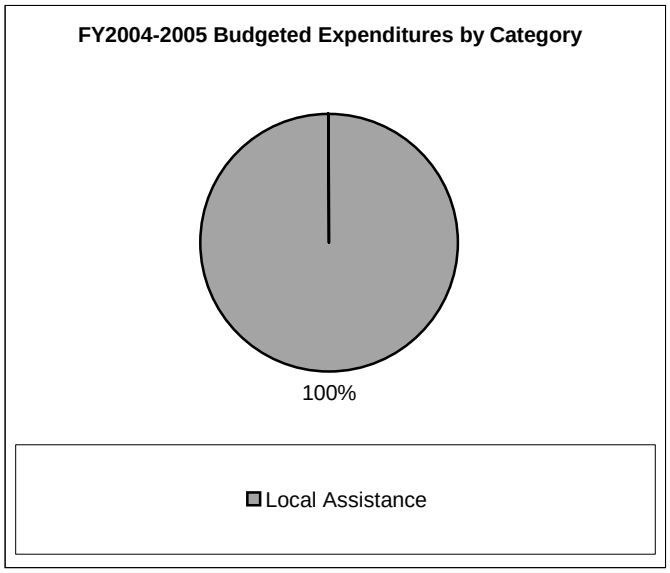


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Open Appropriations						
General	0	0	460	0	0	0
Statutory Appropriations						
Miscellaneous Agency	990	2,102	1,914	3,848	5,371	9,219
Total	**990**	**2,102**	**2,374**	**3,848**	**5,371**	**9,219**
Expenditures by Category						
Local Assistance	990	2,102	2,374	3,848	5,371	9,219
Total	**990**	**2,102**	**2,374**	**3,848**	**5,371**	**9,219**
Expenditures by Activity						
Permanent Unversity Fund	990	2,102	2,374	3,848	5,371	9,219
Total	**990**	**2,102**	**2,374**	**3,848**	**5,371**	**9,219**

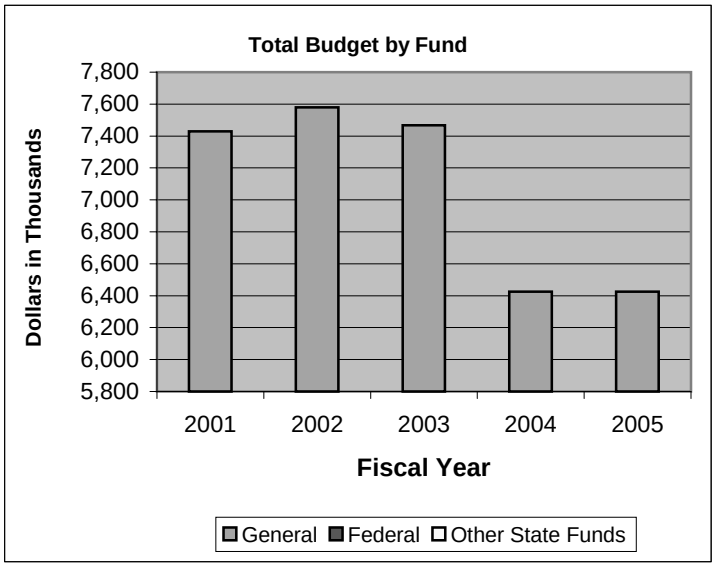


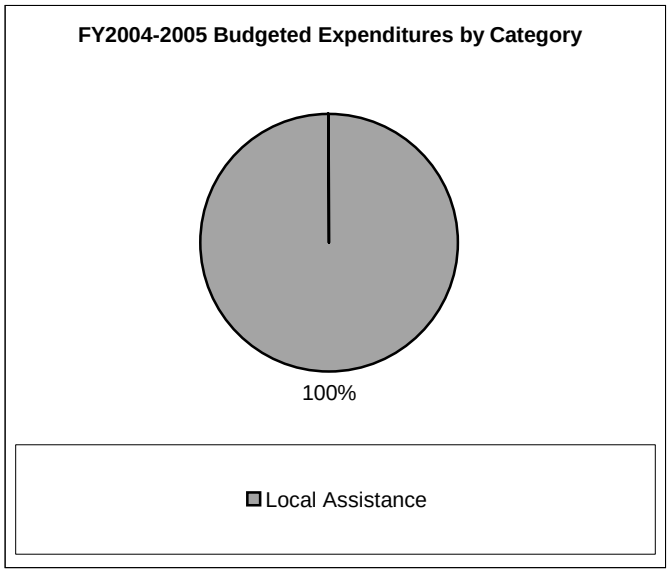
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Special Revenue	0	0	500	0	0	0
Total	**0**	**0**	**500**	**0**	**0**	**0**
Expenditures by Category						
Local Assistance	0	0	500	0	0	0
Total	**0**	**0**	**500**	**0**	**0**	**0**
Expenditures by Activity						
Special Projects	0	0	500	0	0	0
Total	**0**	**0**	**500**	**0**	**0**	**0**
Revenue by Type and Fund						
Dedicated						
Special Revenue	0	0	500	0	0	0
Subtotal Dedicated	0	0	500	0	0	0
Total Revenue	**0**	**0**	**500**	**0**	**0**	**0**



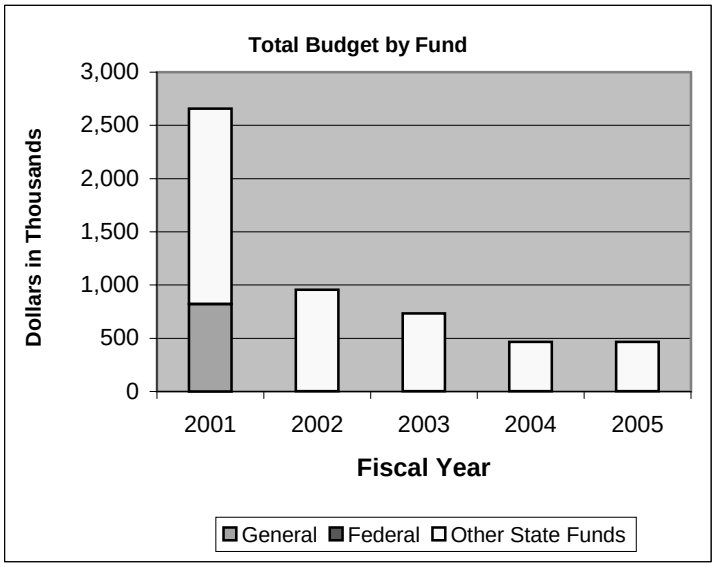


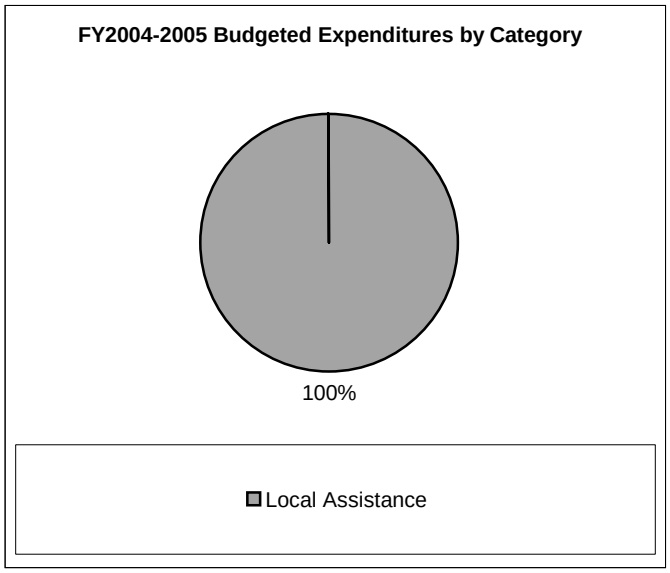
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,645	1,645	1,612	1,387	1,387	2,774
Total	**1,645**	**1,645**	**1,612**	**1,387**	**1,387**	**2,774**
Expenditures by Category						
Local Assistance	1,645	1,645	1,612	1,387	1,387	2,774
Total	**1,645**	**1,645**	**1,612**	**1,387**	**1,387**	**2,774**
Expenditures by Activity						
Technology Special	1,645	1,645	1,612	1,387	1,387	2,774
Total	**1,645**	**1,645**	**1,612**	**1,387**	**1,387**	**2,774**





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	7,430	7,580	7,468	6,426	6,426	12,852
Total	**7,430**	**7,580**	**7,468**	**6,426**	**6,426**	**12,852**
Expenditures by Category						
Local Assistance	7,430	7,580	7,468	6,426	6,426	12,852
Total	**7,430**	**7,580**	**7,468**	**6,426**	**6,426**	**12,852**
Expenditures by Activity						
System Specials	7,430	7,580	7,468	6,426	6,426	12,852
Total	**7,430**	**7,580**	**7,468**	**6,426**	**6,426**	**12,852**





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	1,836	480	734	467	467	934
General	820	0	0	0	0	0
Minnesota Resources	0	475	0	0	0	0
Total	**2,656**	**955**	**734**	**467**	**467**	**934**
Expenditures by Category						
Local Assistance	2,656	955	734	467	467	934
Total	**2,656**	**955**	**734**	**467**	**467**	**934**
Expenditures by Activity						
Lcmr/Mn Resources	2,656	955	734	467	467	934
Total	**2,656**	**955**	**734**	**467**	**467**	**934**

State of Minnesota
Department of Finance

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the University of Minnesota, the Minnesota State Colleges and Universities (MnSCU), and the Higher Education Services Office (HESO). These entities will collectively administer over $4 billion (all funds) for the FY 2004-05 biennium. The Governor encourages the institutions and HESO to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The state funding recommended for these entities for FY 2004-05 represents a $254 million (9 percent) decrease in state general fund spending on higher education from the FY 2002-03 biennium. The funding provided will be used to ensure the continued excellence in higher education as well as financial aid access for students.

The University and MnSCU share in a 14 percent reduction to operational funding, $179 million for the University and $174 million for MnSCU. In addition, $30 million from each system will be moved to the State Grant Program in HESO to ensure financial access and choice for Minnesota's students. HESO also receives a 15 percent reduction to agency operational funding, consistent with other state agencies.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium. Letters from the University, MnSCU, and HESO, along with summaries of their budget requests, are also included in this transmittal. Detailed change item pages for initiatives not recommended by the Governor can be found on the Department of Finance budget website at www.budget.state.mn.us.

My staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

Governor's Recommendations:

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level (Biennial Base)	1,284,680	62,561	1,347,241
February Forecast Adjustment	0	(2,850)	(2,850)
Forecast Caseload/Enrollment Changes	14,907	0	14,907
Legislatively Mandated Base	(3,716)	0	(3,716)
One-Time Appropriations	0	(1,214)	(1,214)
Adjusted Base Funding	1,295,871	58,497	1,354,368
Change Items			
Operating Budget Reductions	(179,000)	0	(179,000)
Transfer to Fund State Grant Program	(30,000)	0	(30,000)
AHC—Dedication of Cigarette Tax	0	(1,304)	(1,304)
Coleraine Grant Reduction	(2,260)	0	(2,260)
HCAF Reduction	0	(760)	(760)
LCMR Recommendations	0	934	934
Governor's Recommendations	1,084,611	57,367	1,141,978
Biennial Change 2002-03 to 2004-05	(185,529)	13,199	(172,330)
Percent Change	(15%)	30%	(13%)

Brief Explanation Of Budget Decisions:

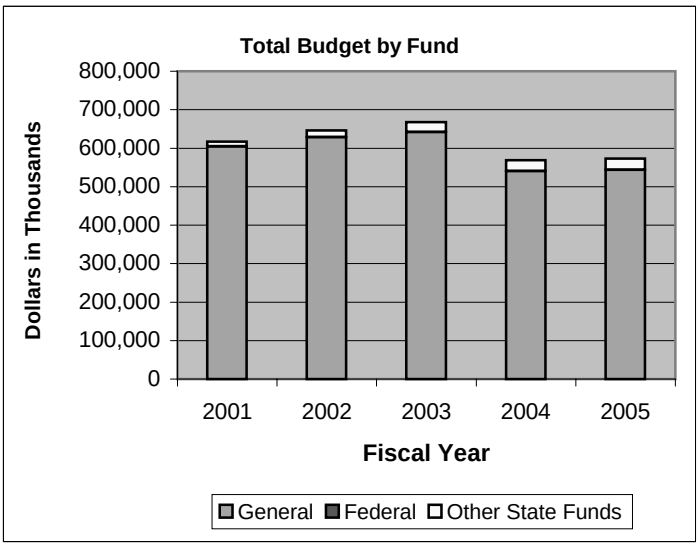
In the General Fund, the University of Minnesota received a forecast base adjustment of $14.9 million to reflect actual enrollment changes, as allowed under Minnesota Statutes, 135A.031, subdivision 4. The University's base appropriations have also been adjusted to reflect a legislatively-mandated base reduction (-$3.7 million).

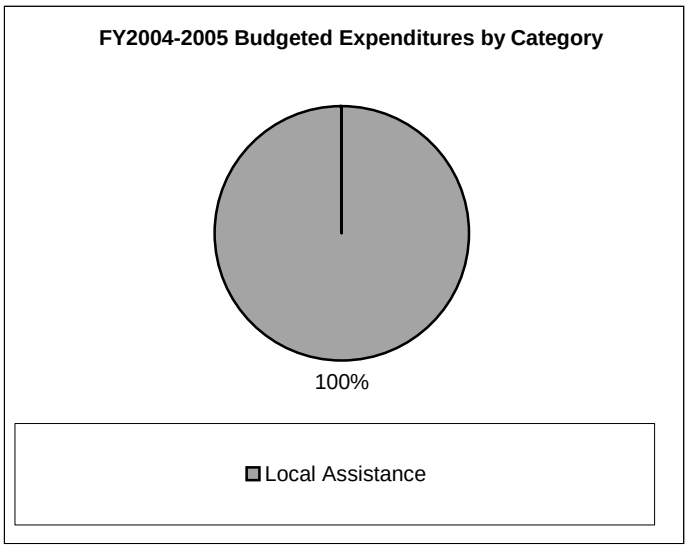
In other funds, adjustments were also made to the appropriations the University is estimated to receive from the tobacco endowments (-$2.9 million) and one-time appropriations from the Environment and Natural Resources Trust Fund (-$1.2 million).

Agency Request:

The Governor is required to submit the University of Minnesota's budget request to the Legislature. A narrative summary is also included after the University's transmittal letter. Additional detail on the University's change item may be found on the Department of Finance's budget website at www.budget.state.mn.us. The following table summarizes the University's request.

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level (Biennial Base)	1,284,680	62,561	1,347,241
February Forecast Adjustment	0	(2,850)	(2,850)
Forecast Caseload/Enrollment Changes	14,907	0	14,907
Legislatively Mandated Base	(3,716)	0	(3,716)
One-Time Appropriations	0	(1,214)	(1,214)
Adjusted Base Funding	1,295,871	58,497	1,354,368
Agency Change Items			
Biennial Budget Partnership	96,147	0	96,147
FY 2004-05 Total Agency Request	1,392,018	58,497	1,450,515
Biennial Change 2002-03 to 2004-05	121,878	14,329	136,207
Percent Change	10%	32%	10%





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
Environment & Natural Resource	1,836	480	734	467	467	934
General	604,382	628,470	641,210	540,724	543,887	1,084,611
Minnesota Resources	0	475	0	0	0	0
Health Care Access	2,837	2,537	2,537	2,157	2,157	4,314
Medical Education & Research	6,969	12,327	20,562	0	0	0
Open Appropriations						
General	0	0	460	0	0	0
Statutory Appropriations						
Special Revenue	0	0	500	21,450	21,450	42,900
Miscellaneous Agency	990	2,102	1,914	3,848	5,371	9,219
Total	**617,014**	**646,391**	**667,917**	**568,646**	**573,332**	**1,141,978**

Expenditures by Category						
Local Assistance	617,014	646,391	667,917	568,646	573,332	1,141,978
Total	**617,014**	**646,391**	**667,917**	**568,646**	**573,332**	**1,141,978**

Expenditures by Program						
Maintenance & Operations	531,053	554,561	567,563	477,357	480,520	957,877
Agriculture Special	57,588	58,838	58,838	50,625	50,625	101,250
Health Science Special	15,652	20,710	28,828	28,536	28,536	57,072
Permanent University Fund	990	2,102	2,374	3,848	5,371	9,219
Special Projects	0	0	500	0	0	0
Technology Special	1,645	1,645	1,612	1,387	1,387	2,774
System Specials	7,430	7,580	7,468	6,426	6,426	12,852
Lcmr/Mn Resources	2,656	955	734	467	467	934
Total	**617,014**	**646,391**	**667,917**	**568,646**	**573,332**	**1,141,978**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Dedicated						
General	0	0	12,700	17,400	22,100	39,500
Health Care Access	0	2,537	2,537	2,157	2,157	4,314
Special Revenue	0	0	500	4,900	4,900	9,800
Medical Education & Research	0	4,891	4,900	0	0	0
Subtotal Dedicated	0	7,428	20,637	24,457	29,157	53,614
Total Revenue	**0**	**7,428**	**20,637**	**24,457**	**29,157**	**53,614**

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(89,500)	(89,500)	(89,500)	(89,500)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(89,500)	(89,500)	(89,500)	(89,500)

Recommendation

The Governor recommends a reduction of $89.5 million in FY2004 and $89.5 million in FY 2005. In addition, the Governor encourages the University to freeze salaries and benefits for its employees as a way to manage this reduction without undue impact on core services and activities.

The Governor respects the Constitutional autonomy of the University and calls upon the Board of Regents to closely examine the operations and business processes of the University in order to find ways to reduce duplication among its programs and reallocate funds to protect its priorities before resorting to increases in tuition.

Background

Given the current budget climate, the University must be expected to eliminate duplication in its programs and focus on its core priorities in order to continue meeting student needs. This recommendation is consistent with the reductions that state agencies are expected to make in other state-funded activities.

To ensure that rising costs do not unduly harm students, the Governor also encourages the University to limit tuition increases to a maximum of 15%. In FY 2003, the University's annual resident undergraduate tuition and fees totaled $6,280, ranked fifth among Big Ten universities. A 15% increase would be $942, totaling $7,222.

The operating reductions should be distributed among the maintenance and operations appropriations, and the state special appropriations as needed for the University to prioritize its programs.

Relationship to Base Budget

This reduction represents a 14% reduction from FY 2002-03 funding levels. The University's FY 2004-05 base includes a $15 million increase for enrollment growth and a $3.7 million decrease to reflect legislatively-mandated base adjustments. This recommendation is a $179 million decrease from FY 2004-05 base levels.

Statutory Change: Not applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
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 a reduction of $15 million in FY 2004 and $15 million in FY 2005 to the University of Minnesota's operating appropriation to provide increased funding to the State Grant Program at the Higher Education Services Office.

Background

The Governor is also recommending moving $15 million a year from the Minnesota State Colleges and Universities' appropriation into the State Grant Program. Together, these recommendations will increase the resources of the State Grant Program by $60 million in FY 2004-05.

The Governor believes that the core responsibility of government in higher education is to ensure access and choice for students who want to pursue additional education after high school. Especially in times of economic difficultly, the State Grant Program provides an efficient means of ensuring that all options are available to students. In order to secure the long-term vitality of our state, the institutions are expected to be partners in this effort through their continued providing of high quality education while focusing on their core programs.

The Governor is committed to maintaining a strong post-secondary education system in the State of Minnesota. He believes that moving funds into state grants helps accomplish this by providing resources directly to students, enabling them to decide where to pursue their education and encouraging a vibrant and competitive higher education infrastructure. This recommendation emphasizes the importance of providing the resources to students for financing post-secondary education.

Relationship to Base Budget

This recommendation reduces the University's base appropriation by $30 million, a 2.4% reduction from FY 2002-03 funding levels.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
Special Revenue Fund (200) — Dedicated Account				
Expenditures	21,450	21,450	21,450	21,450
Revenues	0	0	0	0
Tobacco Endowment Fund (571)				
Expenditures	(22,062)	(22,041)	(22,144)	(22,767)
Revenues	0	0	0	0
Net Fiscal Impact	(612)	(591)	(694)	(1,317)

Recommendation
The Governor recommends dedicating 6.5 cents of the cigarette tax to replace endowment revenue for the Academic Health Center at the University of Minnesota. These funds will be placed in a special revenue fund for payment to the University.

Background
In September 1998, the State of Minnesota began receiving settlement payments from tobacco companies. These revenues were set up as endowments in Laws 1999, Chapter 245, article 11, section 2. The endowments funded three different areas: tobacco use & prevention (TUPE), the Academic Health Center (AHC), and medical education research costs (MERC).

Both the MERC and AHC endowments provide supplemental funding for activities at the University of Minnesota's AHC. The AHC receives 42% of the 5% appropriation from the MERC endowment. The payment is calculated on fair market value and funds the instructional costs of health professional programs at AHC. The University also receives *up to* 5% of the fair market value of the AHC account to fund instructional costs of health professional programs and for interdisciplinary academic initiatives within the AHC. While the forecast has shown the maximum amount allowed in law, the fund has been losing value, so future forecasts might not reflect the full 5% of the fair market value in order to maintain the corpus of the fund.

Additional information on the Academic Health Center's activities can be found at www.ahc.umn.edu.

Relationship to Base Budget
This recommendation is a 30% increase over FY 2002-03 levels. In FY 2004, AHC's appropriation is estimated to be $6.5 million from the MERC endowment and $15.57 million from the AHC endowment. In FY 2005, AHC is estimated to receive $6.2 million from the MERC endowment and $15.8 million from the AHC endowment. The 6.5 cents is intended to replace the current (FY 2003) funding level the AHC would receive from both endowments.

Statutory Change: Minnesota Statutes, sections 62J.694 and 297F.10, subdivision 10.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	(940)	(1,320)	(1,500)	(1,500)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(940)	(1,320)	(1,500)	(1,500)

Recommendation

The Governor recommends eliminating the Taconite Mining Grant Program. This recommendation eliminates a projected $940,000 in FY 2004 and $1.32 million in FY 2005 for taconite mining grants administered by the University of Minnesota's Coleraine Laboratory. The dollar amounts are based on projections of future taconite royalties from school and university trust lands.

Background

Laws of 2001, First Special Session Chapter 6, Article 1, Sections 1 to 3 provides for 20% of the taconite lease payments deposited to the School Fund Mineral Lease Suspense Account and to the University Fund Mineral Lease Suspense Account during the preceding year to be transferred to the General Fund, with an amount equal to the transfers appropriated annually for taconite mining grants.

The funds appropriated to the University of Minnesota are available for grants to aid in developing technology from the Coleraine Laboratory for taconite mining companies for: 1) taconite pellet product improvements; 2) value-added production of taconite iron ore; or 3) cost-savings production improvements at Minnesota taconite plants.

Funds are also appropriated to the Department of Natural Resources (DNR) under this program for grants to taconite mining companies for 1) taconite pellet product improvements; 2) value-added production of taconite iron ore; or 3) cost-savings production improvements at Minnesota taconite plants. In FY 2004-05, these funds are estimated to amount to $2.02 million, and are also recommended for elimination in the Governor's budget for DNR.

Relationship to Base Budget

The budget recommendation removes projected funding for taconite mining grants made available to the Department of Natural Resources and the University of Minnesota's Coleraine Laboratory under M.S. 93.2235.

Statutory Change: Amendment of M.S. 93.2235, subdivisions 1 and 2.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Health Care Access Fund				
Expenditures	(380)	(380)	(380)	(380)
Revenues	0	0	0	0
Net Fiscal Impact	(380)	(380)	(380)	(380)

Recommendation
The Governor recommends $2.157 million in FY 2004 and $2.157 million in FY 2005 from the Health Care Access fund to the University of Minnesota, a reduction of $380,000 a year from current funding.

Background
Administered by the Department of Human Services, the Health Care Access Fund (HCAF) funds MinnesotaCare and various other health-related activities. In the November 2002 forecast, the fund was projected to have an operating deficit of $89.5 million in FY 2003. In order to help address this deficiency, the Governor recommends that agencies receiving appropriations from the HCAF take a 15% reduction in funding.

The University of Minnesota's appropriation funds activities related to primary care medical school programs.

Relationship to Base Budget
This change is a 15% reduction from FY 2002-03.

Statutory Change: Not Applicable.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
Environmental Trust Fund				
Expenditures	467	467	0	0
Revenues	0	0	0	0
Future Resources Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	467	467	0	0

Recommendation
The Governor has recommended the elimination of dedicated funding for the Future Resources Fund. The Governor is not making specific recommendations on LCMR projects at this point, but intends to provide a statement of the administration's priorities for Environmental Trust Fund projects at a later time.

Background
The Legislative Commission on Minnesota Resources (LCMR) recommends projects for funding through the Environmental Trust Fund and the Future Resources Fund. For the FY2004-05 biennium, the following projects were recommended by the LCMR:

Environmental Trust Fund (Fund 030) Projects:

⇒ *Developing Pheromones for Use in Carp Control:* $50,000 in FY 2004 and $50,000 in FY 2005 was recommended by the LCMR for research on new options for controlling carp.

⇒ *Land Acquisition for the Minnesota Landscape Arboretum:* $350,000 in FY 2004 and $350,000 in FY 2005 was recommended by the LCMR for an agreement with the Landscape Arboretum Foundation to acquire in-holdings within the Arboretum's boundary. This appropriation must be matched by an equal amount of nonstate money.

⇒ *Mesabi Iron Range Geologic and Hydrologic Map and Data Bases:* $67,000 in FY 2004 and $66,000 in FY 2005 was recommended by the LCMR for the Minnesota geological survey to develop geologic and hydrogeologic maps of the Mesabi Iron Range.

Future Resources Fund (Fund 130) Projects:

⇒ *Laser Assessment of Streambank Erosion in the Minnesota River Basin:* $200,000 in FY 2004 was recommended by the LCMR to determine sediment and phosphorus inputs due to bank erosion along major rivers in the Minnesota River Basin.

⇒ *The Laurentian Vision: Rebuilding the Mesabi Iron Range:* $250,000 in FY 2004 was recommended by the LCMR to partner with local communities, mining companies, and other resource interests to enable mine land reuse.

Additional information can be found on the LCMR website: http://www.lcmr.leg.mn/.

Relationship to Base Budget
Grants from these projects are determined annually and are not included in the base budget.

Statutory Change: None applicable.

UNIVERSITY OF MINNESOTA

Twin Cities Campus ***Office of the President***

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Minneapolis, MN 55455-0110

Office: 612-626-1616

February 18, 2003

Members of the 2003 Legislative Session:

I am pleased to present to you the University of Minnesota's 2004-2005 biennial budget proposal. This is a thoughtful proposal, built on past progress and defined by continuity, responsibility, and partnership. It seeks to preserve the University's strengths and to provide continuity for sustained improvement in academic programs and the student experience.

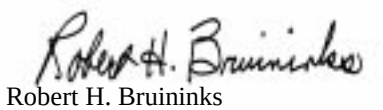
As we approach the next biennium, the University is in a position of strength. For a second straight year, we have been ranked as one of the top three public research universities in the nation. We've made major gains in establishing and sharpening our focus on academic priorities; recruiting and retaining top faculty; improving the student experience and outcomes; and enhancing our physical environment to better support great teaching and learning.

Now is not a time to take a step backwards or to mark time. This is a time to ensure the University can continue on course and maintain its momentum.

Fully cognizant of our state's budget situation, the University is committed to wise stewardship of its resources. To that end, we present to you a responsible statement of the University's needs that, while falling short of fully funding the University's aspirations, addresses our needs within the context of the state's current financial outlook.

We are asking the State of Minnesota to enter into a 50-50 financial partnership with the University of Minnesota—a partnership that calls upon the University to honor its commitment to the people of Minnesota and upon the state to fully participate in the University's mission. This proposed partnership ensures that the University will be able to continue to make good on its promise to educate, discover, and serve and thereby enhance our state's vitality and quality of life.

Sincerely,



Robert H. Bruininks
President

Brief Explanation of Budget Decisions:

The University of Minnesota's 2004-2005 biennial budget proposal is built on continuity, responsibility, and partnership.

The University of Minnesota has made tremendous progress in improving the student experience and its physical and academic environments. The University has delivered on the expectations of the state to build excellence in teaching, research, and public service. The University's 2004-2005 biennial budget proposal builds on this progress and provides continuity for sustained momentum.

The University is committed to wise stewardship of its resources. This proposal reflects a realistic but responsible statement of the University's needs. The proposal, while falling short of fully funding the University's aspirations, addresses its legitimate needs within the context of the state's current financial outlook.

Therefore, this proposal asks the State of Minnesota to enter into a 50-50 financial partnership with the University of Minnesota—a reasoned partnership that calls upon the University to honor its commitment to the people of Minnesota, and for the state to fully participate in the University's mission.

The University has set forth the following strategies for building and maintaining excellence.

- Put academic priorities into practice
- Support talented faculty and staff
- Help students realize their educational goals
- Build and maintain an infrastructure that will enhance academic excellence

To provide for these strategies, the University's biennial financial needs are:

- Put academic priorities into practice -- $26 million
- Support talented faculty and staff -- $88.1 million
- Help students realize their educational goals -- $ 20 million
- Build and maintain the academic infrastructure -- $ 58.1 million

To implement these strategies over the next biennium, the University proposes a reasoned partnership of shared responsibility with the State of Minnesota that calls for a 50-50 financial partnership.

The 50-50 partnership is built on the following financial assumptions:

- $96 million, over the biennium, in additional state commitment
- 4.5% annual increase in tuition, generating $46.2 million over the biennium
- 2.5% annual reallocation of current base funding, generating $50 million over the biennium

Put Academic Priorities into Practice

By an ongoing process, the University identifies new opportunities for growth, current areas of excellence that must be sustained, and areas to invest in to seize new opportunities. An ongoing evaluation of past investments guides the reallocation of University resources to high-priority departments and programs through a rigorous planning and budgeting process. It is the process by which the University evaluates the delivery of its commitment to the state. With the state's support each year, an investment is made in the University's vision to achieve excellence.

Investments in academic priorities vary in size, scope, and source of funding, but they are all focused on improving the quality of University of Minnesota academic programs. A helpful taxonomy for describing the types of investments that the University utilizes to implement high-priority academic directions includes: establish and maintain major investments, build on recent investments, seize opportunities, and sustain the best.

Major initiatives require large-scale, long-term funding and commitment but have the potential for enormous returns. They are established through careful analysis and planning. To succeed, such initiatives require creative, strategic combinations of state, private, federal, and University resources. Though the University does not

propose any large-scale initiatives in the 2004-2005 biennium, the University will continue to implement past initiatives including building University strength in areas such as molecular and cellular biology, genomics, and digital technology; reestablishing the prominence of the University's Academic Health Center (AHC); and maintaining the competitive advantages of the coordinate campuses.

Investments made to reestablish the prominence of the University's AHC resulted from a creative partnership with the state, begun in 1999. The Minnesota legislature set aside tobacco settlement proceeds into two endowments that provide funding to the AHC. The University is grateful for the state's vision in its use of the tobacco settlement funds. Minnesota did what few other states have been able to do—utilize tobacco settlement funds for the long-term health benefit of the state.

The investment income from the two endowments supports costs related to delivering core educational programs in the Medical School; rebuilding the Medical School faculty; developing interdisciplinary and community-based education programs; field and addressing the state's health professional workforce needs.

Support Talented Faculty and Staff

The University is committed to attracting and maintaining world-class faculty and talented staff. Having a strong faculty is not only a critical component of a university, it is the cornerstone. The best and brightest faculty will attract Minnesota's best students. These faculty not only nourish the minds of students, they also feed Minnesota's knowledge economy. And they are a key link to the University's long-term prosperity with the ability to attract research funds, stimulate more patentable ideas, and develop licensable technology.

Finding and keeping talented faculty is a fluid process, based on continuing examination of the University's academic directions. Forty percent of current faculty has been hired in the last 10 years. Each year, the University hires approximately 120 new faculty to replace those who have left or retired, and is confronted with more than 50 serious retention decisions; that is, trying to retain top faculty who are being recruited nationally by other premier public and private institutions. Competing financially can be a difficult proposition; in fiscal year 2001, the average faculty salary on the Twin Cities campus ranked 23rd among the top 30 research universities, up slightly from previous years but still in the bottom third.

The University's faculty are supported by professional staff along with graduate research and teaching assistants. These individuals are dedicated to the missions of teaching, research, and public service. They are also attracted to the University of Minnesota and sustained by competitive compensation. Recruiting and retaining these skilled employees is imperative to the University's success.

Help Students Realize Their Educational Goals

In partnership with the state, the University has made significant strides in improving the student experience—both undergraduate and graduate—and fostering student success. The University has invested substantially in improving the student experience, and these investments have resulted in tangible momentum. Seventy-five percent of freshmen now live on campus. Both retention rates and graduation rates are improving, and the average number of credits University students are taking is on the rise. Applications to the University have increased by twenty-three percent over the past seven years, applicants are better prepared, and ACT scores of incoming freshmen have increased. Additional improvements include an enhanced technology system that provides students with online registration and "paperless" financial aid processes, and the modernization of classrooms. Student learning has also been enhanced through the development and expansion of the freshman seminar program that connects students to distinguished faculty members in a small-group setting.

To maintain the progress the University has made in improving the student experience, continued investment in several key areas is necessary. One area the University is committed to is improving recruitment efforts and scholarship funds to increase the quality and diversity of the entering freshman class, thus keeping the best and brightest in Minnesota. By expanding and enhancing its honors programs, the University will be able to meet the needs of these exceptional students.

A second area for investment is in enhanced learning programs such as the Undergraduate Research Opportunities Program, student service learning programs that engage students in community service, and the

expansion of learning communities where students live and learn with students who have similar interests. Research shows that when students are connected early to the University community they are more likely to stay in school.

Finally, the University plays a major role in the state in educating graduate and professional students. These students come to the University because of the opportunities for working with first-rate faculty in highly regarded programs and access to outstanding libraries and research facilities. As well, the comprehensive nature of the University affords graduate students the opportunity to engage in interdisciplinary studies. New programs in the Law School and Carlson School of Management are strengthening the preparation of professional students. Strong graduate and professional programs ensure the scientific, cultural, and professional renewal of the state.

Maintaining the University's focus on the academic mission and sustaining this support for students is paramount to the well-being of Minnesota.

Build and Maintain the Academic Infrastructure

Research and education have changed dramatically in the past decade. They are far more information- and technology-intensive and require the University to continually build and maintain the academic infrastructure. This includes the research infrastructure, facilities, and information technology and financial systems. The University cannot adequately support its students and carry out its missions of education, research, and public service without a solid infrastructure.

To attract and retain the best and brightest faculty and staff, the University must build and maintain a strong research infrastructure. This includes world-class research facilities such as libraries and laboratories, staff support for research and grants application and administration, the equipment to carry out the research, and an environment that encourages learning and discovery. Investments made in the University's research infrastructure have a tremendous multiplier effect and leveraging capacity. This infrastructure enables the University to attract top faculty and students who in turn attract significant research dollars to the state.

The University of Minnesota relies on very large data networks on each of its four campuses. The University's data networks support more than 40,000 computers that access applications that support administrative business systems, e-mail, Internet access, online library resources, Web enhanced courses, online Web courses for distant education, research computing, streaming-video lectures and performances, and many other applications.

The University's data networks are quickly becoming obsolete and will be unable to support many new applications that promise to further enhance the quality of teaching, research, public service, and administrative processes. The installation of new data networks will also enhance network security. Managing network security has become a very difficult task. Criminal activity on the Internet is on the rise and threatening to overwhelm current security methods. Investing in new data networks will help enhance the effectiveness, efficiency, accountability, and security of the University of Minnesota.

The University of Minnesota relies on five computer systems to support its mission of teaching, research, and public service. Over the last decade, the University has replaced or upgraded the human resources and payroll, grants management, library, and student systems. The final system in need of replacement is the financial system.

The current financial system was installed 11 years ago. The system has performed well and has contributed to significant improvement in financial accountability at the University. However, due to the age and obsolescence of certain system components, the University must replace its current financial system. Investing in a new financial system increases the University's capacity to adequately support the growth in teaching, research, and pubic service programs, and decreases the risks of system failures.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	32,049	64,098	64,098	64,098
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	32,049	64,098	64,098	64,098

Recommendation
Agency Request: Submitted for Reference Only

Background
The University of Minnesota's 2004–2005 biennial budget proposal, presented in this document, is built on continuity, responsibility, and partnership.

The University of Minnesota has made tremendous progress in improving the student experience and its physical and academic environments. The University has delivered on the expectations of the state to build excellence in teaching, research, and public service. This proposal builds on this progress and provides continuity for sustained momentum.

The University is committed to wise stewardship of its resources. This proposal reflects a realistic but responsible statement of the University's needs. The proposal, while falling short of fully funding the University's aspirations, addresses its legitimate needs within the context of the state's current financial outlook.

Therefore, this proposal asks the State of Minnesota to enter into a 50-50 financial partnership with the University of Minnesota—a reasoned partnership that calls upon the University to honor its commitment to the people of Minnesota, and for the state to fully participate in the University's mission.

The University of Minnesota is committed to the people and the future of Minnesota. Its promise, as the state's most comprehensive public educational institution and the state's only research university, is to deliver a great University that touches the lives of all Minnesotans through its three-part mission of teaching, research, and public service. This mission is carried out on all of the University's campuses and centers throughout the state.

Teaching
Excellence in undergraduate, graduate, and professional education is at the heart of the University's mission. More than 62,000 students-a-year benefit from the University's comprehensive educational and research opportunities, and the University awards more than 10,000 degrees annually. On the Twin Cities campus, more than 40% of those degrees are graduate and professional degrees. The link between undergraduate and graduate education, as well as scholarship and research, provides students with the educational continuity, variety, and intellectual richness that is the hallmark of a great teaching and research university.

Outstanding undergraduate programs enable the University to prepare the next generation for leadership in Minnesota. And outstanding graduate and professional programs attract the nation's and the world's best young minds to Minnesota, as well as provide unmatched educational opportunities for Minnesotans. Graduate students directly assist faculty in carrying out more than $500 million in externally funded research each year, which helps fuel private sector research and development opportunities. University graduates often stay in Minnesota to work in their chosen professions, and they contribute to their communities. As a result, Minnesota enjoys a "brain gain"—rather than the "brain drain" that plagues other states in the Midwest—ensuring a continual intellectual, cultural, and economic renewal of the state.

Research

As the state's only research university, the University of Minnesota plays a special role in the state. The University receives 98% of all sponsored research grants awarded to higher education institutions in Minnesota. By creating new knowledge, educating students in the process of research and discovery, and supporting technology transfer and business start-ups, the University leverages the public's investment in research many times over through job creation and by expanding the state's tax base. The U. S. Department of Commerce estimates that 39 jobs are created in Minnesota for every $1 million spent on university-based research in the state.

Researchers at the University garnered $527 million in sponsored research and training programs in fiscal year 2002, marking the first time the University has surpassed a half billion dollars in such awards. And for the second year in a row, a study by the University of Florida ranked the University of Minnesota as one of the top three public research universities in the country.

Through research, the University plays a critical role in filling and maintaining the reservoir of knowledge from which society draws information to address and solve complex problems. As needs change and new problems emerge, this reservoir must be kept fresh with new knowledge. Whether it's examining barriers to health care, developing better ways to pasteurize juice, understanding the neuroscience underlying literacy and language acquisition, or sequencing genes to understand diseases in plants, animals, and humans, University researchers are leaders in contributing to the world's base of understanding.

Public Service/Engaging with Communities

With facilities and campuses throughout the state and an extension presence in all 87 Minnesota counties, the University of Minnesota is engaged with communities statewide. Partnerships and collaborative initiatives leverage opportunities to bring University resources directly into communities to address complex challenges. These partnerships and collaborations also bring real-world problems to University researchers, sparking new and important directions of inquiry.

University faculty and staff are working in communities to address issues such as early childhood development, education and literacy, health care, the design of new technologies, housing and economic development, and prevention and treatment of diseases affecting the state's food industries.

For example, the Center for Small Towns, developed at the University of Minnesota, Morris in cooperation with the University of Minnesota Extension Service and College of Continuing Education, is creating opportunities for faculty and students to be directly involved with rural communities. And the Regional Sustainable Development Partnership brings citizens and University faculty and students together to strengthen rural Minnesota. Five regional partnerships fund research, education, and public service projects to strengthen the long-term sustainability of their regions' natural resource-based initiatives.

The Institute of Child Development is working collaboratively with early childhood agencies in an economically challenged Minneapolis neighborhood to develop best practices in infant and toddler childcare while supporting mothers as they make the transition from welfare to work. This program is expanding to five other communities and will be part of a longitudinal study that could establish new standards for infant and toddler development and family support in at-risk communities.

The University of Minnesota School of Dentistry is working with the Hibbing community to establish a needed dental clinic and address the shortage of dentists in rural Minnesota. This partnership between the University, the Minnesota State Colleges and Universities system, and the Hibbing community is a win-win opportunity. Dental and dental hygiene students train at the clinic, and the clinic serves 150 patients per day.

According to the Commission on University of Minnesota Excellence—established by the legislature in 2001 to review the University's mission, scope, and areas of academic excellence—outstanding universities have mutually supportive research, teaching, and public service missions. The commission found that "…the University has balanced its research mission well with its land-grant responsibilities and its commitment to access and excellence in undergraduate education."

With this commitment to its missions comes responsibility. The University must effectively manage its limited resources, both public and private. As a steward of public resources, the University must ensure that the course it sets each year advances its commitment to the state.

To chart its course, the University continually makes thoughtful decisions to set its priorities wisely. Utilizing a comprehensive and collaborative planning process, the University advances its mission through planned investment of resources, prioritization and reallocation of its public and private dollars, and by identifying clear short- and long-term goals for evaluating success.

Since 1851, the University has engaged in a special partnership with the people of Minnesota. Every biennium, the faith of citizens in the University's commitment to its mission is reflected in the state's renewed support for this partnership. In response, the University renews its promise to Minnesota by turning wise planning and strategic investment into excellence in teaching, research, and public service, thus delivering on its promise to provide a great University now, and for generations to come.

Strategies

Building and maintaining excellence requires strategies that are sustainable over time and are executed in concrete steps each year. The University utilizes the following strategies, on an ongoing basis, to chart its course:

- Set and implement academic directions
- Support talented faculty and staff
- Help students realize their educational goals
- Build and maintain the academic infrastructure

Set and Implement Academic Directions

By an ongoing process, the University identifies new opportunities for growth, current areas of excellence that must be sustained, and areas to invest in to seize new opportunities. An ongoing evaluation of past investments guides the reallocation of University resources to high-priority departments and programs through a rigorous planning and budgeting process. It is the process by which the University evaluates the delivery of its commitment to the state. With the state's support each year, an investment is made in the University's vision to achieve excellence.

Investments in academic priorities vary in size, scope, and source of funding, but they are all focused on improving the quality of University of Minnesota academic programs. A helpful taxonomy for describing the type of investments that the University utilizes to implement high-priority academic directions includes: establish and maintain major investments, build on recent investments, seize opportunities, and sustain the best.

Establish and Maintain Major Investments

Major initiatives require large-scale, long-term funding and commitment but have the potential for enormous returns. They are established through careful analysis and planning. To succeed, such initiatives require creative, strategic combinations of state, private, federal, and University resources. Though the University does not propose any large-scale initiatives in the 2004–2005 biennium, the University will continue to implement past initiatives including building University strength in areas such as molecular and cellular biology, genomics, and digital technology; reestablishing the prominence of the University's Academic Health Center (AHC); and maintaining the competitive advantages of the coordinate campuses.

Investments made to reestablish the prominence of the University's AHC resulted from a creative partnership with the state, begun in 1999. The Minnesota legislature set aside tobacco settlement proceeds into two endowments that provide funding to the AHC. The University is grateful for the state's vision in its use of the tobacco settlement funds. Minnesota did what few other states have been able to do—utilize tobacco settlement funds for the long-term health benefit of the state.

The investment income from the two endowments supports costs related to core educational programs in the Medical School; rebuilding the Medical School faculty; developing interdisciplinary and community-based

education programs; and addressing the state's health professional work force needs, especially in nursing, pharmacy, medical technology, and rural dentistry. The endowment funding has allowed the AHC, and in particular, the Medical School, to reestablish itself, recruit and retain brilliant and much needed faculty, attract high levels of research dollars, and educate the state's future health professional workforce.

Due to the downturn in the economy and other various factors, the projected income from the tobacco endowments has declined significantly since their original establishment. Combined, the proceeds coming to the University from the two endowments have declined by more than $2 million annually since May 2001. With ever-decreasing dollar output from the endowments, the pharmacy program in Duluth, the medical technology programs, and the rural dental clinics are jeopardized. In addition, the ability of the Medical School to hire and retain essential faculty is weakened. Progress made in medical education and research will begin to slide and, in some cases, stall, ultimately weakening the Medical School as a critical state resource.

Another major investment was made to maintain the competitive advantage of the Crookston campus. The University invested in cutting-edge technology at its Crookston campus nearly a decade ago. Crookston became a truly integrated, laptop campus in 1993, and recently won a Pioneer Award at the Fourth Annual Conference on Ubiquitous Computing.

Build on Recent Investments
The University will continue to build upon the rapidly developing strength of recent initiatives and extend the value of those investments by focusing on emerging areas of study such as cognitive neuroscience, biocatalysis, and digital information security. The nation's and state's economy is becoming increasingly more dependent upon the generation of new knowledge. Investments in these and other emerging fields will push the envelope of understanding and create opportunities for Minnesota to excel as a national leader.

Cognitive neuroscience is an interdisciplinary field that draws expertise from computer science, education, linguistics, mathematics, neurophysiology, radiology, psychology, and other fields. Cognitive neuroscience holds the promise of mapping human brain functioning which could lead to a better understanding of the processes controlling learning and development in children and ultimately to the development of better methods to teach skills such as reading. Cognitive neuroscience holds the potential to benefit humans across the lifespan. Through neuroimaging, both normal and abnormal changes in brain functioning can be studied that could lead to the development of methods to ameliorate the effect of brain damage. Strategic investments were used to create the Center for Cognitive Science; faculty and students from 11 departments and 6 colleges comprise the center. These investments enabled the Department of Psychology and the Department of Computer Science and Engineering to expand teaching and research into perception, learning, and artificial intelligence. Past investments in digital technology, molecular and cellular biology, and in the Medical School made this expansion possible.

Biocatalysis is an exciting new opportunity that builds upon recent investments and University expertise in molecular and cellular biology, chemical and bioengineering, and agriculture. This technology holds the tantalizing promise of reducing the world's dependence on petrochemicals. At the heart of this technology is the understanding that biological, rather than petroleum-based, processes may be designed and used to manufacture the materials and chemicals upon which society relies. Beyond the national security interests in having nonpetroleum-derived sources for plastics and chemicals, the potential for creating new markets for the agricultural producers of the Midwest is compelling.

Seize Opportunities
The University will continue to seize "tipping point" opportunities by investing in programs that are on the cusp of prominence and where relatively modest investments could significantly enhance the University's standing and contributions.

One such program is the Department of Civil Engineering. Faculty in the department are recipients of two large National Science Foundation (NSF) grants—a $6.5 million grant to build a structures testing laboratory and another grant from the new NSF Science and Technology Center ($25 million over five years) to study interactions between land masses and ocean fronts. In both cases, these grants were awarded to outstanding

young engineers whose national reputations are beginning to skyrocket. The civil engineering department is poised to rise significantly in national rankings if allowed to amplify these successes.

Over the past six years, the University has replaced 11 vacant faculty lines in the Department of Sociology and has recruited outstanding new faculty with stellar publication records and degrees from prestigious institutions. Rather than try to cover the waterfront, the strategy in sociology is to focus on five priority areas: social movements; family and life course; law, crime and deviance; racial stratification; and the workplace. The University's ability to recruit a mix of top faculty is essential to the continued growth in the excellence of the Department of Sociology. With a modest investment, the department would become one of the leading programs in the nation.

Recently, the Department of Theatre Arts and Dance developed a new model of actor training with the Guthrie Theater. This joint B.F.A program permits the University to create an exceptional educational opportunity for students. To succeed, this collaborative program required the University to hire acting faculty, a program director, as well as voice and movement specialists who were co-hired with the Guthrie. In addition to University funds used to support the program, private funds have been raised to support scholarships for students enrolled in the program. Over its first three years, the program has recruited to the University some of the most talented young undergraduate actors from across Minnesota and the nation. The program has brought national distinction to the department, college, and University.

At the University of Minnesota, Duluth (UMD), interest in graphic design has grown immensely over the past four years and the program now has more than 200 students. UMD has attracted a number of new faculty to lead this program, including a senior faculty member from the industry in New York. The addition of another established faculty member with strong academic credentials would help move this program to a higher level of distinction. Additional equipment for the Visualization and Digital Imaging Laboratory for advanced undergraduate majors and graduate students would provide experience and training in state-of-the-art techniques.

Sustain the best

The University's most outstanding programs and departments require constant nurturing. Investments must be made to ensure that these departments continue to be at the cutting edge of their disciplines. These investments are targeted to ensure that the University does not lose star faculty who are regularly recruited by the best universities in the world. It is far more cost effective to sustain a first-class program than to build one from scratch.

Consider the Department of Psychology, one of the University's many outstanding departments. Since the 1920s, the psychology department has consistently ranked as one of the best comprehensive psychology departments in the world. The University's reputation in psychology is further enhanced by the top-ranked Institute of Child Development and a highly ranked Department of Educational Psychology. But psychology has become more interdisciplinary over the years. Maintaining excellence in this program has meant making strategic investments and developing partnerships with the Medical School in the areas of neuroscience and brain imaging, with the Institute of Technology in the area of cognitive science, and with the political science department in the area of political psychology. The University recently invested nearly $300,000 to retain a leading social psychologist, and a recent hire in neuroscience required more than $650,000 in initial set-up costs.

Ranked at the top of the world in chemical engineering and materials research, the Department of Chemical Engineering and Materials Science is another stellar University department. One way in which the department builds upon its excellence is by developing interdepartmental programs in areas such as polymer science and nutrition, microelectronics, microbial engineering, and biomedical engineering. These diverse and flexible programs ensure that students remain at the forefront of rapidly changing technologies. Faculty ranked among the finest in the world, but for this very reason, is often recruited by other institutions. Sustaining a program like chemical engineering and materials science depends upon an ongoing ability of the University to match salaries, research space, and funding promised by other institutions.

The Department of Economics is another first-rate department; it has been among the top 10 programs in the country for decades. University economists partner with the Minneapolis Federal Reserve to address issues of fiscal and monetary policy, increasing industry productivity, and enhancing

international economic development. Competition to attract and retain faculty in this highly competitive field is fierce and requires an unwavering commitment to support the academic and research programs of the department.

Another example of sustained commitment to excellence is the University's Morris campus, which continues to win accolades for its liberal arts education at a small, public campus. *U.S. News & World Report* ranked the University of Minnesota, Morris, fourth among the nation's public liberal arts colleges, and moved it to the third tier in the "national liberal arts" category, making it one of the few public institutions in that elite category.

Support Talented Faculty and Staff

The University is committed to attracting and maintaining world-class faculty and talented staff. Having a strong faculty is not only a critical component of a university, it is the cornerstone. The best and brightest faculty will attract Minnesota's best students. These faculty not only nourish the minds of students, they also feed Minnesota's knowledge economy. And they are a key link to the University's long-term prosperity with the ability to attract research funds, stimulate more patentable ideas, and develop licensable technology.

Finding and keeping talented faculty is a fluid process, based on a continuing examination of the University's academic directions. Forty percent of current faculty has been hired in the last 10 years. Each year, the University hires approximately 120 new faculty to replace those who have left or retired, and is confronted with more than 50 serious retention decisions; that is, trying to retain top faculty who are being recruited nationally by other premier public and private institutions. Competing financially can be a difficult proposition; in fiscal year 2001, the average faculty salary on the Twin Cities campus ranked 23rd among the top 30 research universities, up slightly in the past several years but still in the bottom third.

The University's faculty are supported by professional staff along with graduate research and teaching assistants. These individuals are dedicated to the missions of teaching, research, and public service. They are also attracted to the University of Minnesota and sustained by competitive compensation. Recruiting and retaining these skilled employees is imperative to the University's success.

With a faculty comprised of extraordinary scholars, the University will be able to continue to offer top-quality programs for undergraduate, graduate, and professional students—as well as engage in world-class research. The University's growing national success in competing for research funds—as well as in generating ideas which benefit our state's health and economy—is fundamentally linked to the creative scholarship embodied in its faculty.

Support for the University's commitment to competitive compensation represents an investment in the long-term future of the University. Maintaining a reasonable compensation strategy is critical even in a tight budget situation.

Help Students Realize their Educational Goals

In partnership with the state, the University has made significant strides in improving the student experience—both undergraduate and graduate—and fostering student success. The University has invested substantially in improving the student experience, and these investments have resulted in tangible momentum. 75% of freshmen now live on campus. Both retention rates and graduation rates are improving, and the average number of credits University students are taking is on the rise. Applications to the University have increased by 23% over the past seven years, applicants are better prepared, and ACT scores of incoming freshmen have increased. Additional improvements include an enhanced technology system that provides students with on line registration and "paperless" financial aid processes, and the modernization of classrooms. Student learning has also been enhanced through the development and expansion of the freshman seminar program that connects students to distinguished faculty members in a small-group setting.

To maintain the progress the University has made in improving the student experience, continued investment in five key areas is necessary. One area the University is committed to is improving recruitment efforts and scholarship funds to increase the quality and diversity of the entering freshman class, thus keeping the best and brightest in Minnesota. By expanding and enhancing its honors programs, the University will be able to meet the needs of these exceptional students.

A second area for investment is in enhanced learning programs such as the Undergraduate Research Opportunities Program, student service learning programs that engage students in community service, and the expansion of learning communities where students live and learn with students who have similar interests. Research shows that when students are connected early to the University community they are more likely to stay in school.

While the University has made important investments in enhancing advising for undergraduates, the expectations of students, especially in developing links between academic studies and careers, continue to increase. Additional resources in advising and career services will assist students in making better decisions about their academic program and will better connect them to a job and a career.

Student learning is maximized in classrooms that are equipped with up-to-date technology. The increasing use of technology in teaching requires ongoing support for the lifecycle costs and replacement of classroom equipment. Over the next two years, the University plans to renovate an additional 150 classrooms on the Twin Cities campus and a comparable share of classrooms on the other campuses.

Finally, the University plays a major role in the state in educating graduate and professional students. These students come to the University because of the opportunities for working with first-rate faculty in highly regarded programs and access to outstanding libraries and research facilities. As well, the comprehensive nature of the University affords graduate students the opportunity to engage in interdisciplinary studies. New experiential programs in the Law School and Carlson School of Management are strengthening the preparation of professional students. Strong graduate and professional programs ensure the scientific, cultural, and professional renewal of the state.

Attracting graduate students to top-ranked programs requires providing them with fellowships, opportunities for professional development, and other student services. The University has fallen behind other top institutions in the amount of funds available to support graduate students in highly competitive programs. Additional funding, administered flexibly through the Graduate School, to attract the very best students to high-priority programs will complement the investments made in top-flight faculty.

Maintaining the University's focus on the academic mission and sustaining this support for students is paramount to the well being of Minnesota.

Build and Maintain the Academic Infrastructure

Research and education have changed dramatically in the past decade. They are far more information- and technology-intensive and require the University to continually build and maintain the academic infrastructure including the research infrastructure, facilities, and information technology and financial systems. The University cannot adequately support its students and carry out its missions of education, research, and public service without a solid infrastructure.

Research Infrastructure

To attract and retain the best and brightest faculty and staff, the University must build and maintain a strong research infrastructure. This includes world-class research facilities such as libraries and laboratories, staff support for research and grants application and administration, the equipment to carry out the research, and an environment that encourages learning and discovery. Investments made in the University's research infrastructure have a tremendous multiplier effect and leveraging capacity. This infrastructure enables the University to attract top faculty and students who in turn attract significant research dollars to the state.

The University continues to be successful in garnering funding for sponsored programs through the federal government. In particular, funding from the National Institutes of Health—which sponsors 46 % of all awards—has increased substantially over the last decade. The ability of the University to capture its share of that growth for the state of Minnesota is largely dependent on the University's research capacity in biomedical and life sciences, which in turn is largely dependent on the University's research infrastructure.

However, as the University's research base has grown, cracks are beginning to appear in the foundation of the research infrastructure. Areas of immediate concern are:

⇒ Maintaining the University of Minnesota Libraries. The University Libraries are a top-tier research and educational resource for the University and the entire state. They face enormous challenges in deploying new electronic information resources, extending collections into new areas of inquiry, and battling the increasing costs of scientific and technical literature. The escalating cost of journals, especially in rapidly developing fields of science and medicine, is outpacing general inflation by a factor of three. An annual library subscription to a single journal can cost as much as $20,000. These inflationary increases alone have forced the University Libraries to cancel nearly 6,000 journals in the past four years. These cancellations have had an adverse impact on researchers and scholars, both inside and outside the University.

⇒ Acquiring and supporting major research equipment. In addition to purchasing equipment necessary to compete for research funding, the University is faced with support challenges including maintenance, remodeling of facilities to accommodate equipment, and salaries for technicians to run highly complex and technical apparatus. A creative method the University has utilized for the purchase and management of large, expensive equipment is represented by Biodale. Biodale is a consortium of University centers offering state-of-the-art instrumentation and user-friendly, walk-in service and training. Biodale is stocked with $40 million in high tech research equipment, including instruments for genetic and genomic analysis, bioinformatics, proteomics, and mass spectrometry. This unique center serves industry as well as faculty and students.

⇒ Supplying seed capital for initiating research projects. In some fields, particularly in the biomedical sciences, preliminary research data has become a precondition for a successful research proposal. The only source of support for preliminary studies is institutional funds. For example, in the past 18 months, more than $1 million in institutional funds has been invested in micro-array and mass spectroscopy technologies used in the biological sciences. Top researchers require these technologies to maintain a competitive edge in obtaining external research funding. Current institutional resources permit only one-third of the requests for seed capital funding to be met. It is imperative that the University has the resources to support researchers in innovative projects that will attract substantial research funding to Minnesota.

⇒ Supporting start-up costs. The University redefines itself by recruiting new researchers and scholars and meeting their equipment needs. Start-up costs for researchers in the physical sciences, engineering, and even life sciences can range from $500,000 to $1 million. Ensuring that the University has the capacity to put together needed start-up packages to attract talented faculty is especially important as the University replaces the generation of faculty hired during higher education's expansion in the 1960s.

⇒ Research administration and compliance costs. These are a necessary and unavoidable cost of research. While partially reimbursed by research sponsors, these costs are part of the larger research infrastructure of the University. Failure to keep up with these costs can place the University research enterprise at great risk.

Facilities

Facility costs, including utility inflation, new building operations, and capital debt, are fixed costs and unavoidable in any budget scenario.

The University of Minnesota is responsible for providing heat, power, water, and other utility services to more than 350 major University buildings throughout the state. Conservation programs have held utility consumption rates constant over the last several years but the unit cost of fuel, water, and electricity continue to rise.

The University needs to provide maintenance, custodial, utility, and other building support services when it opens new facilities. Despite constructing more efficient buildings, factors like code requirements (e.g. the frequency of air exchanges), more complex control systems, and increased power requirements for state-of-the art technology have resulted in higher operating costs for both new and renovated facilities.

The University's efforts to upgrade obsolete laboratories, develop programs in emerging fields, and attract quality employees have driven a substantial reinvestment in academic campus facilities. This reinvestment, while necessary for the University to remain competitive, has increased the University's capital debt expense.

Information Technology and Financial System Infrastructure
The University of Minnesota relies on very large data networks on each of its four campuses. The University's data networks support more than 40,000 computers that access applications that support administrative business systems, e-mail, Internet access, online library resources, Web enhanced courses, online Web courses for distant education, research computing, streaming-video lectures and performances, and many other applications.

The University's data networks are quickly becoming obsolete and will be unable to support many new applications that promise to further enhance the quality of teaching, research, public service and administrative processes. The installation of new data networks will also enhance network security. Managing network security has become a very difficult task. Criminal activity on the Internet is on the rise and threatening to overwhelm current security methods. Investing in new data networks will help enhance the effectiveness, efficiency, accountability, and security of the University of Minnesota.

The University of Minnesota relies on five computer systems to support its mission of teaching, research, and public service. Over the last decade, the University has replaced or upgraded the human resources and payroll, grants management, library, and student systems. The final system in need of replacement is the financial system.

The current financial system was installed eleven years ago. The system has performed well and has contributed to significant improvements in financial accountability at the University. However, due to the age and obsolescence of certain system components, the University must replace its current financial system. Investing in new a financial system increases the University's capacity to adequately support the growth in teaching, research, and public service programs, and decreases the risks of systems failures.

Financing the Strategies

To honor its commitment to the state, the University of Minnesota continually sets and implements academic directions, supports talented faculty and staff, helps students realize educational goals, and builds and maintains the academic infrastructure. To provide for these strategies, the University's biennial financial needs are:

- set and implement academic directions -- $26 million
- support talented faculty and staff -- $88.1 million
- help students realize their educational goals -- $20 million
- build and maintain the academic infrastructure -- $58.1 million

To implement these strategies over the next biennium, the University proposes a reasoned partnership of shared responsibility with the State of Minnesota that calls for a 50-50 financing partnership.

This 50-50 partnership is built on the following financial assumptions:

- $96 million, over the biennium, in additional state commitment
- 4.5% annual increase in tuition, generating $46 million over the biennium
- 2.5% annual reallocation of current base funding, generating $50 million over the biennium

This biennial budget proposal addresses the University's real needs as well as its opportunities. This proposal is also cognizant of the serious financial challenges facing Minnesota. In this funding model, the combined commitment of the University and its students equals the amount of additional commitment requested from the State of Minnesota. With this partnership, the ability of the University to honor its commitment to the state is sustainable.

Statutory Change: Not applicable.

Agency Purpose

The eight Minnesota commissioners on Uniform State Laws participate, as Minnesota's members, in the activities of the National Conference of Commissioners on Uniform State Laws. The NCCUSL is a 110-year-old organization dedicated to the drafting of complicated state legislation in the area of private law. The NCCUSL focuses primarily on areas where uniformity of law among the states is particularly important.

The commissioners serve without compensation.

Operations

The conference work is done initially by committees of commissioners that meet in three-day weekend meetings over at least two years. These committees are staffed by law professors and advised by interested groups, consumer groups, industry groups, and American Bar Association members. Committee drafts are presented for consideration by the full commission in at least two week long annual meetings before they are promulgated as uniform acts and submitted to the 50 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 and are always welcomed from many sources.

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. Minnesota has enacted more than 50 uniform acts and codes that remain in its statutes today. These include such important acts as the Uniform Commercial Code, the Uniform Probate Code, and the Anatomical Gifts Act. During the FY 2003-04 Minnesota legislative session, the Minnesota commissioners will bring to the legislature for consideration the following acts: Uniform Arbitration Act, Revised Uniform Parentage Act, and Uniform Principal and Income Act, among others.

Budget

The NCCUSL is supported by dues paid by each state based on populations. These dues are from legislative appropriation. 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 FY 2002-03 is $89,000.

Contact

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Criminal Justice omnibus bill. These agencies collectively administer $11.043 million (Gov's Rec, all funds) for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $2.426 million (18%percent) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to regulate peace officers and partially reimburse their training costs, provide tax court services and disciplinary oversight of judges, regulate private detectives, administer sentencing guidelines, and promote passage of uniform laws.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

The funding recommended for most of these agencies will be reduced by 15%. No funding reduction is recommended for the Board on Judicial Standards to maintain minimal operations. The Office of Ombudsman for Corrections is recommended for elimination. Additional FY 2003 funding of $35,000 is recommended for the Board on Judicial Standards to pay the anticipated costs of a public hearing regarding disciplinary actions against a judge.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

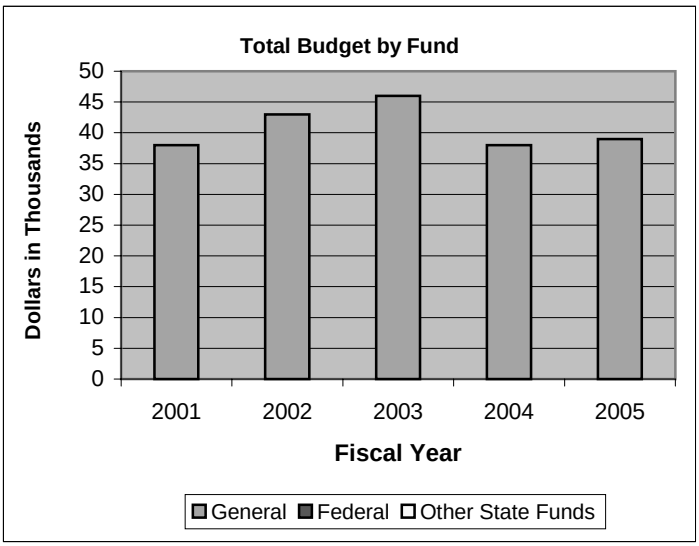
	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	90	0	90
Adjusted Base Funding	90	0	90
Change Items			
Operating Cost Reductions	-13	0	-13
Governor's Recommendations	77	0	77
Biennial Change, 2002-03 to 2004-05	-12	0	-12
Percent Change	-13%	n.m.	-13%

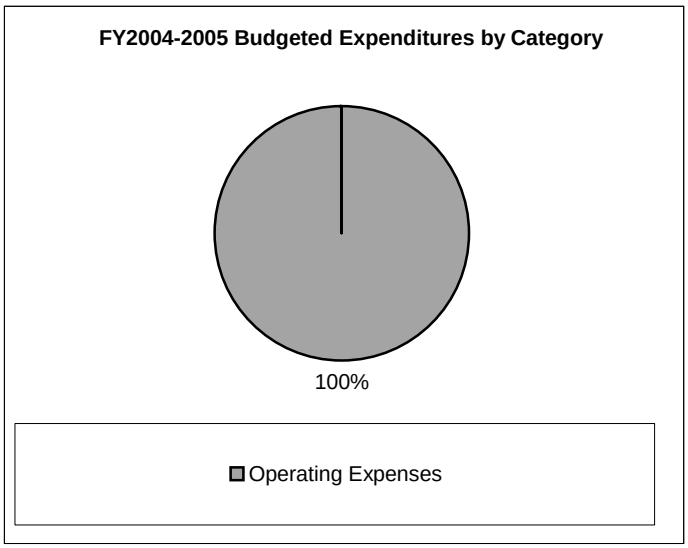
Brief Explanation Of Budget Decisions:

The Governor intends that the agency should focus its appropriated funding on maintaining the highest priority services.

Governor's Recommendation(s):

The Governor recommends a budget of $38,000 in FY 2004 and $39,000 in FY 2005.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	38	43	46	38	39	77
Total	**38**	**43**	**46**	**38**	**39**	**77**
Expenditures by Category						
Operating Expenses	38	43	46	38	39	77
Total	**38**	**43**	**46**	**38**	**39**	**77**
Expenditures by Program						
Uniform Laws Cmsn	38	43	46	38	39	77
Total	**38**	**43**	**46**	**38**	**39**	**77**

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($7)	($6)	($6)	($6)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($7)	($6)	($6)	($6)

Recommendation
The Governor recommends a budget of $38,000 in FY 2004 and $39,000 in FY 2005 for the Uniform Laws Commission. These amounts reflect a 15% base reduction for the biennium. The Governor intends that the Uniform Laws Commission should focus its appropriated funding on maintaining its highest priority services.

Relationship to Base Budget
This change item results in a 15% reduction to the agency's base budget.

Alternatives Considered
None

Statutory Change: Not Applicable.

Agency Purpose

The mission and purpose of the Department of Veterans Affairs is to serve the veterans of Minnesota, their dependents and survivors, in securing all benefits and services provided by federal and state law. The department fulfills this mission by providing leadership and direction to the veteran community, while exercising responsible management of available resources.

Key service strategies of the department are to:

- provide assistance to all eligible veterans, their dependents, and survivors;
- collaborate with service providers whose efforts are coordinated by the department; and
- continually review, revise, and build upon proven business practices to ensure the most timely, cost effective delivery of benefits and services.

At A Glance

Minnesota Veteran Population: 427,155*

- In FY 2001, 8,509 claims were represented before the U.S. Department of Veterans Affairs.
- In FY 2001, Minnesotans received in excess of $121.8 million in federal veterans benefits as a direct result of the efforts of department's claims offices.
- 2,032 Minnesotans received assistance through the agency's State Soldiers Assistance Program in FY 2001, with a total dollar value of $1.5 million.
- 141 Veterans' and their dependents' finances are overseen under the auspice of the state's guardianship program with $2.4 million in cash assets and $2.2 million in annual income managed.
- Department certifies and partners with 116 Minnesota County Veterans Service Officers and Assistants.
- As a result of the department's collaborative efforts with the corps of county veterans service officers as well as the various veterans service organizations, Minnesota veterans, their dependents, and survivors received a total of over $1 billion in federal benefits in FY 2001.

*Source: United States Department of Veterans Affairs, Veteran Population as of 9-30-01

Core Functions

The Department of Veterans Affairs provides overall leadership and direction, as well as benefits and services to Minnesota's veteran community, its dependents and survivors. The core functions provided by the Department of Veterans Affairs are to:

- promote self-sufficiency and personal responsibility by providing a temporary safety net of benefits and services to Minnesota's veterans, their dependents and survivors;
- provide representation to clients pursuing claims for federal veterans benefits;
- provide professional, compassionate financial management of resources of persons under guardianship to the department;
- 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.

Operations

The department serves over 427,000 veterans of Minnesota, their dependents and survivors, with the assistance of the 116 men and women who comprise the corps of County Veterans Service Officers and representatives of Minnesota's congressionally chartered veterans organizations.

The **State Soldier's Assistance Programs** homeless initiative assists veterans and their families in their attempt to regain self-sufficiency and self-respect by providing incentives for desirable behavior and by assisting them in taking personal responsibility for their lives. In addition, this program provides assistance with rent/mortgage payments, utilities, dental and optical benefits, education, clothing needs, and cash grants.

The **Guardianship program** provides financial case management services to incompetent veterans, their dependents, and survivors who may be vulnerable to exploitation by others or by their own inabilities to manage their funds. The goal is to assist the agency's guardianship clientele in maintaining a life style as independent as possible.

The department's **Claims Offices** assist and represent veterans, their dependent and survivors with applications for federal veterans benefits, such as compensation and pension benefits, home loans, educational benefits and medical treatment.

The **Minnesota State Veterans Cemetery** provides dignified burial services to Minnesota Veterans and their eligible dependents and survivors. Currently, the cemetery is undergoing a $3.6 million renovation, including the construction of a new chapel/ administrative building. A grant for the work was awarded by the U.S. Department of Veterans Affairs, Memorial Affairs.

The **Commissioner's Office** and support staff provide leadership and direction in all matters affecting Minnesota's veteran community, as well as overall management of agency financial matters, purchasing, human resources, and receipt of donated funds and processing of financial transactions.

Budget

The department's total operating budget is directly appropriated from the General Fund. Expenditures for direct payments to eligible veterans, their dependents and survivors represent 59% of those funds.

Contact

Department of Veterans Affairs
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World Wide Web Home Page:
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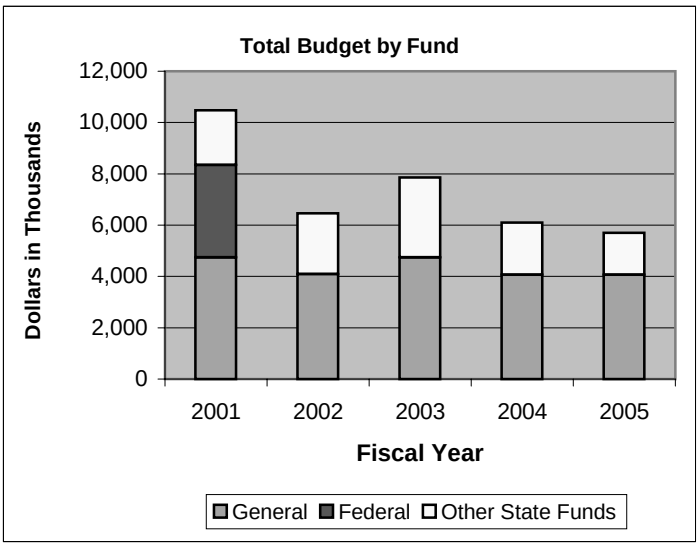
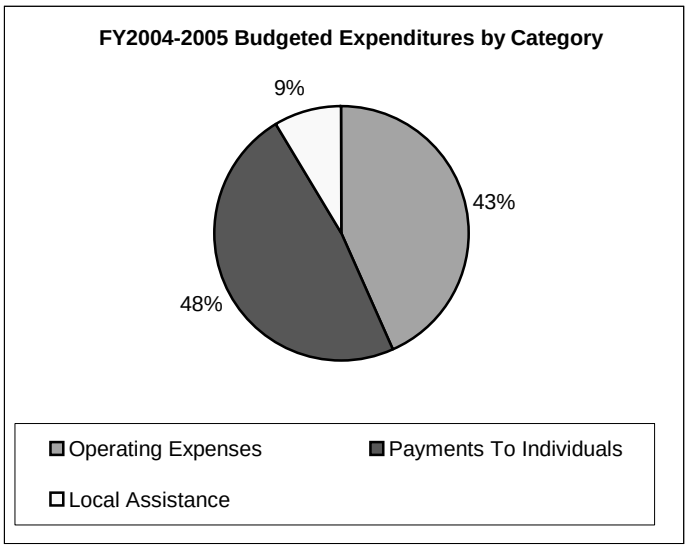




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,740	4,093	4,746	4,061	4,061	8,122
Special Revenue	0	10	230	0	0	0
Statutory Appropriations						
Special Revenue	0	16	70	85	85	170
Federal	3,600	0	0	0	0	0
Miscellaneous Agency	2,135	2,331	2,800	1,950	1,550	3,500
Gift	0	11	9	6	6	12
Total	**10,475**	**6,461**	**7,855**	**6,102**	**5,702**	**11,804**
Expenditures by Category						
Operating Expenses	3,142	2,233	2,942	2,565	2,565	5,130
Capital Outlay & Real Property	3,411	0	0	0	0	0
Payments To Individuals	3,105	3,317	4,089	3,025	2,626	5,651
Local Assistance	817	911	824	512	511	1,023
Total	**10,475**	**6,461**	**7,855**	**6,102**	**5,702**	**11,804**
Expenditures by Program						
Benefits	2,417	2,126	2,499	1,861	1,851	3,712
Services	2,982	3,130	3,681	2,817	2,428	5,245
Departmental Operations	4,943	1,107	1,587	1,424	1,423	2,847
Persian Gulf Bonus-Admin	16	0	0	0	0	0
Vets Gulf Bonus	117	98	88	0	0	0
Total	**10,475**	**6,461**	**7,855**	**6,102**	**5,702**	**11,804**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	1	36	51	36	36	72
Cambridge Deposit Fund	32	0	0	0	0	0
Subtotal Non Dedicated	33	36	51	36	36	72
Dedicated						
Special Revenue	55	47	85	85	85	170
Federal	3,600	0	0	0	0	0
Miscellaneous Agency	2,216	2,438	2,000	1,900	1,800	3,700
Gift	81	129	67	67	65	132
Subtotal Dedicated	5,952	2,614	2,152	2,052	1,950	4,002
Total Revenue	**5,985**	**2,650**	**2,203**	**2,088**	**1,986**	**4,074**
Full-Time Equivalents (FTE)	**32.7**	**32.2**	**31.9**	**31.9**	**31.9**	

Program Description

The Veterans Benefits Program provides financial assistance through the State Soldiers Assistance Program, County Veterans Service Officer (CVSO) Operational Improvement Grants and Certification, Veteran's Preference Enforcement, and rehabilitation services to all Minnesota veterans in need. Also included within these main program areas are the veterans' and war orphans' educational benefits, and our homeless veterans' initiative.

Program at a Glance

- Minnesota Veterans population 427,155
- 2,000 Veteran families receiving State Soldiers Assistance Benefits annually
- 116 Certified CVSO's and assistants
- Expansion of Homeless Initiative
- Rehabilitation Services provided through Vinland Center and the Minnesota Assistance Council for Veterans

Population Served

State Soldiers Assistance Program provides benefits to more than 2,000 veterans and family members. 116 County Veterans Service Officers 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 the out state communities.

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. From within this activity our homeless veterans' initiative and our rehabilitation services assist veterans and their families in their 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 area is responsible for the coordination of the **certification program for County Veterans Service Officers**. The department annually certifies each CVSO, which the Service Officer achieves through attending training and educational classes and by passing an annual certification test. Certification of the officers is required before a county is allowed to apply to the department for a CVSO Operational Improvement Grant.

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.

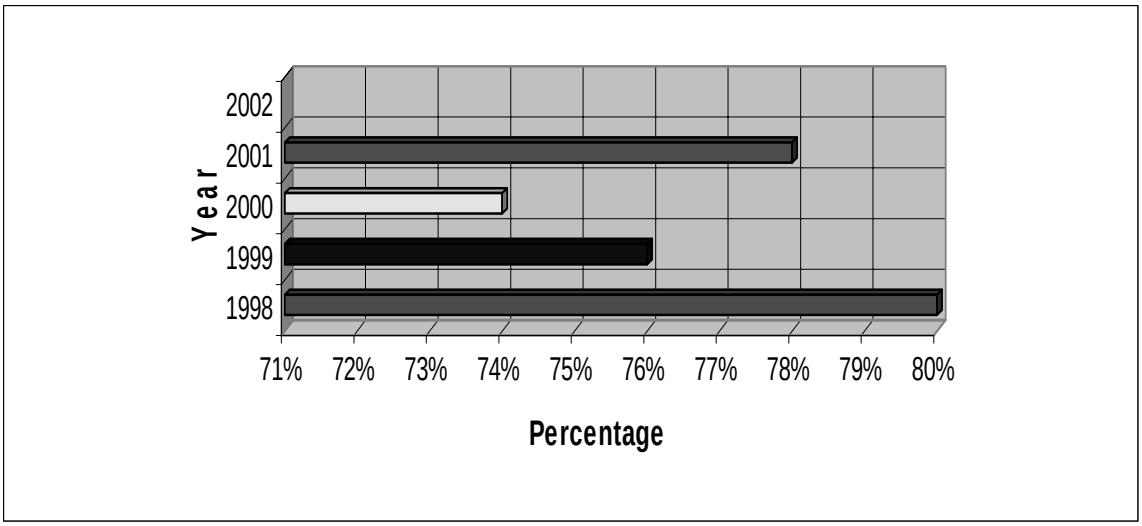
This agency has entered into a **partnership with the Vinland Center** in an attempt to prepare veterans with disabilities/work injuries and other vocational obstacles to secure and maintain competitive employment.

Key Measures

GOAL: To prepare veterans with disabilities/work injuries and other vocational obstacles to secure and maintain employment, training, or volunteer positions.

INDICATORS OF RESULTS: Of the Employment Program graduates who are released to work by their physician and are able to be contacted, 75% will be employed, in training or school, or in a volunteer positions six months after successful completion of the program.

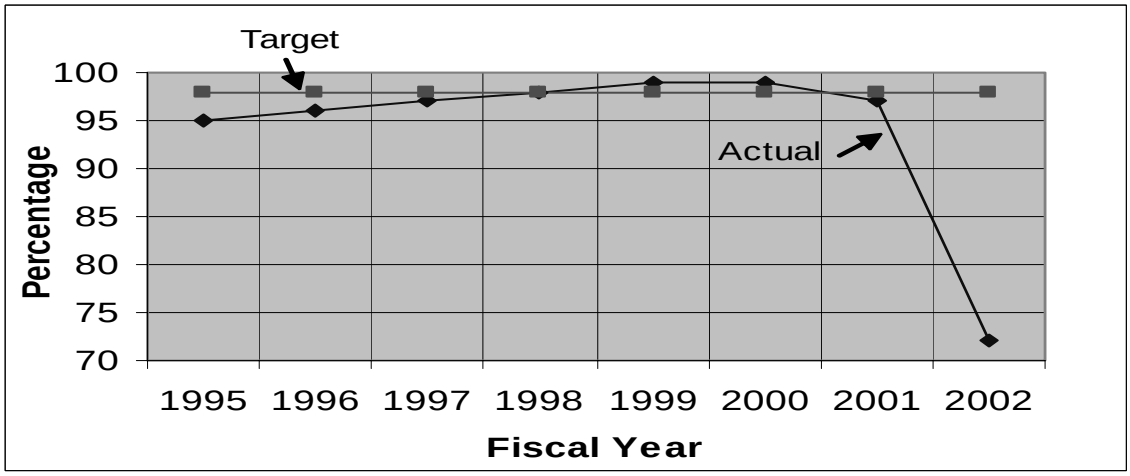
Percentage of Employment Program Graduates Actively Placed



GOAL: To process payments for subsistence benefits within the State Soldiers Assistance Program in a timely manner.

INDICATORS OF RESULTS: 98% of completed applications for subsistence benefits will be processed for payment within two working days of receipt.

Percentage of Payments Processed Within 2 Days



Over the course of FY 2002, the department's subsistence payment turnaround time declined. This is attributed to a reduction in staff, which was precipitated by budget reductions, a hiring freeze, and a medical leave of absence. The Benefits Division, which in the past was staffed by three professional level benefits specialists, had one staff person at that level in FY 2002.

In addition to the above measures, the department is gauging the impact of the expanded Homeless Initiative. Future indicators will include a measure of the percentage of participants who are able to be contacted that are placed in appropriate housing six months following the end of the grant period in which they received services from the program.

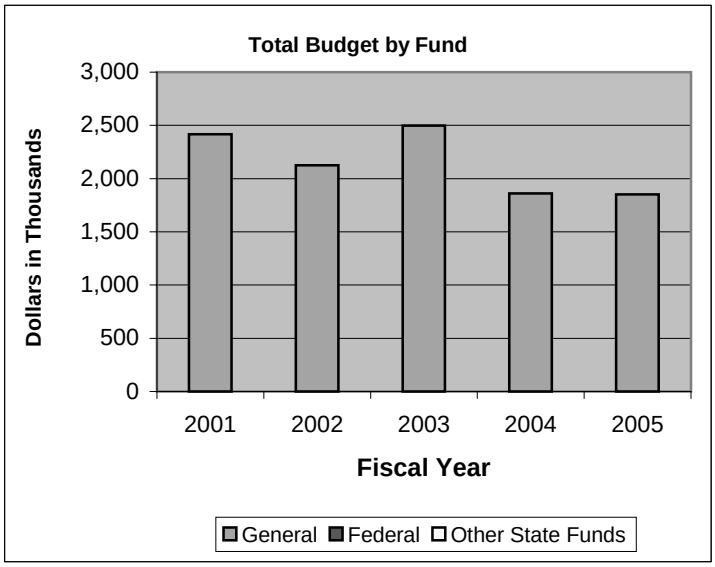
Program Funding

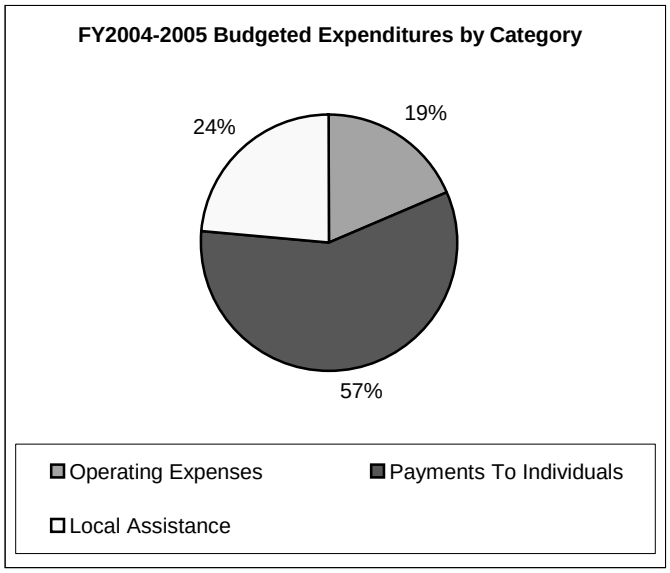
The program is funded by a direct appropriation from the General Fund.

Contact

For further information, contact Jeffrey Olson, Commissioner, Department of Veterans Affairs, Veterans Service Building, 20 West 12th Street, Saint Paul, Minnesota 55155 or call (651) 296-2345 or Fax (651) 296-3954.

You may also visit the department's web site at http://www.state.mn.us/ebranch/mdva/.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,417	2,126	2,499	1,861	1,851	3,712
Total	**2,417**	**2,126**	**2,499**	**1,861**	**1,851**	**3,712**
Expenditures by Category						
Operating Expenses	645	244	401	349	339	688
Payments To Individuals	970	986	1,289	1,075	1,076	2,151
Local Assistance	802	896	809	437	436	873
Total	**2,417**	**2,126**	**2,499**	**1,861**	**1,851**	**3,712**
Expenditures by Activity						
Veterans Benefits	249	239	301	293	283	576
Veterans Services	215	176	295	143	142	285
Dedicated Accounts	1,670	1,436	1,639	1,425	1,426	2,851
Vinland Grants	283	275	264	0	0	0
Total	**2,417**	**2,126**	**2,499**	**1,861**	**1,851**	**3,712**
Revenue by Type and Fund						
Non Dedicated						
General	1	1	51	36	36	72
Subtotal Non Dedicated	1	1	51	36	36	72
Dedicated						
Miscellaneous Agency	0	0	150	150	150	300
Gift	0	0	2	2	2	4
Subtotal Dedicated	0	0	152	152	152	304
Total Revenue	**1**	**1**	**203**	**188**	**188**	**376**
Full-Time Equivalents (FTE)	**6.3**	**5.1**	**5.1**	**5.1**	**5.1**	

Program Description
The Services Program provides claims representation and fiduciary guardianship services.

Population Served
The staff within the guardianship program currently serves 141 clients and our claims offices serves all Minnesota veterans, their dependents and survivors. In addition, the claims officers work in a collaborative effort with all 87 County Veterans Service Offices.

Services Provided
The **claims offices**, located at Fort Snelling and Fargo/Moorhead, provide direct claims representation before the U.S. Department of Veterans Affairs and the Board of Veterans Appeals to maximize the amount of benefits and services received by Minnesota veterans, their dependents and survivors. The claims office at Fort Snelling also provides environmental hazards information and assistance.

Program at a Glance
- 141 Guardianship Clients.
- Manage $4.6 million combined income and assets for Guardianship Clients.
- In federal FY 2002, Minnesotans received in excess of $136 million in federal veterans benefits as a direct result of the efforts of our department's claims offices.
- In FY 2002, department claims representatives were successful in additionally obtaining over $50 million retroactive monetary awards.
- In FY 2002, our claims offices represented 8,856 claims before the U.S. Department of Veterans Affairs.

Our **Guardianship Program** provides financial case management services to incompetent veterans, their dependents, and survivors who may be vulnerable to exploitation by others or by their own inabilities to manage their funds. The goal is to assist the guardianship clientele in maintaining a life style as independent as possible. The guardianship clients' annual income of $2.2 million and cash assets of $2.4 million are overseen under the auspice of this departments' guardianship program.

Program Funding
Twenty-five percent of the funding for this program is financed by a direct appropriation from the General Fund. The remainder consists of fund received and paid out in trust for guardianship clients.

Key Measures
Goal: To increase the amount of federal veterans compensation and pension dollars received by Minnesota veterans and their dependents from the U.S. Department of Veterans Affairs.

Indicators of Results: Provide quality representation to veterans, their dependents and survivors by maximizing the federal dollars received by eligible Minnesotans.

Percent of federal veterans compensation and pension dollars from department claims offices

	1998	1999	2000	2001	2002
Target	41%	41%	41%	41%	42%
Actual	44%	na	41%	40%	

Note: Based on the federal fiscal year of October 1 to September 30.

The Department of Veterans Affairs has provided free claims representation for Minnesota veterans and their dependents since WWII. Minnesota veterans and their dependents received more than $1 billion in federal veterans benefits during federal FY 2001, including over $338 million in compensation and pension benefits. The department's claims offices currently represent veterans who receive $136 million in compensation and pension benefits or 40% percent of the $338 million. The percentage of federal veterans compensation and pension dollars that can be attributed to department claims offices has remained constant. The intent is to increase this percentage over time.

Contact

For further information, contact Jeffrey Olson, Commissioner, Department of Veterans Affairs, Veterans Service Building, 20 West 12th Street, Saint Paul, Minnesota 55155 or call (651) 296-2345 or Fax (651) 296-3954.

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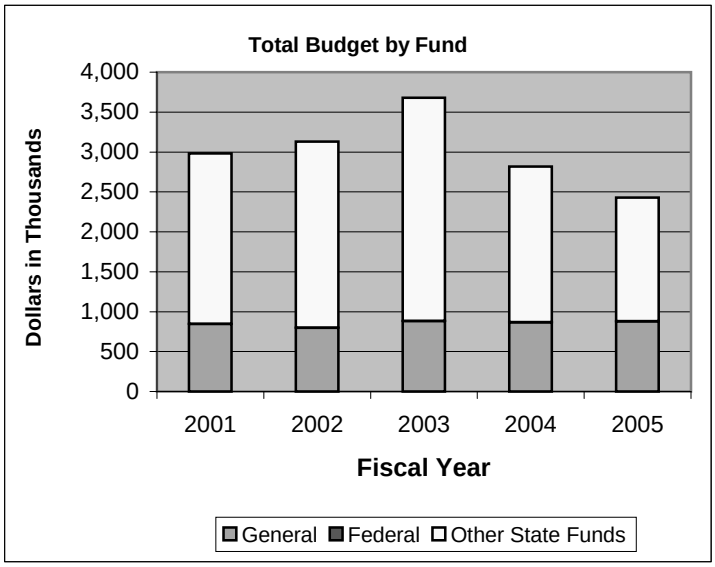
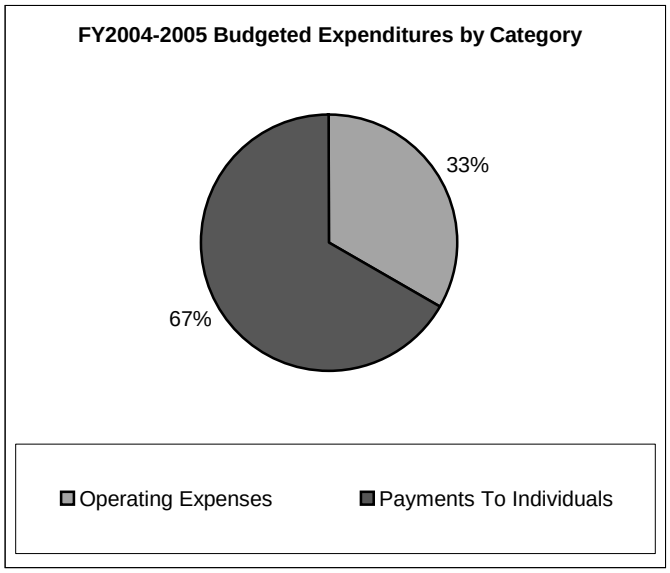




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	847	799	881	867	878	1,745
Statutory Appropriations						
Miscellaneous Agency	2,135	2,331	2,800	1,950	1,550	3,500
Total	**2,982**	**3,130**	**3,681**	**2,817**	**2,428**	**5,245**
Expenditures by Category						
Operating Expenses	847	799	881	867	878	1,745
Payments To Individuals	2,135	2,331	2,800	1,950	1,550	3,500
Total	**2,982**	**3,130**	**3,681**	**2,817**	**2,428**	**5,245**
Expenditures by Activity						
Guardianship Administration	183	173	190	192	195	387
Claims-Fargo Administration	256	234	246	251	252	503
Claims-Fort Snelling Admin	408	392	445	424	431	855
Guardianship Client Accts	2,135	2,331	2,800	1,950	1,550	3,500
Total	**2,982**	**3,130**	**3,681**	**2,817**	**2,428**	**5,245**
Revenue by Type and Fund						
Non Dedicated						
General	0	35	0	0	0	0
Cambridge Deposit Fund	32	0	0	0	0	0
Subtotal Non Dedicated	32	35	0	0	0	0
Dedicated						
Miscellaneous Agency	2,216	2,438	1,850	1,750	1,650	3,400
Subtotal Dedicated	2,216	2,438	1,850	1,750	1,650	3,400
Total Revenue	**2,248**	**2,473**	**1,850**	**1,750**	**1,650**	**3,400**
Full-Time Equivalents (FTE)	**14.5**	**14.0**	**13.7**	**13.7**	**13.7**	

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, our Veterans' Outreach Services, and the Information Technology unit.

Population Served

Through the commissioner's office the Operations program offers services to all 427,155 Minnesota veterans. Our Veterans State Cemetery in Little Falls, Minnesota, serves veterans, eligible dependents, and veterans' 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.

Program at a Glance

- The Minnesota State Veterans Cemetery in Little Falls received a $3.6 million dollar federal grant from the U.S. Department of Veterans Affairs – Memorial Services.
- 1,300 individuals at rest in the Minnesota State Veterans Cemetery.
- WWII Veterans Memorial private donations received to date - $215,000.
- Over 100,000 letters were sent to Vietnam Veterans, updating them on health concerns and new benefits related to Hep C and Type 2 Diabetes.
- Initiated a Recently Separated Veterans Program (RSVP) letter to all honorably separated Minnesota veterans.

Services Provided

The commissioner's office provides **overall leadership and direction** to all Minnesota veterans, their dependents and survivors, and congressionally chartered veterans organizations through the Commanders Task Force. This year the commissioner's office sent letters to approximately 100,000 Vietnam Era veterans letting them know that federal laws had changed, allowing additional financial and medical benefits for those suffering from diabetes and hepatitis C.

We have just entered into a 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). Information including a "Welcome Home" letter and relevant transitional information will be mailed within seven working days. Besides thanking these young men and woman for their dedicated service to our nation, and welcoming them home to Minnesota, we will be providing them with helpful information on veteran's benefits and services, and Department of Economic Security programs and services. This letter also directs them to their local County Veteran's Service Officer (CVSO), where they can receive additional services.

The **Minnesota State Veterans Cemetery** in Little Falls, Minnesota, provides dignified burial services to Minnesota veterans and their eligible dependents and survivors. Currently, the cemetery is undergoing a $3.6 million dollar renovation, including 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.

Information technology, including internal and external web applications, is provided by staff in this area. Funding for information technology for this agency is received through Strategic Information Resource Management Plan (SIRMP) planning and through the Small Agency Infrastructure budget.

All budgeting, financial transactions, human resource management, affirmative action, and MAPS and SEMA4 transactions are processes within this program. WWII memorial donations are collected, deposited, and recorded according to generally accepted accounting principles.

Key Measures

Goal: To maintain highly trained and competent CVSO.

Indicator of Results: Ensure that 100% of all CVSOs receive department certification annually.

Percent of County Veteran Service Officers certified each year

	1998	1999	2000	2001	2002
Target	100%	100%	100%	100%	100%
Actual	100%	100%	98%	99%	98%

The certification process and continuing education courses ensure that CVSO are trained and proficient in their duties. Officers must complete a minimum of seven credits of 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. Additionally, the department requires each officer to complete and pass an annual certification test. The objective of the certification process is better service to Minnesota veterans and their dependents.

Additionally, the department has instituted a customer satisfaction survey. Results of the completed survey will measure the satisfaction of recently separated veterans who received information from the department through the RSVP program as well as the satisfaction of family members that choose the State Veterans Cemetery as the final resting place for their relatives.

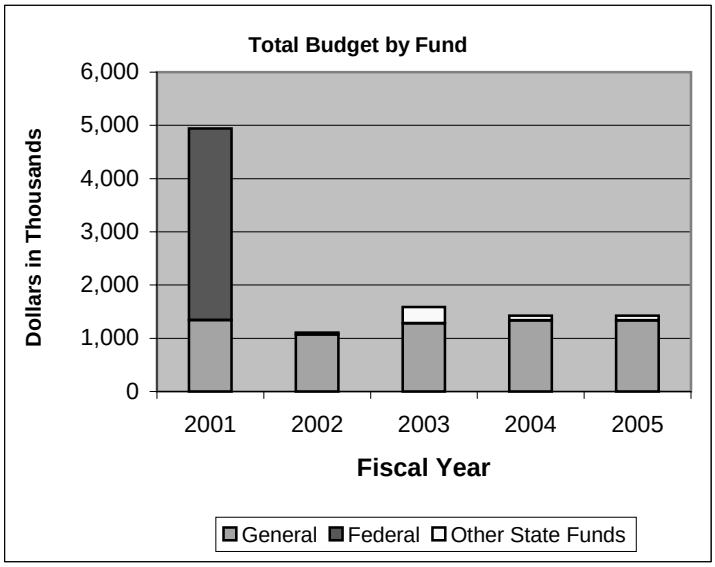
Program Funding

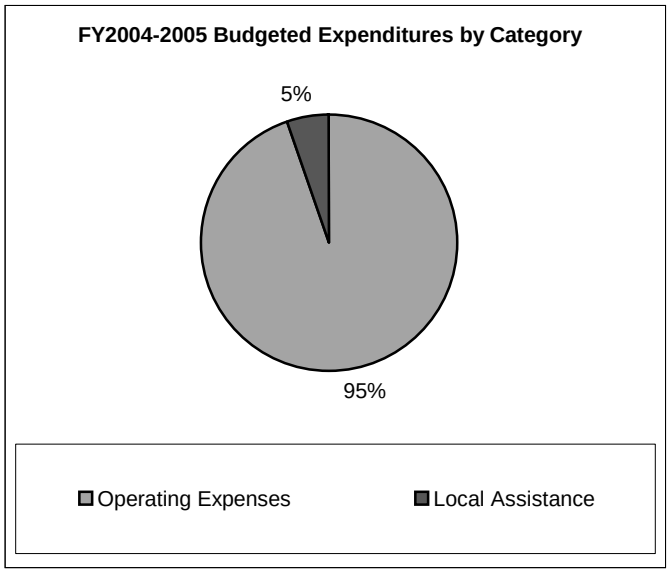
Except for a federal grant awarded in FY 2001, the program is primarily funded by a direct appropriation from the General Fund.

Contact

For further information, contact Jeffrey Olson, Commissioner, Department of Veterans Affairs, Veterans Service Building, 20 West 12th Street, Saint Paul, Minnesota 55155 or call (651) 296-2345 or Fax (651) 296-3954.

You may also visit the department's web site at http://www.state.mn.us/ebranch/mdva/.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,343	1,070	1,278	1,333	1,332	2,665
Special Revenue	0	10	230	0	0	0
Statutory Appropriations						
Special Revenue	0	16	70	85	85	170
Federal	3,600	0	0	0	0	0
Gift	0	11	9	6	6	12
Total	**4,943**	**1,107**	**1,587**	**1,424**	**1,423**	**2,847**
Expenditures by Category						
Operating Expenses	1,517	1,092	1,572	1,349	1,348	2,697
Capital Outlay & Real Property	3,411	0	0	0	0	0
Local Assistance	15	15	15	75	75	150
Total	**4,943**	**1,107**	**1,587**	**1,424**	**1,423**	**2,847**
Expenditures by Activity						
Operations	0	11	9	6	6	12
Administrative Services	1,036	901	1,054	1,133	1,132	2,265
Cemetery Dev & Maint Acct	3,600	16	70	85	85	170
Cemetery Operations State	242	167	223	200	200	400
Small Agency Infrastructure	65	12	231	0	0	0
Total	**4,943**	**1,107**	**1,587**	**1,424**	**1,423**	**2,847**
Revenue by Type and Fund						
Dedicated						
Special Revenue	55	47	85	85	85	170
Federal	3,600	0	0	0	0	0
Gift	81	129	65	65	63	128
Subtotal Dedicated	3,736	176	150	150	148	298
Total Revenue	**3,736**	**176**	**150**	**150**	**148**	**298**
Full-Time Equivalents (FTE)	**11.9**	**13.1**	**13.1**	**13.1**	**13.1**	

Jeffery L. Olson
Commissioner

State of Minnesota

DEPARTMENT OF VETERANS AFFAIRS
VETERANS SERVICE BUILDING
ROOM 206C
20 WEST 12TH STREET
ST. PAUL, MINNESOTA 55155-2079
(651) 296-2562

February 18, 2003

The 2003 Minnesota Legislature:

We are providing you with the Department of Veterans Affairs FY 2004-05 budget. The Department of Veterans Affairs recommended budget for FY2004-05 is $8,122,000; this includes a $1,072,000 dollar reduction to our base, which represents 13% of our budget and a transfer of $150,000 for grants to veteran's service organizations which the DVA will provide and oversee to assist with the operations of their claims offices.

The following is a breakdown of our budget reductions showing dollar amounts reduced, percentage changes, program descriptions, major program impacts, and changes in service delivery. We believe the areas identified for reductions have been carefully thought out and will provide the least amount of negative impact to our clientele while enabling the department to preserve its core/critical services.

To aid us in making these very difficult decisions, we held formal and informal focus groups throughout the past year with County Veterans Service Officers, department staff, and Congressionally Chartered Veterans Service Organizations. We also discussed necessary reductions with our contract partners.

In all of the discussions and group meetings conducted, the same simple line of reasoning was applied; prioritize the services we provide and attempt to identify reductions to program areas that would negatively affect the least number of veterans. It was both helpful and encouraging to find that all the groups we met with prioritized and identified the same program areas that we, as a department, identified for the proposed cuts.

As the majority of our budget is dedicated towards programs and services, and as our staffing numbers are small and have already been reduced by past reductions, we wanted no one area to suffer more than any other. We therefore attempted to spread our reductions as evenly across the board as possible in an attempt to maintain the integrity of our programs while still meeting our mandated mission. Unfortunately this is not always practical since some services are more critical in nature than others. This explains why some of our programs have been identified for deeper cuts, or to be discontinued, while others received only marginal reductions.

1. **MINNESOTA STANDDOWN - $30,000 reduction represents 100% of the funding DVA provides.** The Standdown is an annual event designed to address the problem of homelessness. The state dollars provided are used to support the three day Minnesota Standdown that takes place annually in Minneapolis. We will assist Minnesota Standdown in their attempts to raise this funding through lawful gambling contributions.

2. **Optical - $11,000 reduction represents 6.5% of the expenditures for this program.** The optical program provides up to $154 for individual veterans and their family members each year towards the purchase of an eye examination, frames, and lenses. This reduction will be realized by restructuring this program whereby eligible applicants will no longer receive this benefit annually, but rather every other year.

3. **Park Rapids Veterans Memorial Administration - $10,000.** The department is returning this one-time fee that was provided to DVA for the administration costs involved with several years of oversight of the Park Rapids Veterans Memorial.

4. **County Veterans Service Officers (CVSO) Operational Improvement Grants and Education - $285,000 reduction represents 60% of the expenditures for this program.** This will reduce the monetary amount of the grant which is provided to all 87 CVSO's by 30% and the frequency with which it is awarded from every two years to every three years. This reduction will also eliminate one training position used for the continued training and education of the CVSO's. We believe this reduction will have very little impact as this ongoing grant has provided the CVSO's with adequate funding over the years to establish a strong operations base that is technically proficient and up to date. As computer and office equipment costs continue to decrease we believe the reduction in monetary amounts and frequency will still enable every office to maintain and build upon the strong base they have developed over past years. The duties associated with the training position will be divided between the managers and other staff of the DVA.

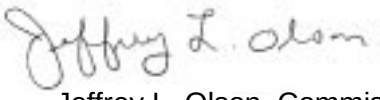
5. **Vinland Center - $550,000 reduction represents 100% of the funding DVA provides for this program.** This program helps to prepare veterans with disabilities/work injuries and other vocational obstacles to secure and maintain competitive employment using a whole-person approach to rehabilitation. While Vinland's employment program has served a number of veterans, there are other similar options available through other state agencies and the United States Department of Veterans Affairs. In eliminating some services for a few, we ensure that we will be able to continue to help many.

6. **Veterans Gulf Bonus - $186,000.** The department is returning a majority of the money which was provided for the purpose of paying off the remainder of outstanding Persian Gulf War Bonuses. We have retained an appropriate amount to ensure that the remainder of bonuses can and will be paid.

While a 13% budget reduction to the Department of Veterans Affairs for FY2004-05 will certainly present some challenges, we believe that the proposed budget of $8,122,000 along with creative cost savings restructuring and changes to our service delivery will enable the department to continue to carry out its mission and long range strategic plan priorities.

Should you have any questions or need clarification please do not hesitate to call.

Sincerely,

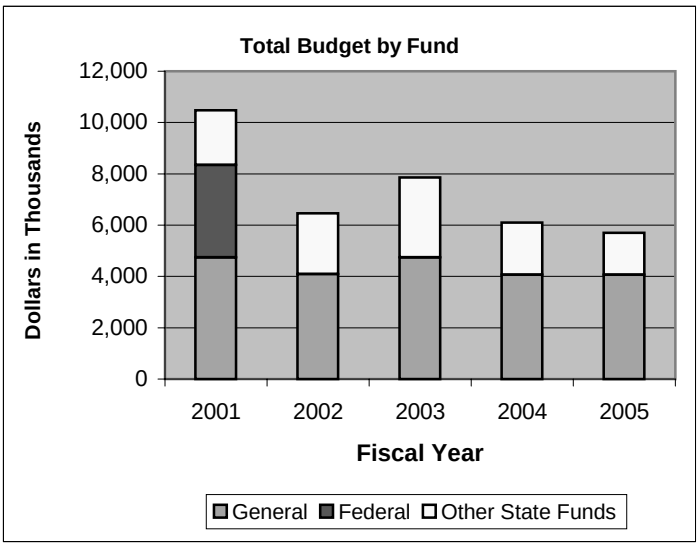


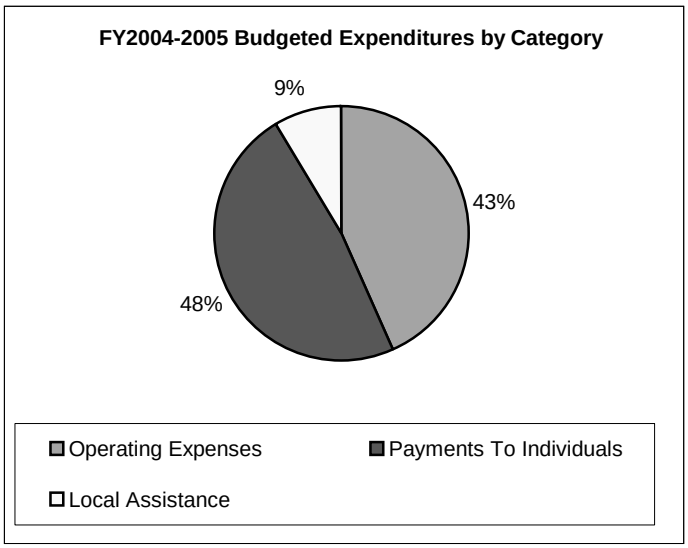
Jeffrey L. Olson, Commissioner
Minnesota Department of Veterans Affairs

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	8,804	3,682	12,486
Legislatively Mandated Base	0	0	0
Transfers Between Agencies	240	0	240
Adjusted Base Funding	9,044	3,682	12,726
Change Items			
Grants To Veterans Organizations	150	0	150
Reduction To Operations And Grants	-1,072	0	-1,072
Governor's Recommendations	8,122	3,682	11,804
Biennial Change, 2002-03 to 2004-05	-717	-1,795	-2,512
Percent Change	-8%	-33%	-18%

Brief Explanation Of Budget Decisions:

The FY 2004-05 appropriation level includes a $240,000 biennial transfer and ongoing increase from the Office of Technology associated with Small Agency Infrastructure (SAI) project funding in the prior biennium. The transfer is spread evenly across each year of the biennium under “Legislatively Mandated Base.”





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,740	4,093	4,746	4,061	4,061	8,122
Special Revenue	0	10	230	0	0	0
Statutory Appropriations						
Special Revenue	0	16	70	85	85	170
Federal	3,600	0	0	0	0	0
Miscellaneous Agency	2,135	2,331	2,800	1,950	1,550	3,500
Gift	0	11	9	6	6	12
Total	**10,475**	**6,461**	**7,855**	**6,102**	**5,702**	**11,804**
Expenditures by Category						
Operating Expenses	3,142	2,233	2,942	2,565	2,565	5,130
Capital Outlay & Real Property	3,411	0	0	0	0	0
Payments To Individuals	3,105	3,317	4,089	3,025	2,626	5,651
Local Assistance	817	911	824	512	511	1,023
Total	**10,475**	**6,461**	**7,855**	**6,102**	**5,702**	**11,804**
Expenditures by Program						
Benefits	2,417	2,126	2,499	1,861	1,851	3,712
Services	2,982	3,130	3,681	2,817	2,428	5,245
Departmental Operations	4,943	1,107	1,587	1,424	1,423	2,847
Persian Gulf Bonus-Admin	16	0	0	0	0	0
Vets Gulf Bonus	117	98	88	0	0	0
Total	**10,475**	**6,461**	**7,855**	**6,102**	**5,702**	**11,804**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	1	36	51	36	36	72
Cambridge Deposit Fund	32	0	0	0	0	0
Subtotal Non Dedicated	33	36	51	36	36	72
Dedicated						
Special Revenue	55	47	85	85	85	170
Federal	3,600	0	0	0	0	0
Miscellaneous Agency	2,216	2,438	2,000	1,900	1,800	3,700
Gift	81	129	67	67	65	132
Subtotal Dedicated	5,952	2,614	2,152	2,052	1,950	4,002
Total Revenue	**5,985**	**2,650**	**2,203**	**2,088**	**1,986**	**4,074**
Full-Time Equivalents (FTE)	**32.7**	**32.2**	**31.9**	**31.9**	**31.9**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
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

The Governor recommends a General Fund appropriation of $75,000 each year of the FY 2004-05 biennium as a transfer from the individual appropriations for the Military Order of the Purple Heart, the Veterans of Foreign Wars, and the Disabled American Veterans to the Department of Veterans Affairs to be used as grants to the veterans organizations. In addition, the Governor recommends consolidating up to $30,000 from the agency's General Fund biennial budget that is currently designated for the Vietnam Veterans Association with the reduced combined appropriations of $150,000 in FY 2004-05. These consolidated funds would continue to be used for the claim service offices of the grantees.

Background

As non-profit organizations, the Military Order of the Purple Heart of Minnesota, as well as the Department of Minnesota Veterans of Foreign Wars (VFW), the Disabled American Veterans of Minnesota, and the Vietnam Veterans Association, provide similar and complementary claims services to Minnesota veterans as those provided by the Minnesota Department of Veterans Affairs. The state also provides rent-free office space to these veterans organizations within the Veterans Services Building. Current state funding to these groups represents only 3% to 26% of their individual operating budgets.

Relationship to Base Budget

It is anticipated that consolidation of the three direct appropriations within the Department of Veterans Affairs and providing oversight of the grants to the cabinet agency may generate efficiencies, and therefore, the combined appropriations would be reduced from $176,000 in FY 2002-03 to $150,000 in FY 2004-05, a 15% reduction.

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($634)	($438)	($438)	($438)
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 a General Fund appropriation of $4.061 million each year of the FY 2004-05 biennium for Department of Veterans Affairs (DVA), which reflects an ongoing reduction of $438,000 annually and one-time reductions of $196,000. The recommended budget, along with creative cost savings restructuring and changes to service delivery, will enable the department to continue to carry out its mission and long range strategic plan priorities.

Background

To aid the department in making budget decisions, the agency held both formal and informal focus groups throughout the past year with County Veterans Service Officers, department staff, and Congressionally Chartered Veterans Service Organizations. The agency also discussed necessary reductions with our contract partners. In all of the discussions and group meetings, the same line of reasoning was applied; prioritize the services the department provides and attempt to identify reductions to program areas that would negatively affect the least number of veterans. It was both helpful and encouraging to find that all the groups with whom the agency met prioritized and identified the same program areas that the department identified for the proposed cuts.

Because the majority of the budget is dedicated towards programs and services and staffing numbers are minimal, the agency sought to distribute reductions as evenly across its functions as possible while maintaining the integrity of programs and meeting its mandated mission. Programs of the greatest critical nature were preserved, and those less critical would be reduced or discontinued.

Recommended reductions include the following programs:

⇒ County Veterans Service Officers (CVSO) Operational Improvement Grants and Education – The recommendation seeks to enable every CVSO office to maintain and build upon the strong base it has developed under this program over past years while reducing the monetary amount of the grant and the frequency with which it is awarded. All 87 CVSOs would continue to receive the grants at 30% of the current levels every three years, rather than every two years. The recommendation would also eliminate one training position used for the continued training and education of the CVSOs. These duties would be divided between remaining staff of the DVA. The recommended $285,000 reduction represents 60% of the expenditures for this program.

⇒ Optical Benefits - The optical program currently provides up to $154 for individual veterans and their family members each year towards the purchase of an eye examination, frames, and lenses. The recommended $11,000 reduction represents 6.5% of the expenditures for this program, a savings that would be achieved by restructuring the benefit to allow eligible applicants to receive the benefits every other year, rather than annually. Seventy-two individuals who received the annual services would continue to receive them biennially.

⇒ MN Standown – Veterans Affairs contributes approximately 75% of the operating budget dollars for this annual, three-day event. It is designed to address the problem of homelessness by partnering with other government and non-profit agencies to provide a gateway to VA and community services that includes assessment and screening, crisis services, counseling, referral and placement. The recommended $30,000

reduction represents 100% of the funding DVA provides, that would need to be replaced by the other contributing organizations.

⇒ Vinland Center Grant **-** Employment programs provided by the Vinland Center are similar to other programs that are available through other state agencies and the United States Department of Veterans Affairs. Also, the price of $7,400 per veteran for two-weeks of treatment at the Vinland Center for up to only 74 veterans per biennium is cost-prohibitive and does not outweigh the benefits of protecting funding that serves larger numbers of veterans and their families. The recommended reduction of $550,000 for the biennium represents 100% of the funding DVA provides for this program.

⇒ Veterans Gulf War Bonus – All but very few beneficiaries of this program have already filed and received their one-time bonuses. The department would continue to ensure that any remaining claims would be paid.

⇒ Park Rapid Veterans Memorial Administration – The $10,000 recommended reduction is a one-time appropriation that the agency no longer requires.

Relationship to Base Budget

The recommended funding represents a 10% ongoing reduction from the agency's forecast biennial budget for FY 2004-05. The remaining $196,000 is a one-time reduction.

Statutory Change: Not applicable.

Agency Purpose

The mission of the Veterans Homes Board is to assure the commitment of government to provide the highest possible quality programs for health care, supportive service, and housing 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 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 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 442,000 veterans in the state so one of every nine Minnesotans meets this criterion. 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 2002-03 Operating Budget - $124.9 million with revenues from
  - ⇒ 49% State Appropriation
  - ⇒ 28% USDVA Per Diems
  - ⇒ 23% Patient Pay
- 1,180 Employees
- 954 Operating Beds
- 98% Occupancy Statewide

Core Functions

There are now five Veterans Homes operating in Minnesota. These include skilled nursing beds at Minneapolis, Silver Bay, Luverne and Fergus Falls with domiciliary beds at Minneapolis and Hastings. The Minneapolis facility also has initiated a 16-bed inpatient dual-diagnosis program for homeless veterans. Hastings has begun a transitional housing program for veterans who have been previously homeless. Both of these programs are funded jointly by the U.S. Department of Housing and Urban Development (HUD) and the State Veterans Home. Services provided are listed below:

- skilled nursing
- special care units – Dementia & Alzheimer's
- physical therapy
- occupational therapy
- speech therapy
- recreational therapy
- chiropractic (with doctor's order)
- dental
- podiatry
- optometry exams
- outpatient services (Fergus Falls – USDVA community based outpatient clinic)
- domiciliary (board & care)
- hospice
- social services
- work therapy
- drug & alcohol treatment
- transitional care
- spiritual care
- volunteer programs
- mental incentive

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 leadership and oversight of functional areas which include human resources, financial management, audit, quality assurance, legislative and public affairs, project management, safety, veterans benefits, legal, and computer systems management. Administrators provide day-to-day leadership to 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, business office, mental health, speech, physical and occupational therapy, chaplain, and other services provided through contractual arrangements. Board and care facilities focus on substance abuse counseling and transitional services.

Budget

The agency's operating funds generally come from three sources - state appropriations (49%), patient pay amounts (28%), and Department of Veterans Affairs (USDVA) per diems (23%). The agency's two primary sources of revenue include Federal per diem payments and resident maintenance charges, which, when combined with the general fund appropriation, fund the operations of the homes. Fluctuations in federal per diems and patients' ability to pay the full cost of care put pressure on the state appropriation. Federal law sets USDVA per diem payments annually.

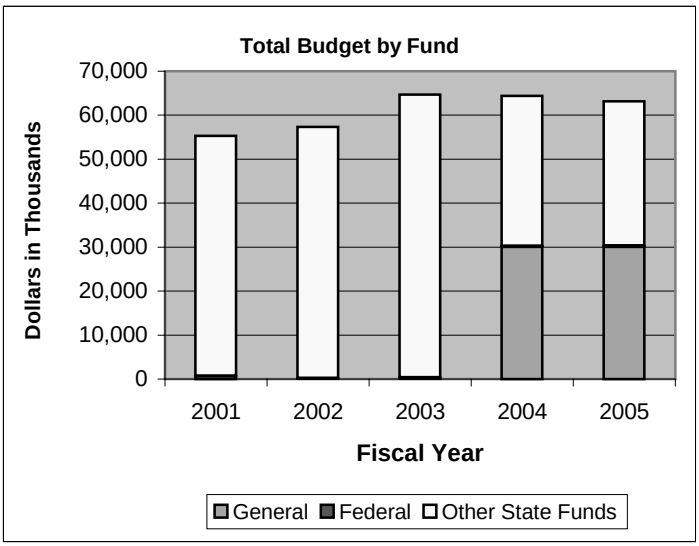
Resident maintenance charges are established as set forth in Minnesota Rules Chapter 9050. A monthly cost of care is first determined for each facility and each level of care. Residents are then billed the monthly charge, subject to income limitations, among other things.

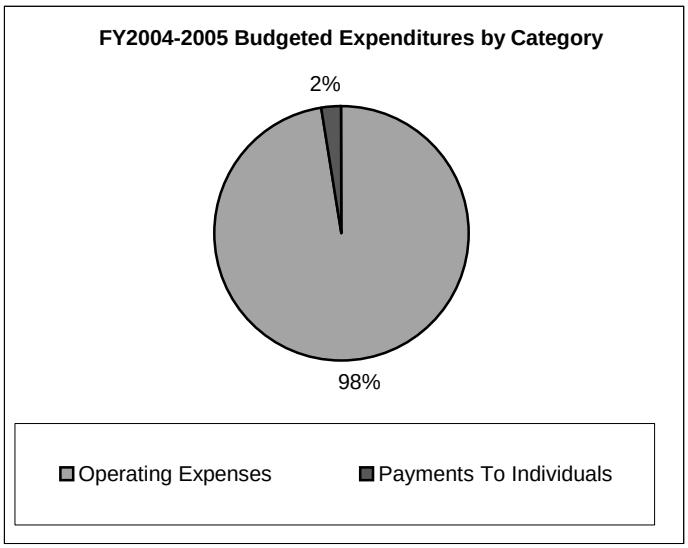
Contact

Minnesota Veterans Homes

For more information, contact: Sandy Larson at (651) 296-2073.

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.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	680	0	0	30,030	30,030	60,060
Statutory Appropriations						
Special Revenue	52,443	55,084	61,909	31,906	30,649	62,555
Federal	80	245	340	275	308	583
Miscellaneous Agency	1,394	1,415	1,604	1,604	1,604	3,208
Gift	678	621	808	600	600	1,200
Total	**55,275**	**57,365**	**64,661**	**64,415**	**63,191**	**127,606**

Expenditures by Category						
Operating Expenses	53,456	55,603	62,803	62,857	61,633	124,490
Capital Outlay & Real Property	489	427	316	16	16	32
Payments To Individuals	1,327	1,332	1,538	1,538	1,538	3,076
Local Assistance	3	3	4	4	4	8
Total	**55,275**	**57,365**	**64,661**	**64,415**	**63,191**	**127,606**

Expenditures by Program						
Veterans Homes	55,275	57,365	64,661	64,415	63,191	127,606
Total	**55,275**	**57,365**	**64,661**	**64,415**	**63,191**	**127,606**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	12	230	0	0	0	0
Subtotal Non Dedicated	12	230	0	0	0	0
Dedicated						
Special Revenue	25,941	27,326	27,962	29,777	30,648	60,425
Federal	80	274	311	275	308	583
Miscellaneous Agency	1,381	1,458	1,610	1,610	1,610	3,220
Gift	589	575	616	616	616	1,232
Subtotal Dedicated	27,991	29,633	30,499	32,278	33,182	65,460
Total Revenue	**28,003**	**29,863**	**30,499**	**32,278**	**33,182**	**65,460**
Full-Time Equivalents (FTE)	**908.5**	**863.2**	**855.8**	**855.8**	**855.8**	

Program Description

The veteran's homes provide skilled nursing care and domiciliary (boarding care) services to residents. These services are provided in veterans homes located in Minneapolis, Hastings, Silver Bay, Luverne, and Fergus Falls. The board office, located in St. Paul, houses a centralized management team that supports the homes and the board of directors.

Nursing home care includes a range of diagnostic, therapeutic, rehabilitative and compassionate end-of-life care in an institutional setting staffed by nursing personnel who are delivering services specified by interdisciplinary plans of care developed for the purpose of resorting, optimizing and/or maintaining patients' level of function, personal autonomy, and dignity. This care encompasses a range of intensities of service provision, reflecting the range of patients' needs as determined by multidisciplinary clinical assessments undertaken in a manner consistent with prevailing community practices and standards.

Program At A Glance

- 888 FTEs
  - ⇒ Minneapolis – 461
  - ⇒ Hastings – 94
  - ⇒ Silver Bay – 109
  - ⇒ Luverne – 102
  - ⇒ Fergus Falls – 107
  - ⇒ Board - 15
- 954 Operating Beds
  - ⇒ Minneapolis – 346 skilled nursing beds, 61 domiciliary beds
  - ⇒ Hastings – 200 domiciliary beds
  - ⇒ Silver Bay – 89 skilled nursing beds
  - ⇒ Luverne – 85 skilled nursing beds
  - ⇒ Fergus Falls – 85 skilled nursing beds

Domiciliary Care is a residential rehabilitation program that provides short-term bio-psychosocial rehabilitative and long-term bio-psychosocial health maintenance care for veterans (including homeless veterans) who require minimal medical care.

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 is located in south Minneapolis bordered by Wabun Park, the Mississippi River and Minnehaha Creek near the Falls. This scenic setting provides a wonderful backdrop for 17 buildings that are located on the grounds. In 1989, many of the buildings and the campus grounds were placed on the National Register of Historic Places.

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 1900's. The home provides basic board and care with expanded clinical and programmatic services in the areas of chemical dependency, dual diagnosis aftercare, mental health care, and general assistance to an aged population. In addition, the home provides a transitional living 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 provides a full range of skilled nursing care and related support services including rehabilitation services, mental health services, and special needs transportation. In addition, the facility has a special care unit for our Alzheimer/dementia population. The home's recently expanded dementia unit wander area and tactile gardens are complemented by the Comfort Care model of caring for persons with dementia related disorders.

The **Luverne Veterans Home** was a newly constructed facility that opened in 1994. It was funded through a combination of federal and local funds. The home is a skilled care facility that has established a dementia program, a strong restorative care program, and is looking at incorporating an Eden Alternative philosophy into the programming. This philosophy emphasizes a more home-like atmosphere as opposed to the traditional institutional setting. The facility is being increasingly used as a clinical site for nursing and other health care occupational training and education. For primary health care services the home is affiliated with the Veterans Affairs Medical Center in Sioux Falls and the Luverne Medical Center.

The **Fergus Falls Veterans Home** is a skilled nursing care facility and is Minnesota's newest home. It was also funded through a combination of federal and local funds. They received their first resident in March of 1998 and are currently maintaining a lengthy waiting list. A highlight is the Main Street, a hallway designed like an old town Main Street, with many of the rooms finished to the period 1930 to 1940. Along the Main Street is a barber shop, general store, library, family inn, and clinical exam rooms. The clinic is established under a shared use agreement with the Department of Veterans Affairs and is the first VA Nurse Practitioner Nursing Home based clinic in the nation. New concepts of nursing care have also been introduced with their innovative Nursing Universal Worker position. This increases the accountability of nursing personnel and expands their sphere of influence over the care of the residents. The outcome is that the resident has better and more consistent care.

The Board of Directors continues to work with federal, state, local, and private agencies to develop institutional and non-institutional care programs for veterans and to develop a geriatric research and teaching mission in collaboration with the U.S. Department of Veteran Affairs (USDVA) and other medical education facilities.

Population Served

There are 442,000 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 will grow 9% from today's rates. A report by the Department of Administration's Management Analysis Division in 1990, entitled "The Need for Additional Veterans Nursing Homes in Minnesota," reinforced these aging and demand trends, concluding that there will be a growing population of veterans in need of services.

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 2.5 to 2.8. The top five primary diagnosis for skilled care in the veterans homes system is dementia, alzheimer's, coronary vascular disease, diabetes, chronic obstructive pulmonary disease. For domiciliary care the top five primary diagnosis 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 to develop future planning initiatives.

Services Provided

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.

Nursing home care provides physician, nursing, rehabilitative, dietetic, pharmaceutical, psychosocial, and spiritual service to residents in facilities that are VA-operated or state-licensed. Residents of nursing homes are dependent in instrumental and basic activities of daily living and require frequent, and often intense, skilled nursing and/or medical interventions.

Domiciliary Care provides care in a semi-structured, homelike residential environment for patients with a medical, mental health, and/or substance abuse diagnosis where a positive therapeutic milieu stresses mutual patient support, development of psychosocial and vocational skills, progressive independence and community integration. Each patient's needs are addressed through a comprehensive interdisciplinary assessment and treatment plan and care is coordinated and integrated by an interdisciplinary team. Programs are also provided for homeless veterans who possess both a mental health and substance abuse diagnosis.

In addition, outpatient clinic services are coordinated with the USDVA at nearby medical centers and transportation to and from these centers is provided daily.

Historical Perspective

The history of Minnesota's Veterans Homes begins shortly after the Civil War. The Minnesota Legislature authorized the establishment of the Minnesota Soldiers' Home in 1887, as a "reward to the brave and deserving," and a Board of Trustees was established to manage the facility. This facility was not designed to be a medical facility; rather, it was seen as a monument to the contributions of veterans.

By the late 1960s, however, the Soldiers' Home Board of Trustees, along with others, recognized a growing need for making the health care needs of veterans a primary concern of the home. In 1972, a new nursing care facility was constructed on the Minneapolis campus; another one was built in 1980. Additionally, in 1978, the old state hospital in Hastings was converted into a domiciliary residence for veterans. As a result of the new construction in Minneapolis and the conversion of the Hastings facility, the homes had 250 nursing care beds at Minneapolis, 250 domiciliary beds at Minneapolis and 200 domiciliary beds at Hastings.

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 the health care field and veterans organizations. The board has assured that the homes 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

One key performance measure is bed occupancy. At the current time, all of our facilities are full and all are maintaining waiting lists for admission.

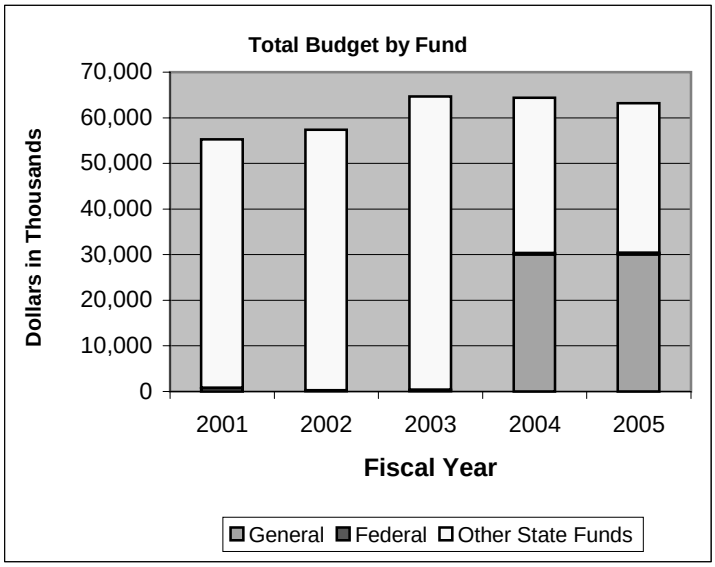
A second performance measure is budget management. Facilities are measured not only on how they generate revenues, but on how they manage expenses.

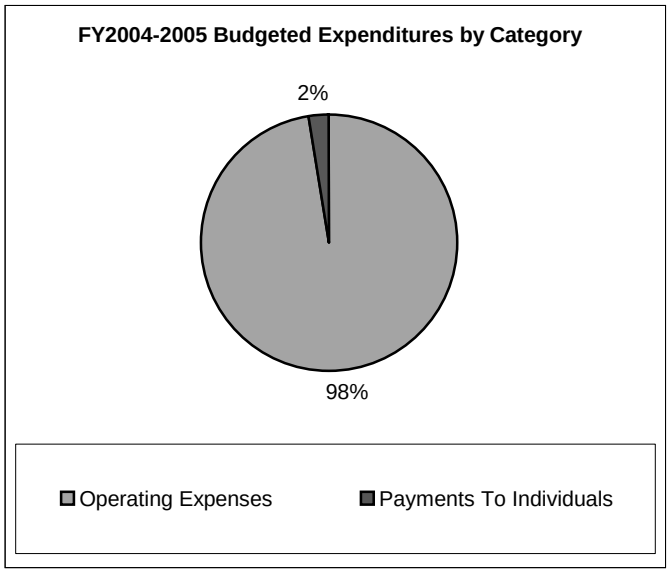
A third measure is reviewing quality indicators. Twenty-four quality indicators have been identified by the Center for Medicare & Medicaid Services. Examples include: new fractures, falls, weight loss, and pressure ulcers. Data on these measures are compared to peer group averages. The measures that compare negatively to peer group averages are reviewed with the goal of eliminating negative and achieving positive variances.

Contact

For more information, contact: Sandy Larson at (651) 296-2073.

The MN 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 includes history, bed availability, rules, agency initiatives, board meeting minutes, newsletters, vacancy data, board member information. Applications can also be downloaded.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	680	0	0	30,030	30,030	60,060
Statutory Appropriations						
Special Revenue	52,443	55,084	61,909	31,906	30,649	62,555
Federal	80	245	340	275	308	583
Miscellaneous Agency	1,394	1,415	1,604	1,604	1,604	3,208
Gift	678	621	808	600	600	1,200
Total	**55,275**	**57,365**	**64,661**	**64,415**	**63,191**	**127,606**
Expenditures by Category						
Operating Expenses	53,456	55,603	62,803	62,857	61,633	124,490
Capital Outlay & Real Property	489	427	316	16	16	32
Payments To Individuals	1,327	1,332	1,538	1,538	1,538	3,076
Local Assistance	3	3	4	4	4	8
Total	**55,275**	**57,365**	**64,661**	**64,415**	**63,191**	**127,606**
Expenditures by Activity						
Board Of Directors	1,469	1,490	1,531	1,568	1,535	3,103
Mpls Veterans Homes	28,973	30,274	34,355	33,569	32,905	66,474
Hastings Veterans Home	6,641	6,924	8,171	9,173	9,073	18,246
Silver Bay Veterans Homes	6,164	6,403	7,136	6,810	6,665	13,475
Luverne Veterans Home	6,068	6,199	6,748	6,736	6,595	13,331
Fergus Falls Veterans Home	5,960	6,075	6,720	6,559	6,418	12,977
Total	**55,275**	**57,365**	**64,661**	**64,415**	**63,191**	**127,606**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	12	230	0	0	0	0
Subtotal Non Dedicated	12	230	0	0	0	0
Dedicated						
Special Revenue	25,941	27,326	27,962	29,777	30,648	60,425
Federal	80	274	311	275	308	583
Miscellaneous Agency	1,381	1,458	1,610	1,610	1,610	3,220
Gift	496	508	546	546	546	1,092
Subtotal Dedicated	27,898	29,566	30,429	32,208	33,112	65,320
Total Revenue	**27,910**	**29,796**	**30,429**	**32,208**	**33,112**	**65,320**
Full-Time Equivalents (FTE)	**908.5**	**863.2**	**855.8**	**855.8**	**855.8**	

State of Minnesota
Department of Finance

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658 Cedar Street
St. Paul, Minnesota 55155
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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I hereby respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Health and Human Services omnibus bill. These agencies collectively administer $163.2 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $1 million (0.6%) increase from the FY 2002-03 biennium. The funding for these agencies will be used to provide health and supportive housing services for Minnesota Veterans, license and regulate health professionals, promote high standards for treatment of mental illness, promote the protection of children, and coordinate training and administration for eight independent EMS organizations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, eliminate duplication, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Agencies have focused reduction plans around administrative areas of the budget. In most cases this protects the core function of the agency, albeit at a reduced level. In some cases, reduced staff will have direct effects on citizens as they try to access government services.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

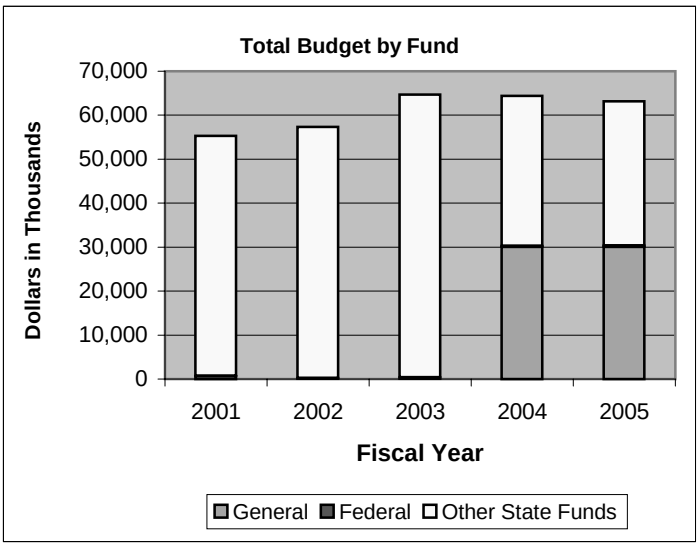
Dan McElroy
Commissioner

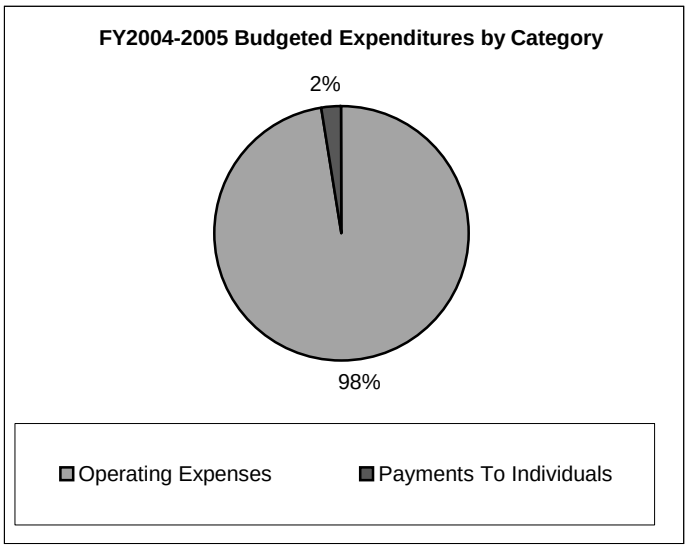
	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	61,860	67,546	129,406
One-Time Appropriations	-1,800	0	-1,800
Adjusted Base Funding	60,060	67,546	127,606
Governor's Recommendations	60,060	67,546	127,606
Biennial Change, 2002-03 to 2004-05	60,060	-54,480	5,580
Percent Change	n.m	-45%	5%

Brief Explanation Of Budget Decisions:

General Fund appropriations to the Veterans Homes Board are unchanged for the upcoming biennium. The appropriation adjustment removes one-time supplemental funding provided by the Legislature for FY 2003 from FY 2004-2005 funding levels.

Biennial change and percent change figures reflect that each fiscal year, the Veterans Homes Board's entire General Fund appropriation is transferred to the Special Revenue Fund and combined with receipts from the Veterans Administration and resident payments. This combined fund is used for the operation of the five veterans homes.





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	680	0	0	30,030	30,030	60,060
Statutory Appropriations						
Special Revenue	52,443	55,084	61,909	31,906	30,649	62,555
Federal	80	245	340	275	308	583
Miscellaneous Agency	1,394	1,415	1,604	1,604	1,604	3,208
Gift	678	621	808	600	600	1,200
Total	**55,275**	**57,365**	**64,661**	**64,415**	**63,191**	**127,606**

Expenditures by Category						
Operating Expenses	53,456	55,603	62,803	62,857	61,633	124,490
Capital Outlay & Real Property	489	427	316	16	16	32
Payments To Individuals	1,327	1,332	1,538	1,538	1,538	3,076
Local Assistance	3	3	4	4	4	8
Total	**55,275**	**57,365**	**64,661**	**64,415**	**63,191**	**127,606**

Expenditures by Program						
Veterans Homes	55,275	57,365	64,661	64,415	63,191	127,606
Total	**55,275**	**57,365**	**64,661**	**64,415**	**63,191**	**127,606**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	12	230	0	0	0	0
Subtotal Non Dedicated	12	230	0	0	0	0
Dedicated						
Special Revenue	25,941	27,326	27,962	29,777	30,648	60,425
Federal	80	274	311	275	308	583
Miscellaneous Agency	1,381	1,458	1,610	1,610	1,610	3,220
Gift	589	575	616	616	616	1,232
Subtotal Dedicated	27,991	29,633	30,499	32,278	33,182	65,460
Total Revenue	**28,003**	**29,863**	**30,499**	**32,278**	**33,182**	**65,460**
Full-Time Equivalents (FTE)	**908.5**	**863.2**	**855.8**	**855.8**	**855.8**	

Agency Purpose

The Board of Veterinary Medicine was established under the authority of Minnesota Statutes, chapter 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 in Minnesota. 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 2002-03

Total Expenses: $576,000

Total Revenues: $539,000

Staff: 1.75 Full-time equivalent employees

MN Licensed Veterinarians Statistics
(As of June 30, 2002)

Total Licensed: 2,750

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 serves the consumers of veterinary services by licensing as veterinarians only those individuals the board has determined meet the educational, character and examination requirements they have established. The board also serves the public by investigation of complaints regarding veterinary care and, when necessary, initiating corrective or disciplinary action against licensees who fail to maintain professional standards. The board serves the veterinary community by verifying and approving applicant credentials for entrance into the North American Veterinary Licensing Examination and for licensure in Minnesota and verifies licensure status to other state and federal agencies and the public.

Budget

Total direct and indirect expenses for FY 2002-03 biennium are $576,000. The board staff includes 1.75 full-time equivalent employees.

Of the total budget for the FY 2002-03 biennium, $539,000 is collected as non-dedicated revenue, which is deposited, into the state government special revenue fund. The board collects fees charged to applicants, licensees and professional corporations. The board is responsible to collect enough revenue to recover all direct and indirect costs.

The board is responsible for the costs of services received from the Attorney General's Office, Health Professional Services Program, and the Administrative Services Unit. A direct appropriation is given to each of these programs from the state government special revenue fund. The board must ensure that sufficient revenue is collected through its fees to fund their portion of these programs costs.

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: regulatory news and updates, rules and Minnesota statutes, public notices, and forms.

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February 18, 2003

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St. Paul, Minnesota

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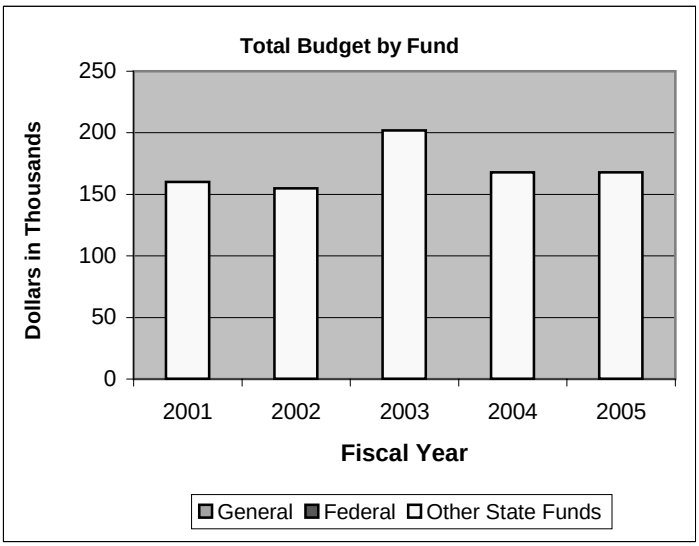
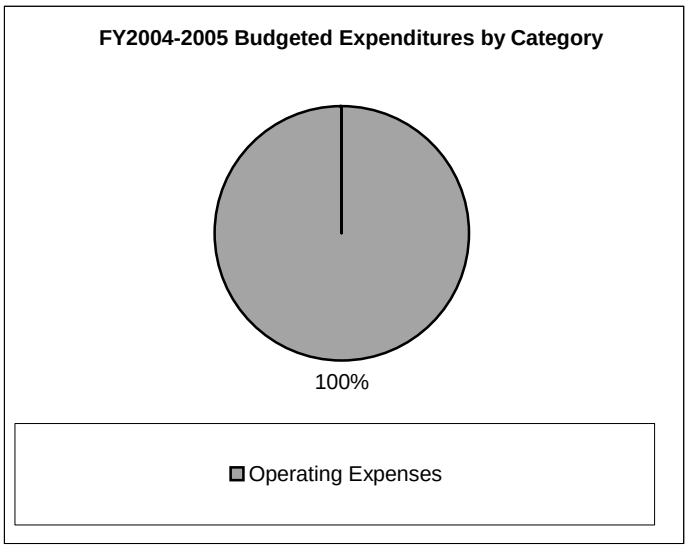
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	0	388	388
One-Time Appropriations	0	-52	-52
Adjusted Base Funding	0	336	336
Governor's Recommendations	0	336	336
Biennial Change, 2002-03 to 2004-05	0	-21	-21
Percent Change	n.m	-6%	-6%

Brief Explanation Of Budget Decisions:

The Veterinary Medicine Board is a fee-based organization that provides licensure and regulation services. Appropriations are made from the State Government Special Revenue (SGSR) fund and funding will continue at the FY 2003 level for both FY 2004 and FY 2005. The 6% decrease shown above is caused by a one-time appropriation of $26 in FY 2003.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
State Government Special Revenue	152	150	197	163	163	326
Open Appropriations						
State Government Special Revenue	7	5	5	5	5	10
Statutory Appropriations						
Special Revenue	1	0	0	0	0	0
Total	**160**	**155**	**202**	**168**	**168**	**336**
Expenditures by Category						
Operating Expenses	160	155	202	168	168	336
Total	**160**	**155**	**202**	**168**	**168**	**336**
Expenditures by Program						
Veterinary Medicine, Board Of	160	155	202	168	168	336
Total	**160**	**155**	**202**	**168**	**168**	**336**
Revenue by Type and Fund						
Non Dedicated						
State Government Special Revenue	293	269	270	276	276	552
Subtotal Non Dedicated	293	269	270	276	276	552
Total Revenue	**293**	**269**	**270**	**276**	**276**	**552**
Full-Time Equivalents (FTE)	**1.8**	**1.7**	**1.7**	**1.7**	**1.7**	

Change Item: SGSR TRANSFER TO THE GENERAL FUND

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	$7,500	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	(7,500)	0	0	0
Net Fiscal Impact	0	0	0	0

Recommendation
The Governor recommends transferring $7.5M from the State Government Special Revenue fund to the General Fund for the health related boards. This balance will be used to help reduce the state's general fund deficit.

Background
There are a total of 14 health related boards that operate out of the State Government Special Revenue fund. The boards receive a direct appropriation from the fund but collect fees to license and regulate various groups of health professionals. Fees collected by the boards are deposited into the fund as non-dedicated revenue.

Based on information in the November forecast there will be a surplus in this fund at the end of FY 2007. The surplus is above any expected changes in spending and does not require any new fees to make up for lost balances. These monies are surplus because current law prohibits the boards from changing fees for over or under recovery of costs after a period of two or five years.

Relationship to Base Budget
This amount is based on the standard operating reduction proposed for all agencies for FY 2004-05. There will be no change in non-dedicated revenues or expenditure levels of individual appropriation accounts for the health related board.

Alternatives Considered
Individual boards could have had appropriated amounts reduced to reflect a standard budget reduction. This would have required the boards to adjust fees as they must establish a fee structure which fully recovers expenditures.

Statutory Change: Not Applicable.

Agency Purpose

The purpose of the Veterans of Foreign Wars (VFW) is fraternal, patriotic, historical, and educational; to preserve and strengthen comradeship among its members; to assist worthy comrades; to perpetuate the memory and history of our dead and to assist their widows and orphans; to maintain true allegiance to the government of the United States of America and fidelity to the Constitution and laws; to foster true patriotism; to maintain and extend the institutions of American freedom; and to preserve and defend the United States from all her enemies, whomsoever.

Core Functions

The VFW's services are available to all veterans. Membership in the organization or VFW Ladies Auxiliary is not required in order to be represented by all VFW offices.

Operations

Claims and Services Offices

- serve as attorneys-in-fact for veterans, their dependants, widows, and orphans in securing funds and services to which they are entitled;
- seek to increase awareness among veterans in Minnesota of the available services;
- employ two accredited claims representatives and two secretaries at Fort Snelling U.S. Department of Veterans Affairs (VA) Regional Office; and
- provide representation in appeal procedures when claims are initially denied by federal agencies.

VA Medical Center in Minneapolis

- provides hospital representatives; and
- assists veterans and dependants in preparation of the required documentation and information necessary for securing health care benefits.

Washington, DC

- provides personnel for appeals for all veterans; and
- provides representation in front of the U.S. Court of Veterans Appeals.

Budget

The VFW receives a grant from the General Fund and uses it to supplement approximately 32% of its budget for salaries. In the FY 2002-03 biennium, base funding for this grant was $55,000 per year, which represents approximately 8% of the organization's total budget.

At A Glance

- The Department of Minnesota VFW has a governing board of 20 members called the Council of Administration.
- In 2001, the VFW represented 86,000 Minnesota veterans and their dependants. This number is expected to rise to 95,000 annually in 2002-03 and 100,000 in 2004-05.
- In 2001, the VFW recovered $33.2 million in total cash benefits from the federal government for veterans in Minnesota. This amount is expected to rise to over $35 million a year in the future.
- 75% of veterans in Minnesota will soon be over 65 years of age, which impacts the demand of VA-related services and health benefits. The average age of veterans:

World War II	79 years
Korean War	70 years
Vietnam War	55 years
Persian Gulf War	36 years

Contact

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State of Minnesota
Department of Finance

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the Governor's FY 2004-05 budget proposals for the non-cabinet agencies in the state government omnibus bill. Under the Governor's recommended budget, these agencies would collectively spend $12.882 million in General Fund dollars for the FY 2004-05 biennium. The funding provided for these agencies will be used for the protection of public assets and resources, assurance of due process related to governmental rulemaking, the regulation of the gambling and racing industries, administration of campaign finance and disclosure laws, and support to small non-profit organizations that assist Minnesota veterans.

The FY 2004-05 funding recommended for these agencies represents a $6.695 million (34.2%) decrease from the FY 2002-03 biennium. The recommendations will also result in a net decrease in revenue to the General Fund of $954,000 for the biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing and reorganizing some functions. Therefore, for some of the agencies in this bill, the Governor recommends that funding and/or operations be consolidated with other related operations in the state in order to ensure cooperation and shared services to reduce costs.

In addition, the Governor recommends mitigating the impact of the state's deficit by spreading the cuts broadly among agencies, and by ensuring that the industries and parties that benefit from these services assist in paying for them. Therefore, for some of the agencies in this bill, the Governor recommends that dependence upon General Fund dollars be supplanted or offset with fees and user charges, and that where appropriate, some fees billed to governmental agencies be reduced.

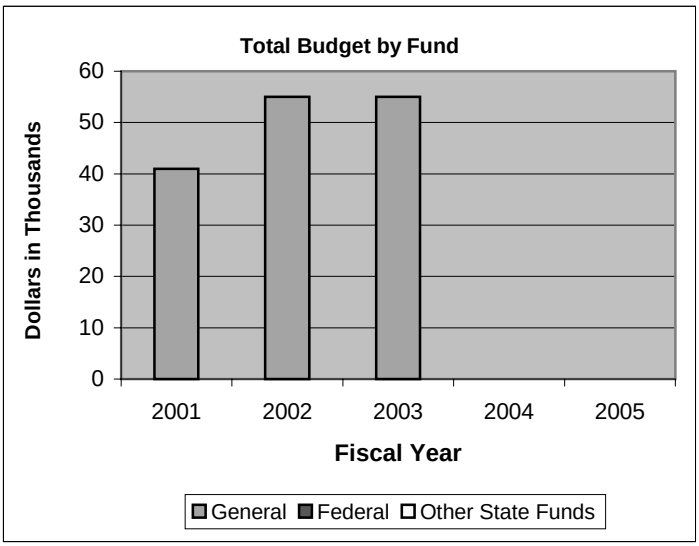
The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium as well as the Governor's recommendations for state funding of pension systems, and revenues from the Minnesota Lottery.

My staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	110	0	110
Adjusted Base Funding	110	0	110
Change Items			
Transfer To Veterans Affairs	-110	0	-110
Governor's Recommendations	0	0	0
Biennial Change, 2002-03 to 2004-05	-110	0	-110
Percent Change	-100%	n.m.	-100%



Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	41	55	55	0	0	0
Total	**41**	**55**	**55**	**0**	**0**	**0**
Expenditures by Category						
Local Assistance	41	55	55	0	0	0
Total	**41**	**55**	**55**	**0**	**0**	**0**
Expenditures by Program						
Veterans Of Foreign Wars	41	55	55	0	0	0
Total	**41**	**55**	**55**	**0**	**0**	**0**

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($55)	($55)	($55)	($55)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($55)	($55)	($55)	($55)

Recommendation

The Governor recommends appropriating a combined $75,000 each year of the FY 2004-05 biennium for grants to the Veterans of Foreign Wars (VFW), the Military Order of the Purple Heart, and the Disabled American Veterans. Furthermore, the Governor recommends transferring the individual appropriations for these agencies and providing grant oversight authority for the funds to the Department of Veterans Affairs. In addition, the Governor recommends consolidating up to $30,000 that is currently designated for the Vietnam Veterans Association within the Veterans Affairs budget with the combined appropriations. These consolidated funds would continue to be used for the claim service offices of the grantees.

Background

As non-profit organizations, the Department of Minnesota VFW as well as the Military Order of the Purple Heart of Minnesota, the Disabled American Veterans of Minnesota, and the Vietnam Veterans Association provide similar and complementary claims services to Minnesota veterans to those provided by the Minnesota Department of Veterans Affairs. The state also provides rent-free office space to these veterans organizations within the Veterans Services Building. Current state funding to the VFW represents only 8% of its individual operating budget.

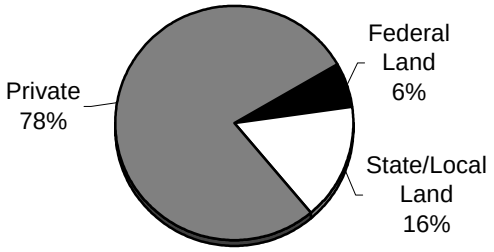
Relationship to Base Budget

It is anticipated that consolidation of the three direct appropriations within the Department of Veterans Affairs and providing oversight of the grants to the cabinet agency may generate efficiencies, and therefore, the combined appropriations would be reduced from $176,000 in FY 2002-03 to $150,000 in FY 2004-05, a 15% reduction.

Agency Purpose

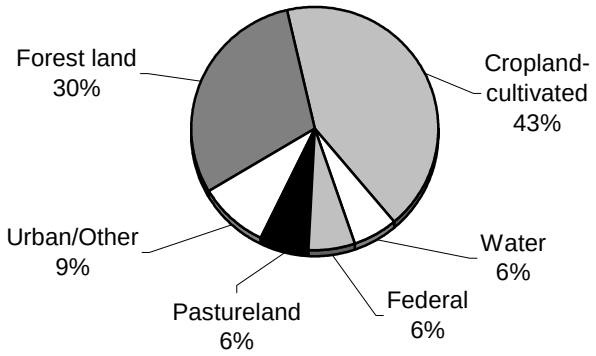
The Board of Water and Soil Resources purpose is to protect and enhance the state's irreplaceable soil and water resources by implementing (though local government) the state's soil and water conservation policy, comprehensive local water management and the wetland conservation act as it relates to the 41.7 million acres of private land in Minnesota. The agency is the state's administrative agency for 91 soil and water conservation districts, 43 watershed districts, 27 metropolitan watersheds and 80 county water management organizations.

Land Ownership



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 – contribute greatly to the production of environmental goods and benefits including cleaner air and water, fish and wildlife habitat and preservation of open spaces.

Variety of Land Uses



At A Glance

Two-year State Budget:

- $ 8.8 million in operating funds
- $28 million in pass-through grants
- $32.5 million in local government match funds for project implementation

Local Government Delivery System:

Agency responsibilities are delivered with or implemented by local government to assure local priorities and participation in private lands management. These include:

- Soil and Water Conservation Districts–91 SWCD's; 450 Elected Supervisors; 359 District Employees
- Watershed Districts-43 Watershed Districts; 213 Managers; 65 Employees
- Watershed Management Organizations-27 WMO's; 162 Members
- 87 Counties
- 230 Cities
- 304 WCA LGU's

Accomplishments:

- 178,181 acres of private land wildlife habitat and restored wetland through RIM Reserve
- 29,588 acres of wetland loss avoided
- 208 feedlot fixes through state cost share
- 1.9 million tons per year of prevented soil erosion
- 522,000 tons of sediment kept out of lakes, rivers and streams
- 1,105,000 pounds of phosphorus kept out of lakes, rivers and streams.

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. These outcomes are achieved, in spite of intensification of agriculture, greater demands for forest products and rapid urbanization in many parts of the state.

Core Functions

BWSR's mission is implemented through the following core functions:

⇒ The state soil conservation agency. (M.S. 103B.101)

⇒ Direct private land soil and water conservation programs through the action of SWCD's, counties, cities, townships, Watershed Districts, and Water Management Organizations. (M.S. 103C, 103D)

⇒ To link water resource planning with comprehensive land use planning. (M.S. 103B)

⇒ To provide resolution of water policy conflicts and issues (M.S. 103A.211, 103A.305, 103A.315, 103A.311).

⇒ To implement the comprehensive local water management acts. (M.S. 103B.201, 103B.255, 103B.301)

⇒ To provide the forum (through the board) for local issues, priorities and opportunities to be incorporated into state public policy. (M.S. 103B.101)

⇒ The state agency responsible for the wetland conservation act. (M.S. 103G)

⇒ To coordinate state and federal resources to realize local priorities.

Operations

The board consists of 17 members representing local government entities delivering BWSR services, 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 locations throughout Minnesota. The focus of agency staff is to provide technical and financial assistance to local government to plan and implement agency policy on private lands. The agency has a unique service delivery system using the staff and resources of local government, along with the state staff and resources, to work with private landowners to implement conservation on the ground. This provides an opportunity to partner state, federal, local and private resources to projects that help maintain water quality, prevent soil loss and erosion, plan for 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

BWSR funding is primarily from the General Fund. The majority of the funds are passed through to local government to administer state policies and programs the agency is responsible for. Outcomes are evaluated to assure conservation policy objectives are attained and that resources are expended to assure program success.

Contact

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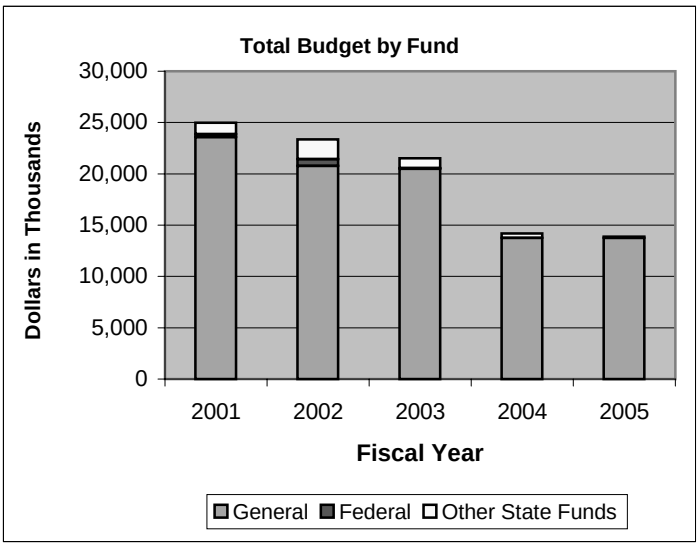
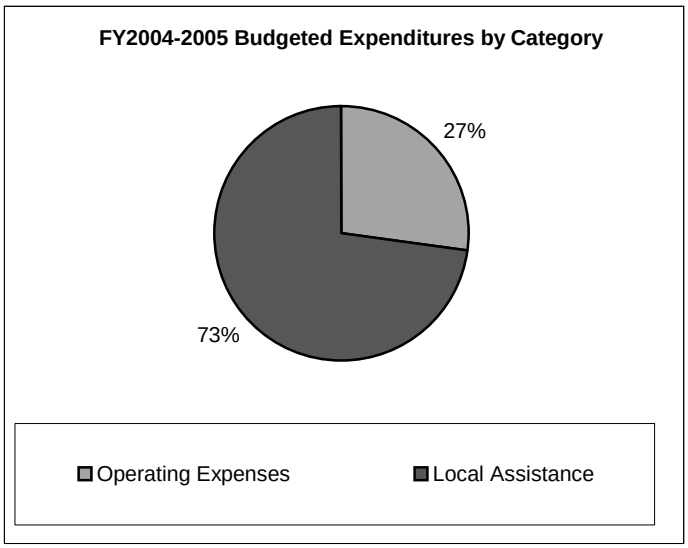




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	463	261	280	118	118	236
General	23,577	20,757	20,476	13,762	13,761	27,523
Minnesota Resources	0	1,365	0	0	0	0
Statutory Appropriations						
Special Revenue	684	331	684	321	2	323
Federal	265	653	84	0	0	0
Total	**24,989**	**23,367**	**21,524**	**14,201**	**13,881**	**28,082**
Expenditures by Category						
Operating Expenses	5,184	4,954	5,052	4,532	4,393	8,925
Capital Outlay & Real Property	96	101	0	125	0	125
Local Assistance	19,709	18,312	16,472	11,971	11,915	23,886
Transfers	0	0	0	-2,427	-2,427	-4,854
Total	**24,989**	**23,367**	**21,524**	**14,201**	**13,881**	**28,082**
Expenditures by Program						
Water & Soil Resrcs Bd	24,989	23,367	21,524	14,201	13,881	28,082
Total	**24,989**	**23,367**	**21,524**	**14,201**	**13,881**	**28,082**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
Environment & Natural Resource	0	0	12	0	0	0
General	45	99	51	128	128	256
Minnesota Resources	0	4	0	0	0	0
Subtotal Non Dedicated	45	103	63	128	128	256
Dedicated						
Special Revenue	546	551	500	182	2	184
Federal	438	395	68	0	0	0
Subtotal Dedicated	984	946	568	182	2	184
Total Revenue	**1,029**	**1,049**	**631**	**310**	**130**	**440**
Full-Time Equivalents (FTE)	**58.4**	**52.2**	**50.8**	**45.9**	**45.9**	

Program Description

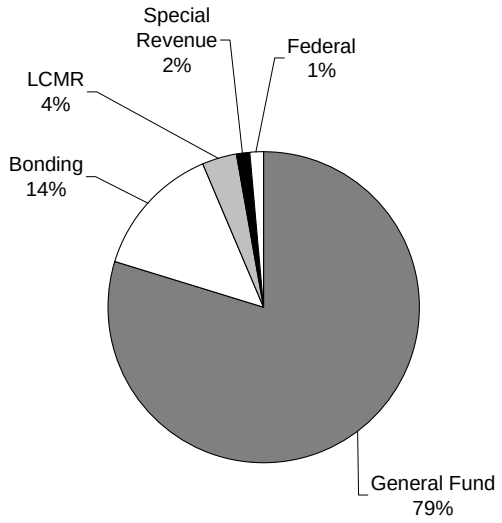
The purpose of this program is to provide the necessary resources for implementation of the state's soil and water conservation policy, comprehensive local water management and the wetland conservation act. Program resources support agency staff and local government staff implementing conservation and resource protection programs on the ground. The financial and technical support provided through grants and staffing assist local government to deliver on state mandated resource protection objectives.

Budget Activities Included:

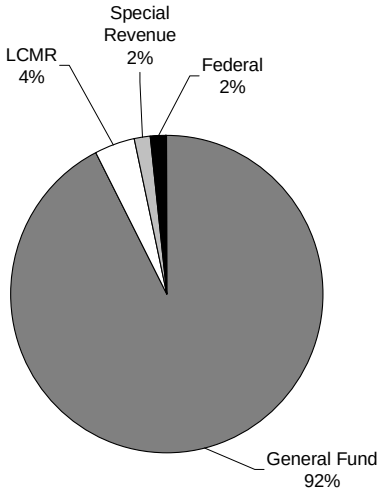
⇒ BWSR Operations
⇒ Grants to Local Governments
⇒ Easements

Financing

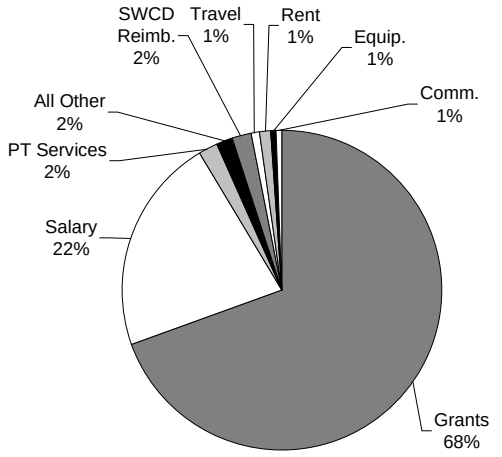
FY 02-03 Operating Funds (includes Bonding) $51.7 Million



FY 02-03 Operating Funds (excludes bonding) $44.6 Million



FY 02-03 Spending Categories (includes Bonding) $51.7 Million



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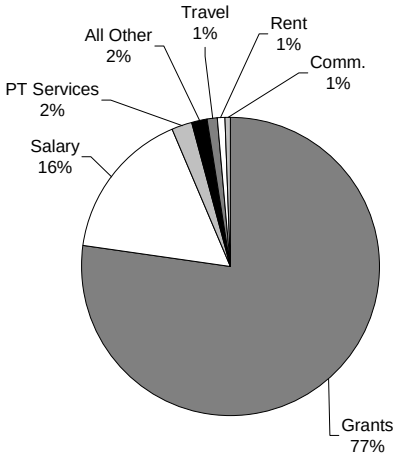

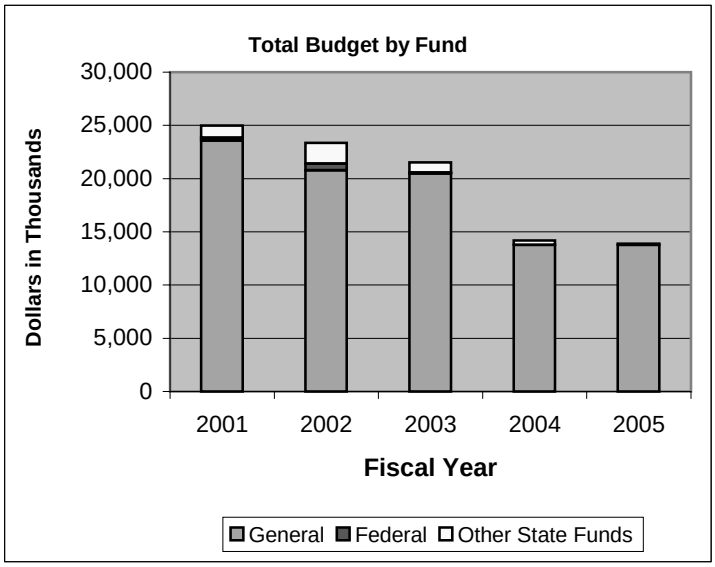

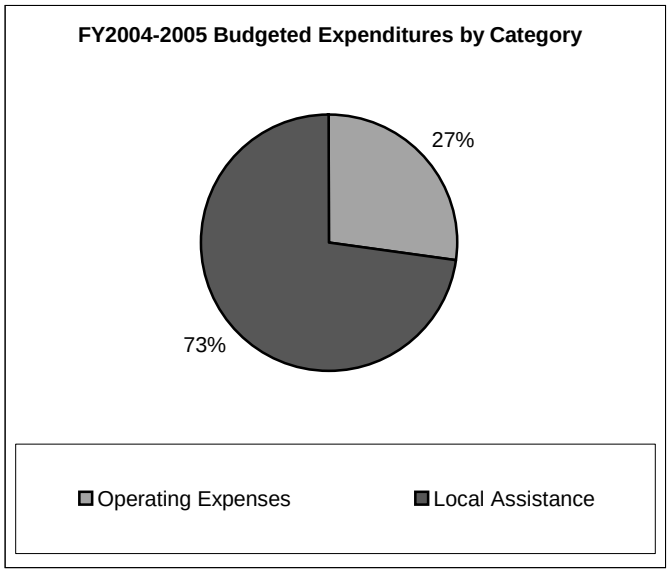

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Total	**24,989**	**23,367**	**21,524**	**14,201**	**13,881**	**28,082**
Expenditures by Activity						
Bwsr Operations	5,748	4,954	5,052	4,532	4,393	8,925
Grants To Local Government	19,145	18,312	16,472	9,544	9,488	19,032
Easements	96	101	0	125	0	125
Total	**24,989**	**23,367**	**21,524**	**14,201**	**13,881**	**28,082**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
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Full-Time Equivalents (FTE)	**58.4**	**52.2**	**50.8**	**45.9**	**45.9**	

Activity Description

This activity exists to provide technical and administrative resources necessary to assure state soil and water resource management goals and objectives are attained. The activity provides agency staff support to local governments for implementation of the state's soil and water conservation policy, resource protection 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
  - ⇒ 43 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 with an emphasis on private lands. Meeting state environmental goals requires working with a broad network of local governments who each posses some of the tools to address particular aspects of solving problems. There are almost 800 local units of government empowered with the responsibility to deliver services on behalf of the agency to achieve the state soil and water conservation and protection goals. These entities are clients, as well as agents in that they receive technical and administrative support from the activity but they are also the activities major service provider.

Services Provided

Lists address some of the responsibilities of the Board of Water and Soil Resources (BWSR) in the following areas:

Soil and Water Conservation Districts (SWCD) M.S. 103C

- ⇒ Hear petitions and order formation of, consolidation of and/or division of districts, approve change of location, conduct referendum and order discontinuance of districts.
- ⇒ Approve changes to nominating districts for elections and hear petitions/order removal of elected supervisors.
- ⇒ Establish and enforce penalties for violation of grant programs and/or misconduct of supervisors or employees.
- ⇒ Approve and administer state grants, coordinate programs and activities with state and federal agencies.
- ⇒ Develop structural land use management practices and other programs designed to achieve soil and water conservation goals.
- ⇒ Review and approve works of improvement.

Watershed Districts and Watershed Management Organizations (WMOs) M.S. 103B & D

- ⇒ Establish, define boundaries, enlarge or consolidate districts. Appoint first board of managers of new districts.
- ⇒ Receive and hear appeals of district project orders.
- ⇒ Review annual audits and reports. Enforce member eligibility requirements. Assign non-implementing areas to associated counties.
- ⇒ Approve management plans and revisions, review rules and regulations, review and approve engineering reports on proposed projects, and approve plans for establishment of stormwater utility fees.
- ⇒ Authority to investigate misconduct of managers.

Counties and Cities M.S. 103B, F & G

⇒ Approve land management plans.
⇒ Hear and decide appeals of wetland replacement, wetland exemption determinations and municipal contracts with water plans.
⇒ Rescind WCA authority, impose building moratoriums.
⇒ 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 & G

⇒ Project review, dispute resolution, and appeals.
⇒ Participate on technical evaluation panel.
⇒ Interagency coordination and enforcement.
⇒ Evaluate local government unit (LGU) performance.
⇒ Administer program rules, banking, forms, manuals, training, and delineator certification.
⇒ Delineator certification.
⇒ Develop, review, and approve local wetland plans and ordinances.
⇒ Acquisition and development for local government wetland road replacement program.

Comprehensive Local Water Management Program M.S. 103

⇒ Establish content expectation for local water management plan including citizen involvement.
⇒ Review and approve plans submitted.
⇒ Resolve disputes arising from planning process.
⇒ Support local implementation of local water management plan.
⇒ 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.

Historical Perspective

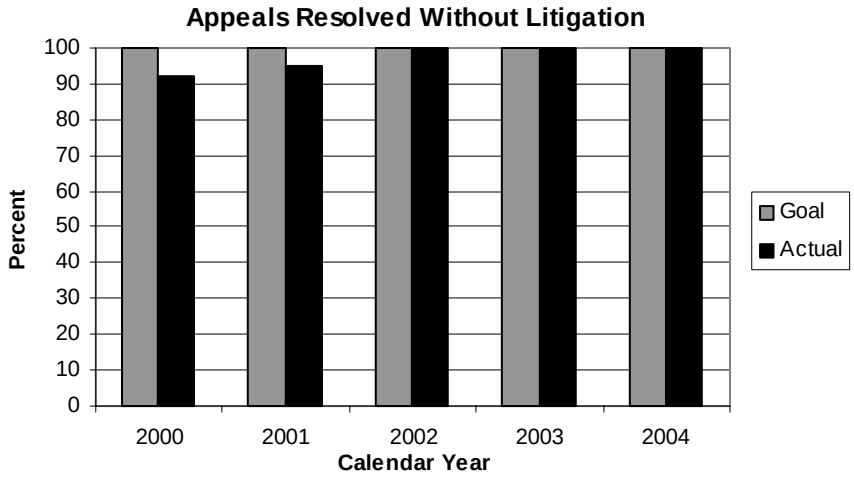
The agency was created in 1987 as a result of the merger of the Water Planning Board, the Southern Minnesota Rivers Basin Council and the Minnesota Soil and Water Conservation Board. The history of the agency dates back to the 1930's in some form. BWSR is different from other agencies because of its board of local officials, citizens, and state agencies. This forum is unique in its ability to bring diverse interests to the table to achieve mutual goals and coordinate activities. The board also provides a means for local government to have input into the administrative branch of government.

The Reinvest in Minnesota (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 this state. The protection is intended for both quality and quantity of wetlands. Activity efforts focus on wetlands located on private lands, restoration of wetlands that have been drained for filled for agriculture and wetlands that are disturbed for urban development and transportation projects.

Key Measures

No net loss of wetlands will be a key measure for this activity. The method for tracking and calculating this measure is currently being developed. The measurement should demonstrate progress toward the state goal for wetland protection of no net loss. An additional measure that will be developed is to tract training activities for local government. Activity performance can be measured by the effectiveness of local delivery systems as they are the key to local program implementation.



Contact

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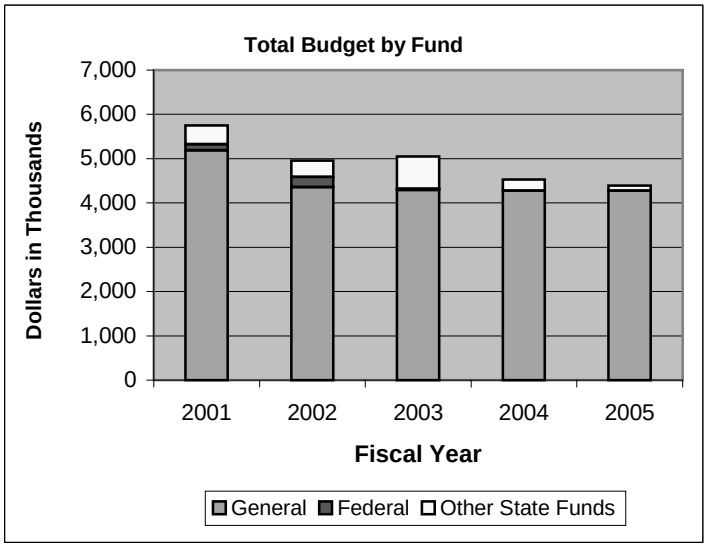
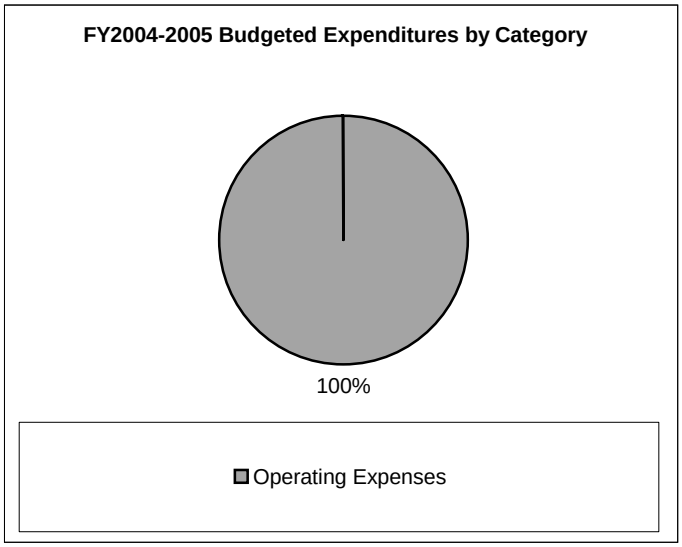




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	151	224	280	118	118	236
General	5,185	4,355	4,288	4,274	4,273	8,547
Statutory Appropriations						
Special Revenue	270	144	452	140	2	142
Federal	142	231	32	0	0	0
Total	**5,748**	**4,954**	**5,052**	**4,532**	**4,393**	**8,925**
Expenditures by Category						
Operating Expenses	5,184	4,954	5,052	4,532	4,393	8,925
Local Assistance	564	0	0	0	0	0
Total	**5,748**	**4,954**	**5,052**	**4,532**	**4,393**	**8,925**
Revenue by Type and Fund						
Non Dedicated						
General	0	3	0	0	0	0
Subtotal Non Dedicated	0	3	0	0	0	0
Dedicated						
Special Revenue	546	349	115	57	2	59
Federal	384	340	56	0	0	0
Subtotal Dedicated	930	689	171	57	2	59
Total Revenue	**930**	**692**	**171**	**57**	**2**	**59**
Full-Time Equivalents (FTE)	**57.4**	**52.2**	**50.8**	**45.9**	**45.9**	

Activity Description

Grant programs provide funding to local units of government responsible for delivering agency services in their local communities. The funding provided is for local program administration and conservation projects put on the ground. The goal is to maximize the financial and human resources (state, local, and federal) available to deliver the goals and 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. Those grant funds are used to implement local water management programs and to provide cost-share to private landowners who use these funds and their own financial resources to install conservation practices on their land to benefit state water and soil resources.

Services Provided

The activity primarily provides financial incentives for local units of government and landowners to construct 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 government manage the quantity and quality of their water and to construct projects that will improve water resources.

Funding for wetland regulatory activities allows local government to protect the wetland resources in their community. The funding and state regulatory authority they receive through the agency programs allow them to identify and protect wetlands from construction and development in order to achieve the state resource conservation and protection goals.

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 Calendar Year 2001

Land and Water Treatment Projects

- Number of projects 3,763
- Total Cost $19,020,000
  - ⇒ BWSR Cost $3,430,000
  - ⇒ Minnesota Pollution Control Agency (MPCA) $1,383,000
  - ⇒ Other State Agency $1,955,000
  - ⇒ MPCA State Loans $867,000
  - ⇒ Minnesota Department of Agriculture (MDA) State Loans $2,442,000
  - ⇒ Occupier Cost $4,900,000
  - ⇒ Local Government Unit Cost $1,527,000
  - ⇒ Federal Cost $2,165,000
  - ⇒ Other Cost $351,000
- Soil loss reduction 349,000 tons per year
- Sediment reduction 59,400 tons per year
- Phosphorus reduction 131,000 pounds per year

Local Water Planning Projects

- Number of education projects 606
- Number of planning projects 43
- Number of inventories 81
- Number of monitoring projects 293

Feedlot Water Quality Mgmt Cost Share Projects

- Number of projects 28
- Phosphorus reduction 2,574 pounds per year

Historical Perspective

The state has provided funding to SWCD's to assist with the expenses of their operations, to perform maintenance inspections on state 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 always matched with landowner contributions and frequently 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 their compliance with rules and regulations for feedlots.

The natural resources block grant provides funding for program administration at the local level for water planning, shoreland management, and 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 2003 budget reductions.

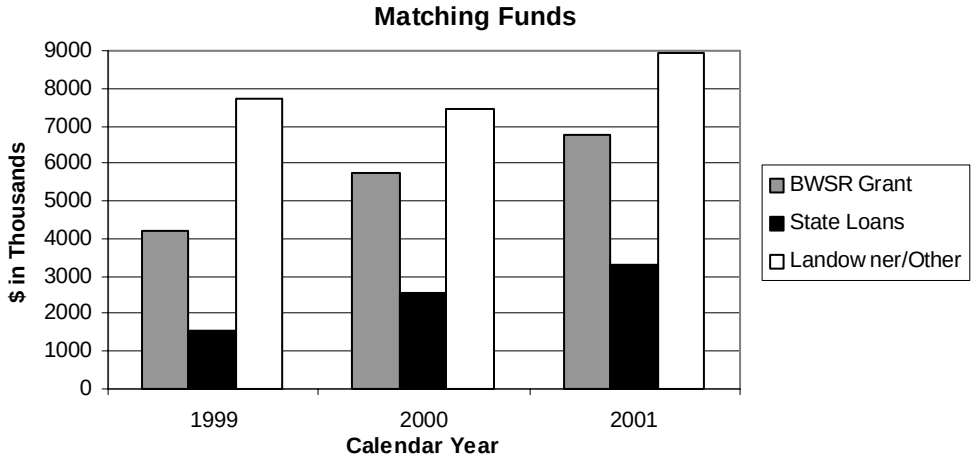
Key Measures

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 funds practice implementation on maintaining soil on the land where it belongs rather than in the water. The Natural Resources Inventory, done every five years will provide source data to determine performance.

Tons of sediment/pounds of phosphorous prevented from degrading state surface waters.

	Calendar Year Reporting					
	1999 Actual	2000 Actual	2001 Actual	2002 Estimated	2003 Estimated	2004 Estimated
Phosphorus Reduction (pounds per year)	172	226	131	140	140	140
Soil Loss Reduction (tons per year)	488	283	349	300	300	280
Sediment Reduction (tons per year)	108	81	59	75	75	70

Conservation partnerships developed to provide 1 to 1 match for state project dollars.



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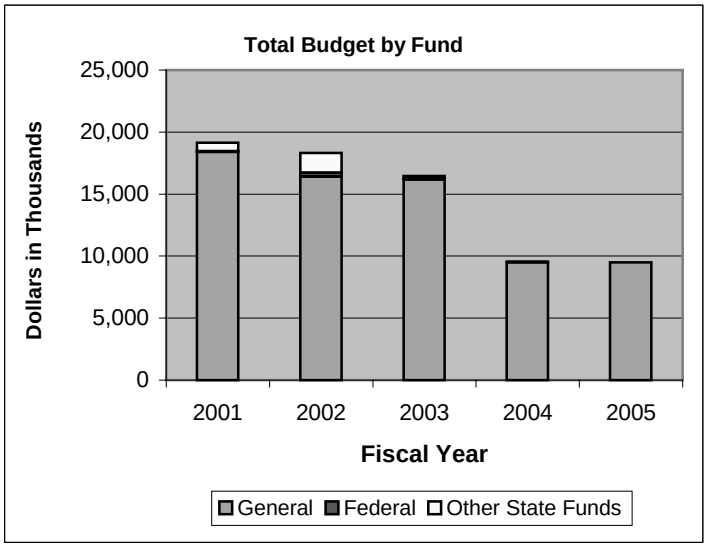
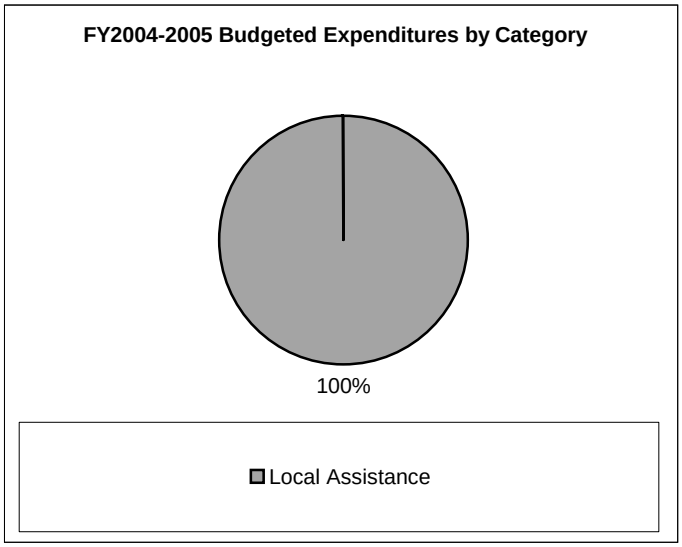
WATER & SOIL RESOURCES BOARD
Program: WATER & SOIL RESRCS BD
Activity: GRANTS TO LOCAL GOVERNMENT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	312	37	0	0	0	0
General	18,392	16,402	16,188	9,488	9,488	18,976
Minnesota Resources	0	1,365	0	0	0	0
Statutory Appropriations						
Special Revenue	393	187	232	56	0	56
Federal	48	321	52	0	0	0
Total	**19,145**	**18,312**	**16,472**	**9,544**	**9,488**	**19,032**
Expenditures by Category						
Local Assistance	19,145	18,312	16,472	11,971	11,915	23,886
Transfers	0	0	0	-2,427	-2,427	-4,854
Total	**19,145**	**18,312**	**16,472**	**9,544**	**9,488**	**19,032**
Revenue by Type and Fund						
Non Dedicated						
Environment & Natural Resource	0	0	12	0	0	0
General	45	96	51	0	0	0
Minnesota Resources	0	4	0	0	0	0
Subtotal Non Dedicated	45	100	63	0	0	0
Dedicated						
Special Revenue	0	202	385	0	0	0
Federal	54	55	12	0	0	0
Subtotal Dedicated	54	257	397	0	0	0
Total Revenue	**99**	**357**	**460**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**1.0**	**0.0**	**0.0**	**0.0**	**0.0**	

Activity Description

The Reinvest in Minnesota Reserve (RIM Reserve) program establishes the activities 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 out states working lands. Easements provide public benefits without removing lands from local tax rolls or having the state incur the costs and liabilities of ownership.

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 or restoring a wetland. The benefits derived are improvements to water quality, reduction in soil loss and sediment and habitat creation. Resources of this activity are often matched up with federal U.S. Department of Agriculture (USDA) programs like, Conservation Reserve Program (CRP), Wetland Replacement Program (WRP) to maximize benefits and leverage federal resources.

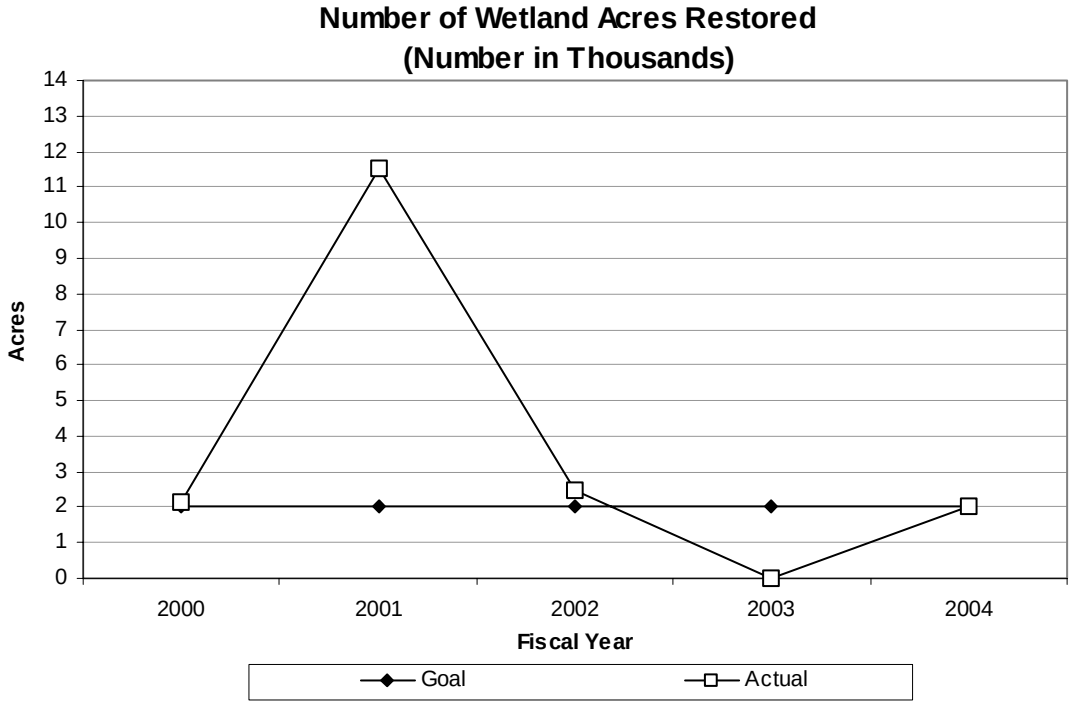
Activity at a Glance

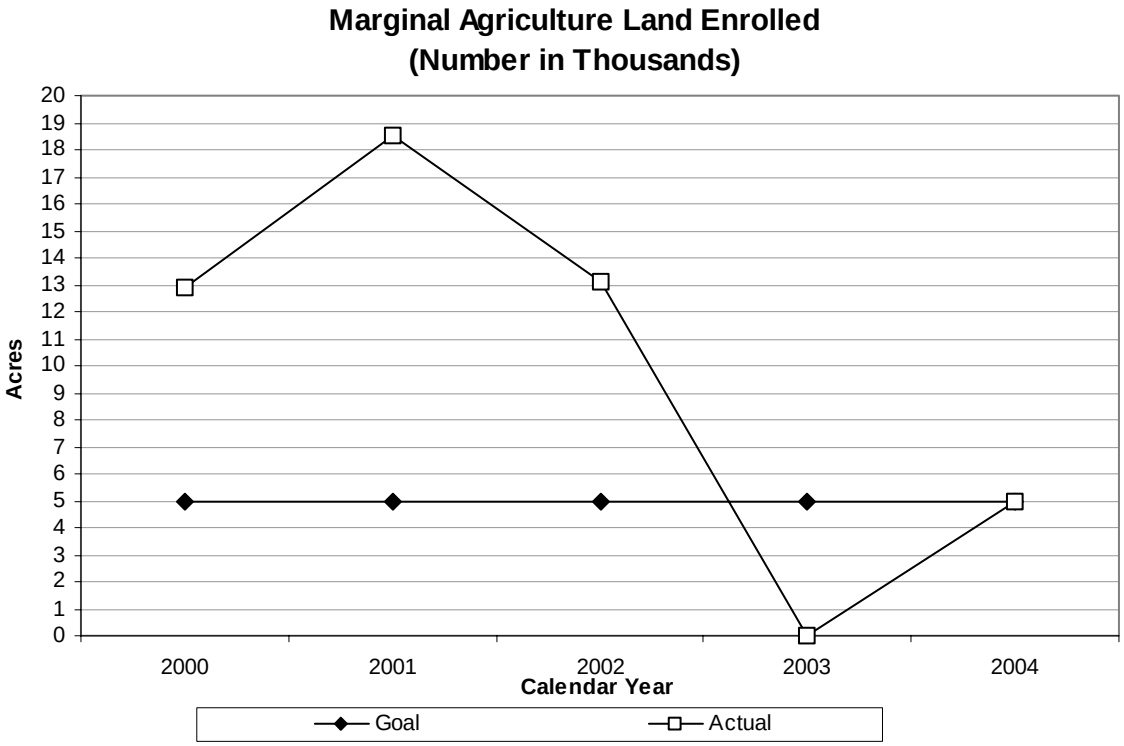
- 4,798 easements (1986-2001)
- Number of acres enrolled in easement programs
  - ⇒ RIM 59,587
  - ⇒ RIM/CREP 101,194
  - ⇒ RIM/WRP 7,017
  - ⇒ PWP 11,803
- Acres by land type enrolled
  - ⇒ Marginal Cropland 14,319
  - ⇒ Riparian 68,866
  - ⇒ Sensitive Groundwater 1,175
  - ⇒ Wetlands Restored 81,113
  - ⇒ Other 14,128
- 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 $147,386,000
- Federal dollars matched for easements $173,403,000
- 2002 implementation cost per acre enrolled $152

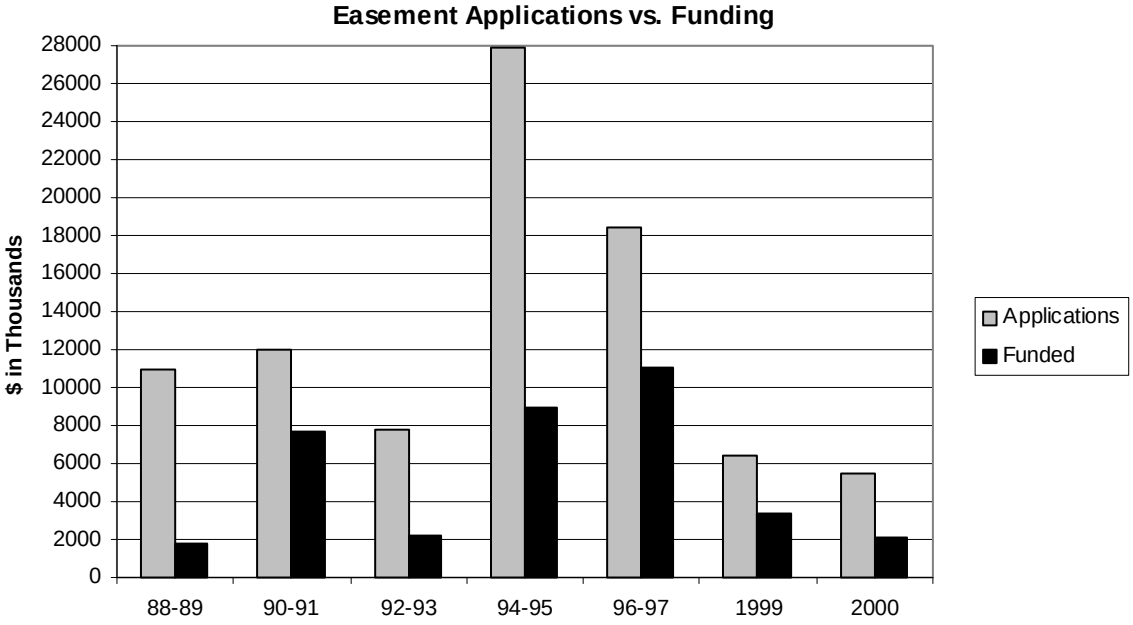
Historical Perspective

In 1986 The Reinvest in Minnesota act was passed and a RIM reserve program was created to keep certain marginal agricultural land out of crop production or from being pastured to protect water quality and increase fish and wildlife habitat. In the 1996 Federal Farm Bill, a conservation reserve enhancement program (CREP) was authorized. The Minnesota River CREP was one of the first state efforts to be approved in the nation and has resulted in over 100,000 acres of easements being acquired over the last four years and added to the agencies easement inventory.

Key Measures







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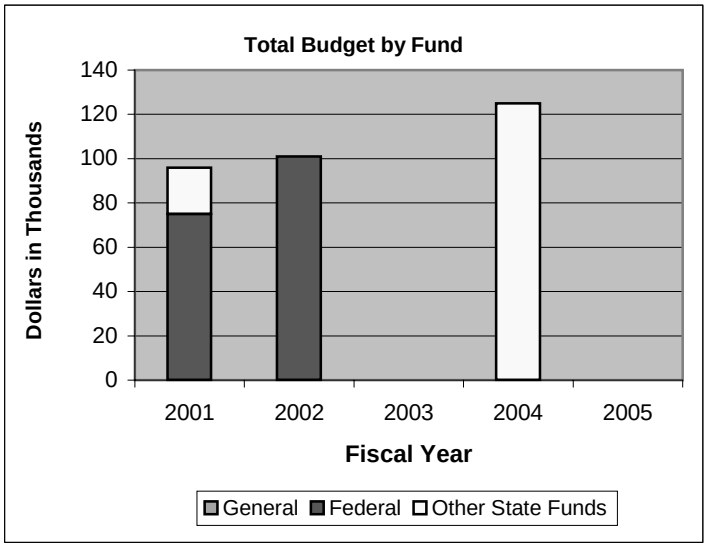

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Special Revenue	21	0	0	125	0	125
Federal	75	101	0	0	0	0
Total	**96**	**101**	**0**	**125**	**0**	**125**
Expenditures by Category						
Capital Outlay & Real Property	96	101	0	125	0	125
Total	**96**	**101**	**0**	**125**	**0**	**125**
Revenue by Type and Fund						
Dedicated						
Special Revenue	0	0	0	125	0	125
Subtotal Dedicated	0	0	0	125	0	125
Total Revenue	**0**	**0**	**0**	**125**	**0**	**125**

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Environment, Natural Resources, and Agriculture omnibus bill. These agencies collectively administer $129 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $28 million (18%) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to protect our water quality, reduce soil erosion, protect the health of our domestic livestock, educate citizens on environmental issues, and help farmers find ways to compete in the world market.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Examples of reductions in this area include a 20% average reduction in agency administrative costs, and $13 million in reductions to grant programs.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

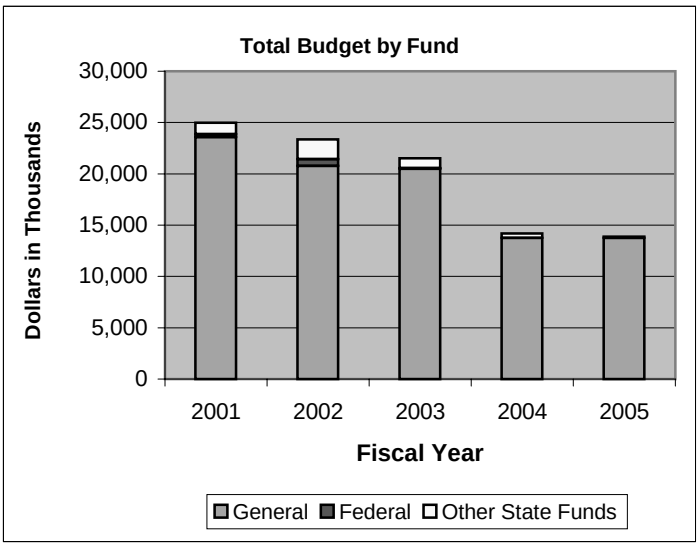
Sincerely,

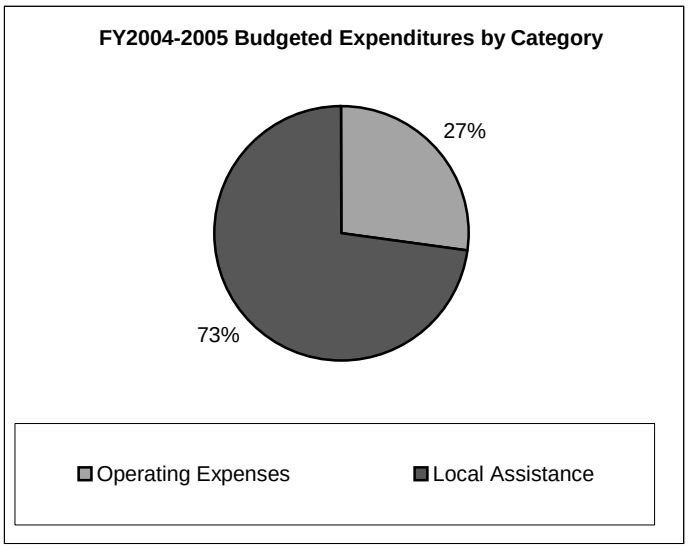
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	33,664	767	34,431
Biennial Appropriations	700	0	700
Legislatively Mandated Base	-280	0	-280
One-Time Appropriations	0	-500	-500
Adjusted Base Funding	34,084	267	34,351
Change Items			
Budget Reduction	-6,817	0	-6,817
LCMR Recommendation	0	292	292
Wetland Banking	256	0	256
Governor's Recommendations	27,523	559	28,082
Biennial Change, 2002-03 to 2004-05	-13,710	-3,099	-16,809
Percent Change	-33%	-85%	-37%

Brief Explanation Of Budget Decisions:

The biennial appropriation base adjustment was needed to reflect BWSR's use of its "carry-forward carry-back" authority. The legislatively mandated base adjustment reflects the "phase one" reduction BWSR received in the FY 2002 session. The one-time appropriation adjustment was for an LCMR project.





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	463	261	280	118	118	236
General	23,577	20,757	20,476	13,762	13,761	27,523
Minnesota Resources	0	1,365	0	0	0	0
Statutory Appropriations						
Special Revenue	684	331	684	321	2	323
Federal	265	653	84	0	0	0
Total	**24,989**	**23,367**	**21,524**	**14,201**	**13,881**	**28,082**
Expenditures by Category						
Operating Expenses	5,184	4,954	5,052	4,532	4,393	8,925
Capital Outlay & Real Property	96	101	0	125	0	125
Local Assistance	19,709	18,312	16,472	11,971	11,915	23,886
Transfers	0	0	0	-2,427	-2,427	-4,854
Total	**24,989**	**23,367**	**21,524**	**14,201**	**13,881**	**28,082**
Expenditures by Program						
Water & Soil Resrcs Bd	24,989	23,367	21,524	14,201	13,881	28,082
Total	**24,989**	**23,367**	**21,524**	**14,201**	**13,881**	**28,082**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
Environment & Natural Resource	0	0	12	0	0	0
General	45	99	51	128	128	256
Minnesota Resources	0	4	0	0	0	0
Subtotal Non Dedicated	45	103	63	128	128	256
Dedicated						
Special Revenue	546	551	500	182	2	184
Federal	438	395	68	0	0	0
Subtotal Dedicated	984	946	568	182	2	184
Total Revenue	**1,029**	**1,049**	**631**	**310**	**130**	**440**
Full-Time Equivalents (FTE)	**58.4**	**52.2**	**50.8**	**45.9**	**45.9**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($3,408)	($3,409)	($3,409)	($3,409)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	($3,408)	($3,409)	($3,409)	($3,409)

Recommendation

The Governor recommends a reduction of $3,408,000 in FY 2004 and $3,409,000 in FY 2005. This reduction requires changes in both the business processes of the agency and the way the agency provides funds to local governments that provide soil, water and wetland protection programs on behalf of the state.

Background

The agency accomplishes its goals through the state's 91 soil and water conservation districts (SWCD), 45 watershed districts and counties, cities and townships implementing wetland protection and comprehensive local water management programs. This budget plan places priority on the agencies mission of achieving the state's objectives for clean air, clean water and abundant fish and wildlife habitat through the wise use and management of the state's 41.7 million acres of private land. The budget plan preserves:

⇒ The agency's core mission of soil erosion control and water conservation on private lands.
⇒ Cost-share assistance that offsets a portion of landowner cost for implementing soil and water conservation projects and feedlot pollution control abatement systems.
⇒ Technical assistance to farmers, ranchers and forestland owners through the agencies non-point engineering assistance program and the state's 91 SWCD's.
⇒ Technical and financial assistance to over 300 local governments, which carry out the state's mandatory wetland protection program.
⇒ The agencies alternative dispute resolution program for citizens that are aggrieved by local government decisions relating to the wetland conservation act, and watershed district projects and rules.
⇒ The agencies ability to partner with and leverage technical assistance and financial resources of the U.S. Department of Agriculture Natural Resources Conservation Services and Farm Service Agency, the Minnesota Pollution Control Agency and the U.S. Environmental Protection Agency.

This proposal eliminates funding and staff technical assistance for the state's voluntary Comprehensive Local Water Planning Act implemented by counties outside the seven county metropolitan area. Implementation activities funded through this program can be broadly categorized under the headings of education and information, monitoring and data collection, inventory and mapping, land use planning and regulation, and land and water treatment practices. Based on 2001 calendar year reporting, loss of funding will result in:

- 606 fewer education projects;
- elimination of 293 local surface and groundwater monitoring projects; and
- approximately 700 land and water treatment projects not being implemented.

Surface water planning in the seven metropolitan counties will not be affected by this reduction.

The reduction proposed is split between the agency operating funds and the agency grant programs. Operating funds will be reduced by 5% in this plan with the reduction primarily relating to support for local water management planning grants being eliminated in the proposal. The grant funds reduction represents a 25% reduction to grants. In addition to the water planning grant elimination, $615,000 is being reduced from feedlot cost share per year. This reduction is possible because of the increase in federal funding that will be targeted for feedlots in this state from the USDA Environmental Quality Incentive Program. This reduction should not impact the target established for clean up and fixes of polluting feedlots because the money reduced by the state will be available from the federal program.

Relationship to Base Budget

The change item represents a 20% reduction in agency operating and grant funds. The budget reduction also requires the repeal of the State's local government road wetland replacement program, which has no longer been funded in bonding appropriations.

Key Measures

⇒ Increased accountability for local units of government.
⇒ Maximize Minnesota's share of federal farm bill conservation program funding.
⇒ Advancements towards one stop shopping for WCA.
⇒ Improved use of technology for processing grants and reporting accomplishments.

Alternatives Considered

Several alternatives were considered in management of the agency operating and grant programs. Also reviewed in this process were federal farm bill conservation programs that need to be leveraged. All proposals directly affect the agencies ability to deliver on the critical mission factors of the programs. In weighing the pro's and con's of all proposals, the impacts of the one presented seemed most manageable.

Specific proposals considered would have had the following impacts:

⇒ Across the board cuts.
⇒ Stop the GP2 permitting process and give up on assumption of 404.
⇒ No agency participation in technical panels for WCA.
⇒ All disputes would have to go to district court.
⇒ No maintenance performed on RIM easements.
⇒ Leave federal dollars earmarked for Minnesota conservation programs with the federal government.
⇒ Provide additional mandates and increase cost for local government to pick up state programs.

Statutory Change: M.S. 103B, 103C and 103G

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	$128	$128	$128	$128
Revenues	$128	$128	$128	$128
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends a proposed new fee for costs of wetland banking accounting and administration and the funding necessary to administer the wetland banking program. Significant increases in the workload associated with wetland bank accounting and administration have occurred as use of the bank has increased since it was established in 1993. The recommendation is to assess fees to cover bank administration costs associated with project reviews, legal documentation, client inquiries, reporting, database development and management, and accounting requirements necessary to maintain the state's wetland banking system.

Background

The face of wetland mitigation banking has changed substantially over the past 10 years in Minnesota and nationally according to recent reports by the Environmental Law Institute, the General Accounting Office of the federal government and two assessments of the state wetland banking system by interagency committees. The ELI study noted what has been occurring in Minnesota for several years, wetland mitigation banking has evolved from a small industry dominated by state and local governments to a growing commercial enterprise dominated by entrepreneurs. In Minnesota, activity in the wetland bank has grown to approximately 80 private accounts and over 20 public accounts.

Since the early 1990's federal agency guidance and legislation (Clean Water Act and Federal Farm Bills), state policies (Executive Orders 91-3. 00-02) and legislation (Wetland Conservation Act) have promoted the use of wetland mitigation banking, which allows developers and landowners to compensate for the negative impacts of their development projects on existing wetlands by paying for the restoration or creation of an off-site wetland.

Wetland mitigation banking is an innovative, market driven system that has improved the efficiency and effectiveness of state environmental standards, streamlined the state and federal regulatory processes for developers and landowners and provided entrepreneurs and land speculators with an income stream. However, thus far, the costs of the program have been borne by the public at large rather than the users of the system who are building, buying and selling the wetland credits.

Fees would be established for account maintenance; account establishment, deposit or transfer and withdrawal. The maintenance fee would be set at $500.00 per year and generate and estimated $40,000.00 per year. Establishment, deposit or transfer fee would be $1,000.00 and would generate and estimated $30,000.00 per year. The withdrawal fee would be 6.5% of the value of the credits and would generate $58,500.00 per year.

Relationship to Base Budget

The workload associated with the bank was initially accommodated as part general Wetland Conservation Act program responsibilities but the growth of the banking system has greatly outstripped the capacity of the existing program staff. The reduction in agency staff available and the greater use of the wetland bank have created the need to establish a funding system to cover the cost of continued operation of the wetland bank.

Key Measures

⇒ High quality wetland restorations.
⇒ Accounting integrity for account holders and regulatory agencies.
⇒ Clear and legally sound processes for buyers and sellers.

- ⇒ Regulatory standards are met.
- ⇒ Regulatory simplification and efficient and improved wetland mitigation is achieved.
- ⇒ Fragmented impacts from projects are consolidated in well managed areas to provide habitat, water quality and other wetland functions generally at lower cost.

Alternatives Considered

Examples of alternatives considered include:

- ⇒ Eliminate the wetland banking program which would create a state liability to existing account holders.
- ⇒ Freeze on any new deposits, upsets market driven system and still has an 8 to 12 year workload component to manage existing accounts.
- ⇒ Convert the banking program into a private enterprise, which has complications because of being a regulatory program that serves standards also required by the federal government. (Not a short term solution.)
- ⇒ Convert the banking system to an entirely public system that would not include private development of credits except for the state acquisition of land but this to would require a significant investment of capital funds.
- ⇒ Provide for a fee system driven by wetland account activity, project application or value of credits sold.

Statutory Change: M.S. 103G

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
Environmental Trust Fund				
Expenditures	$118	$118	0	0
Future Resources Fund				
Expenditures	0	0	0	0
Great Lakes Protection Account				
Expenditures	56	0	0	0
Net Fiscal Impact	$174	$118	0	0

Recommendation

The Governor has recommended the elimination of the dedicated funding for the Future Resources Fund. The Governor is not making specific recommendations on LCMR projects at this point, but intends to provide a statement of the administration's priorities for Environmental Trust Fund projects at a later time.

Background

Local Water Planning Challenge Grants – $790,000 from the Future Resources Fund to accelerate the local water planning challenge grant program. Local match required.

Updating Outmoded Soil Survey: Improving Existing Soils Database – $118,000 each year from the Environmental Trust Fund to continue updating and digitizing outmoded soil surveys in Fillmore, Goodhue, Dodge, and Wabasha counties. Cost share is required.

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 applicable 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.

Budget

The budget for FY 2002-03 totals $3.187 million. The WCCA is funded by a direct appropriation from the workers' compensation special fund.

The court currently has the equivalent of 13.5 full-time equivalent employees. The WCCA reduced its base funding for the 2002-03 biennium due to savings resulting from a reduction in personnel.

Contact

Workers' Compensation Court of Appeals
Minnesota Judicial Center
25 Constitution Avenue
St. Paul, Minnesota 55155-1500

World Wide 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

State of Minnesota
Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 296-5900
Fax: (651) 296-8685
TTY: 1-800-627-3529

February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Economic Development omnibus bill. These agencies collectively administer $130 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $17.5 million (17.8%) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to preserve Minnesota's rich history, support the state's art community, regulate professional licensees, and provide advice to the Governor and legislature on issues effecting the state's minority populations.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

We have evaluated the role of government in a number of these agencies and are recommending the elimination of state funding. The reduction level for most of the other non-cabinet agencies in the economic development area ranges from 15-20%. Most agencies have focused on reducing their administrative areas of the budget in order to preserve the core functions of the agency.

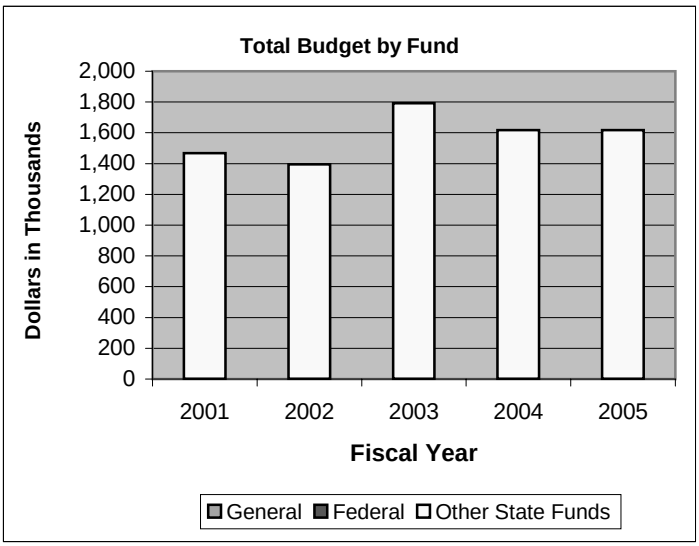
The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

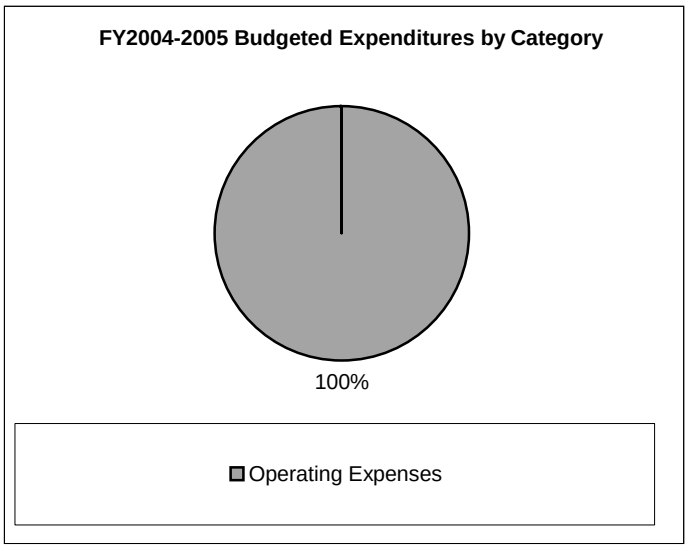
I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	0	3,236	3,236
Adjusted Base Funding	0	3,236	3,236
Governor's Recommendations	0	3,236	3,236
Biennial Change, 2002-03 to 2004-05	0	49	49
Percent Change	n.m	2%	2%





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Workers Compensation	1,468	1,394	1,793	1,618	1,618	3,236
Total	**1,468**	**1,394**	**1,793**	**1,618**	**1,618**	**3,236**
Expenditures by Category						
Operating Expenses	1,468	1,394	1,793	1,618	1,618	3,236
Total	**1,468**	**1,394**	**1,793**	**1,618**	**1,618**	**3,236**
Expenditures by Program						
Workers Comp Ct Of Appeals	1,468	1,394	1,793	1,618	1,618	3,236
Total	**1,468**	**1,394**	**1,793**	**1,618**	**1,618**	**3,236**
Revenue by Type and Fund						
Non Dedicated						
General	3	3	2	0	0	0
Subtotal Non Dedicated	3	3	2	0	0	0
Total Revenue	**3**	**3**	**2**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**14.5**	**13.9**	**13.9**	**13.9**	**13.9**	

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, habitation, preservation, care, exhibition, examination or study of wild and domestic animals.

The **mission** of the Zoo is to strengthen the bond between people and the living earth by inspiring visitors to act on behalf of the environment. To accomplish this the Zoo provides award winning educational, recreational, and conservation programs.

The Zoo is a public-private partnership intended to actively solicit the support of and financial donations from non-state sources. The Zoo belongs to the people of Minnesota and its facilities and programs are accessible to all Minnesotans.

Core Functions

The Zoo provides opportunities for Minnesotans and out of state visitors to experience wildlife in meaningful ways. These experiences encourage stewardship for animals and nature and foster a greater appreciation for the rich diversity of the earth.

At A Glance

Zoo Information:

- More than 1,000,000 visitors annually
- Over 200,000 school children visit annually
- The Zoomobile brings the Zoo to over 75,000 Minnesotans each year
- Over 2300 animals in the diverse collection
- Collection includes 15 species on the U.S. Endangered Species Act list

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

FY 2002-03 Operating Budget:

- General Fund: $14.2 million
- Gifts: $2.4 million
- Earned Income: $17.7 million

The Zoo is currently embarking on a reaffirmation of its purpose. A clear course of action has been established in order to continue the Zoo's active engagement in conservation activities and, through those efforts, to expand support for the development of 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 moving forward in the following ways.

⇒ **Visitor services and experiences** are being upgraded to match the Minnesota public's evolving sophistication and desire to experience wildlife in more meaningful ways.

⇒ **Deferred maintenance** of the facility is being addressed to protect the public's investment and health of the collection.

⇒ **Our animals** will be provided with optimal spaces for enriched lives and reproduction as part of critical conservation programs as exhibits are built or renovated.

⇒ Programs are being delivered to provide for **lifelong learning** and engagement with conservation activities in a dedicated effort to fulfill the Zoo's mission.

Operations

The MZB is comprised of 30 citizens who have been appointed to supervise and control the operations of the Zoo. Fifteen members of the board are appointed by the governor and fifteen members are appointed by the MZB. An important function of the MZB is to foster private sector support for the Zoo. The MZB appoints an executive director who carries out the directives of the board in the operation of the Zoo.

The **Education Programs** at the Zoo provide visitors with educational interactions with the Zoo's plant and animal collection, designed to foster the development of values supportive of species survival, biodiversity, habitat protection and environmental stewardship.

⇒ The Minnesota Zoo is the only zoo in the country with an education department that is accredited by the North Central Association of Schools and Colleges.

⇒ 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 its environmental education program.

The Zoo and specifically the **Conservation Department** is dedicated to delivering conservation programs both locally and beyond the Zoo. Conservation efforts strive to preserve biodiversity and promote an understanding of animals and nature. The Zoo partners with organizations to promote the survival of threatened and endangered species and ecosystems.

⇒ The Zoo participates in fifteen American Zoo and Aquarium Association (AZA) Species Survival Plans.

⇒ Zoo staff persons serve as AZA studbook keepers for seven species found in our collection.

⇒ The conservation department staff continues to coordinate global tiger conservation programs through the Tiger Global Conservation Strategy.

The Zoo provides family oriented **recreational experiences** that are educational as well are entertaining. Visitors to the Zoo have fun and leave with a greater understanding, appreciation, and respect for animals and nature.

⇒ Over one million visitors come to the Zoo annually, a figure few zoo in the country match.

⇒ New and exciting exhibits are being developed as funding is available. The Zoo has recently renewed the Siberian tiger exhibit to increase both the educational and recreation value of the experience.

⇒ Recent studies conducted as part of the Master Plan process indicate that visitors have a largely positive view of the Zoo and the emphasis on animal viewing experiences in a naturalistic, park-like setting.

Budget

Funding of the operating budget of the Zoo is a combination of the state appropriation of General Fund and Natural Resources Fund dollars, the earned income from charges to visitors at the Zoo, and contributions from the private sector. In the last decade the trend has been for the percentage of funding from the state to decline, while the funding coming from charges to visitors and contributions has increased. In the early 1990's the state appropriation was approximately 60% of the total operating budget. In the FY 2002-03 biennium the state General Fund is approximately 40% of the total operating budget.

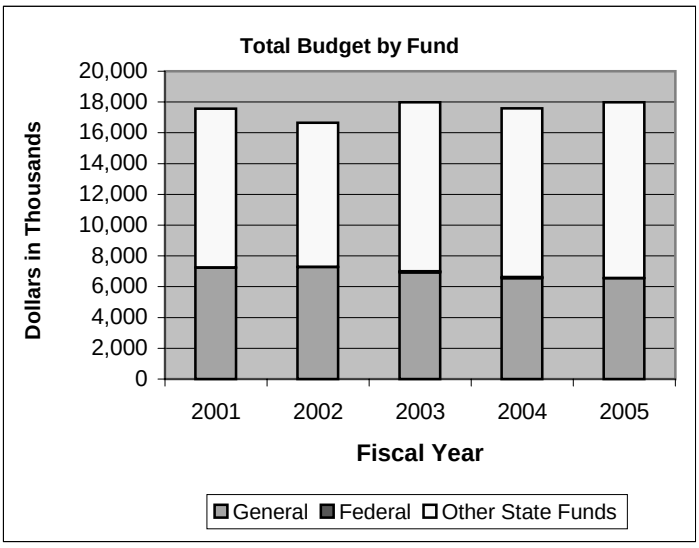
The Zoo's FY 2002-03 operating budget totals $34.6 million dollars. Of that total, $17.7 million is earned income collected from Zoo visitors through admission fees, gift store sales, food service sales, monorail sales, and the fees collected from additional special programs and miscellaneous sources.

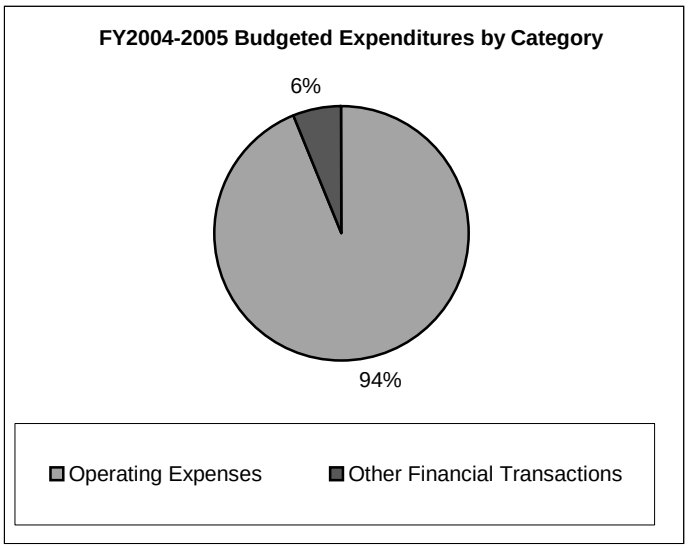
The Zoo currently operates with approximately 205 full-time equivalent employees (FTE). Approximately 160 of the total FTE are full-time permanent employees. During the peak summer months the Zoo adds a large number of part-time and temporary employees to handle the increased operating needs.

Contact

For more information, contact: Peggy Adelmann, Chief Financial Officer, Minnesota Zoo, at (952) 431-9309, or by e-mail at: Peggy.Adelmann@state.mn.us.

The Minnesota Zoo web site at www.mnzoo.com gives visitors easy access to useful information about the Minnesota Zoo, its collection of animals, and the Zoo's involvement in conservation activities.





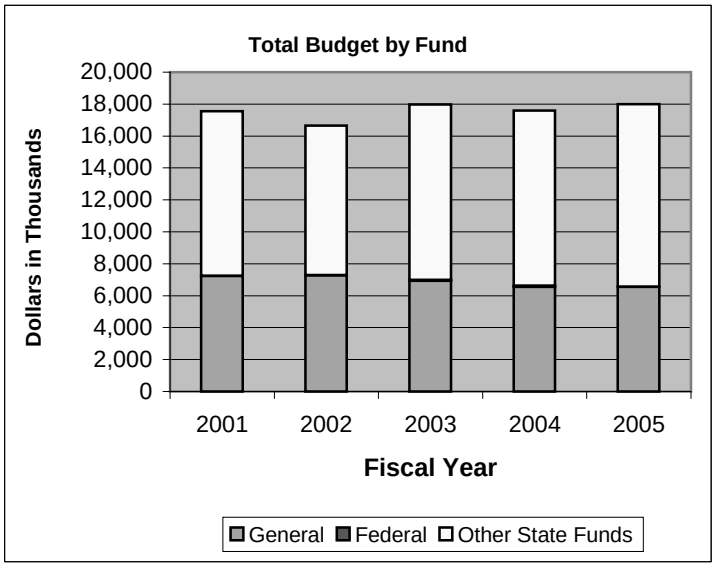
Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	7,238	7,277	6,926	6,557	6,557	13,114
Minnesota Resources	0	213	17	0	0	0
Natural Resources	154	142	152	122	122	244
Statutory Appropriations						
Special Revenue	8,609	8,028	9,121	9,791	10,238	20,029
Federal	0	0	56	56	0	56
Miscellaneous Agency	0	0	373	0	0	0
Gift	1,557	985	1,333	1,070	1,070	2,140
Total	**17,558**	**16,645**	**17,978**	**17,596**	**17,987**	**35,583**
Expenditures by Category						
Operating Expenses	16,121	14,868	16,743	16,399	16,829	33,228
Capital Outlay & Real Property	39	511	95	95	95	190
Other Financial Transactions	1,398	1,266	1,140	1,102	1,063	2,165
Total	**17,558**	**16,645**	**17,978**	**17,596**	**17,987**	**35,583**
Expenditures by Program						
Minnesota Zoo	17,558	16,645	17,978	17,596	17,987	35,583
Total	**17,558**	**16,645**	**17,978**	**17,596**	**17,987**	**35,583**
Revenue by Type and Fund						
Dedicated						
Special Revenue	8,383	8,285	9,271	10,199	10,055	20,254
Federal	0	0	56	56	0	56
Miscellaneous Agency	0	0	373	0	0	0
Gift	1,584	826	1,325	1,064	1,064	2,128
Subtotal Dedicated	9,967	9,111	11,025	11,319	11,119	22,438
Total Revenue	**9,967**	**9,111**	**11,025**	**11,319**	**11,119**	**22,438**
Full-Time Equivalents (FTE)	**204.3**	**199.1**	**205.1**	**200.2**	**198.8**	

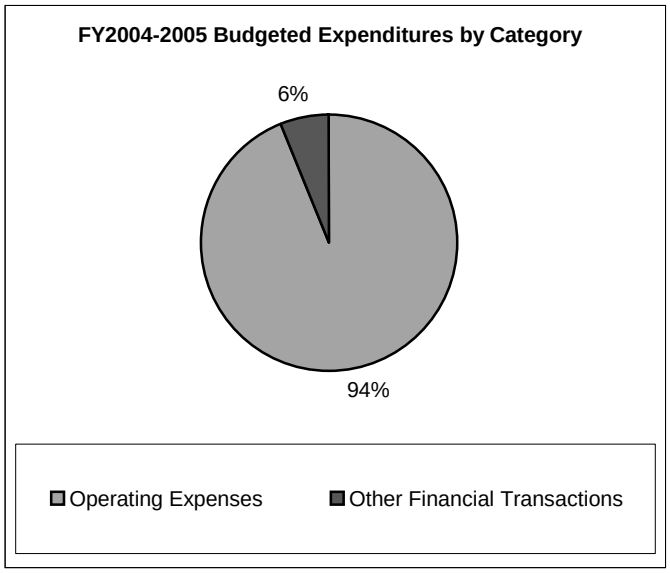
Program Description

The purpose of the Minnesota Zoo program is to operate the Minnesota Zoological Garden located in Apple Valley.

Budget Activities Included:

⇒ Biological and Conservation
⇒ Education
⇒ Facility Operations
⇒ Guest & External Services
⇒ Administrative Support





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	7,238	7,277	6,926	6,557	6,557	13,114
Minnesota Resources	0	213	17	0	0	0
Natural Resources	154	142	152	122	122	244
Statutory Appropriations						
Special Revenue	8,609	8,028	9,121	9,791	10,238	20,029
Federal	0	0	56	56	0	56
Miscellaneous Agency	0	0	373	0	0	0
Gift	1,557	985	1,333	1,070	1,070	2,140
Total	**17,558**	**16,645**	**17,978**	**17,596**	**17,987**	**35,583**
Expenditures by Category						
Operating Expenses	16,121	14,868	16,743	16,399	16,829	33,228
Capital Outlay & Real Property	39	511	95	95	95	190
Other Financial Transactions	1,398	1,266	1,140	1,102	1,063	2,165
Total	**17,558**	**16,645**	**17,978**	**17,596**	**17,987**	**35,583**
Expenditures by Activity						
Biological And Conservation	3,927	3,890	4,318	4,339	4,530	8,869
Education	1,157	1,321	1,416	1,326	1,258	2,584
Facility Operations	5,632	5,366	5,700	5,331	5,421	10,752
Guest & External Services	4,014	4,057	4,332	4,371	4,470	8,841
Administrative Support	2,828	2,011	2,212	2,229	2,308	4,537
Total	**17,558**	**16,645**	**17,978**	**17,596**	**17,987**	**35,583**

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Dedicated						
Special Revenue	8,383	8,285	9,271	10,199	10,055	20,254
Federal	0	0	56	56	0	56
Miscellaneous Agency	0	0	373	0	0	0
Gift	1,584	826	1,325	1,064	1,064	2,128
Subtotal Dedicated	9,967	9,111	11,025	11,319	11,119	22,438
Total Revenue	**9,967**	**9,111**	**11,025**	**11,319**	**11,119**	**22,438**
Full-Time Equivalents (FTE)	**204.3**	**199.1**	**205.1**	**200.2**	**198.8**	

Activity Description

Biological/Conservation Programs activities at the Zoo fulfill the Zoo's mission by managing the collection, habitation, preservation, care, exhibition, and the examination and study of wild and domestic animals. The Conservation Office at the Zoo develops and implements conservation activities at the Zoo and as part of global efforts to protect threatened and endangered animal species and ecosystems. The activity provides the Zoo visitor with interpretive programs and activities related to the Zoo's plant and animal collection.

Activity at a Glance

- The Minnesota Zoo is a pioneer in both local and national conservation activities.
- The Zoo collection includes 15 species on the United States Endangered Species Act list.
- Over 1 million visitors a year come to the Zoo.

Population Served

The Biological/Conservation Programs activity serves all the visitors to the Zoo. In FY 2002 attendance at the Zoo was in excess of 1 million visitors.

Services Provided

The Biological/Conservation Programs at the Zoo provide for services both to the Zoo visiting public and to larger conservation efforts in the following ways.

⇒ Zoo research promotes the survival of threatened and endangered species. The Zoo is a partner in both national and global networks to manage animal reproduction and population.

⇒ The activity provides for the acquisition, breeding and health of the Zoo's diverse collection of animal species.

⇒ Animal interpretive programs provide entertaining and educational program utilizing the Zoo's animal collection. These programs include the World of Birds Show, Dolphin Show, and animal demonstrations designed to inform and motivate the Zoo visitors.

⇒ The Zoo works closely with and houses the international headquarter of both the Conservation Breeding Specialist Group (CBSG) and the International Species Information System (ISIS). CBSG manages captive and wild populations of over 3,000 endangered species around the world. ISIS maintains a database of more than 6,000 threatened or endangered species throughout the world. These are independent, self-supporting organizations that greatly enhance the Zoo's conservation programs.

⇒ The animal collection currently stands at about 2,300 animals, with 105 animals representing 15 species on the United States Endangered Species Act list. The Zoo is involved with national and international programs to breed and preserve these species.

Key Measures

⇒ The Animal Collection Plan is maintained to guide the Zoo's long-range planning and the cooperative efforts of the conservation and the education programs to create rich and thought-provoking experiences.

⇒ 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 trail's mission, organization, and species selection.

⇒ The Zoo measures visitor understanding and enjoyment of the exhibits and programs through surveys.

Activity Funding

Funding of the Conservation activity is from a combination of the revenue earned at the Zoo through admissions and other charges, and from the General Fund appropriation.

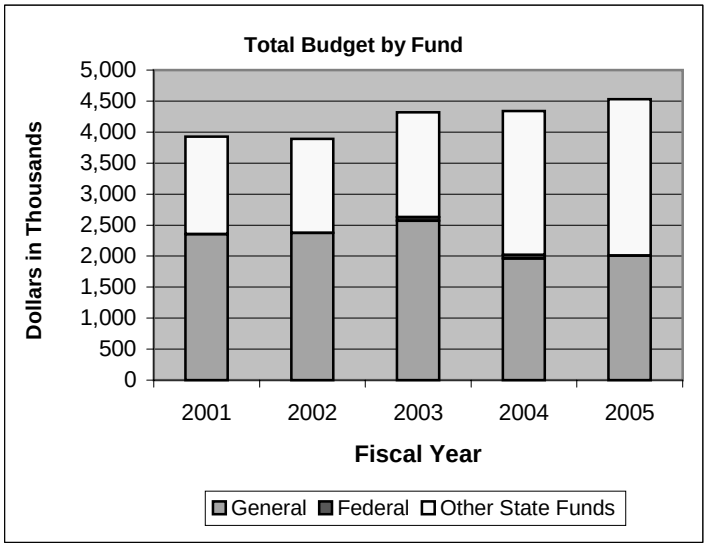
Contact

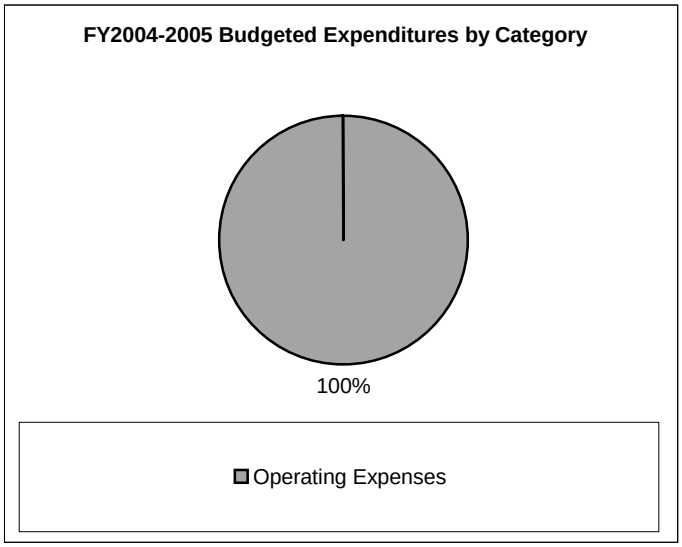
For more information, contact: Peggy Adelmann, Chief Financial Officer, Minnesota Zoo, at (952) 431-9309, or by e-mail at: Peggy.Adelmann@state.mn.us.

The Minnesota Zoo web site at www.mnzoo.com gives visitors easy access to useful information about the Minnesota Zoo, its collection of animals, and the Zoo's involvement in conservation activities

ZOOLOGICAL BOARD
Program: MINNESOTA ZOO
Activity: BIOLOGICAL AND CONSERVATION

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,353	2,372	2,568	1,961	2,008	3,969
Statutory Appropriations						
Special Revenue	1,005	980	1,037	1,876	2,076	3,952
Federal	0	0	56	56	0	56
Gift	569	538	657	446	446	892
Total	**3,927**	**3,890**	**4,318**	**4,339**	**4,530**	**8,869**
Expenditures by Category						
Operating Expenses	3,927	3,890	4,318	4,339	4,530	8,869
Total	**3,927**	**3,890**	**4,318**	**4,339**	**4,530**	**8,869**
Revenue by Type and Fund						
Dedicated						
Special Revenue	148	185	186	592	250	842
Federal	0	0	56	56	0	56
Gift	556	12	119	119	119	238
Subtotal Dedicated	704	197	361	767	369	1,136
Total Revenue	**704**	**197**	**361**	**767**	**369**	**1,136**
Full-Time Equivalents (FTE)	**67.0**	**65.8**	**67.2**	**66.0**	**66.0**	

Activity Description

The Education Programs activity fulfills the Zoo's Mission to strengthen the bond between people and the living earth by providing educational interactions with the Zoo's plant and animal collection designed to foster the development of values supportive of species survival, biodiversity, habitat preservation and environmental stewardship.

A healthy natural environment is vital to maintain Minnesota's communities as desirable places to work and live. Education, particularly of Minnesota's youth, on the importance of conservation of the environment is the focus of this activity.

Activity at a Glance

- Over 125,000 K-12 students and chaperones from 1,700 schools visited the Zoo in FY 2002.
- The Zoomobile program brought the Zoo experience outside the Zoo to over 90,000 persons in FY 2002.

Population Served

The Education Program emphasis is on providing educational services to school age children. Currently, approximately 250,000 participants are served annually by Education Programs at the Zoo. The activities also serve the daily Zoo visitors through development of interpretive graphics and programs such as Monorail tours, Shark Reef feeding sessions and special education events. In addition the Zoomobile program takes the education programs off the Zoo grounds and into local communities.

Services Provided

The Education Programs provide services in a variety of ways as described below.

⇒ *Public and Community Programs* provide fun and informative programs for families, preschool age children, college and university students, community organization, and the general public. Programs include Family Zoo Adventures, Zoo Camp, Scout Overnights, Minority Mentor Program, Zoo Career Nights, Family Farm Overnights, and Internships.

⇒ *School Programs* design and distribute curriculum materials and provide specialized education programs at the Zoo. Programs include Guided Tours, Aquatic Overnights, Special Events, Monorail Programs, and Teacher Training and Development.

⇒ *Monorail Programs* provided interpretive tours of the Northern Trail exhibits for 175,584 visitors in FY 2002. Staff naturalists developed and delivered a variety of educational programs for the K-12 visitors.

⇒ The *Zoomobile* program brings animals from the Zoo collection to programs outside the Zoo. In FY 2002 over 90,000 persons participated in the program.

Key Measures

The Education Programs at the Zoo accomplish the goal of educating Minnesota citizens on the importance of environmental stewardship in the following way.

⇒ Over 250,000 program participants are served through the Zoo education programs annually, making the Zoo the largest environmental learning center in the state.

⇒ More than 125,000 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 in fulfilling its mission of conservation education.

Activity Funding

The education programs at the Zoo are funded through a combination of General Fund dollars, special revenue funds earned from the fees charged for some of the educations programs, and grant funds from private contributions.

Contact

For more information, contact: Peggy Adelmann, Chief Financial Officer, Minnesota Zoo, at (952) 431-9309, or by e-mail at; Peggy.Adelmann@state.mn.us.

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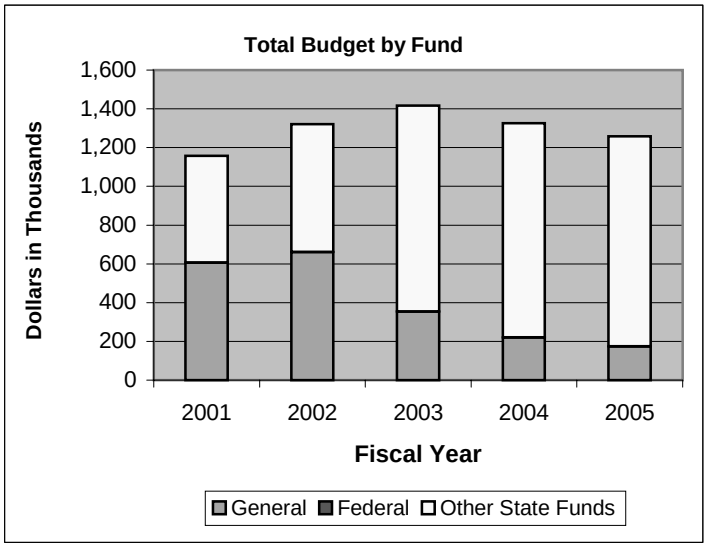
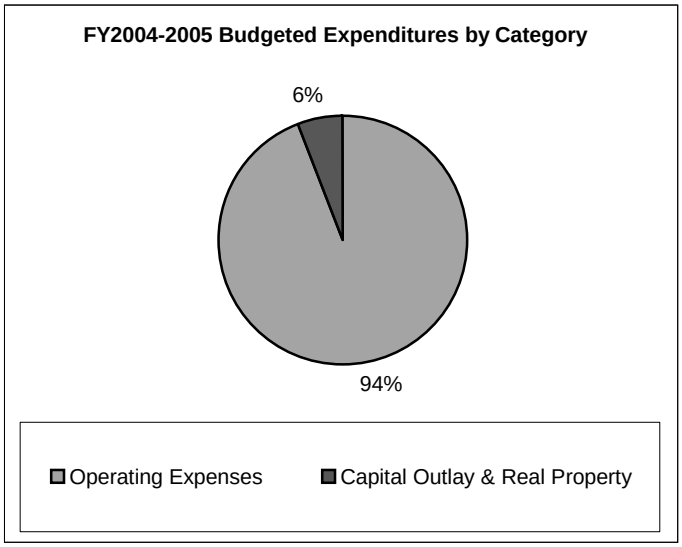
ZOOLOGICAL BOARD
Program: MINNESOTA ZOO
Activity: EDUCATION

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	606	661	354	220	173	393
Minnesota Resources	0	63	17	0	0	0
Statutory Appropriations						
Special Revenue	453	468	840	903	882	1,785
Gift	98	129	205	203	203	406
Total	**1,157**	**1,321**	**1,416**	**1,326**	**1,258**	**2,584**
Expenditures by Category						
Operating Expenses	1,157	1,321	1,341	1,251	1,183	2,434
Capital Outlay & Real Property	0	0	75	75	75	150
Total	**1,157**	**1,321**	**1,416**	**1,326**	**1,258**	**2,584**
Revenue by Type and Fund						
Dedicated						
Special Revenue	349	353	392	392	392	784
Miscellaneous Agency	0	0	373	0	0	0
Gift	62	118	128	128	128	256
Subtotal Dedicated	411	471	893	520	520	1,040
Total Revenue	**411**	**471**	**893**	**520**	**520**	**1,040**
Full-Time Equivalents (FTE)	**22.7**	**24.2**	**24.8**	**22.1**	**20.7**	

Activity Description
Facility Operations ensures that the Zoo facilities are adequately provided for, so that education, conservation, and recreation programs are delivered efficiently, effectively and safely.

Population Served
The activity serves all the visitors to the Zoo, the animal collection at the Zoo and the employees of the Zoo. In FY 2002 over 1 million persons visited the Zoo.

Services Provided
Facility Operations provides services in the following operations.

⇒ *Grounds Maintenance* assures the cleanliness of all exterior Zoo facilities and provides support for guest services, education, conservation, special events, and facility rentals. The Zoo facility is approximately 500 acres, one of the largest Zoo's in the country.

⇒ *Horticulture* maintains the large interior and exterior collection of plants.

⇒ *Supporting Trades* provide support to all Zoo programs and activities and includes carpentry, electrical, exhibit design and fabrication, painting, plumbing, vehicle maintenance and welding.

⇒ *Project Management* provides leadership for construction and maintenance projects.

⇒ *Engineering* maintains climate control for the comfort of visitors and for the management of the collection of plants and animals.

Activity at a Glance

- The Zoo is located on approximately 500 acres and is one of the largest Zoo's in the country.
- A backlog of asset preservation and infrastructure needs in excess of $20 million has been identified at the Zoo.
- The Zoo received $3 million in funding from the FY 2002 session for asset preservation activities.

Historical Perspective
The aging infrastructure of the Zoo requires increased attention to asset preservation to allow for the professional care of the Zoo's plant and animal collection and for the safety and enjoyment of the Zoo visitors. The Zoo received a $3 million capital appropriation in 2002 for asset preservation activities. Additional funds will be needed in future years to address the backlog of facility needs at the Zoo.

Key Measures
The Facility Operations activity at the Zoo works to provide for adequate building and grounds in the following ways.

⇒ Maintain cleanliness and aesthetic appearance for all Zoo facilities in order to enhance the visitor experience.

⇒ The activity has implemented a preventative maintenance program to correct and standardize various facility operations.

⇒ The Facility operations activity works with the conservation programs at the Zoo to ensure that the collection is provided with safe and environmentally adequate surroundings.

Activity Funding
The Facility operations activity is funded through a combination a General Fund appropriations and Zoo earned revenue funds.

Contact
For more information, contact: Peggy Adelmann, Chief Financial Officer, Minnesota Zoo, at (952) 431-9309, or by e-mail at: Peggy.Adelmann@state.mn.us.

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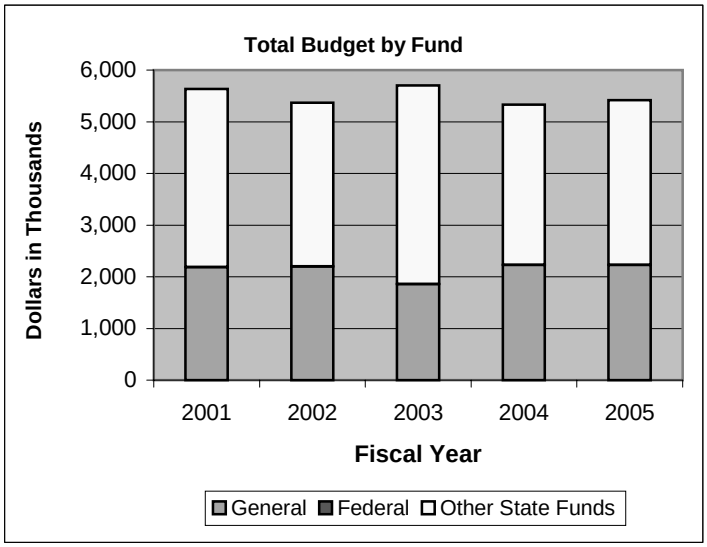
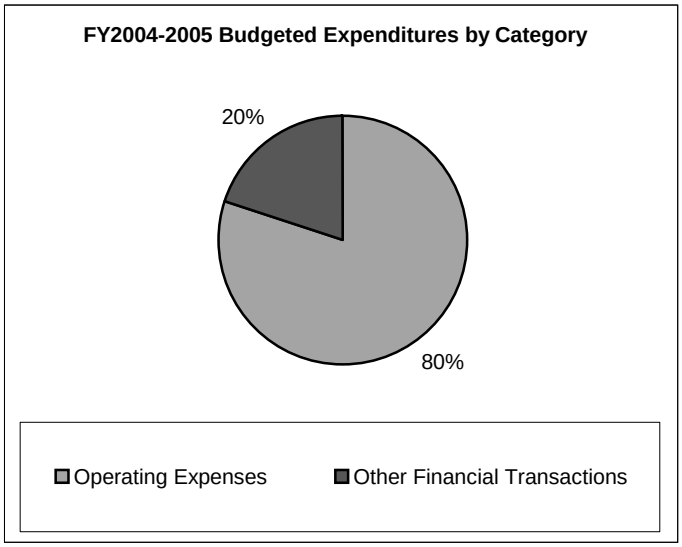
ZOOLOGICAL BOARD
Program: MINNESOTA ZOO
Activity: FACILITY OPERATIONS

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	2,188	2,198	1,855	2,227	2,227	4,454
Minnesota Resources	0	150	0	0	0	0
Natural Resources	154	142	152	122	122	244
Statutory Appropriations						
Special Revenue	3,290	2,836	3,320	2,982	3,072	6,054
Miscellaneous Agency	0	0	373	0	0	0
Gift	0	40	0	0	0	0
Total	**5,632**	**5,366**	**5,700**	**5,331**	**5,421**	**10,752**
Expenditures by Category						
Operating Expenses	4,204	3,597	4,560	4,229	4,358	8,587
Capital Outlay & Real Property	30	503	0	0	0	0
Other Financial Transactions	1,398	1,266	1,140	1,102	1,063	2,165
Total	**5,632**	**5,366**	**5,700**	**5,331**	**5,421**	**10,752**
Revenue by Type and Fund						
Dedicated						
Gift	314	0	0	0	0	0
Subtotal Dedicated	314	0	0	0	0	0
Total Revenue	**314**	**0**	**0**	**0**	**0**	**0**
Full-Time Equivalents (FTE)	**46.4**	**42.8**	**45.7**	**45.7**	**45.7**	

Activity Description

Guest Services is responsible for managing the visitor experience at the Zoo. External relation promotes the Zoo to the public to encourage participation and to highlight the Zoo's education, conservation, and recreation activities and programs and to promote the public private partnership through contributions supporting the Zoo.

Activity at a Glance

- The Zoo development office and the Minnesota Zoo Foundation have begun the largest capital support campaign in the history of the Zoo.
- The number of Zoo memberships sold in FY 2002 was 27,837.

Population Served

This activity directly and indirectly serves the visitors to the Zoo. In FY 2002 over 1 million persons visited the Zoo.

Services Provided

Operations within guest services and external relations provide the following services.

⇒ *Sale*s promotes the use of the Zoo for picnics, by groups, tours, and after hours rental events.

⇒ *Guest Services* provides customer service to Zoo visitors including admissions and crowd management.

⇒ *Public Relations and Marketing* defines and implements the media relations plan, advertising and promotion of the Zoo.

⇒ *Special Events* develops and implements special activities for the public to utilize the Zoo facility.

⇒ *Gift Store,* a retail operation, offers a variety of souvenirs, gift items and education materials for the public to purchase. Total gift store sales in FY 2002 were $1.2 million dollars.

⇒ *Membership* promotes and administers the Zoo member program.

⇒ *Development* works with the Zoo Foundation to promote private support for the Zoo programs, facilities and activities.

Historical Perspective

The Zoo is supported by a separate independent foundation, the Minnesota Zoo Foundation. The foundation solicits support from the private sector. The foundation board has recently reaffirmed their commitment to raising matching funds for the renewal of the Zoo as envisioned in the *Master Plan* for the Zoo. The Master Plan calls for significant expansion and renewal of the exhibits at the Zoo.

Key Measures

The guest services and external relations activities accomplish the goals of the activity and the Zoo in the following ways.

⇒ Surveys are utilized to determine the effectiveness of marketing efforts and visitor satisfaction with the collection, programs and facilities.

⇒ The marketing plan developed will focus on education, and conservation efforts of the Zoo, at the same time generating interest in and attendance necessary to make budgetary goals.

⇒ Income from earned revenue sources and contributions from the private sector exists to subsidize the mission of the Zoo, and goals are established to assure growth in revenue.

Activity Funding

Guest services and external relations activities are funded by a combination of General Fund appropriations, special revenue funds, and contributions from the private sector. This activity is credited with a significant amount of earned and gift revenues. These earned revenues and contributions are used to pay for a majority of the Zoo operations.

Contact

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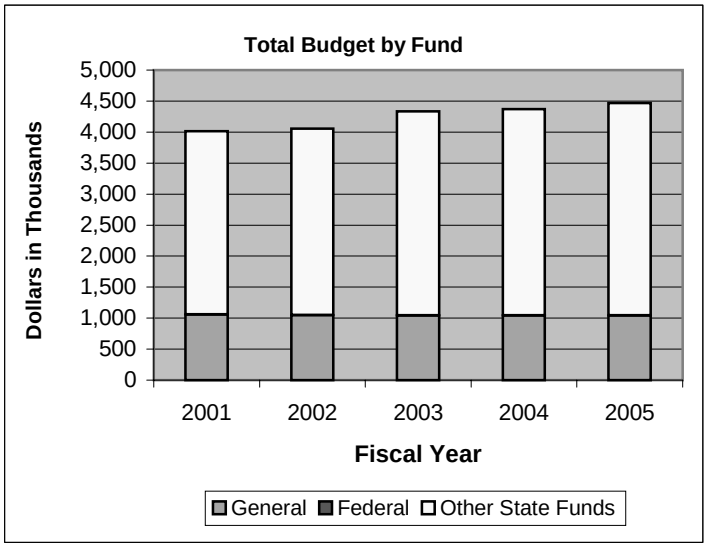
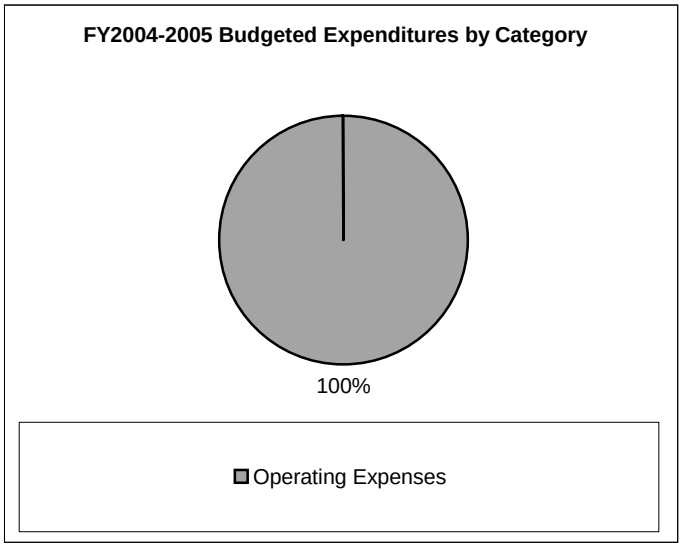
ZOOLOGICAL BOARD
Program: MINNESOTA ZOO
Activity: GUEST & EXTERNAL SERVICES

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,060	1,049	1,044	1,044	1,044	2,088
Statutory Appropriations						
Special Revenue	2,715	2,795	2,967	3,006	3,105	6,111
Gift	239	213	321	321	321	642
Total	**4,014**	**4,057**	**4,332**	**4,371**	**4,470**	**8,841**
Expenditures by Category						
Operating Expenses	4,014	4,049	4,332	4,371	4,470	8,841
Capital Outlay & Real Property	0	8	0	0	0	0
Total	**4,014**	**4,057**	**4,332**	**4,371**	**4,470**	**8,841**
Revenue by Type and Fund						
Dedicated						
Special Revenue	7,886	7,578	8,612	9,134	9,332	18,466
Gift	487	617	1,025	764	764	1,528
Subtotal Dedicated	8,373	8,195	9,637	9,898	10,096	19,994
Total Revenue	**8,373**	**8,195**	**9,637**	**9,898**	**10,096**	**19,994**
Full-Time Equivalents (FTE)	**51.6**	**50.1**	**51.6**	**50.6**	**50.6**	

Activity Description

Administrative Support provides management and support services for the operation of the Zoo. Administrative Support manages the Zoo staff and financial and capital resources, and ensures that the policies and initiatives of the Board of Directors are effectively and efficiently implemented.

Population Served

This activity directly and indirectly serves the visitors to the Zoo. In FY 2002 over 1 million persons visited the Zoo.

Activity at a Glance

- The Zoo was recently reviewed by and reaccredited by the American Zoological Association.
- The Zoo Board has adopted the recommendations for improvements at the Zoo contained in the Master Plan, completed in October 2001.

Services Provided

Administrative Support includes the following activities.

⇒ *Human Resources* provides for the staffing of the Zoo and manages the labor relations and compensation activity of the Zoo.

⇒ *Finance and Purchasing* maintains financial and accounting functions according to state of Minnesota accounting guidelines and manages the Zoo's procurement of goods and services.

⇒ *Information Systems* manages the effective use of technology to improve customer service and maximize business operation efficiency.

⇒ The *Director's Office* provides for leadership and management of the Zoo's operation and oversight of all the Zoo human and capital resources.

Key Measures

Administrative Support works to manage the Zoo's operations and its plant and animal collection in the following ways.

⇒ Managing the Zoo to meet the Board established goals for and attendance and revenue income.

⇒ Maintain high level of visitor satisfaction. Visitor Survey will be conducted in order to evaluate the satisfaction of visitors and operations will be managed to maintain the current high level of satisfaction.

⇒ The Zoo will be managed in according to the requirements of the American Zoological Association in order to maintain accreditation.

Activity Funding

Zoo Administrative Support activity is funded through a combination of General Fund appropriations, special revenue funds from earned revenues, and the private contributions to the Zoo.

Contact

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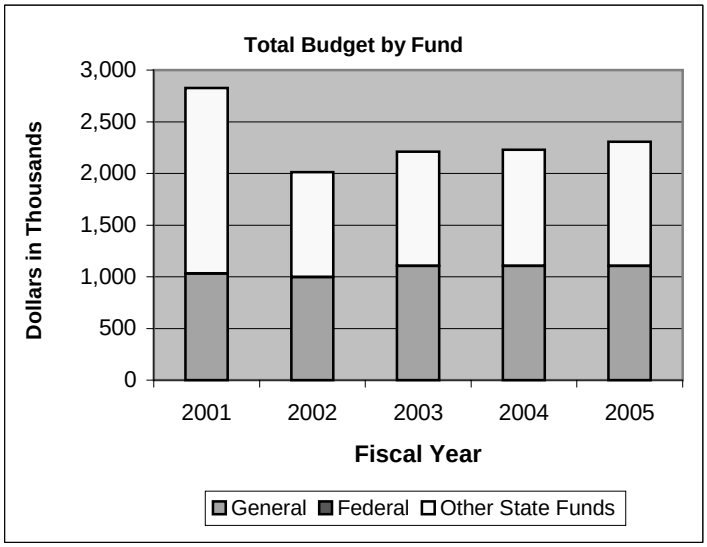
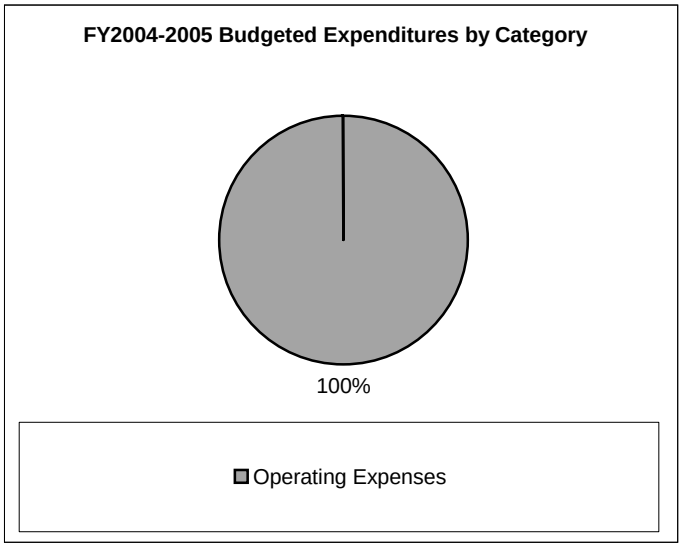
ZOOLOGICAL BOARD
Program: MINNESOTA ZOO
Activity: ADMINISTRATIVE SUPPORT

Fiscal Report





Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	1,031	997	1,105	1,105	1,105	2,210
Statutory Appropriations						
Special Revenue	1,146	949	957	1,024	1,103	2,127
Gift	651	65	150	100	100	200
Total	**2,828**	**2,011**	**2,212**	**2,229**	**2,308**	**4,537**
Expenditures by Category						
Operating Expenses	2,819	2,011	2,192	2,209	2,288	4,497
Capital Outlay & Real Property	9	0	20	20	20	40
Total	**2,828**	**2,011**	**2,212**	**2,229**	**2,308**	**4,537**
Revenue by Type and Fund						
Dedicated						
Special Revenue	0	169	81	81	81	162
Gift	165	79	53	53	53	106
Subtotal Dedicated	165	248	134	134	134	268
Total Revenue	**165**	**248**	**134**	**134**	**134**	**268**
Full-Time Equivalents (FTE)	**16.6**	**16.2**	**15.8**	**15.8**	**15.8**	

State of Minnesota
Department of Finance

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February 18, 2003

The Minnesota Legislature
State Capitol
St. Paul, Minnesota

Dear Legislators,

I respectfully submit for your consideration the FY 2004-05 Governor's budget proposals for the non-cabinet agencies in the Environment, Natural Resources, and Agriculture omnibus bill. These agencies collectively administer $129 million for the FY 2004-05 biennium. The Governor encourages the agencies to work diligently to be effective stewards of taxpayer resources and focus operations and spending on their highest service priorities.

The funding recommended for these agencies for FY 2004-05 represents a $28 million (18%) decrease from the FY 2002-03 biennium. The funding provided for these agencies will be used to protect our water quality, reduce soil erosion, protect the health of our domestic livestock, educate citizens on environmental issues, and help farmers find ways to compete in the world market.

The magnitude of the projected budget shortfall and the desire to protect core government functions necessitates reducing or eliminating some functions. The Governor intends that agencies individually redesign their operations to minimize the disruption to public services as much as possible. It will also be important for them to collaborate with other agencies to consolidate operations, co-locate facilities, or otherwise cooperate to share services in order to reduce costs.

Examples of reductions in this area include a 20% average reduction in agency administrative costs, and $13 million in reductions to grant programs.

The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

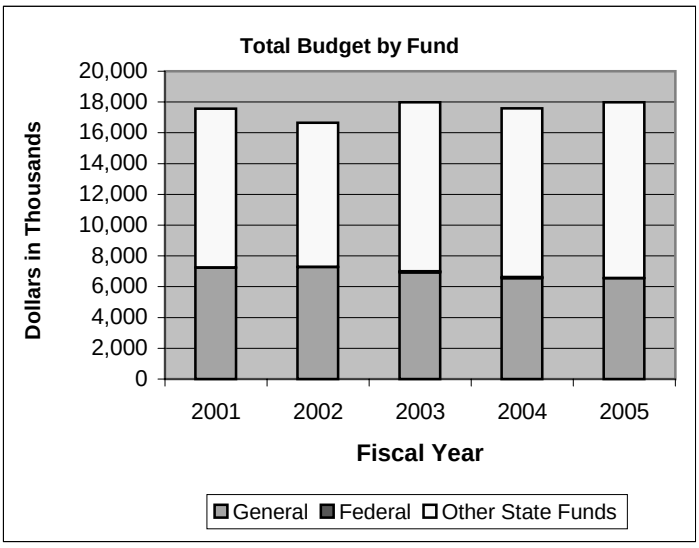
Dan McElroy
Commissioner

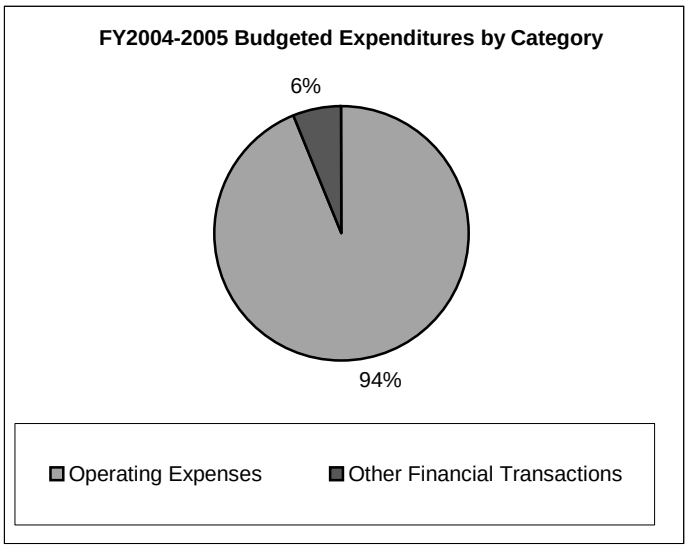
	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	14,570	22,348	36,918
One-Time Appropriations	0	-304	-304
Adjusted Base Funding	14,570	22,044	36,614
Change Items			
Elementary School Fee	0	430	430
Lottery In Lieu Funds	0	244	244
Reduction Plan	-1,456	-249	-1,705
Governor's Recommendations	13,114	22,469	35,583
Biennial Change, 2002-03 to 2004-05	-1,089	2,049	960
Percent Change	-8%	10%	3%

Brief Description of Budget Changes:

The Zoological Board received $304,000 in FY 2002-03 from the Lottery in lieu.

	FY 2004-05 Revenues ($000s)		
	General Fund	Other Funds	Total
FY 2004-05 Current Law Revenues	0	21,006	21,006
Change Items			
Elementary School Fee	0	430	430
Miscellaneous Fee Increases	0	758	758
Lottery in Lieu	0	244	244
FY 2004-05 Total Revenues	0	22,438	22,438
Biennial Change 2002-03 to 2004-05	0	1,432	1,432
Percent Change	0	7%	7%





Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	7,238	7,277	6,926	6,557	6,557	13,114
Minnesota Resources	0	213	17	0	0	0
Natural Resources	154	142	152	122	122	244
Statutory Appropriations						
Special Revenue	8,609	8,028	9,121	9,791	10,238	20,029
Federal	0	0	56	56	0	56
Miscellaneous Agency	0	0	373	0	0	0
Gift	1,557	985	1,333	1,070	1,070	2,140
Total	**17,558**	**16,645**	**17,978**	**17,596**	**17,987**	**35,583**
Expenditures by Category						
Operating Expenses	16,121	14,868	16,743	16,399	16,829	33,228
Capital Outlay & Real Property	39	511	95	95	95	190
Other Financial Transactions	1,398	1,266	1,140	1,102	1,063	2,165
Total	**17,558**	**16,645**	**17,978**	**17,596**	**17,987**	**35,583**
Expenditures by Program						
Minnesota Zoo	17,558	16,645	17,978	17,596	17,987	35,583
Total	**17,558**	**16,645**	**17,978**	**17,596**	**17,987**	**35,583**
Revenue by Type and Fund						
Dedicated						
Special Revenue	8,383	8,285	9,271	10,199	10,055	20,254
Federal	0	0	56	56	0	56
Miscellaneous Agency	0	0	373	0	0	0
Gift	1,584	826	1,325	1,064	1,064	2,128
Subtotal Dedicated	9,967	9,111	11,025	11,319	11,119	22,438
Total Revenue	**9,967**	**9,111**	**11,025**	**11,319**	**11,119**	**22,438**
Full-Time Equivalents (FTE)	**204.3**	**199.1**	**205.1**	**200.2**	**198.8**	

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	$215	$215	$215	$215
Revenues	$215	$215	$215	$215
Net Fiscal Impact	0	0	0	0

Recommendation
The Governor recommends $215,000 in FY 2004 and $215,000 in FY 2005 for the Minnesota Zoological Garden from the Special Revenue Fund. This appropriation is a new revenue source from a fee charged to elementary school children who are part of an organized school activity.

Background
The current M.S.85A.02, subd.17 reads in part, "the board shall have a policy admitting elementary school children at no charge when they are part of an organized school activity." This change would allow the board to charge a fee for admission to these children. This new revenue source would be a mitigation factor for the General Fund reductions impact on animal exhibits and services. It is anticipated that approximately 72,000 students would pay a $3 fee for admission to the zoo each year.

Relationship to Base Budget
The implementation of this new revenue source for the zoo will allow the continued operation of animal exhibits.

Alternatives Considered
The alternative to not implementing this fee will be the closure of animal exhibits.

Statutory Change: M.S. 85A.02, subd.17

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Fund				
Expenditures	$122	$122	$122	$122
Revenues	0	0	0	0
Net Fiscal Impact	$122	$122	$122	$122

Recommendation
The Governor recommends $122,000 in FY 2004 and $122,000 in FY 2005 for the Minnesota Zoological Garden from the Natural Resources Fund. This appropriation is a continuation of the funding appropriated to the Zoo in FY 2002 and FY 2003.

Background
In the 2000 session, M.S. 297A.44 was amended to direct certain revenues collected under M.S. 297A.259 to dedicated accounts in the Natural Resources Fund. This revenue source has commonly been referred to as the lottery in lieu of funds. M.S. 297A.44 requires the commissioner of revenue to deposit 2% of the receipts into the Natural Resources fund and restricts the spending of the money so deposited for the Minnesota Zoological Garden, the Como Park Zoo and the Duluth Zoo. Also in the 2000 session the Minnesota Zoo received an appropriation of $154,000 for FY 2001 from these funds. In the FY 2002-03 biennium the Zoo received an appropriation of $142,000 for FY 2002 and $152,000 for FY 2003.

Relationship to Base Budget
Appropriations made from the Lottery in Lieu are not included in the base budget.

Key Measures
The zoo facility maintenance program will operate at a higher level as measured by an increase in facility maintenance activity than would be possible if the funding is not continued.

Alternatives Considered
If this funding were not continued the zoo would reduce maintenance of zoo facilities.

Statutory Change: M.S. 297A.44

Fiscal Impact ($000s)	FY 2004	FY 2005	FY 2006	FY 2007
General Fund				
Expenditures	($728)	($728)	($728)	($728)
Revenues	0	0	0	0
Other Fund				
Expenditures	(20)	(229)	(229)	(229)
Revenues	451	307	307	307
Net Fiscal Impact	($297)	($650)	($650)	($650)

Recommendation
The Governor recommends a reduction of $728,000 in FY 2004 and $728,000 in FY 2005 to the budget of the Zoological Board. In addition, the Governor recommends that the Zoo find additional sources of revenue for its operations to offset the budget reductions.

Background
The Zoo receives just under 38% of its revenue from the General Fund. Other sources of support are from revenue generating operations and contributions. Over the years the Zoo has attempted to reduce its reliance on the General Fund. The General Fund support has been reduced from 58% in FY 1990 to less than 38% in FY 2003. The nationwide average of public support for zoos is 40%.

Any reduction to the appropriation requires elimination of services. This, in turn, is likely to have a negative impact on revenue. Criteria used in evaluating where reductions would be made include: Popularity and impact on the public; level of subsidy needed to continue operation of the program; impact on revenue stream; and level of private investment in the exhibit or program. Also of concern is level of staffing to continue necessary zoo operations. Current staffing levels were noted as a concern by the American Zoo and Aquarium Association when evaluating the Zoo for accreditation.

Using this criteria, the Zoo will close the Zoolab after Labor Day 2003. We will also eliminate a part-time librarian position and one of two volunteer coordinator positions. A registrar position will be held vacant until funding is available. The Zoo will continue a $3 per vehicle parking fee implemented in February 2003. A $1 per person fee will be charged for the butterfly exhibit which runs from June through August. Admission fees will be increased by $1 in each category beginning in the spring of 2005. The Zoo will also explore outsourcing of the retail operation.

Relationship to Base Budget
The reduction represents 10% of the base budget.

Key Measures
Impact can be measured by:

- ⇒ Attendance – anticipated to decrease 5% in FY 2005.
- ⇒ Revenue from enterprise funds – anticipated to decrease 5%.
- ⇒ Private contributions – anticipated to decrease 20%.
- ⇒ Visitor comment cards – anticipated increase in negative comments during the first year.
- ⇒ Accreditation- potential loss of accreditation by the American Zoo and Aquarium Association if staffing levels are reduced.

Alternatives Considered
The Zoo carefully considered the closure of other exhibits and the savings if the Zoo remained closed one day per week. All revenue sources were reviewed. The Zoo looks at other zoos around the country and other recreation/environmental education venues in the Twin Cities area when setting fees.

Statutory Change: None