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.

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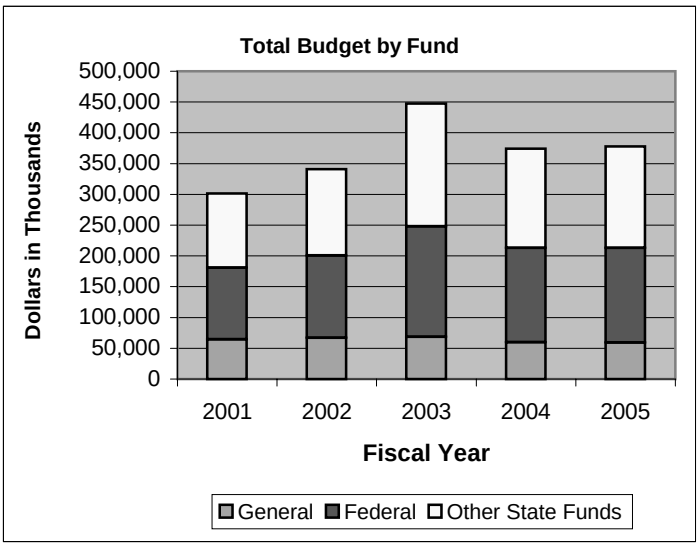
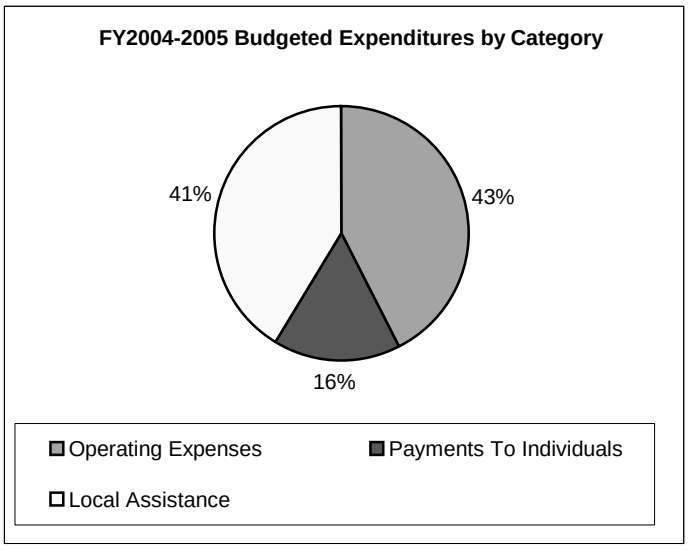
Strategic Directions	http://www.health.state.mn.us/divs/opa/strategy.htm
Agency Overview	http://www.health.state.mn.us/divs/opa/overview01.pdf
Agency Performance Measures	http://www.departmentresults.state.mn.us/health/index.html





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**

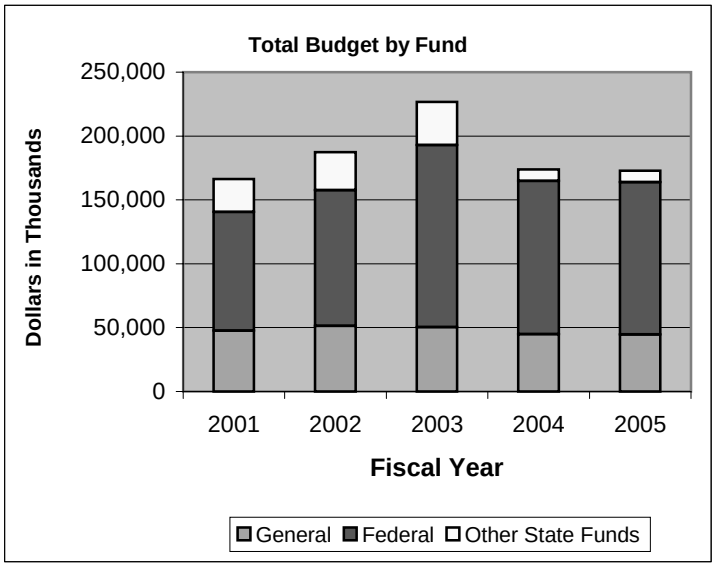
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Program	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Health Improvement	166,297	187,355	226,774	173,778	172,898	346,676
Health Quality And Access	59,337	75,848	122,262	107,485	111,809	219,294
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**	

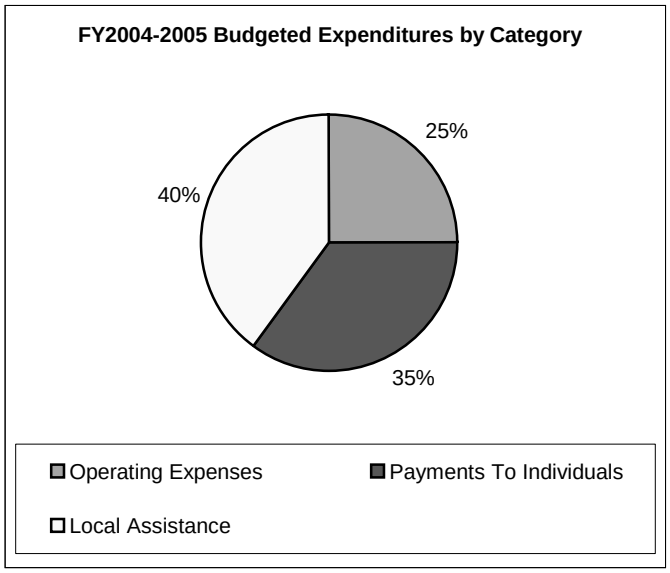
Program Description

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

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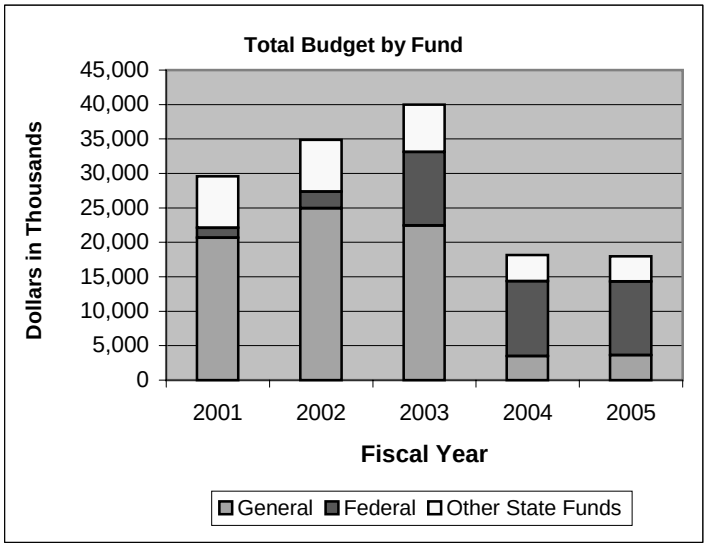

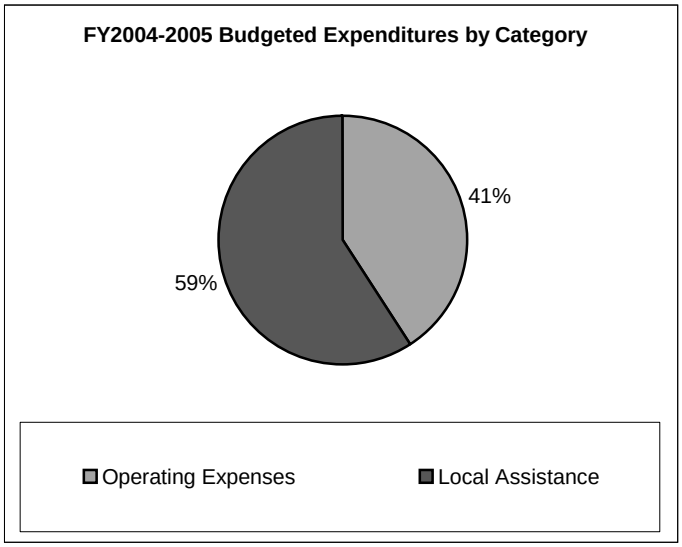

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	20,679	24,927	22,435	3,474	3,614	7,088
Health Care Access	7,227	7,269	6,390	3,510	3,510	7,020
Statutory Appropriations						
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.

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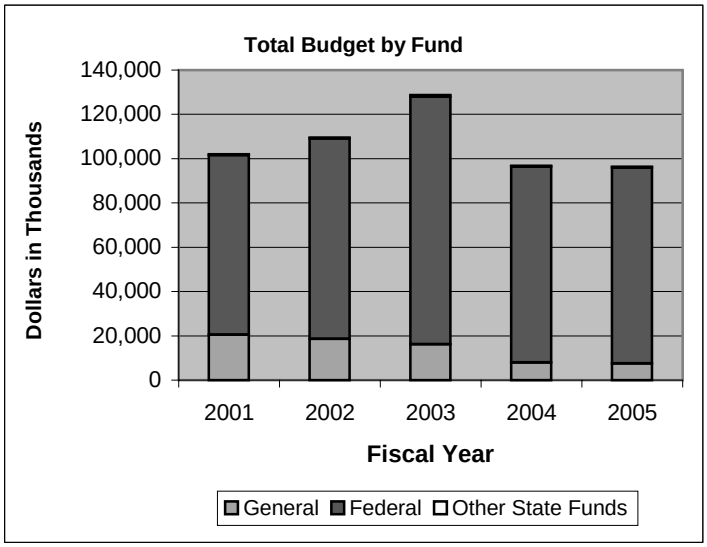

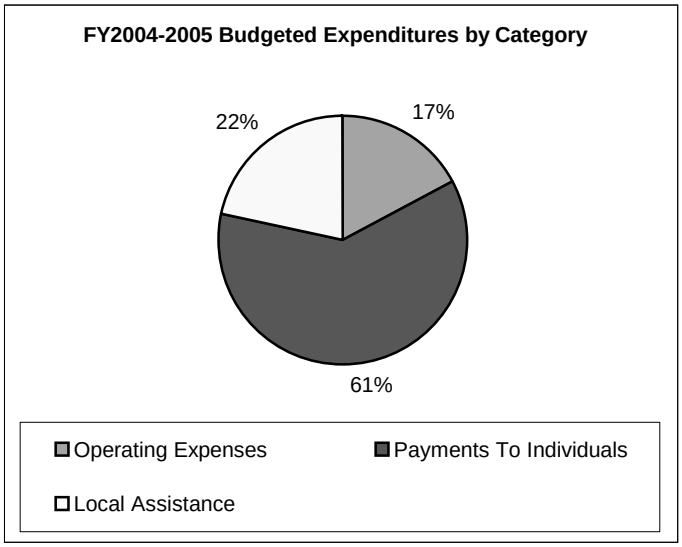

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	20,457	18,588	16,241	7,925	7,525	15,450
State Government Special Revenue	123	130	128	128	128	256
Federal 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."

Contact

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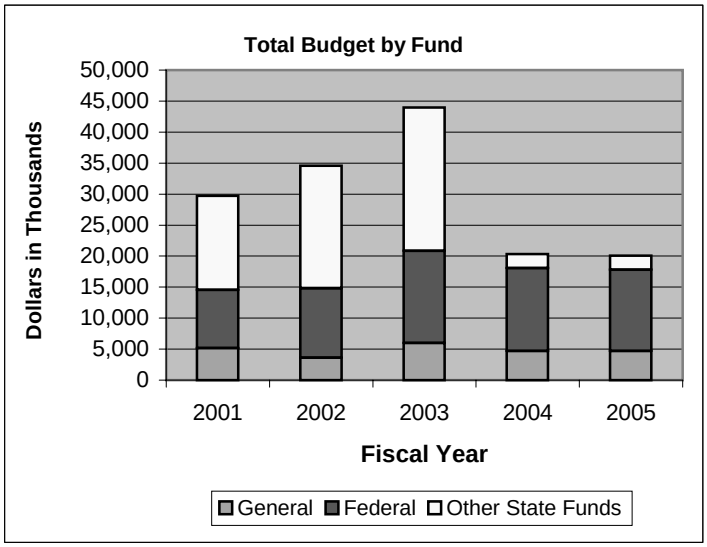
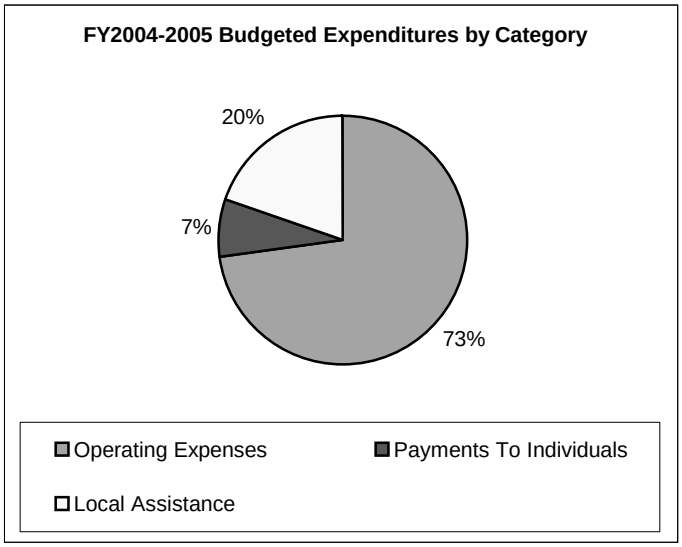
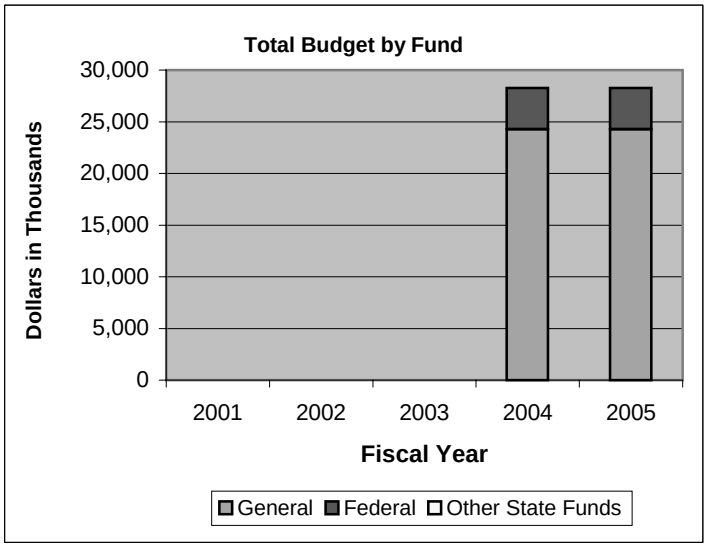


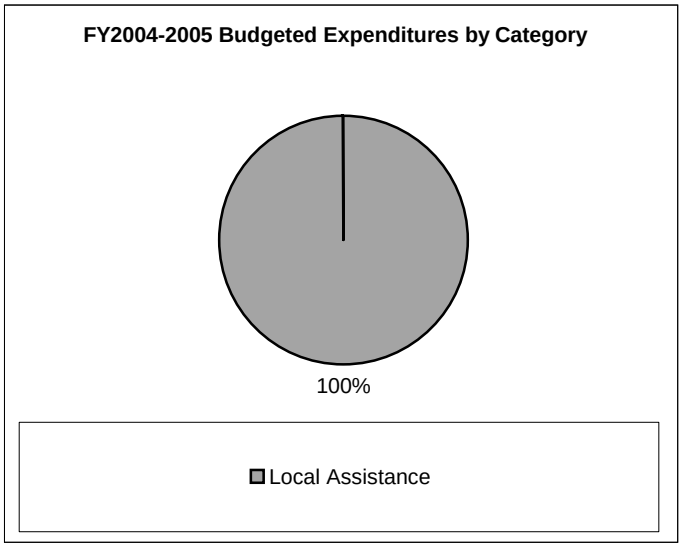


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	5,181	3,612	5,993	4,693	4,693	9,386
Open Appropriations						
Tobacco Use Prevention	14,440	19,277	22,104	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)

Contact

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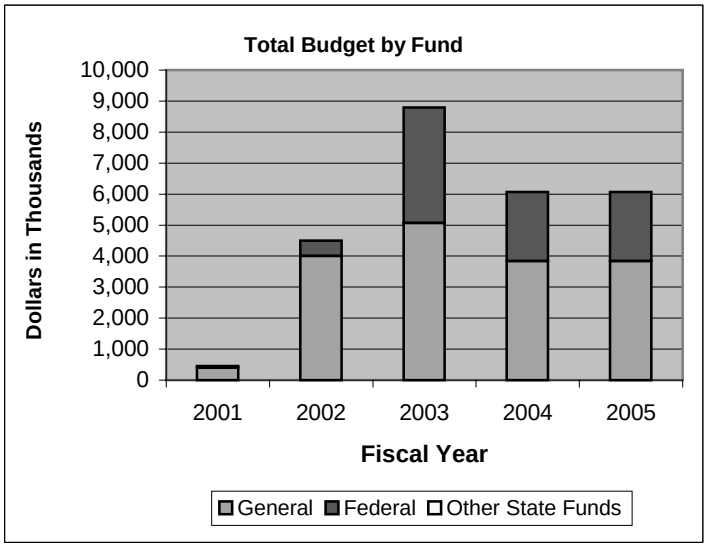

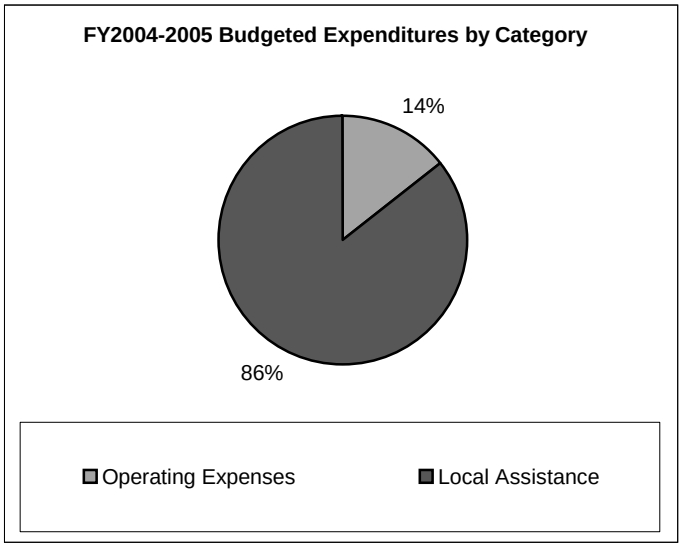

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	399	4,004	5,067	3,834	3,834	7,668
Federal Tanf	0	458	3,542	2,000	2,000	4,000
Statutory Appropriations						
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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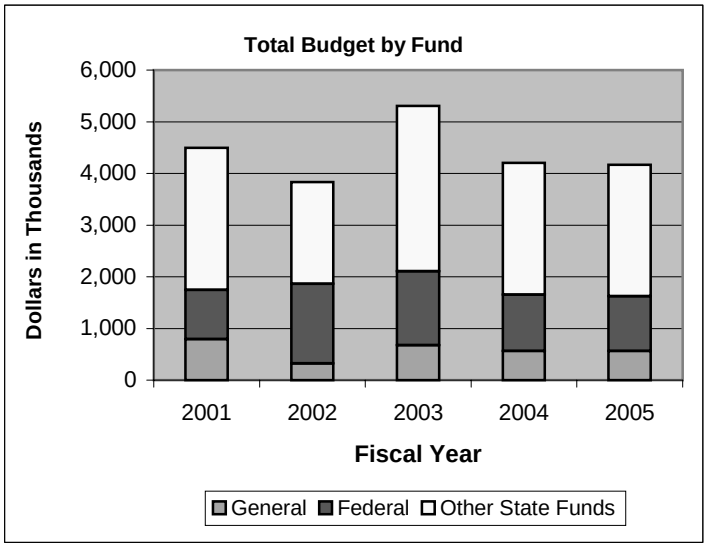
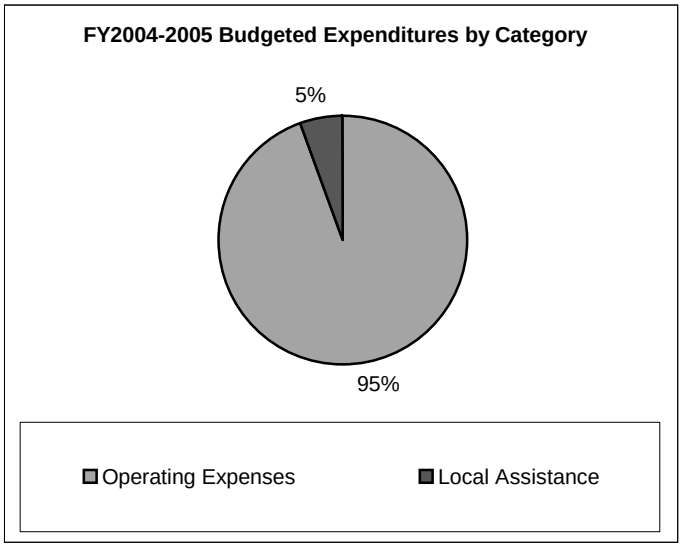




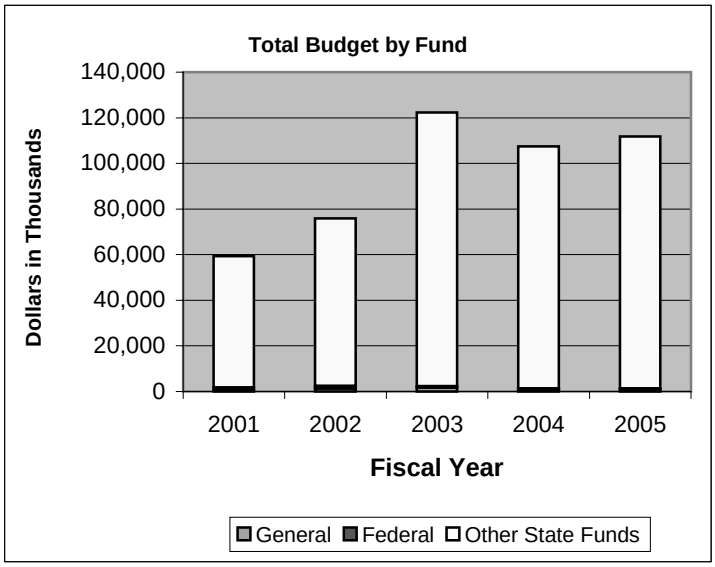
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	793	321	677	566	566	1,132
State Government Special Revenue	2,155	1,362	2,145	1,859	1,859	3,718
Open Appropriations						
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**	

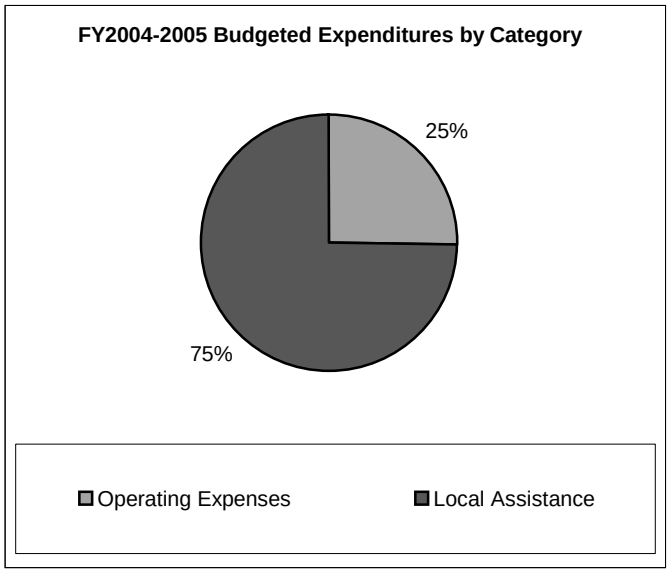
Program Description

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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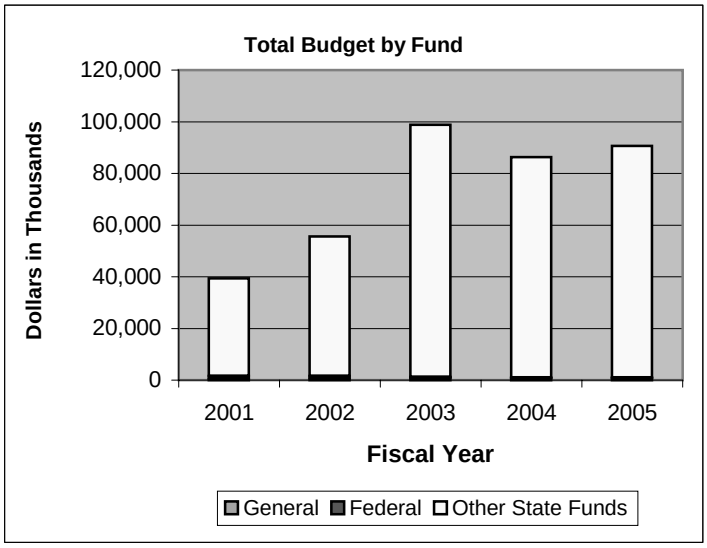

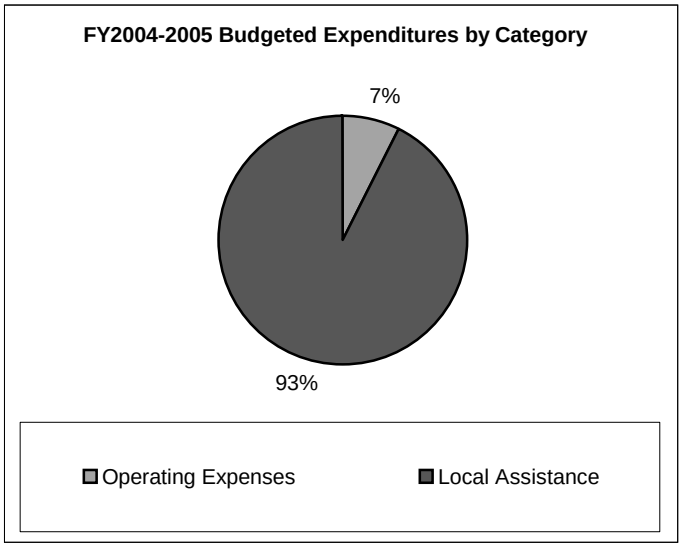

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	543	616	814	756	756	1,512
State Government Special Revenue	2,273	2,091	3,291	2,712	2,712	5,424
Health Care 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.

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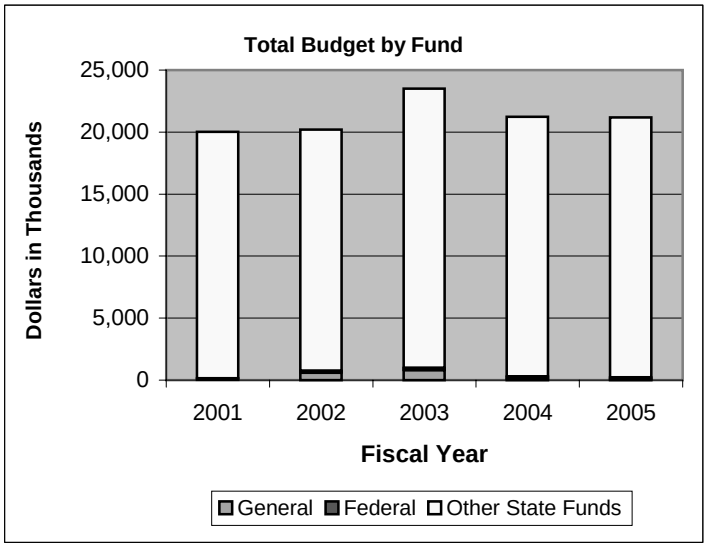
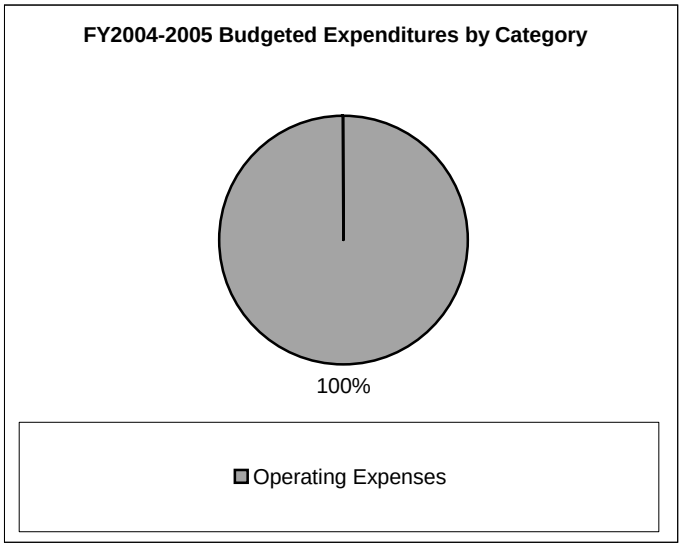




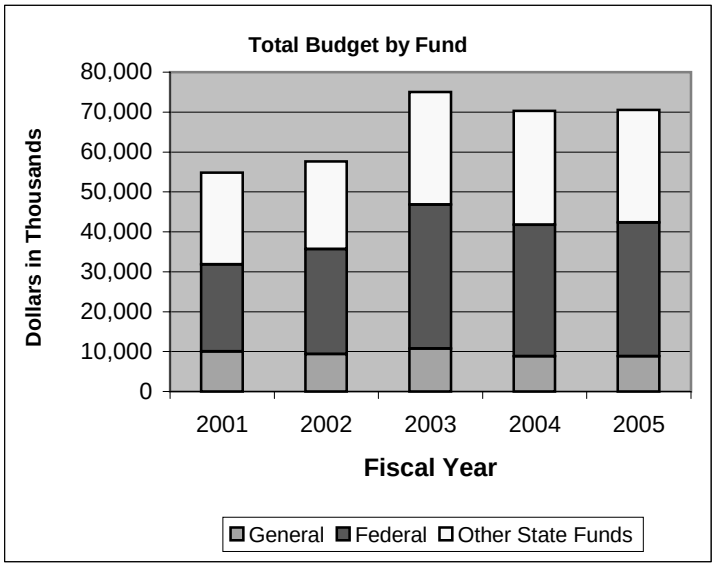
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	0	596	801	112	58	170
State Government Special Revenue	2,847	2,996	6,054	6,176	6,176	12,352
Statutory Appropriations						
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**	

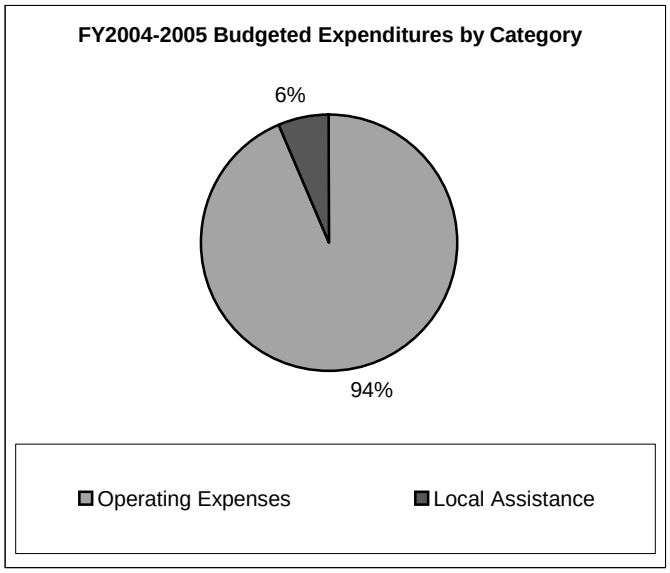
Program Description

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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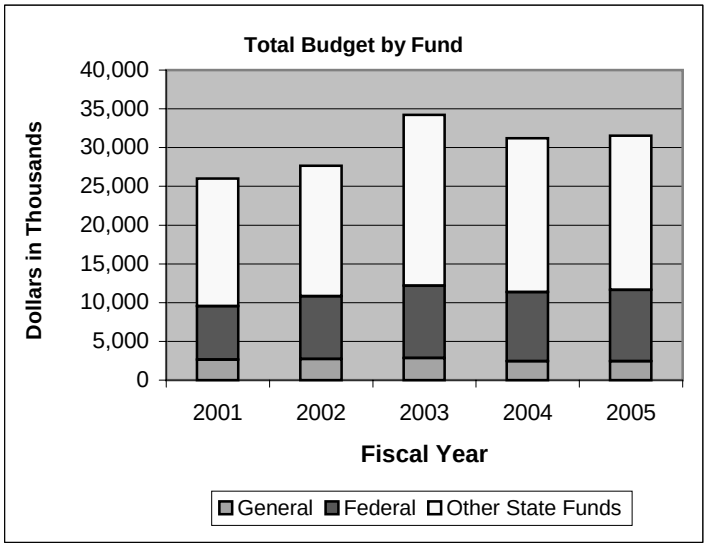
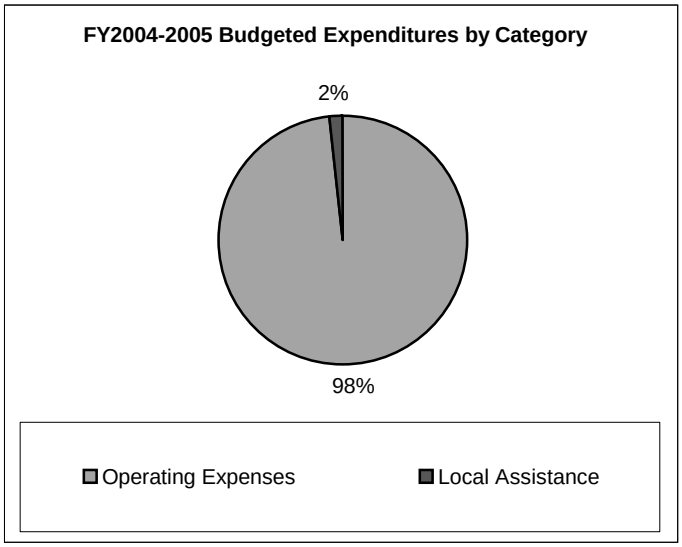




Dollars in Thousands **Expenditures by Fund**	**Actual FY2001**	**Actual FY2002**	**Preliminary FY2003**	**Governor's Rec FY2004**	**Governor's Rec FY2005**	**Biennium 2004-05**
Direct Appropriations						
General	2,622	2,708	2,865	2,431	2,431	4,862
Minnesota Resources	117	15	0	0	0	0
State Government 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

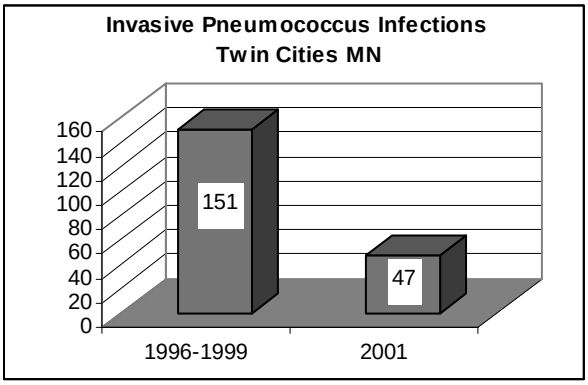
Source: MDH Retrospective Kindergarten Immunization Survey
(Note: The next round of survey data should be available in November 2002.)

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

Contact

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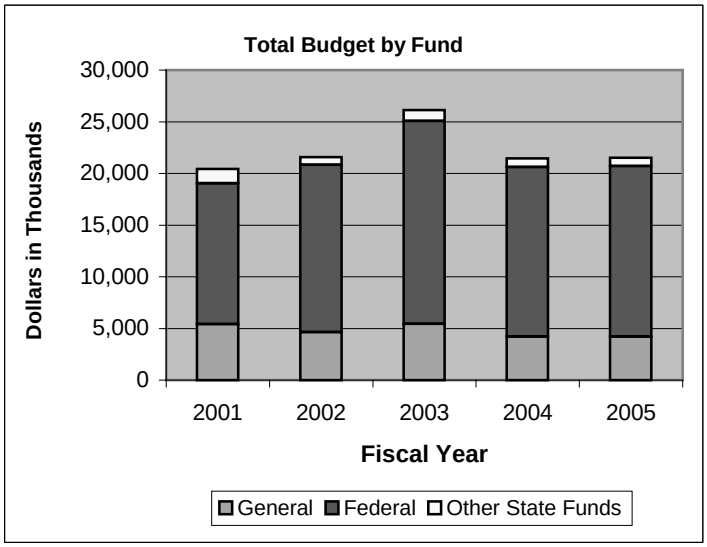

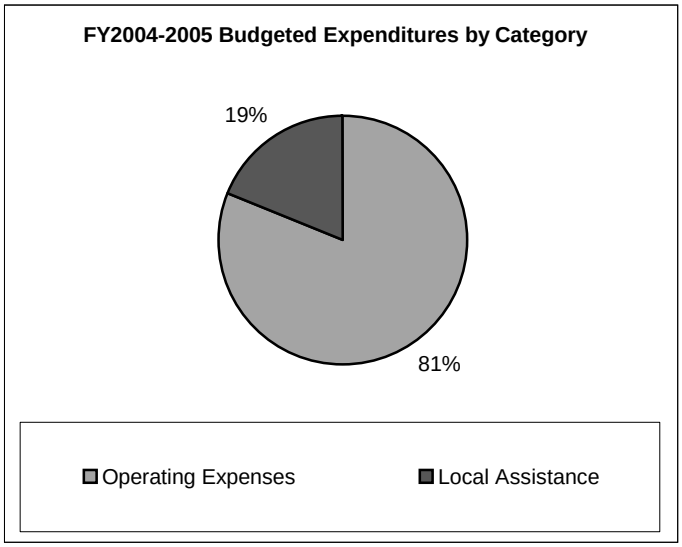

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	5,420	4,654	5,439	4,207	4,207	8,414
State Government Special Revenue	157	128	182	157	157	314
Statutory Appropriations						
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.

Contact

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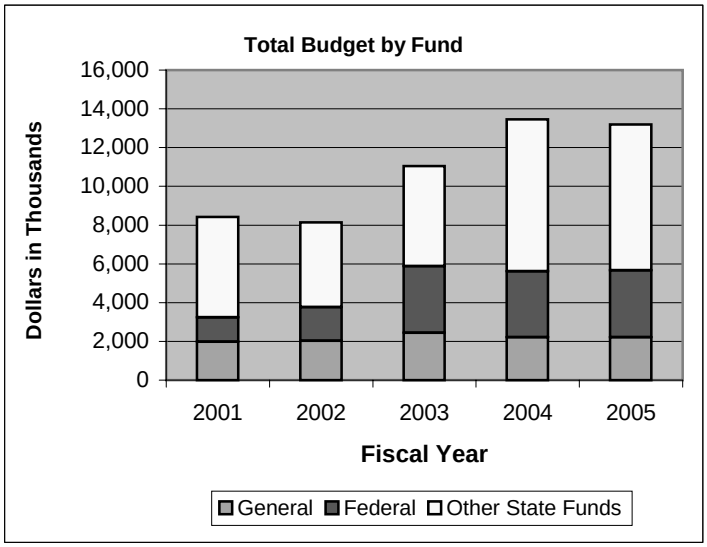

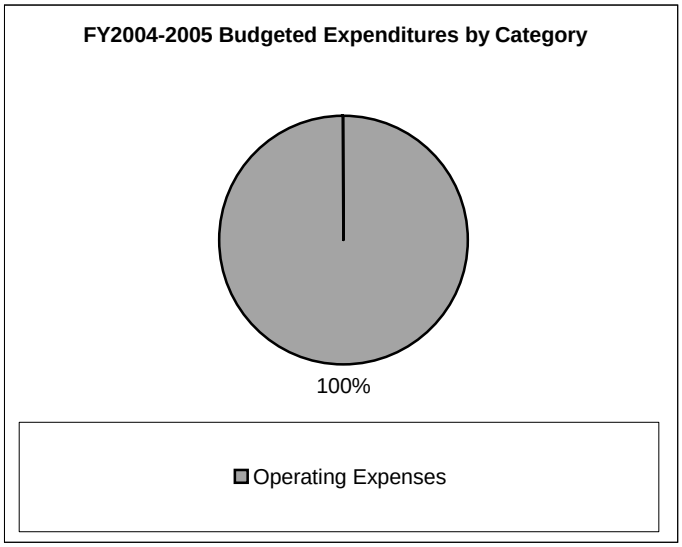

Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Direct Appropriations						
General	1,989	2,033	2,442	2,217	2,217	4,434
State Government Special Revenue	1,858	1,625	1,799	4,741	4,423	9,164
Statutory 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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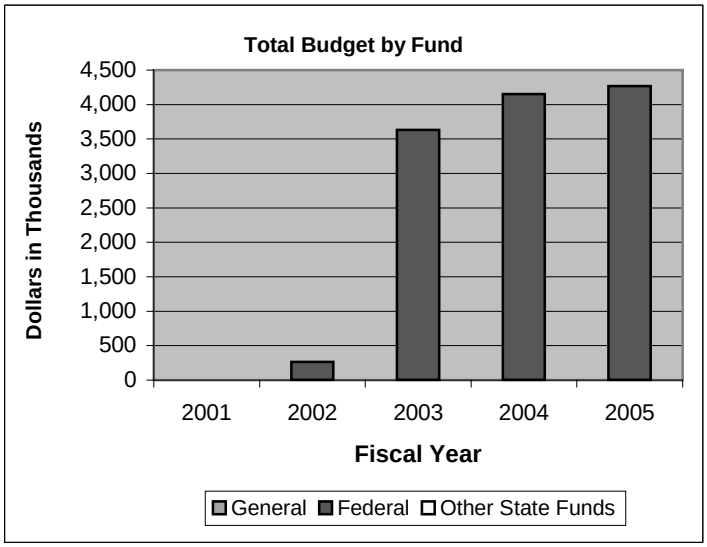
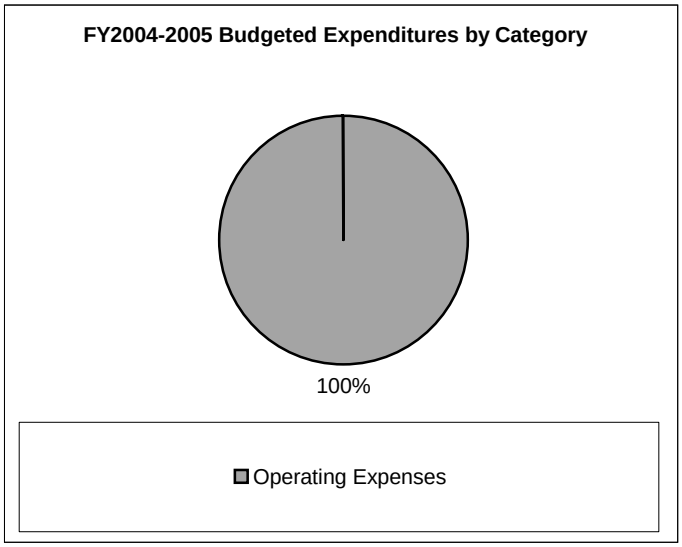




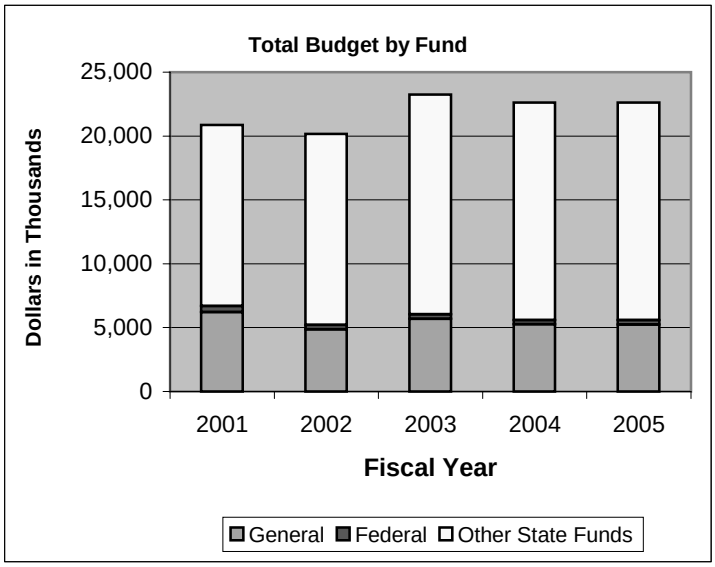
Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Statutory Appropriations						
Federal	0	263	3,632	4,151	4,268	8,419
Total	**0**	**263**	**3,632**	**4,151**	**4,268**	**8,419**
Expenditures by Category						
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**	

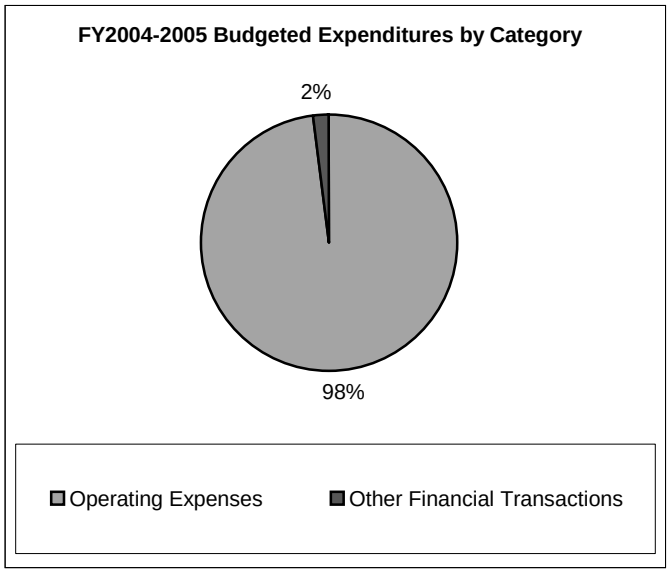
Program Description

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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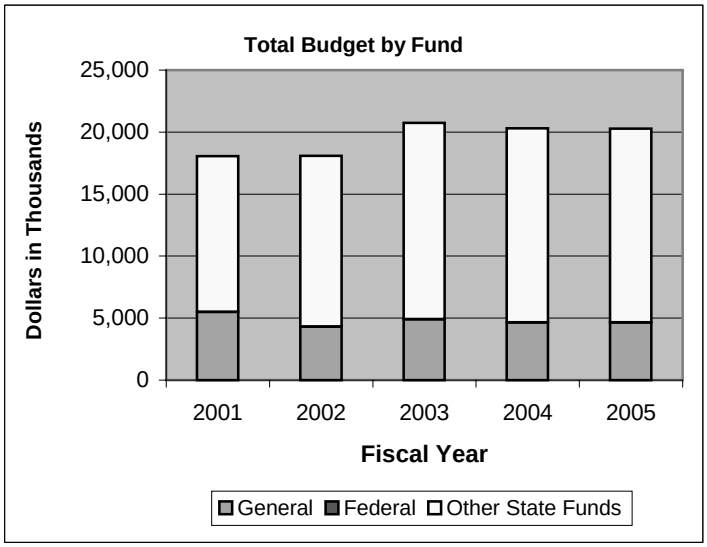

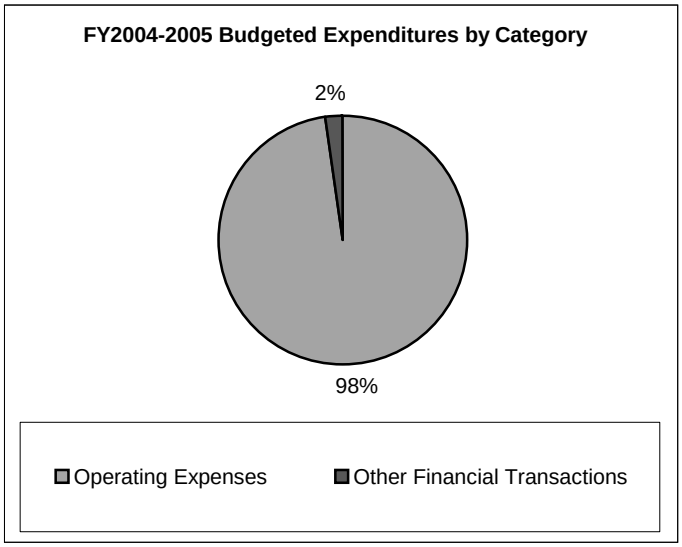

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	5,488	4,321	4,905	4,642	4,636	9,278
Statutory Appropriations						
Special Revenue	12,455	13,767	15,837	15,653	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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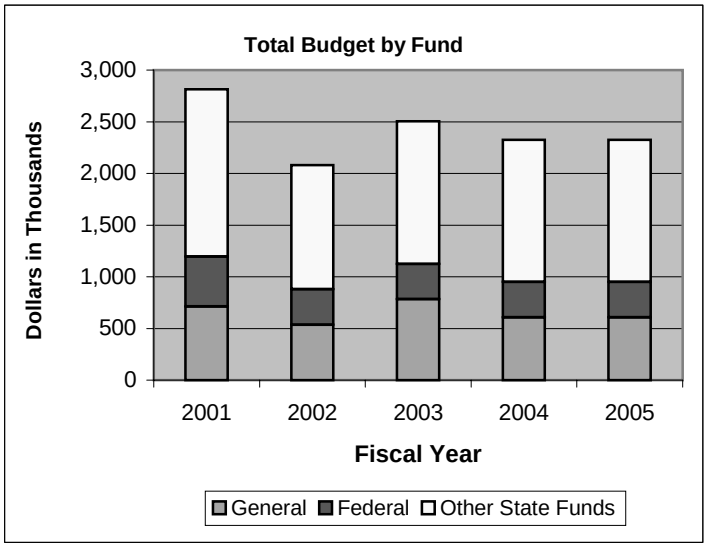
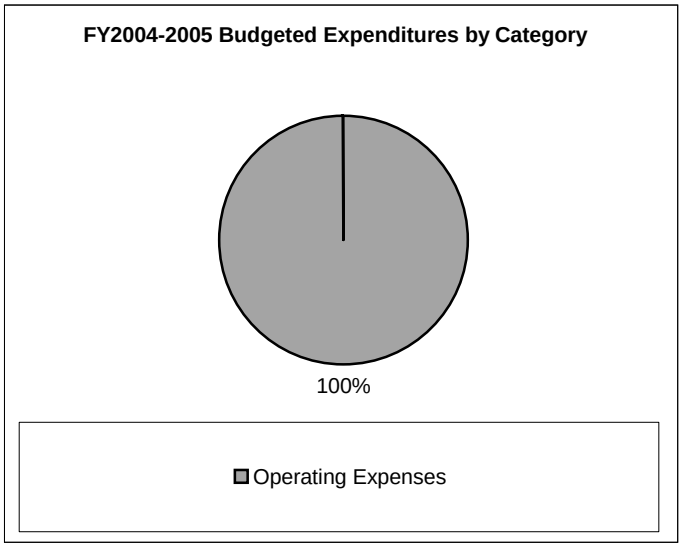




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	713	535	782	607	607	1,214
Statutory Appropriations						
Special Revenue	1,620	1,202	1,374	1,374	1,374	2,748
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.

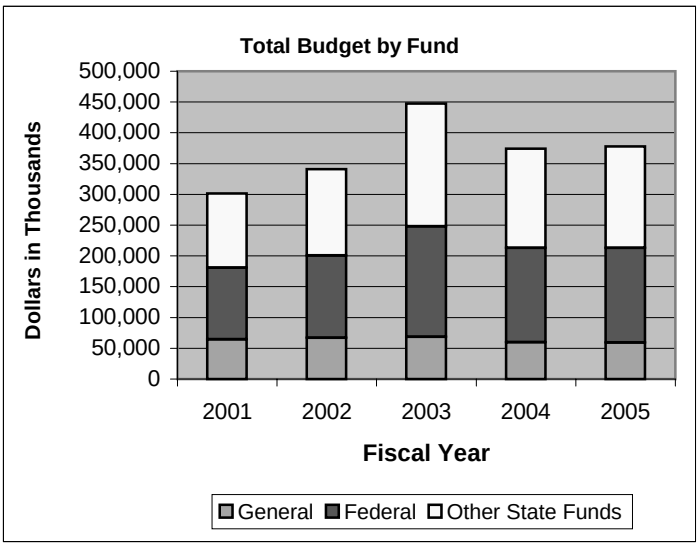
One-time appropriations result in a net increase in general fund spending of $2.840 million. The components and a brief explanation are as follow:

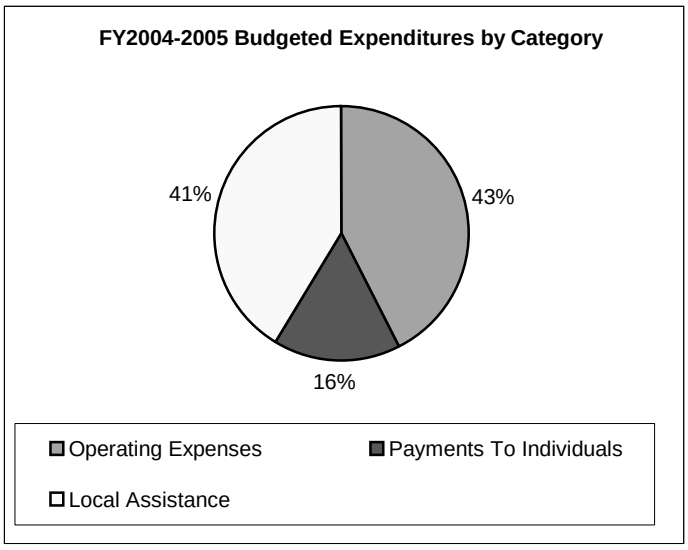
- Poison Information Center (-$2.720 million, GF) appropriations were for the FY 2002-03 biennium only.
- Family Planning Grants ($1.380 million, GF) were reduced by $690,000 in FY 2003 only. This adjustment restores funding to the FY 2004-05 base budget.
- Rural Hospital Capital Improvement Grants ($4.240 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)	

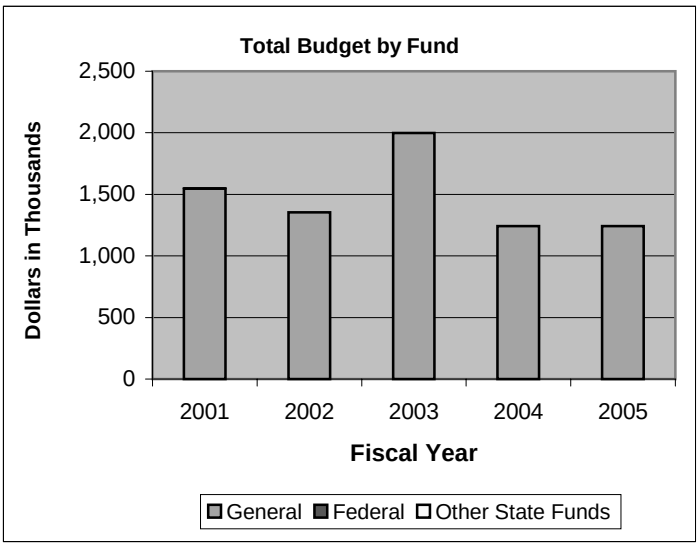
Grant Name	Purpose	Recipients	Budgeted State Funds FY 2003	Budgeted Federal Funds FY 2003
TANF Home Visiting *Laws of MN 2000, Chapter 488, Art. 8, Sec. 2, Subd. 6*	Serve families with incomes at or below 200% of federal poverty guidelines	All community health boards and tribal governments; funding formula (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)

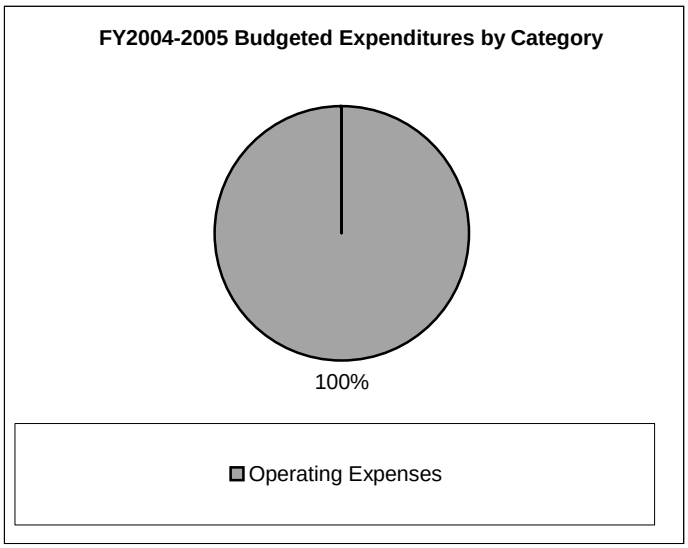
Grant Name	Purpose	Recipients	Budgeted State Funds FY 2003	Budgeted Federal Funds FY 2003
	focus on 7 health priorities.			
Program: Health Quality and Access **Budget Activity: Health Policy and Systems Compliance**				
Medical Education and Research Cost (MERC)	The MERC fund was established to address 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.

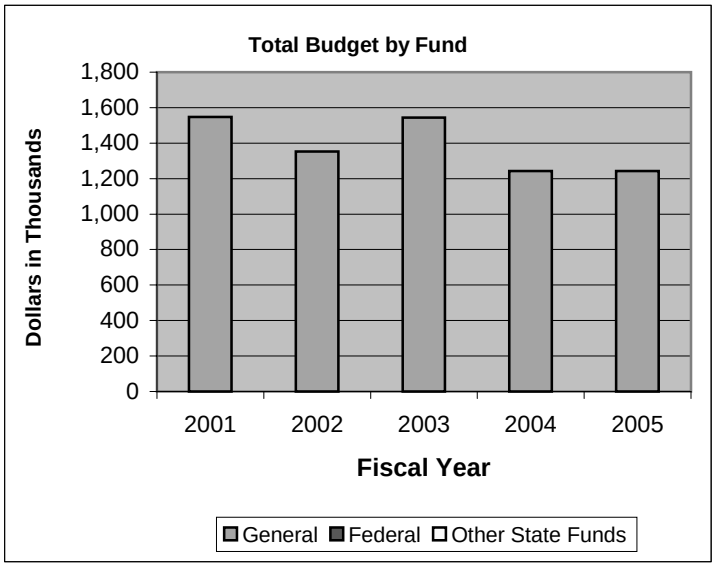
Budget

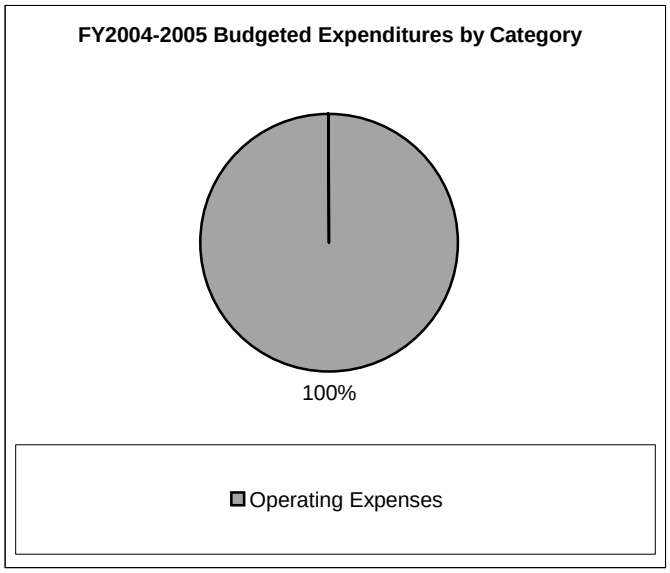
- 100% of agency budget is from the General Fund
- 84% of the agency's budget is for staffing 17 FTEs and three part-time FTEs
- 16% of the agency's budget is for operating expenses

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.





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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.

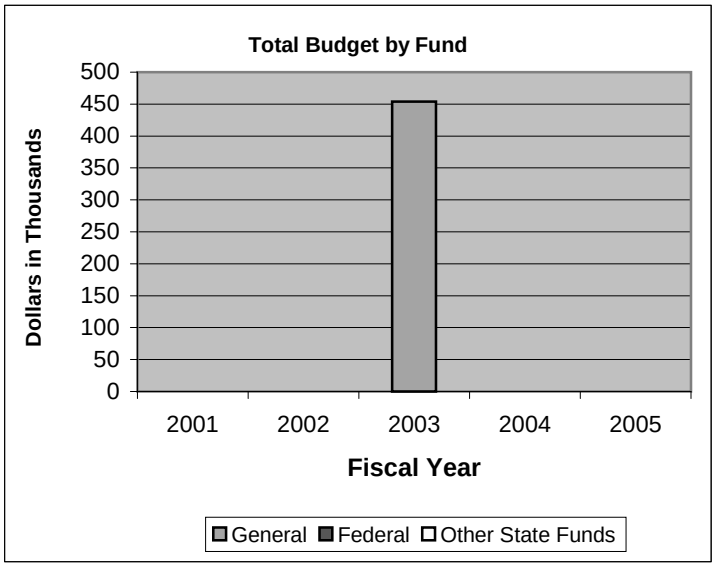
This program includes funding for this function in FY 03. Funding for prior fiscal years is shown under the separate budget entity of Office of Crime Victims Ombudsman.

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
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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 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.

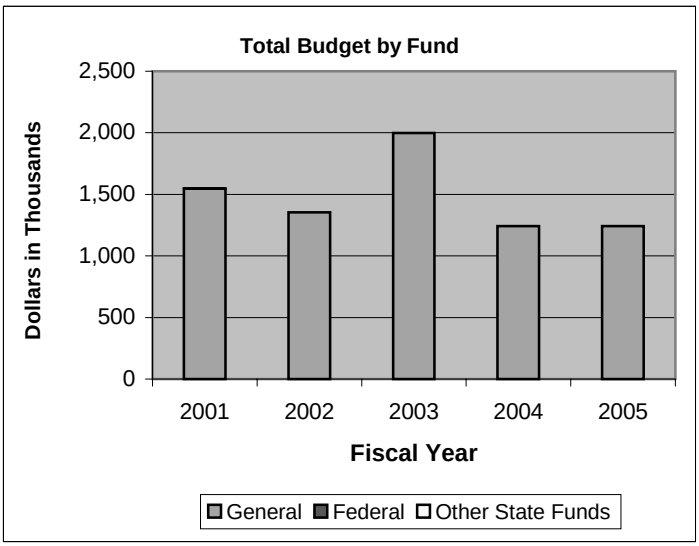
Sincerely,

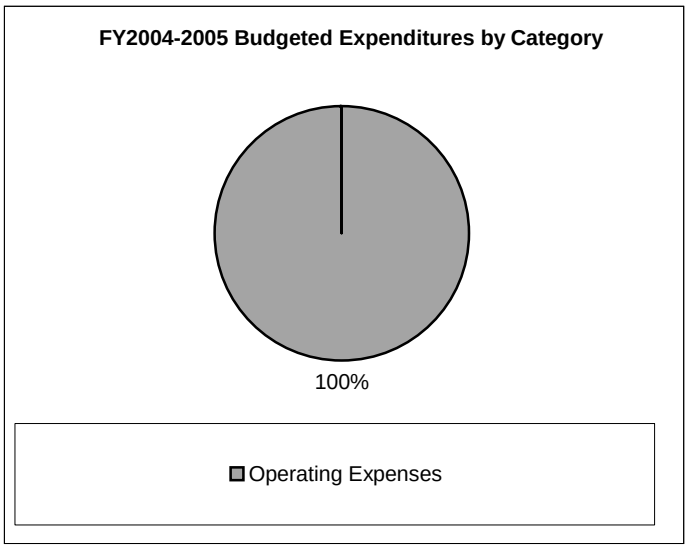
Dan McElroy
Commissioner

	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:
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Executive Director
Higher Education Facilities Authority
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St. Paul, Minnesota 55101

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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.

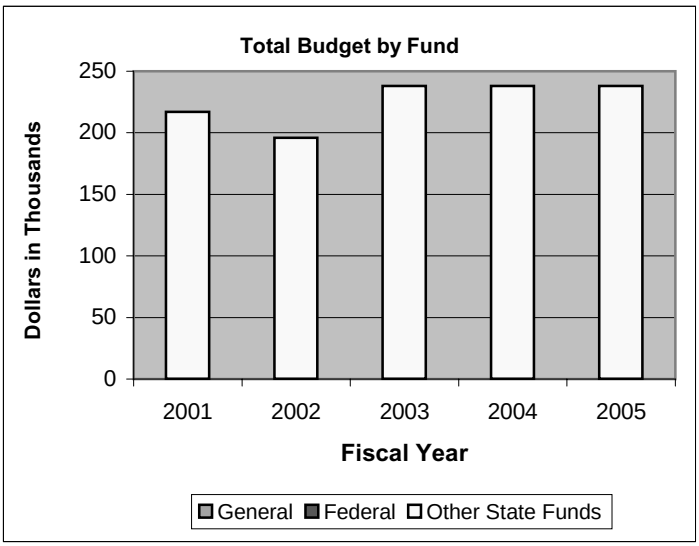
The recommended reductions to the funding for the Mayo Foundation are distributed proportionally across the three programs receiving state funds. The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

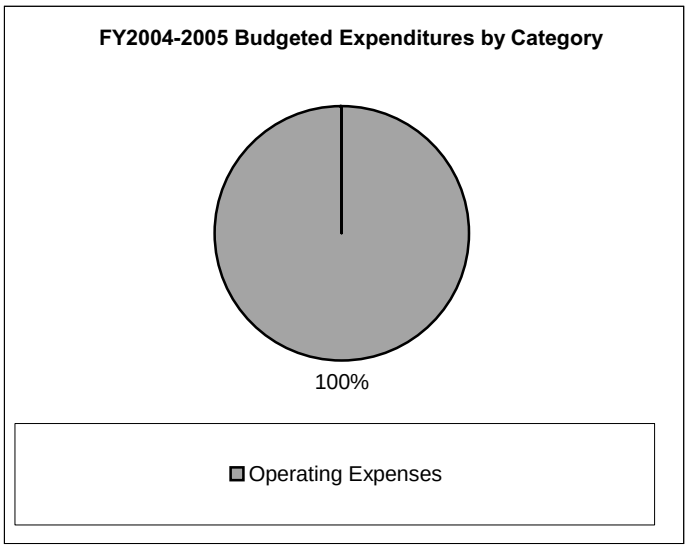
My staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

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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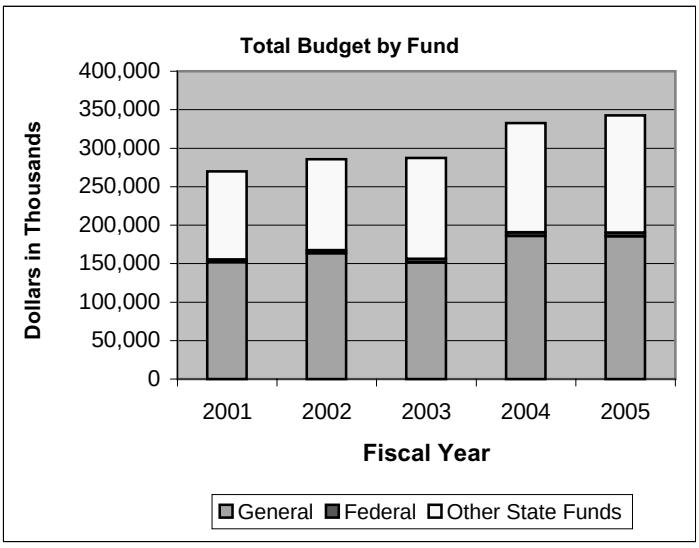
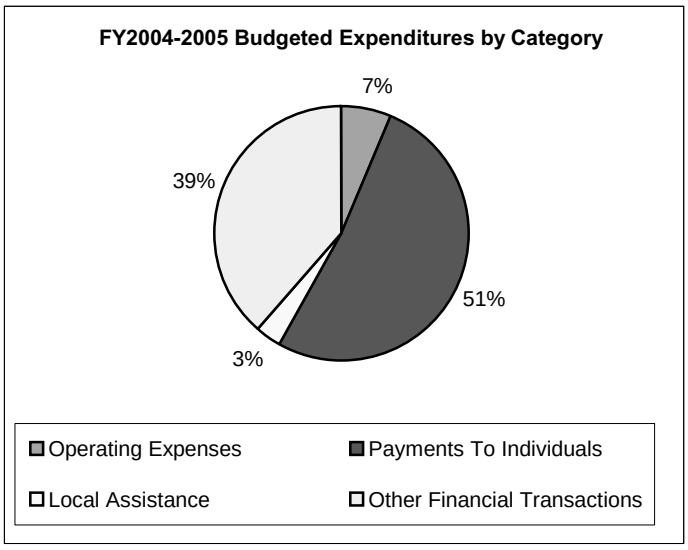
E-mail: info@heso.state.mn.us

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.

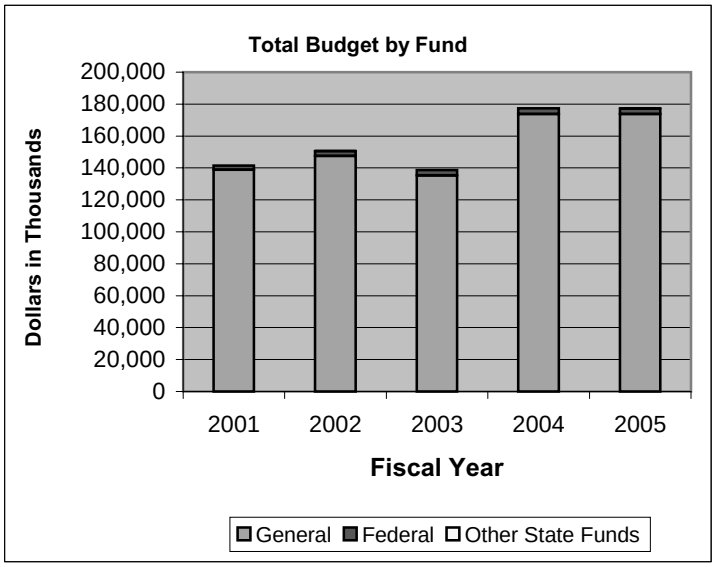
To compete in today's global economy, most Minnesotans will enroll in some form of post-secondary education. As education has become more and more essential, Minnesota has enacted significant programs of financial aid and other assistance so that barriers to post-secondary education can be overcome. The activities under this program are part of the state's strategy to keep education affordable and accessible for all Minnesota families.

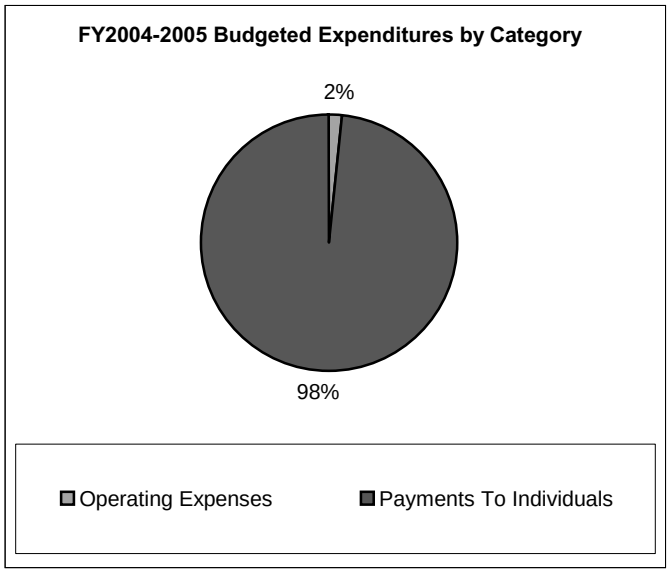
The important issues facing student financial aid services are to reach decisions that will:

- 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.

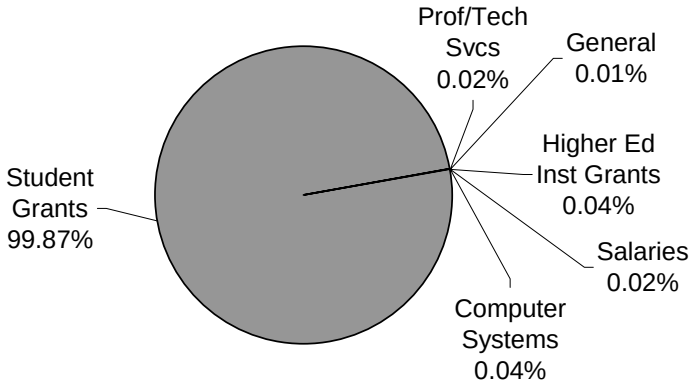
YouthWorks Post Service Benefits M.S. 124D.44
One cohort of Minnesota high school students in FY 1996 which performed services to their community through the Federal AmeriCorps Program had their educational benefits funded by the state of Minnesota under the YouthWorks Program. The Minnesota Higher Education 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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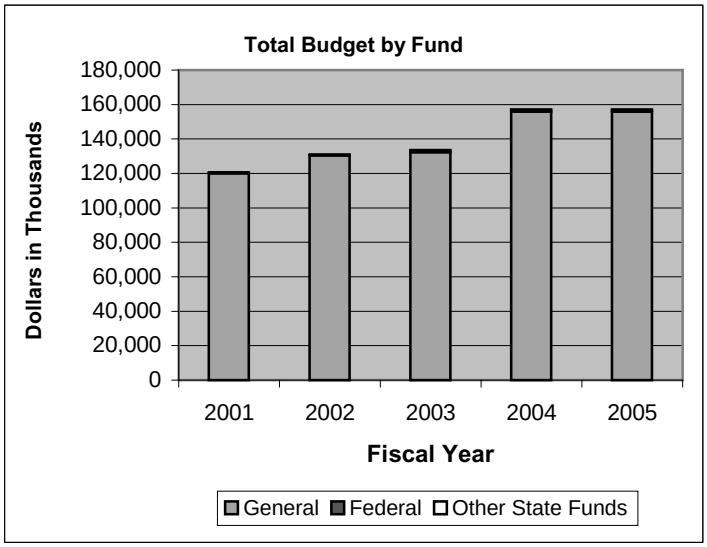
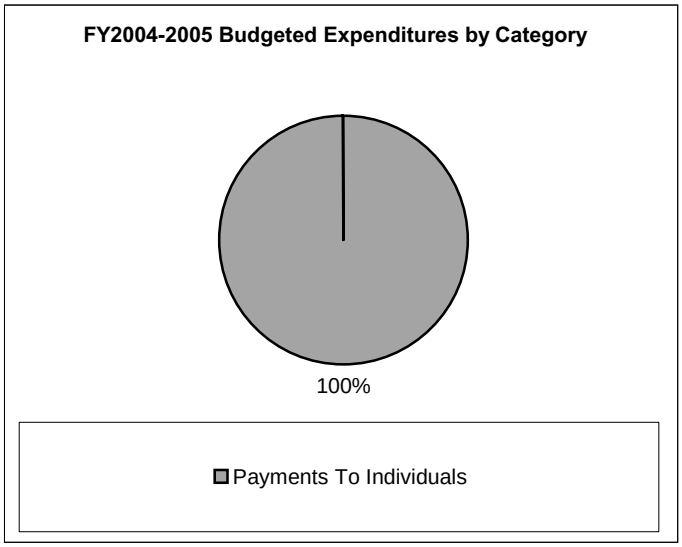
HIGHER EDUCATION SVCS OFFICE
Program: STUDENT FINANCIAL AID SERVICES
Activity: STATE GRANTS

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

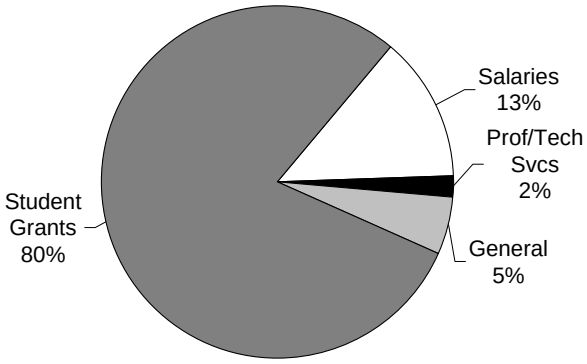
The Minnesota College Savings Plan supports the Minnesota Higher Education Services Office mission of helping students achieve financial access to and choice among post-secondary educational options.

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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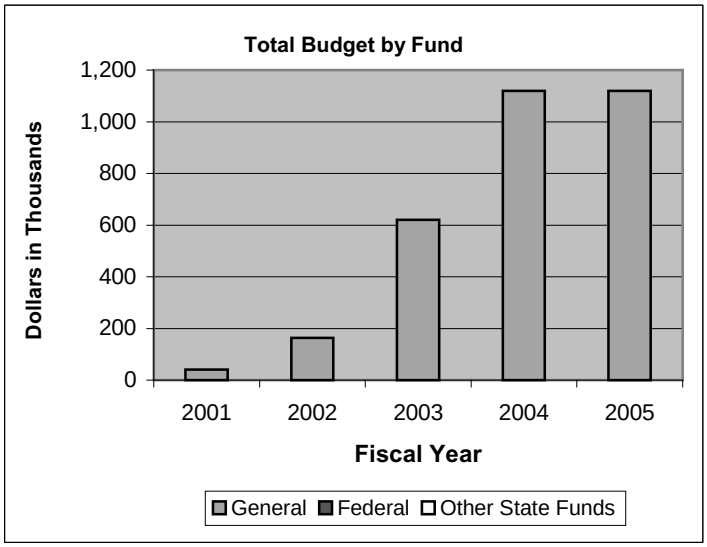
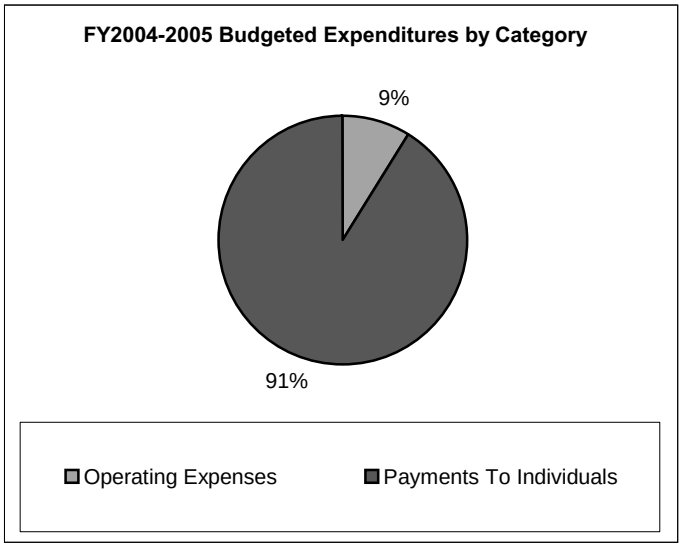
HIGHER EDUCATION SVCS OFFICE
Program: STUDENT FINANCIAL AID SERVICES
Activity: MN COLLEGE SAVINGS PROGRAM

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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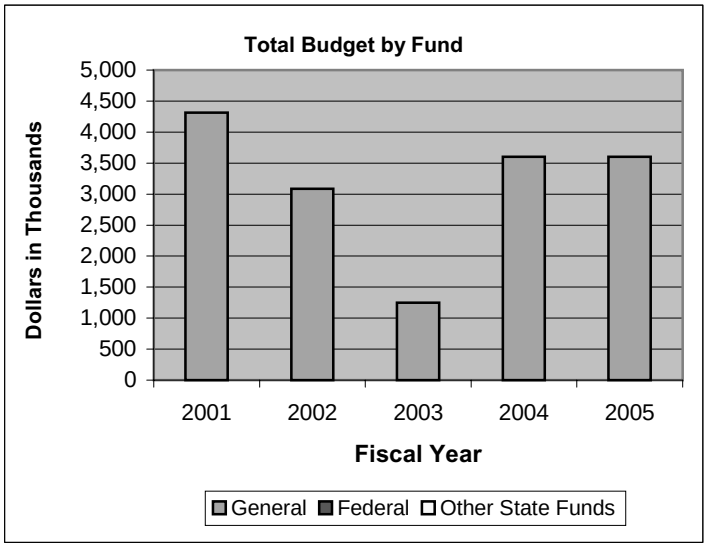
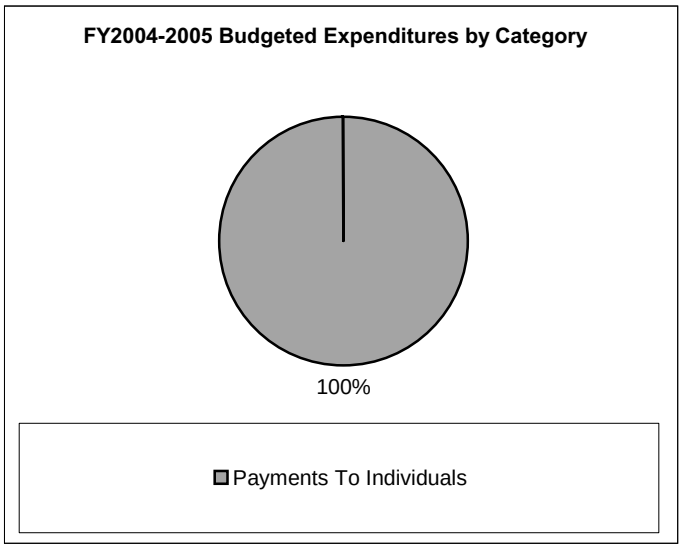
HIGHER EDUCATION SVCS OFFICE
Program: STUDENT FINANCIAL AID SERVICES
Activity: INTERSTATE TUITION RECIPROCITY

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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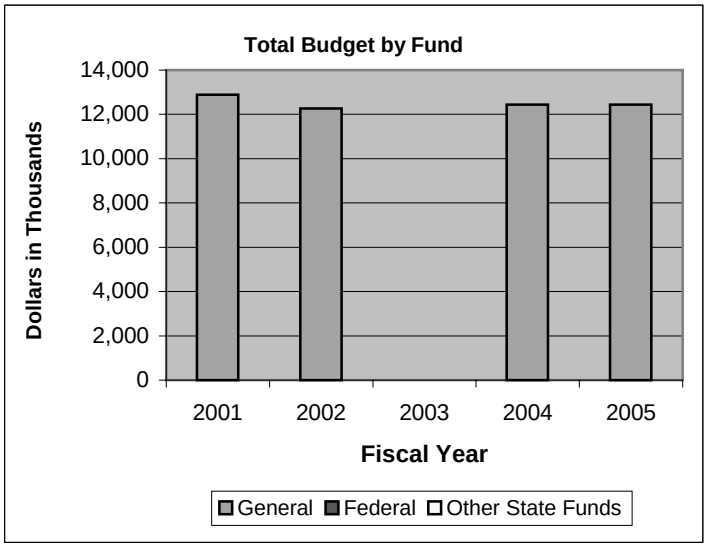
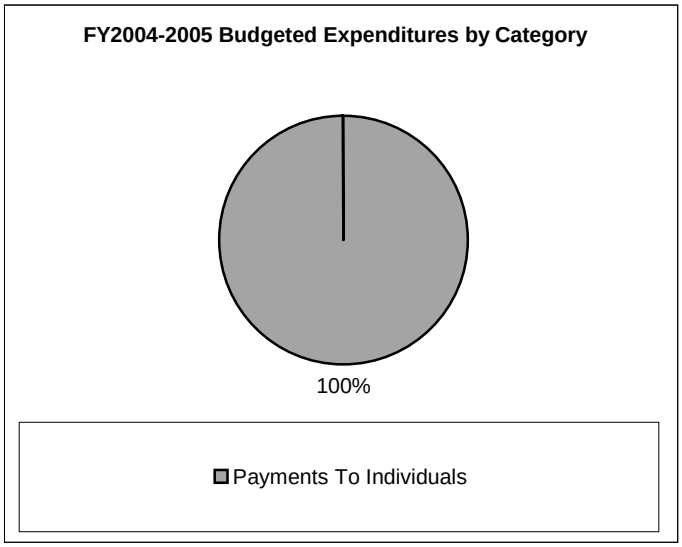




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	12,887	12,262	0	12,444	12,444	24,888
Total	**12,887**	**12,262**	**0**	**12,444**	**12,444**	**24,888**
Expenditures 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.

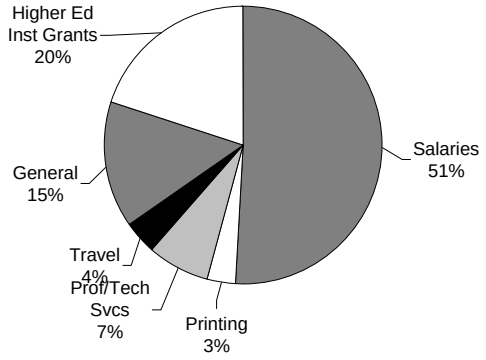
To help sustain a continuum of service to low-income students from early grades through high school, the Services Office manages the Intervention for College Attendance Program in which ten grants to post-secondary institutions and community agencies help enhance and/or expand programs that provide services such as tutoring, mentoring, information about college options, parental involvement, and summer academic experiences to low-income students.

Historical Perspective

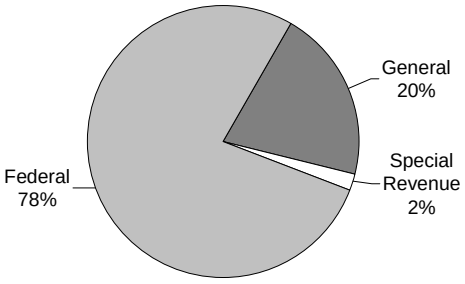
The Services Office began providing information about financial access to families in the 1970s, paralleling the growth of state and federal financial aid programs. Specific legislative initiatives in the 1980s directed the agency to provide information to all eighth grade students and to parents. The 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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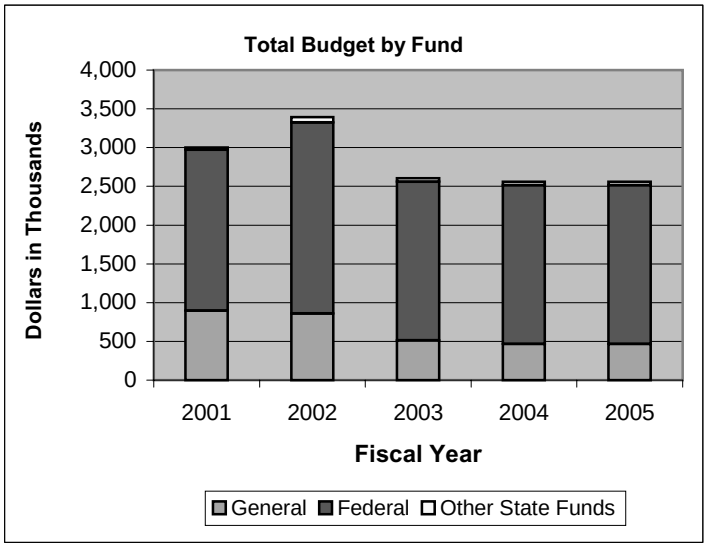
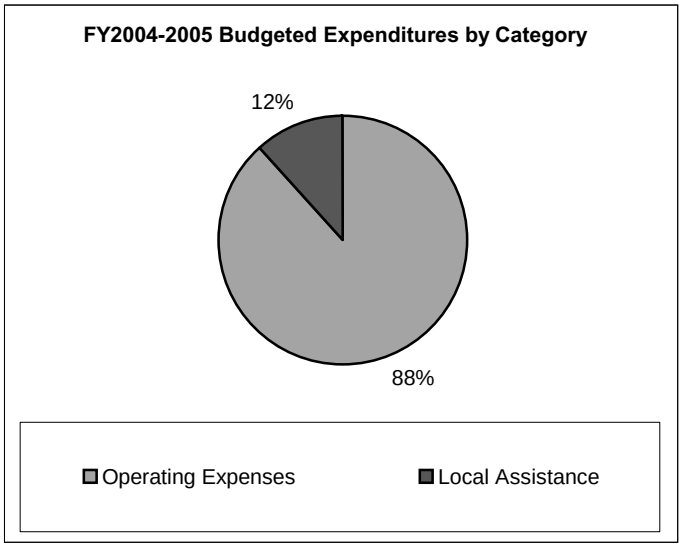
HIGHER EDUCATION SVCS OFFICE
Program: STUDENT FINANCIAL AID SERVICES
Activity: STUDENT & PARENT INFORMATION

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.

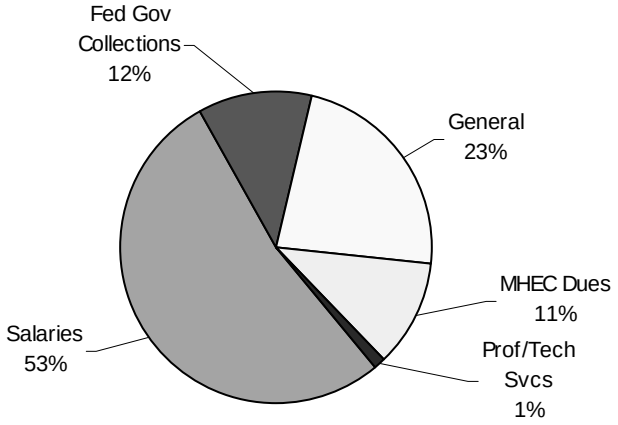
Population Served

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.

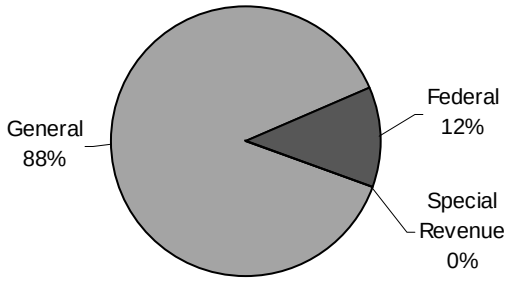
All the 132 institutions participating in the State Grant Program have decentralized delivery of grant funds to students. Funds to be used each term are disseminated to institutions which calculate individual student awards according to statutory specifications, and then report student data and results 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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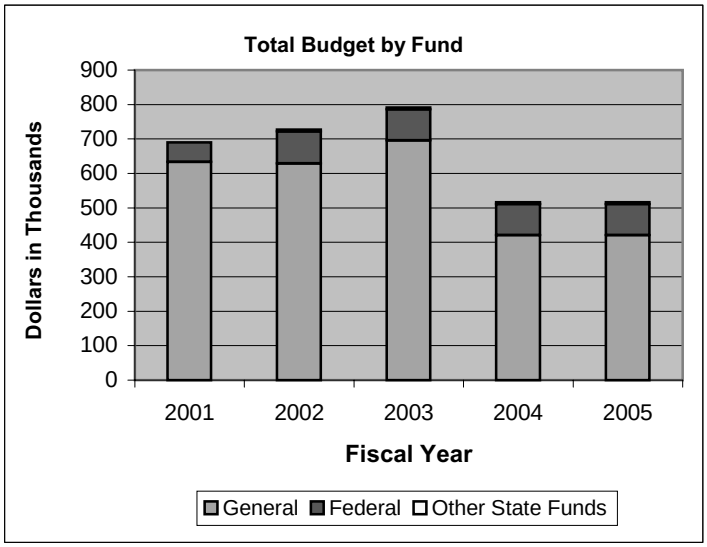
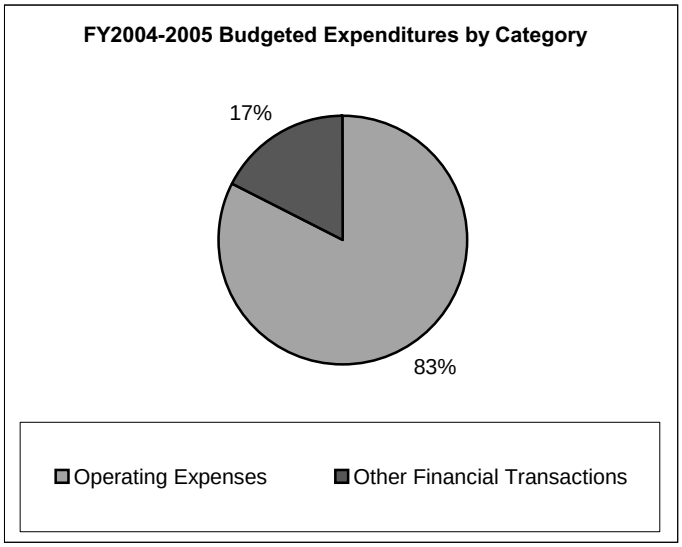
HIGHER EDUCATION SVCS OFFICE
Program: STUDENT FINANCIAL AID SERVICES
Activity: STUDENT FINANCIAL AID SERVICES

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.

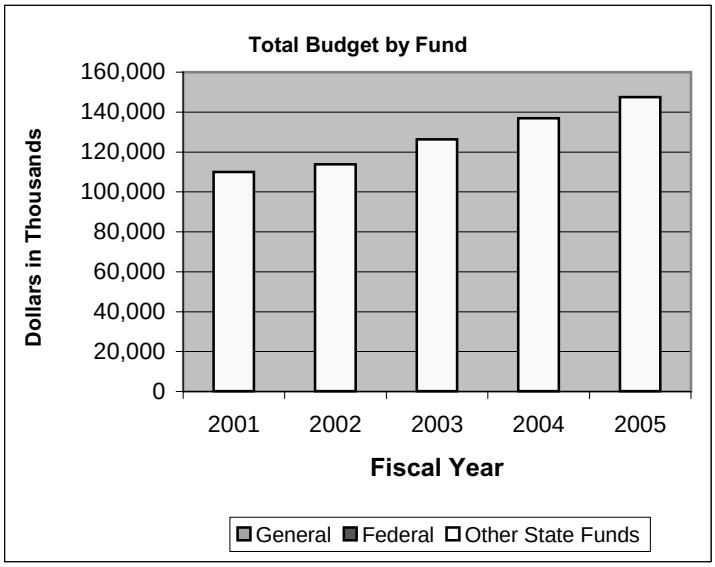
This program is an essential element in ensuring the agency's effectiveness in achieving its mission.

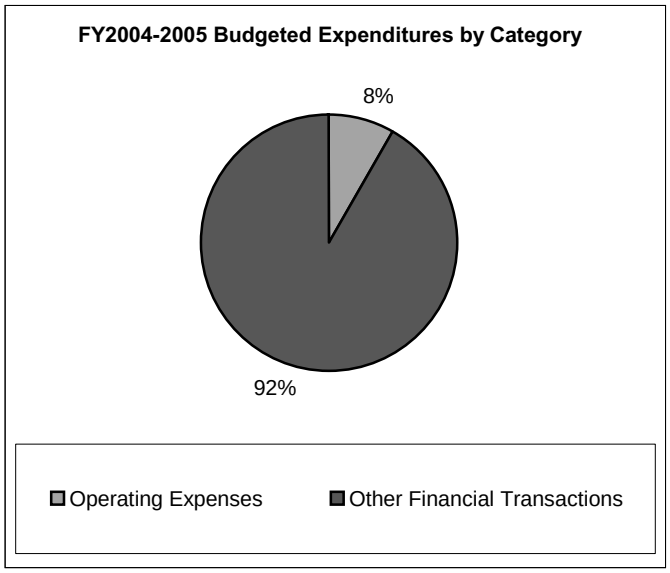
The purpose of the State Student Loan Services is to provide administrative support for the Student Educational Loan Fund Program (SELF), the Federal Stafford Loan Program, the Graduated Repayment Income Protection Program (GRIP), and the Minnesota Medical and Osteopathy Loan Program (MMOLP). These loan 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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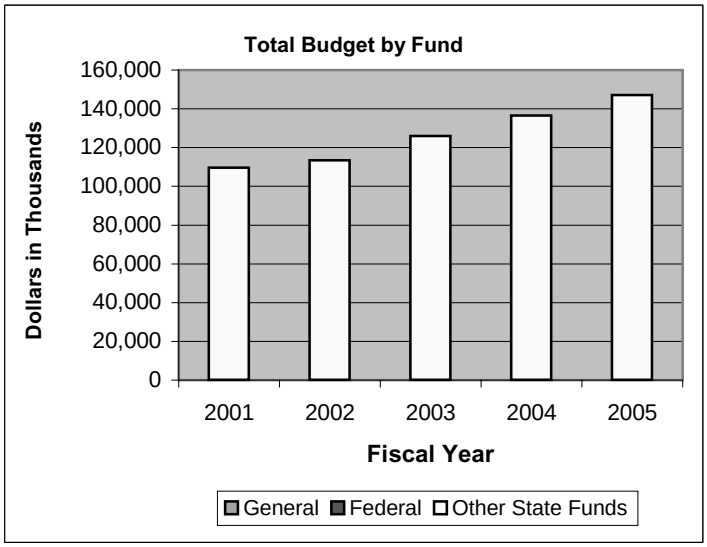
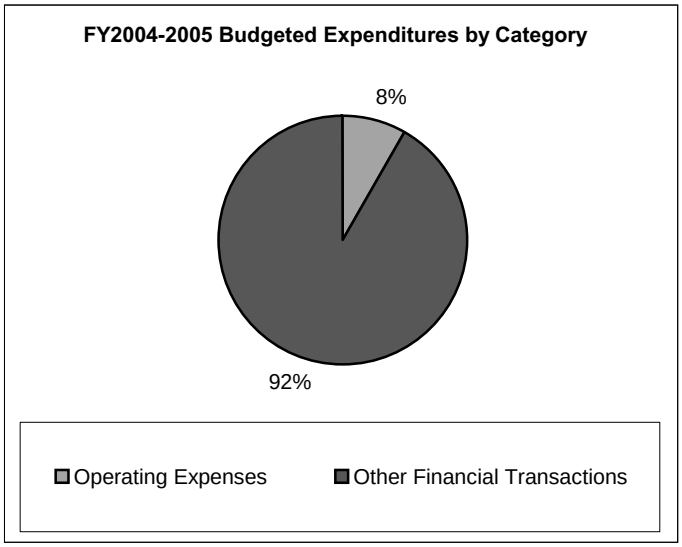
HIGHER EDUCATION SVCS OFFICE
Program: STATE STUDENT LOANS
Activity: STUDENT EDUCATIONAL LOAN FUND

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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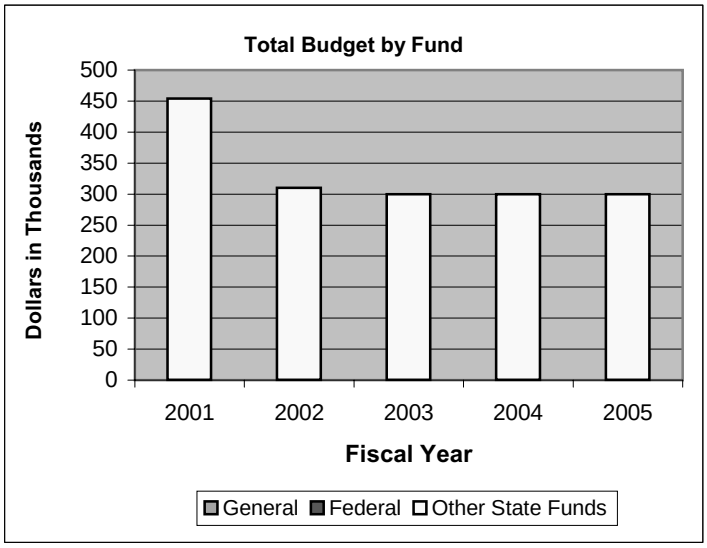
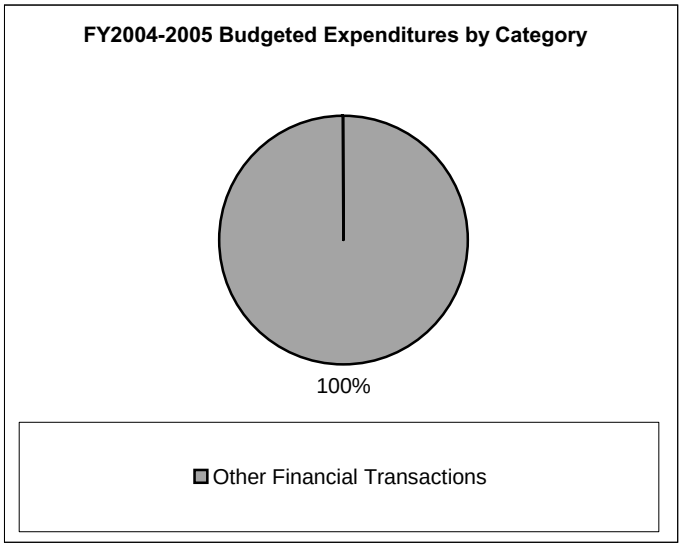
HIGHER EDUCATION SVCS OFFICE
Program: STATE STUDENT LOANS
Activity: OTHER LOAN PROGRAMS

Fiscal Report

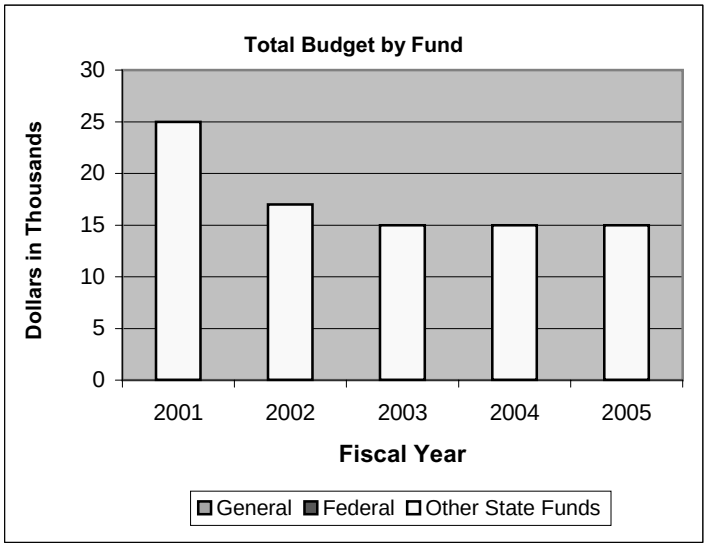


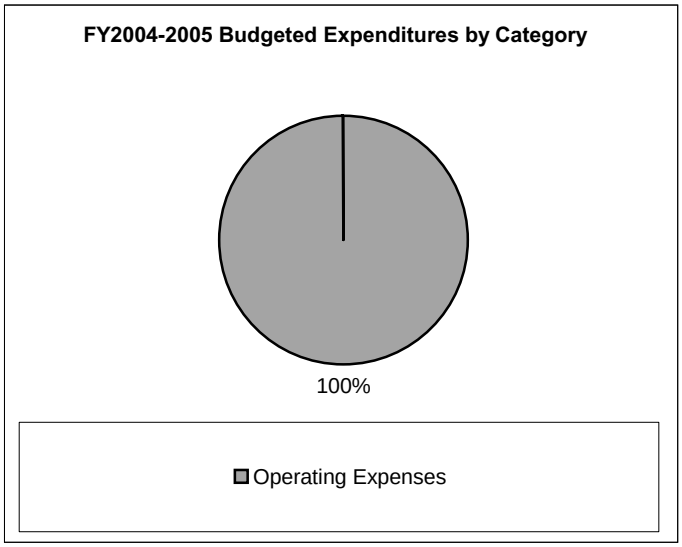


Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Higher Education Svcs Office	454	310	300	300	300	600
Total	**454**	**310**	**300**	**300**	**300**	**600**
Expenditures 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**

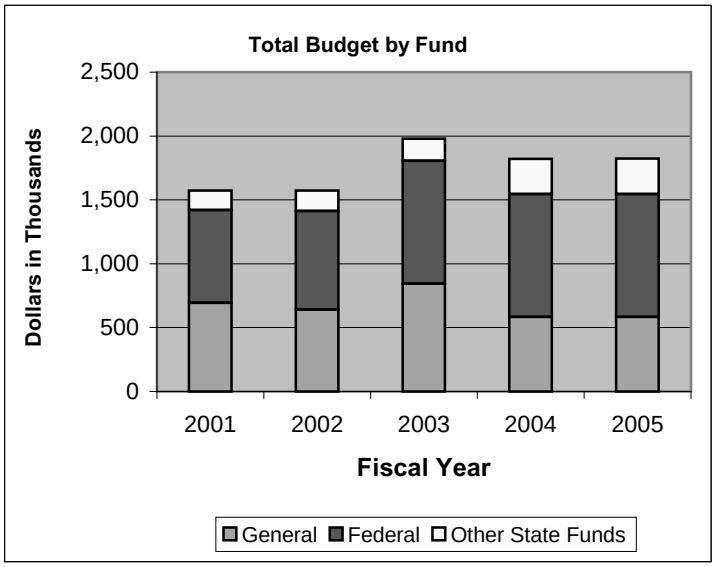
Program Description

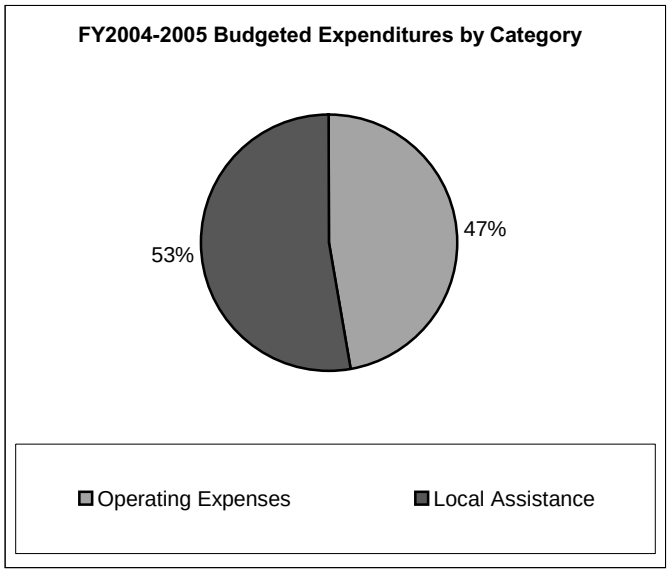
The purpose of Research and Program Services is to support student and state interests in quality, well-managed, and financially accessible higher education opportunities.

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

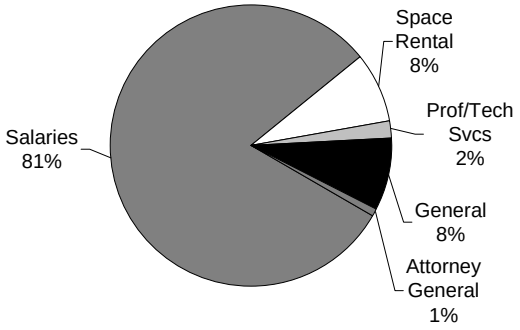
State Grant analyses in response to external requests. As the state's largest student aid program, the State Grant program requires detailed information on results and projections of policy options to satisfy requests from policymakers and others. Activity is greatest during biennial budget sessions. 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

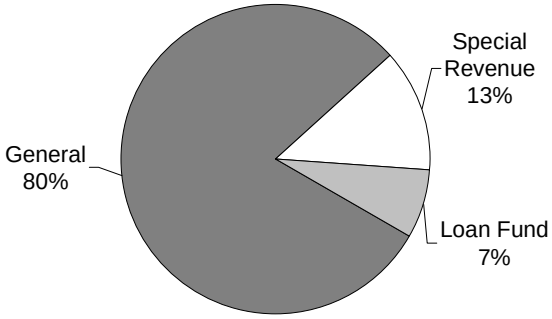
Activity Funding

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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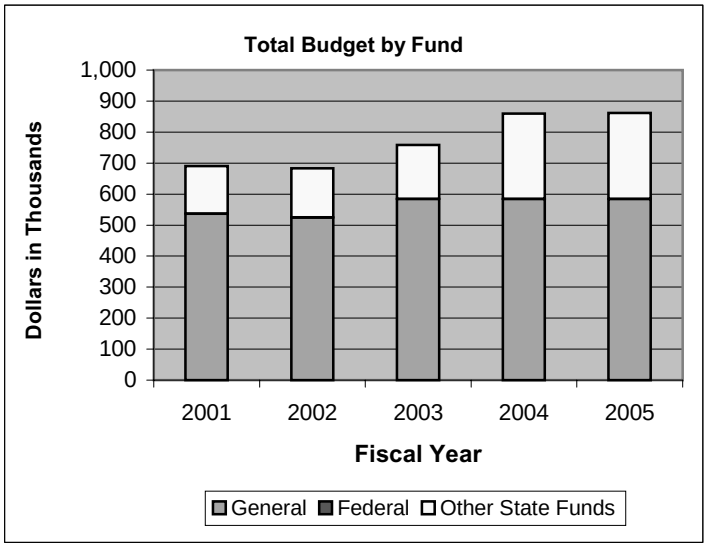
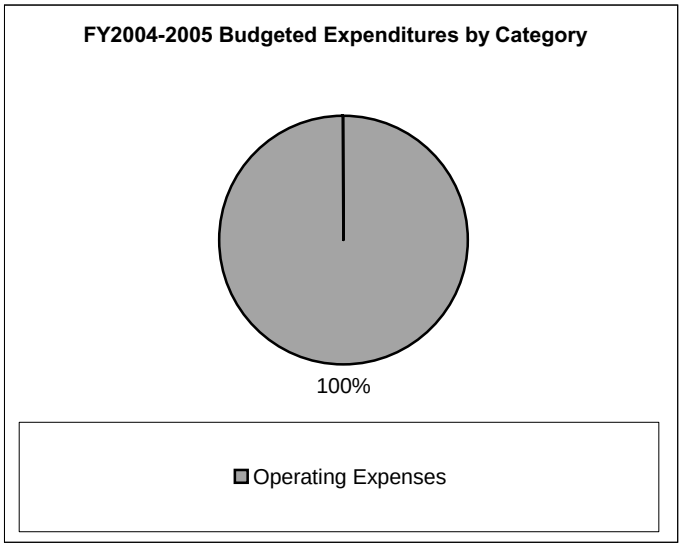
HIGHER EDUCATION SVCS OFFICE
Program: RESEARCH & PROGRAM SERVICES
Activity: RESEARCH & PROGRAM SERVICES

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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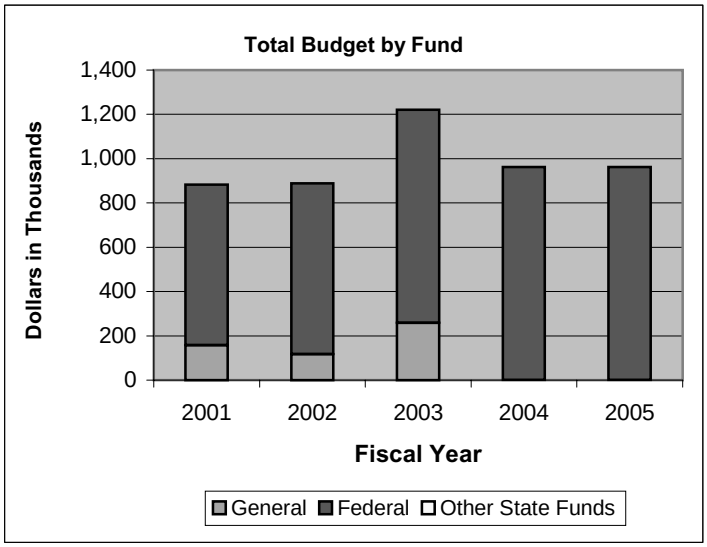
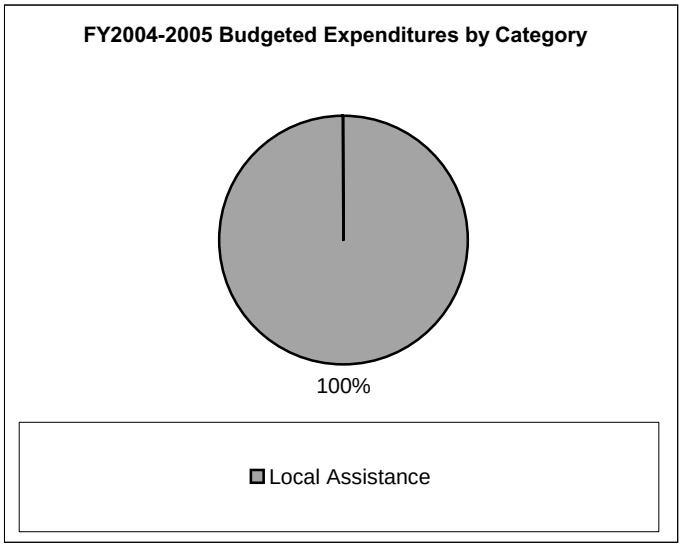
HIGHER EDUCATION SVCS OFFICE
Program: RESEARCH & PROGRAM SERVICES
Activity: MISCELLANEOUS GRANT PROGRAMS

Fiscal Report





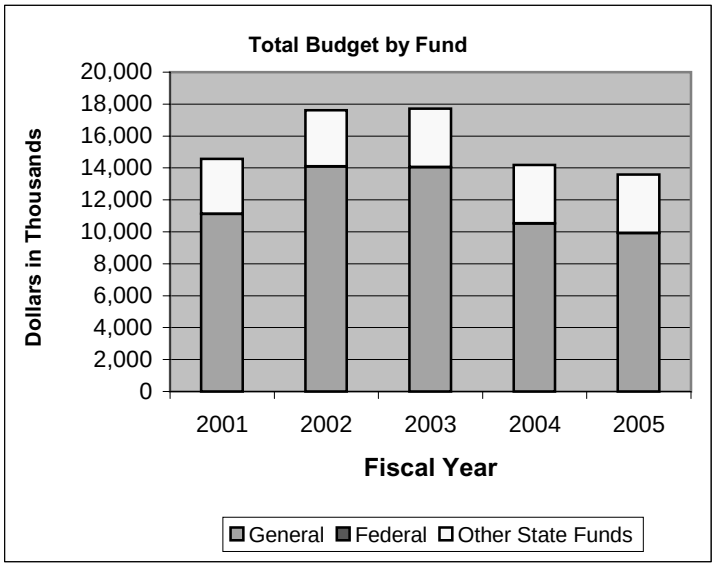
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	157	117	259	0	0	0
Statutory Appropriations						
Federal	726	772	962	962	962	1,924
Total	**883**	**889**	**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**	

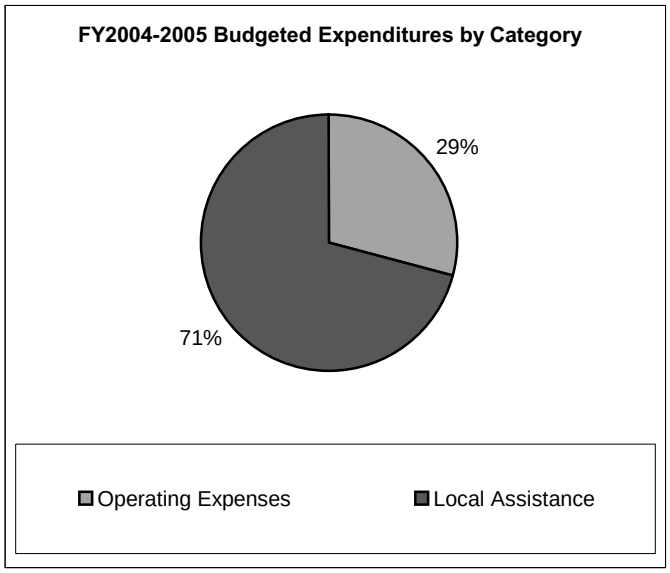
Program Description

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.

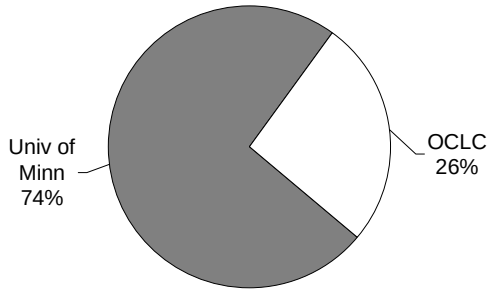
FY 2001	FY2002	FY 2003 Estimate
1,098	1,404	1,540

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.

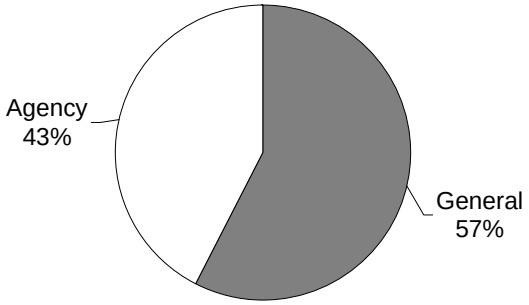
FY 2001	FY2002	FY 2003 Estimate
5,960,885	7,894,218	9,078,351

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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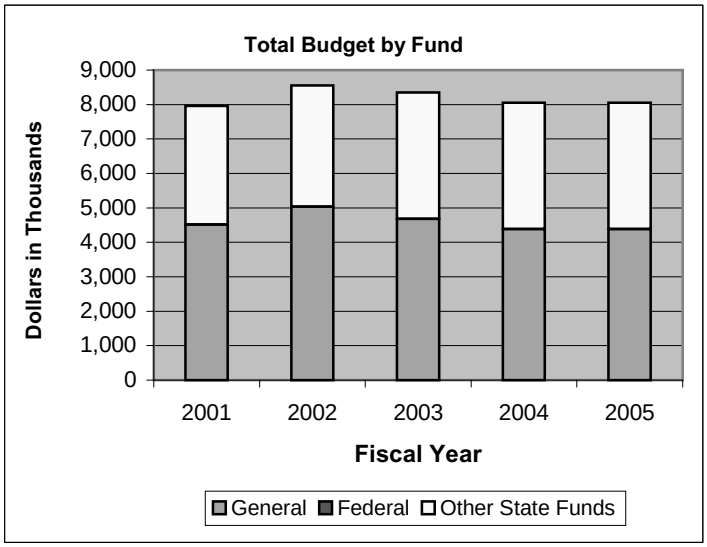
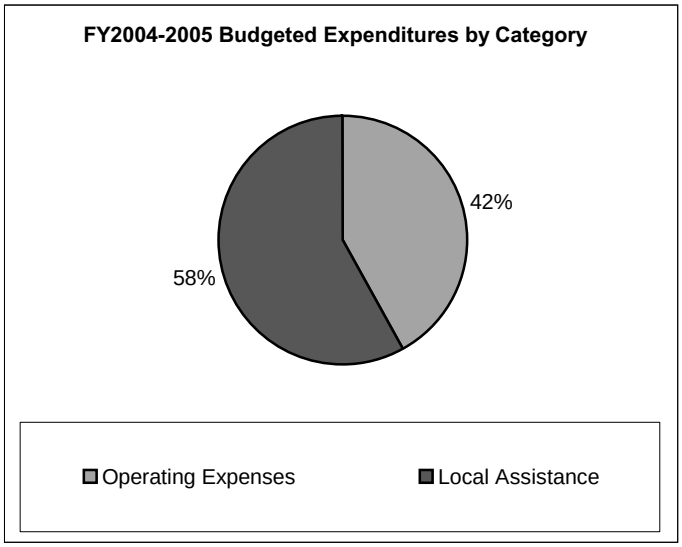




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,518	5,036	4,681	4,381	4,381	8,762
Statutory Appropriations						
Miscellaneous Agency	3,445	3,516	3,673	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.

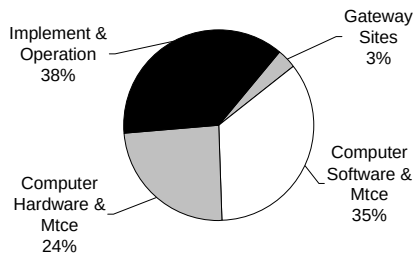
FY 2001	FY 2002	FY 2003 Estimate
671,296	731,490	1,000,000

Activity Funding

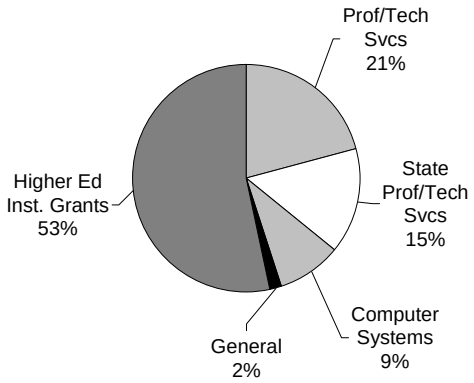
The implementation of MnLINK is funded through a 1997 state appropriation of $12 million, which can be carried over until expended. The initial appropriation is expected to cover MnLINK costs through the installation of the two systems. Training of staff in participating libraries will be covered in 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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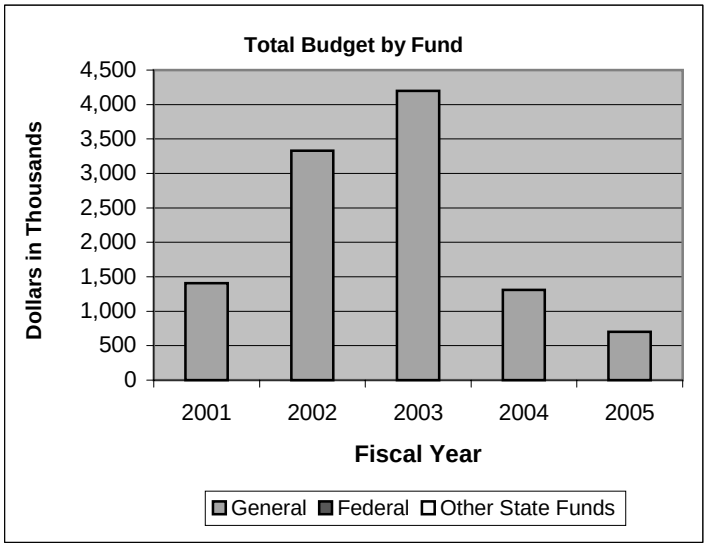
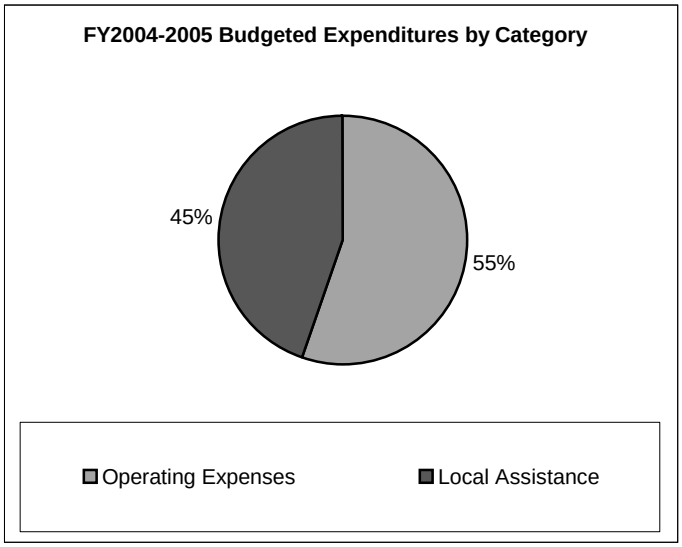
HIGHER EDUCATION SVCS OFFICE
Program: LIBRARIES AND TECHNOLOGY
Activity: MNLINK-IMPLEMENTATION\GATEWAY

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

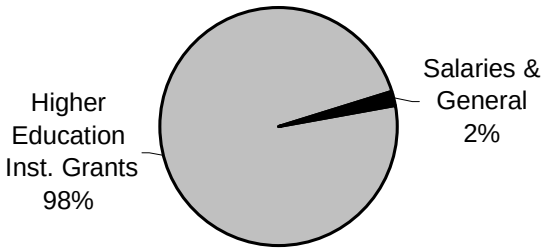
- Number of Distance Education Classrooms/Sites:
  Academic Year 1999-2000 124
  Academic Year 2000-2001 126
- Number of Courses:
  Academic Year 1999-2000 880
  Academic Year 2000-2001 944
- Number of Credits:
  Academic Year 1999-2000 2,883.5
  Academic Year 2000-2001 3,108

(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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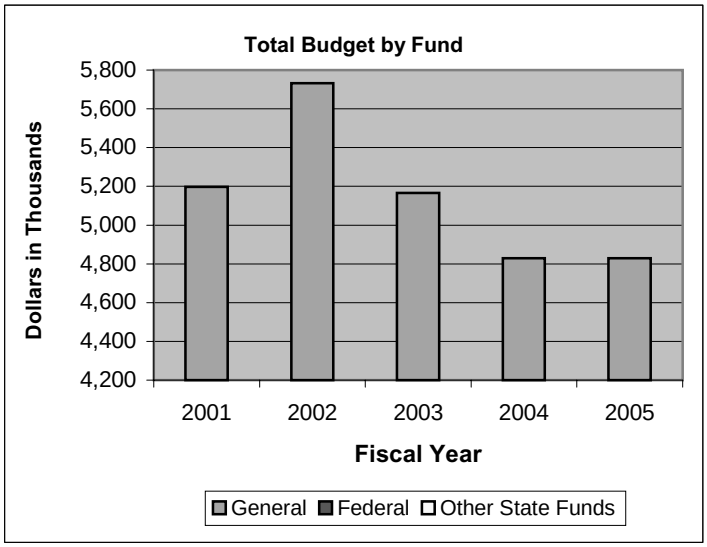
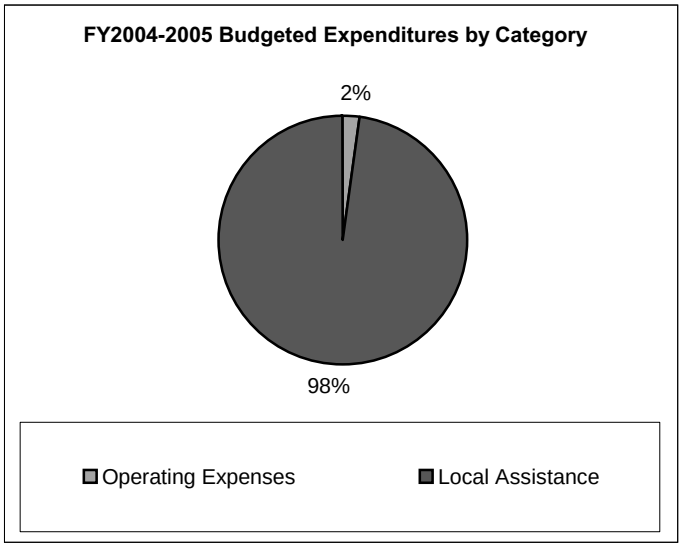
HIGHER EDUCATION SVCS OFFICE
Program: LIBRARIES AND TECHNOLOGY
Activity: LEARNING NETWORK OF MINN

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.

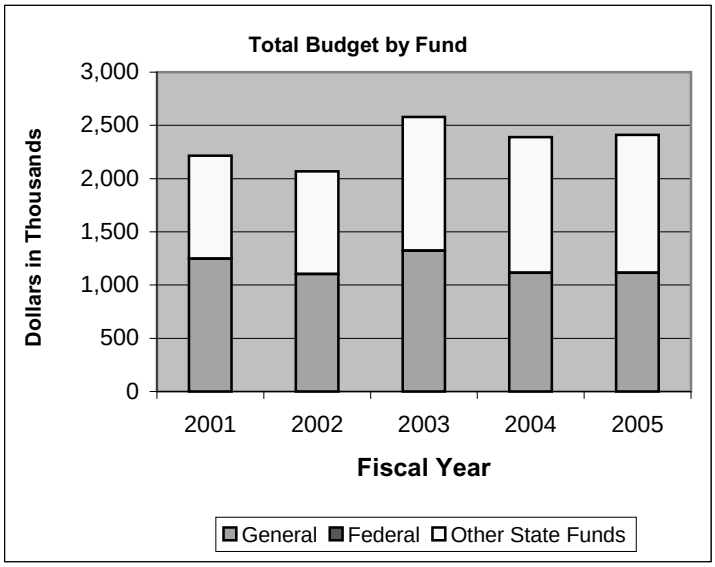
Budget Activities Included:

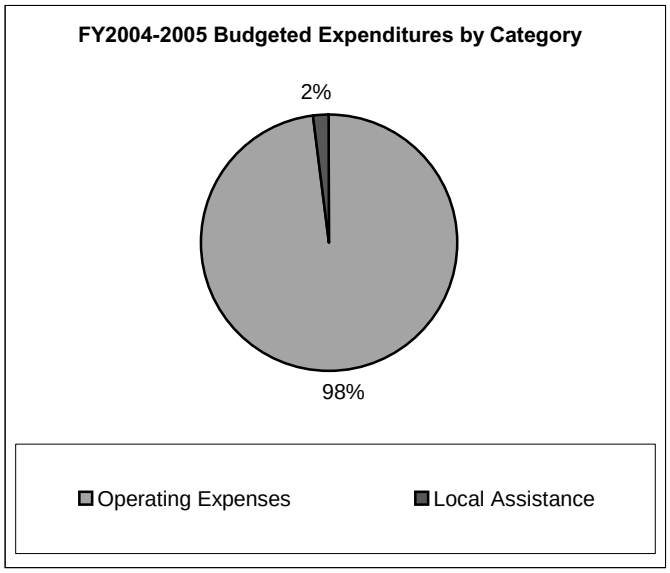
⇒ Agency Management
⇒ Administrative Services

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.

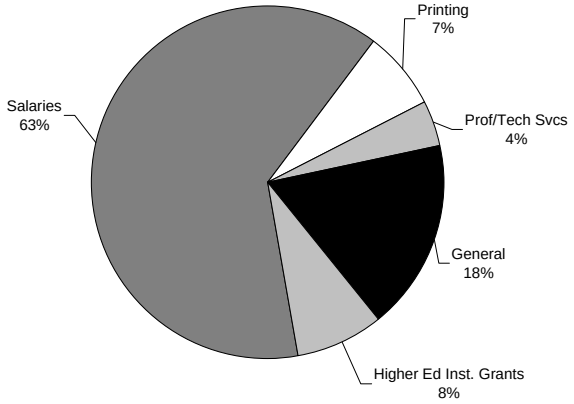
Services Provided

Responsibilities include:

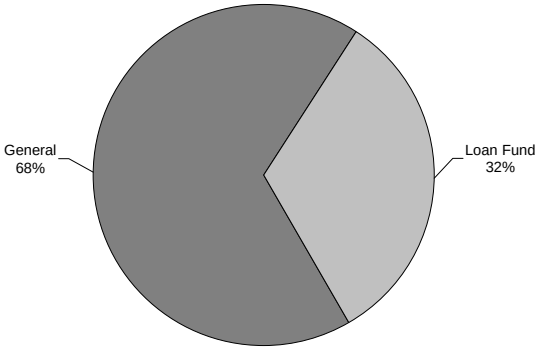
- Guiding and facilitating the work of the Higher Education Services Office through agency work plan development and Management Planning Team deliberations;
- Providing the Higher Education Services Council with the services necessary to achieve its mission, annual objectives, and statutory responsibilities; 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)



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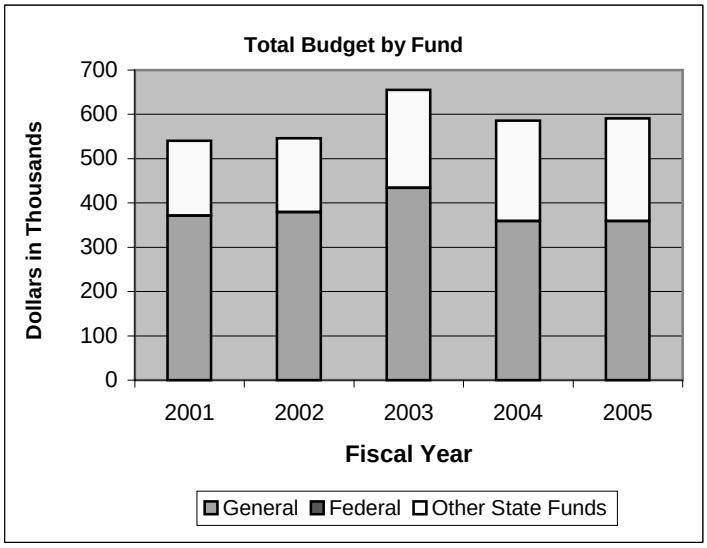
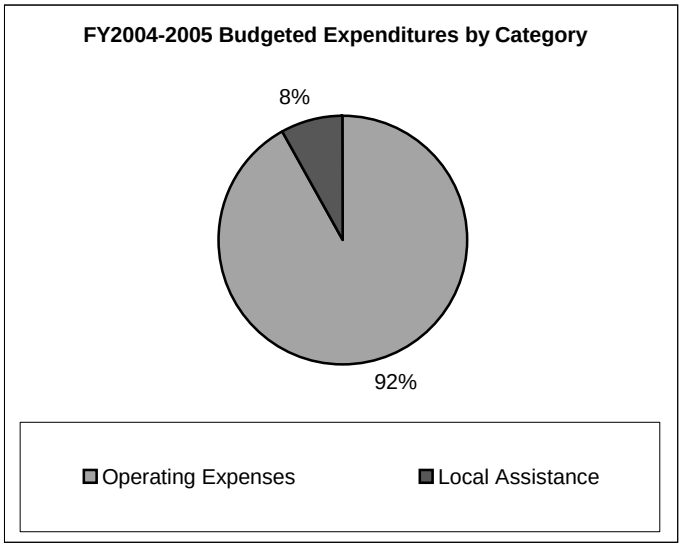
HIGHER EDUCATION SVCS OFFICE
Program: AGENCY/LOAN ADMINISTRATION
Activity: AGENCY MANAGEMENT

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.

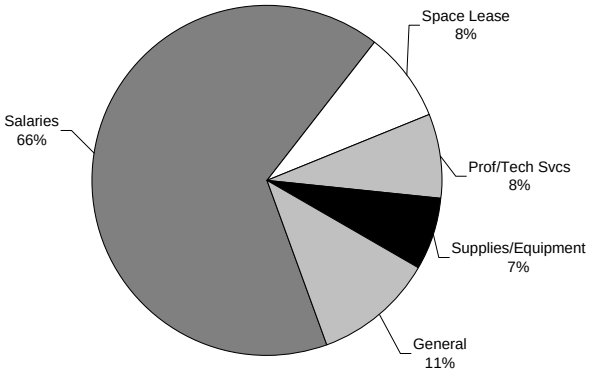
⇒ Number of Student Educational Loan Fund (SELF) student loan applicants that have successfully completed the interactive student loan counseling program on the agency web site: FY 2001 – 2,319; FY 2002 – 3,812.

Activity Funding

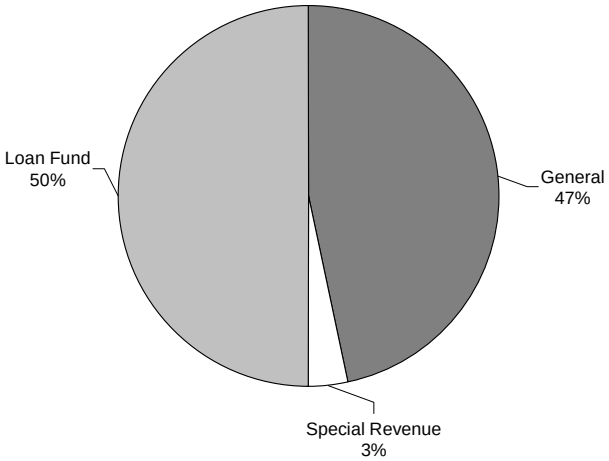
Revenue Sources: The MHESO generates non-dedicated revenue, dedicated revenue and federal revenue. The non-dedicated revenue is primarily generated through refunds of prior year financial aid payments. In addition, the MHESO received payments on several miscellaneous loan programs. All non-dedicated 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)



Contact

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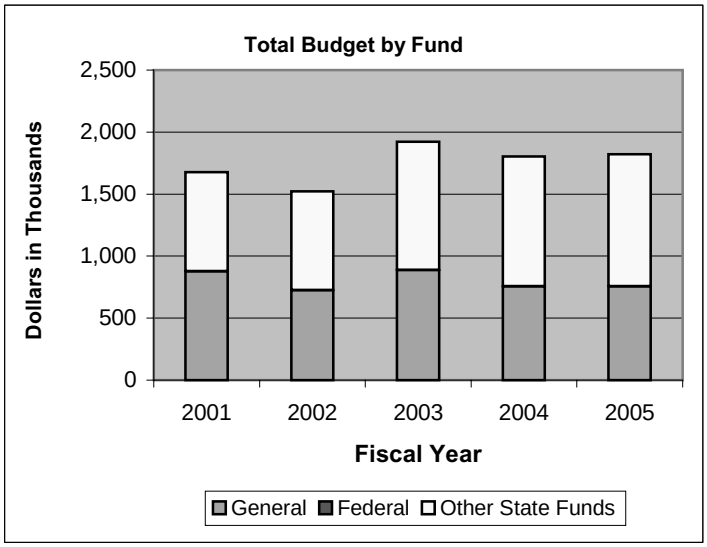
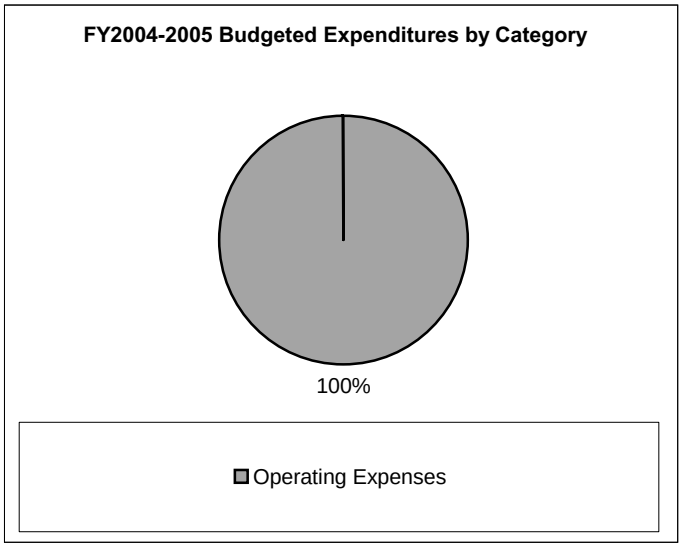
HIGHER EDUCATION SVCS OFFICE
Program: AGENCY/LOAN ADMINISTRATION
Activity: ADMINISTRATIVE SERVICES

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:

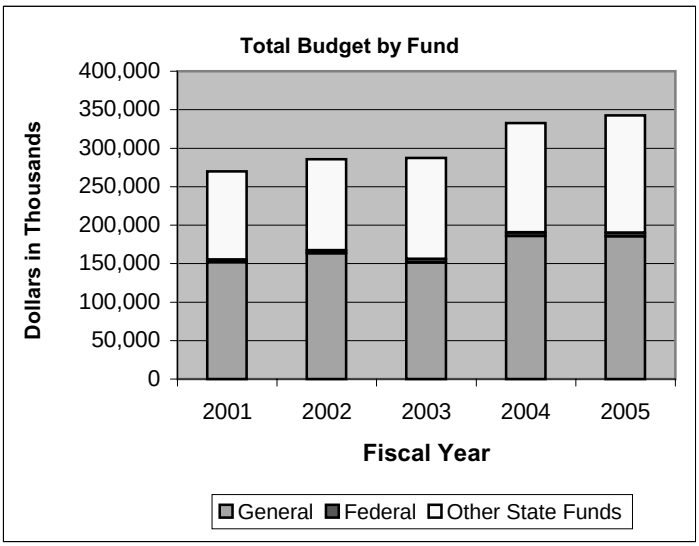
In FY 2004-05, the (HESO) received an increase of $1.8 million to reflect a legislatively-mandated base for the College Savings Plan and a reduction of $234,000 to reflect the sunset of the appropriation for the State Grant re-write.

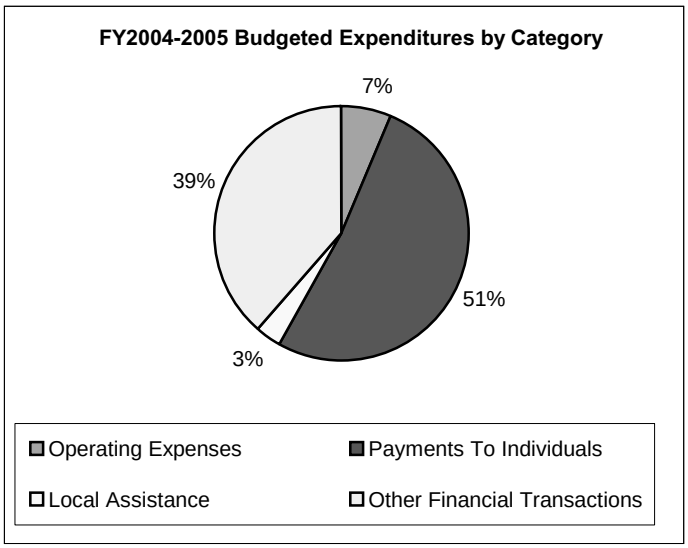
Agency Request:

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

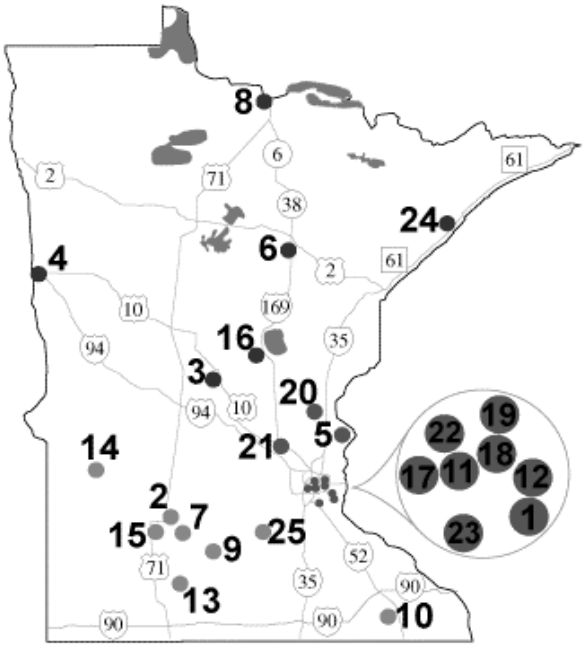
- 32 historic sites statewide

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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(651) 296-2747 Fax (651) 296-1004

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(651)297-8085 Fax (651) 296-1004
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Web sites

Minnesota Historical Society Homepage:
www.mnhs.org

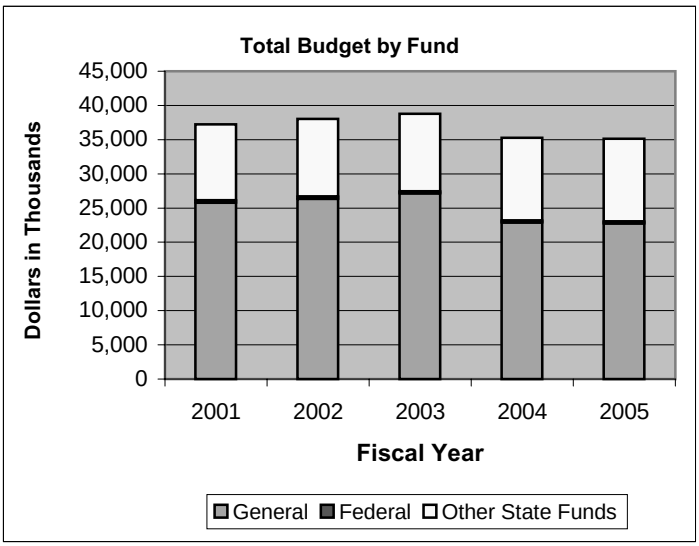
MHS Web links:
History Center information:
http://www.mnhs.org/places/historycenter/index.html

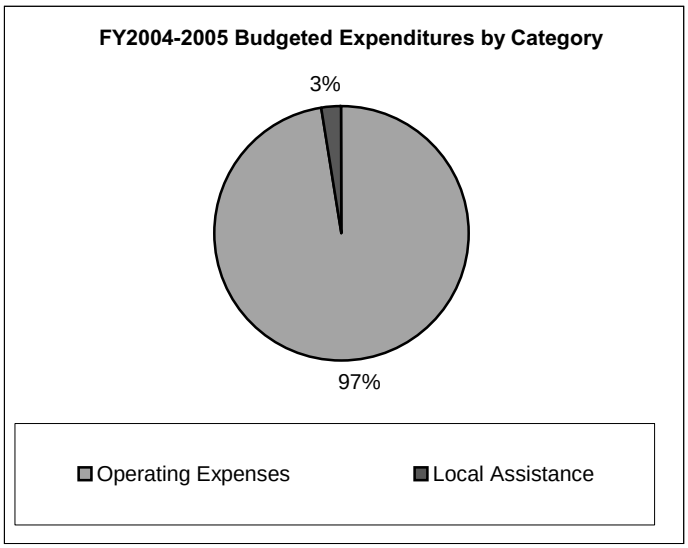
Library: Including catalogs, special databases, and genealogy information:
http://www.mnhs.org/library/index.html

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:

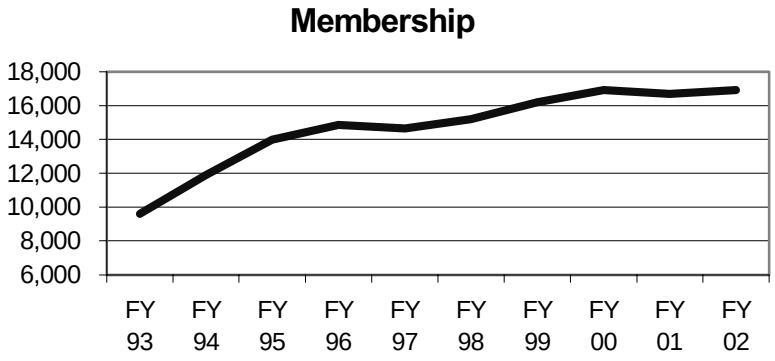
- 32 historic sites statewide
- History Center Museum program, including exhibitions, educational and public programs
- 75-100 grants made annually, as well as technical assistance provided to local historical organizations to further statewide history efforts
- 20 books published by the MHS Press in 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.



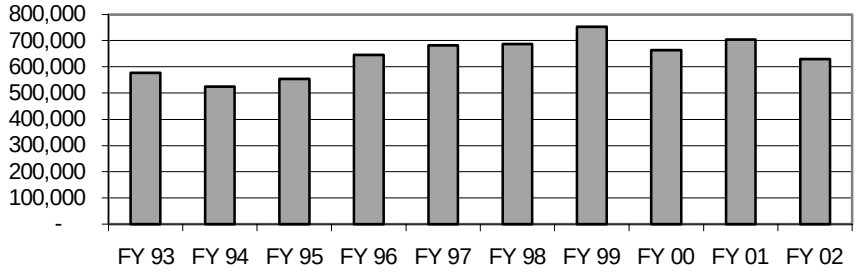
Services Provided

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

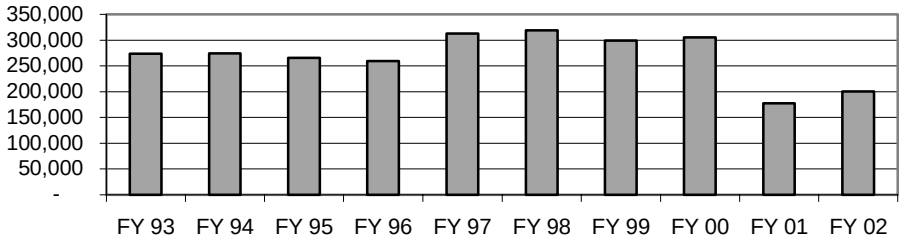
recreational life of Minnesotans and out-of-state visitors, and is an important element of the state's tourism economy.

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**

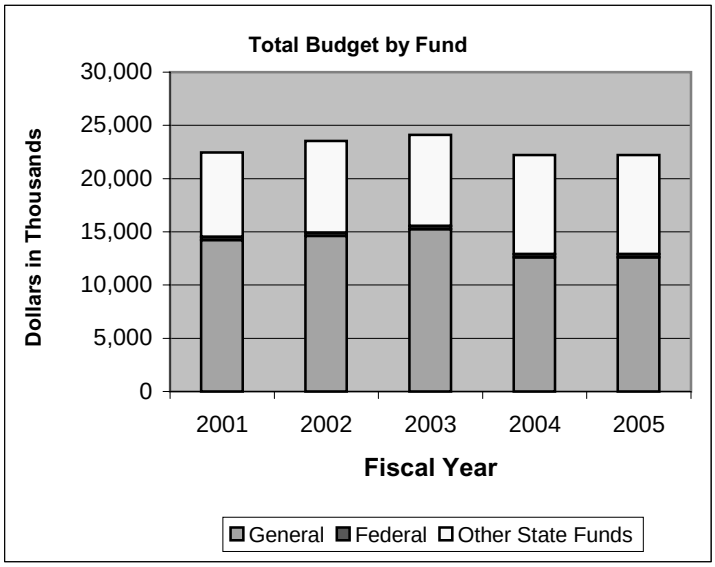
Minnesota History Center General Information: **http://www.mnhs.org/places/historycenter/index.html**

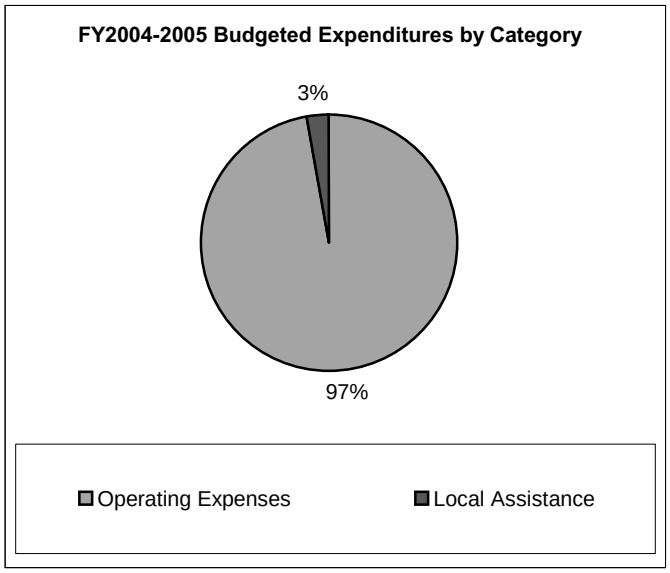
Historic Sites Network (with links to specific sites): **http://www.mnhs.org/places/sites/index.html**

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.

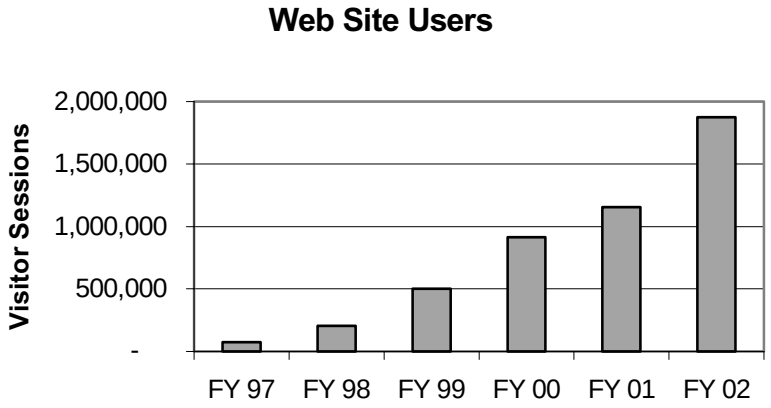
⇒ *Processing and Conservation* -- Materials selected for inclusion in the Society's collections are organized, catalogued, and treated to ensure their long-term stability and usability.

⇒ *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.

Contact

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Web sites, relating to MHS and the Preservation and Access Program:

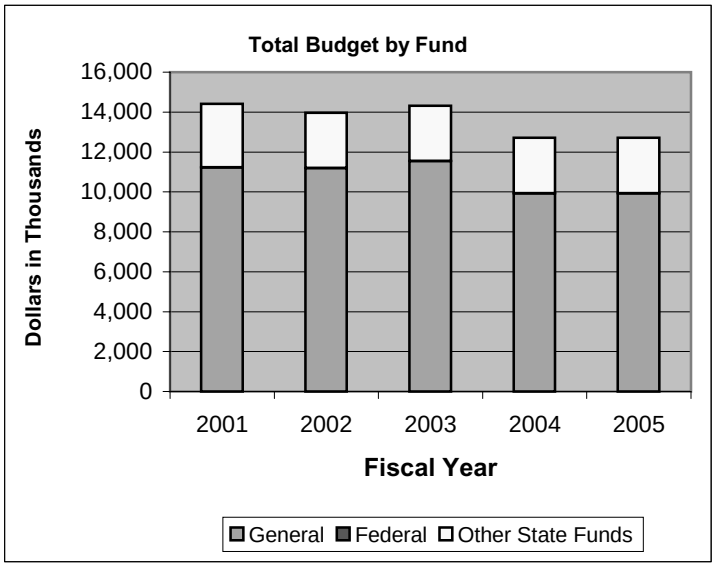
Minnesota Historical Society homepage: **http://www.mnhs.org**

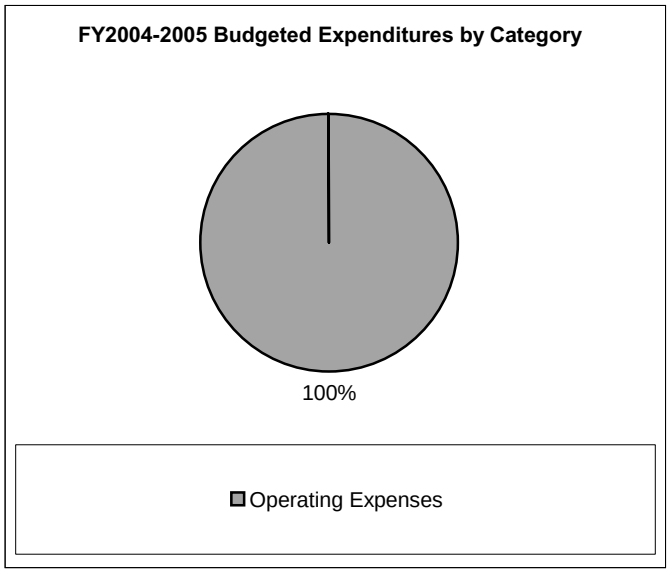
Library: including catalogs, special databases and genealogy information:
http://www.mnhs.org/library/index.html

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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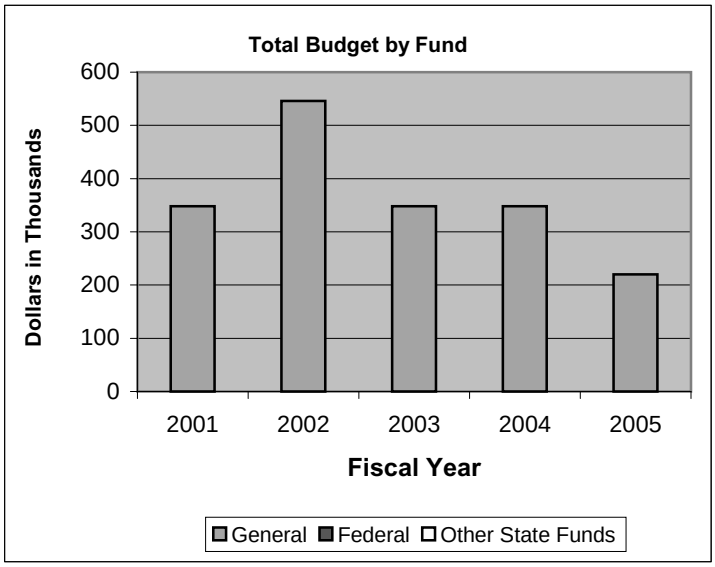

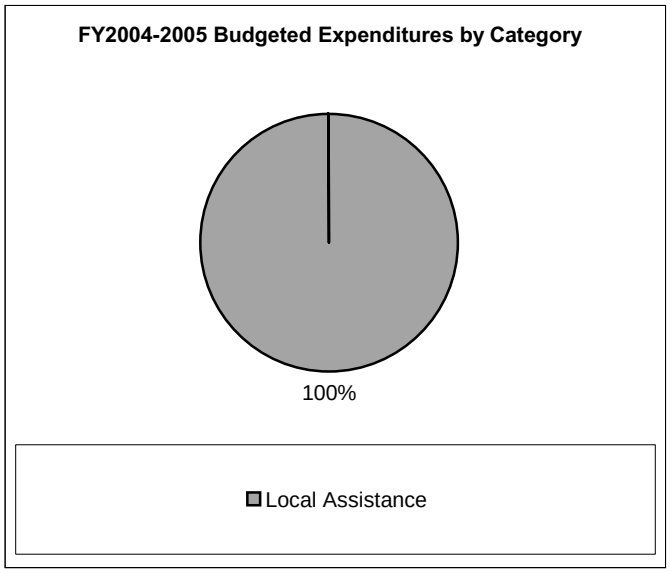

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	348	546	348	348	220	568
Total	**348**	**546**	**348**	**348**	**220**	**568**
Expenditures by Category						
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**	

State of Minnesota
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.

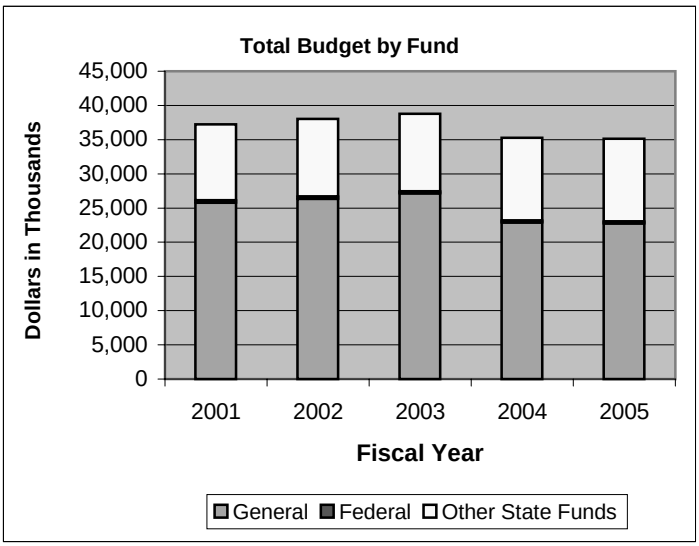
The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

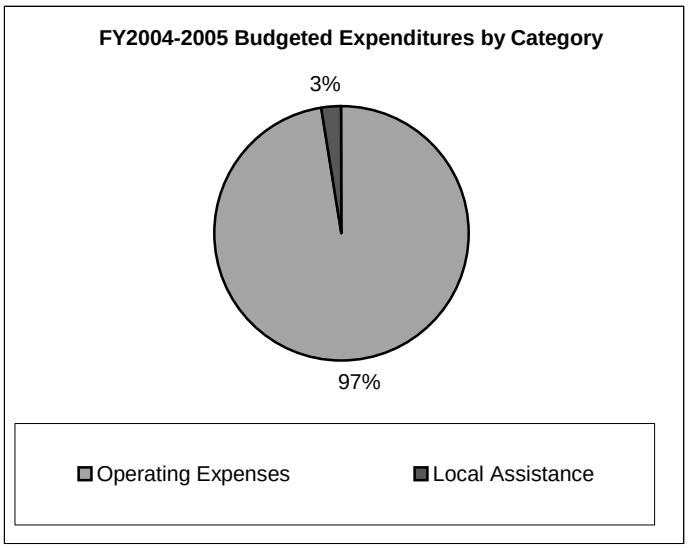
I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

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

World Wide Web Home Page:
www.northerngardener.org
Marjee Righeimer, Executive Director
Email address: marjeer@northerngardener.org
Phone: (651) 643-3601
Fax: (651) 643-3638

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.

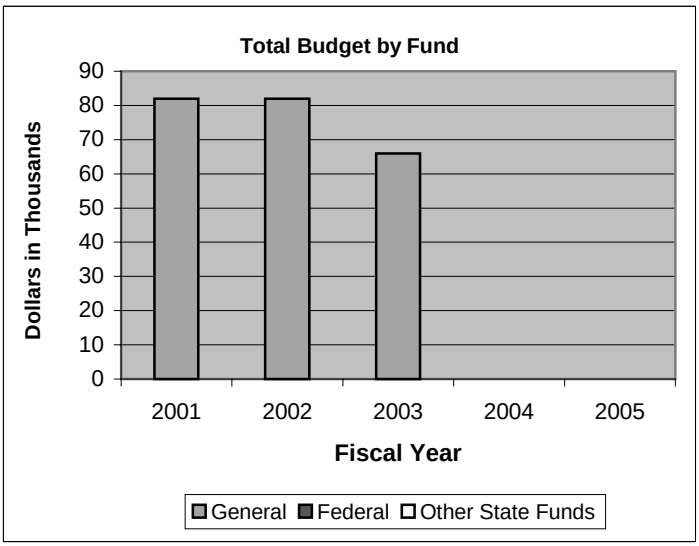
Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	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.

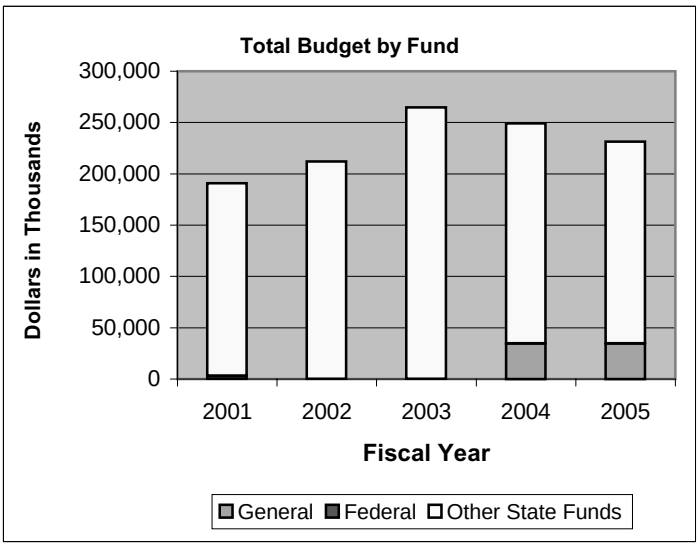
Federal funds constitute 29% of MHFA financing. In FY 2002-03 biennium, the two largest programs receiving federally appropriated funds were the Section 8 Housing Assistance payments program and the Home Investment Partnership Program (HOME). In the past, the agency has received federal funding for a number of smaller programs as well.

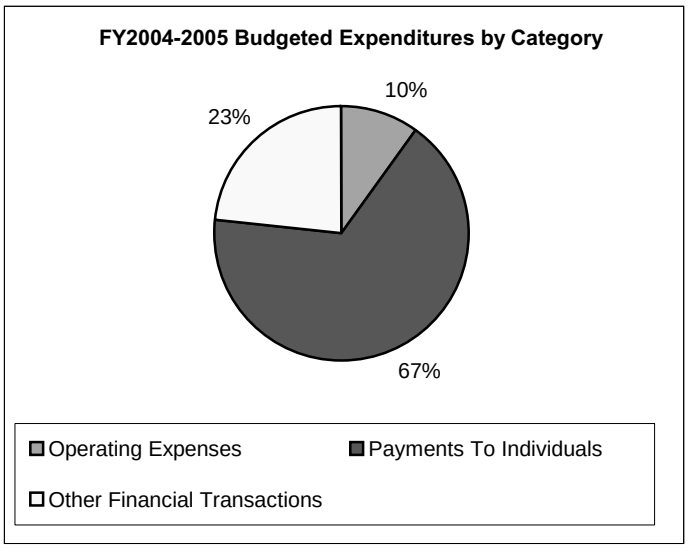
State appropriations constitute 13% of the program funds. State appropriations for the 2002-03 biennium totaled $105,048,000 from the General Fund, plus $250,000 from federal Temporary Assistance for Needy Families (TANF) funding.

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

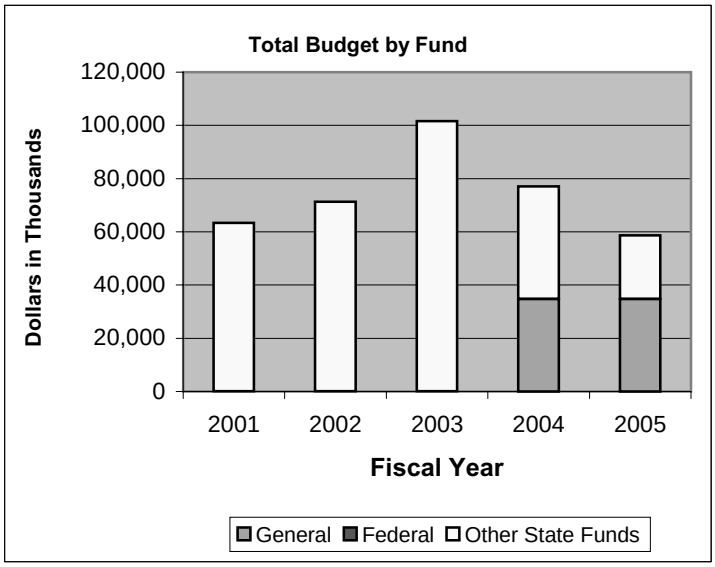
Appropriated programs fund affordable housing activities in five broad areas. Although state appropriations are only 13% of the total Minnesota Housing Finance Agency (MHFA) biennial budget, these funds make a critical difference, enabling the MHFA to meet the housing needs of lower income families and 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.

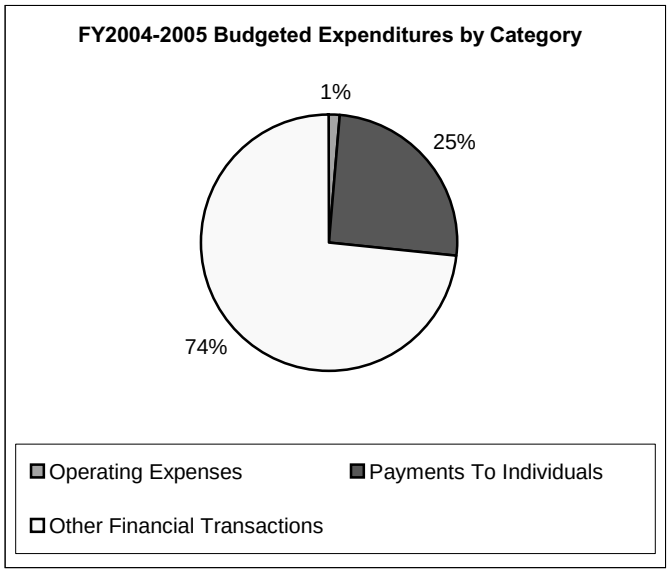
In making funding decisions in competitive selection processes, MHFA uses investment guidelines and Continuum of Care plans developed at the regional level to assure consistency with regional priorities. The agency utilizes a joint application and review process in conjunction with the Family Housing 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.

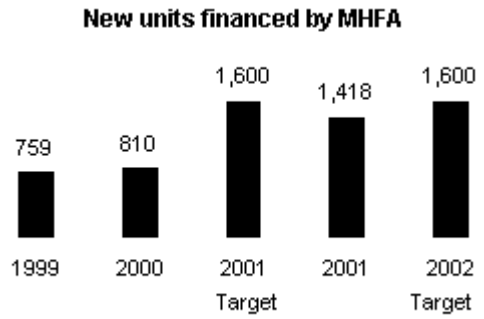
Historical Perspective

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:

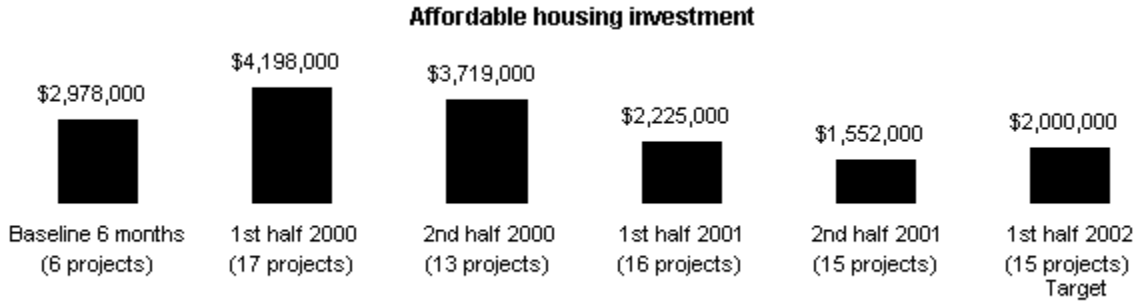
- To increase capital investment from non-state sources; and
- To increase private development and contain cost increases by promoting the removal of governmental barriers to affordable housing development.

Key Measures

Number of new units financed:



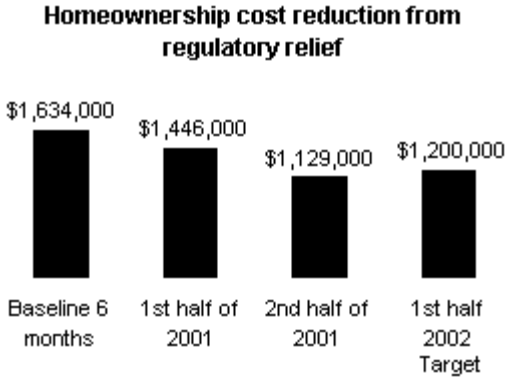
Investment in affordable housing development projects by businesses and employers both in amounts and numbers:

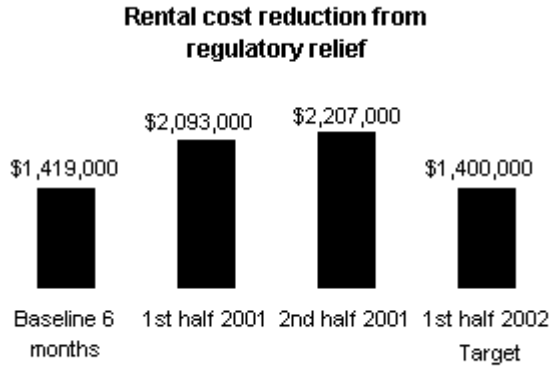


In the first half of 2000, the amount of investment by businesses and employers in affordable housing development projects increased by 41% over the baseline. In the second half of 2000, the amount of investment increased by 25%; and in the first half of 2001, the amount decreased by 26%. Since the volume 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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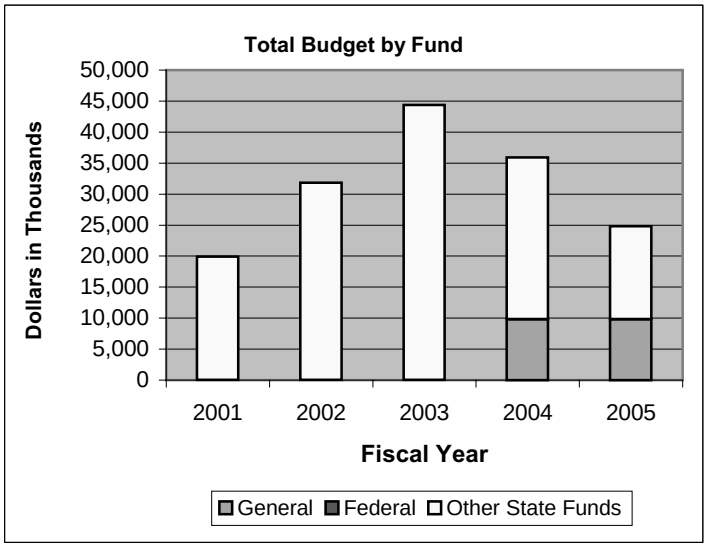
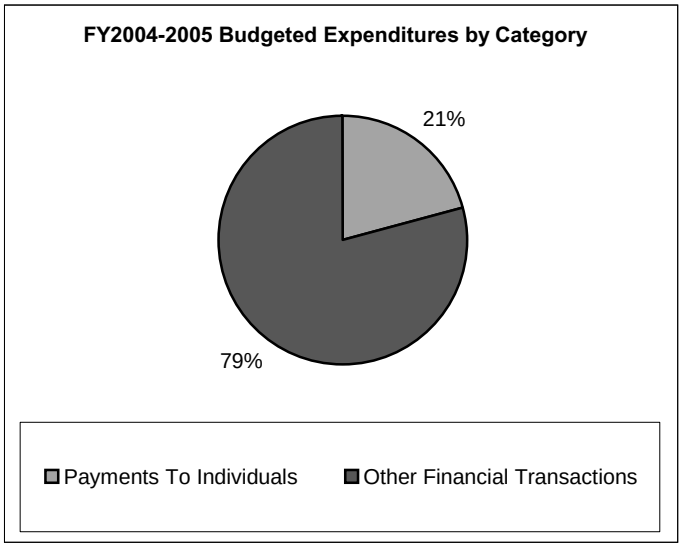
HOUSING FINANCE AGENCY
Program: APPROPRIATED PROGRAMS
Activity: DEVELOPM & REDEVELOPM PROGS

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)

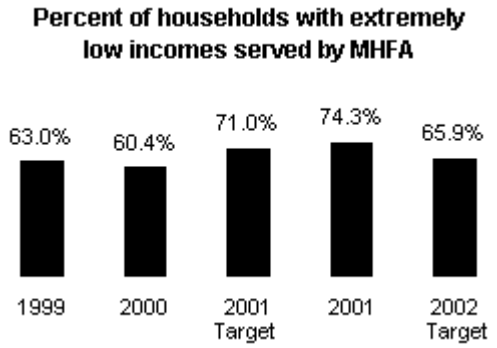
The Family Homeless Prevention and Assistance Program (FHPAP) provides flexible grants to counties and nonprofit organizations to use to assist families or youth who are homeless or at imminent risk of homelessness. Grant recipients are required to design or redesign an emergency response system to shift 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.

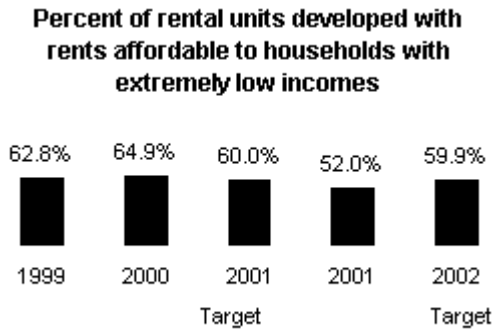
Key Measures

Households assisted that have extremely low incomes ($17,370 annually):



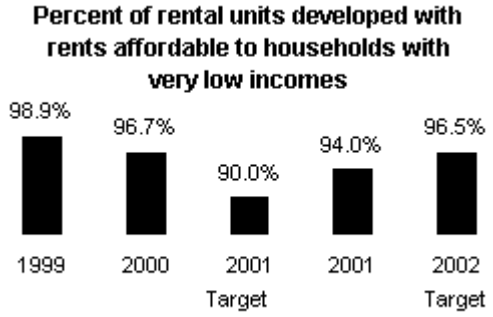
This indicator measures MHFA's efforts to assist the lowest income households in the state. 30% of the statewide median income is the standard for "extremely low income" households set by the Federal Department of Housing and Urban Development (HUD). In 2001, 30% of the statewide median income was equal 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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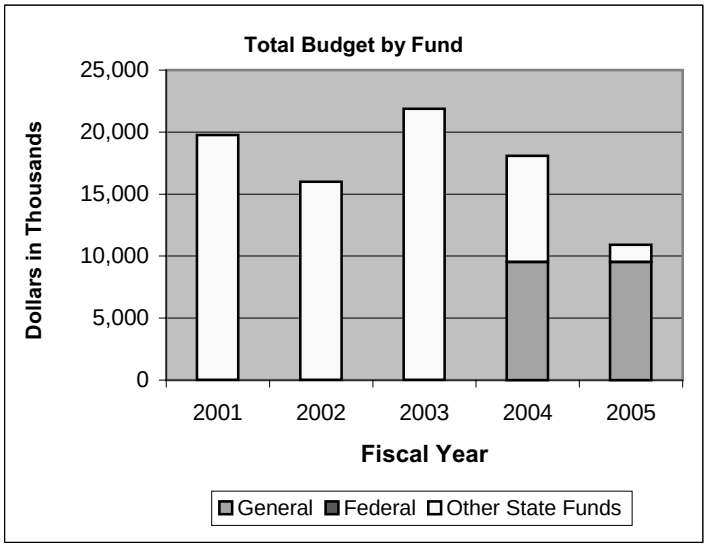
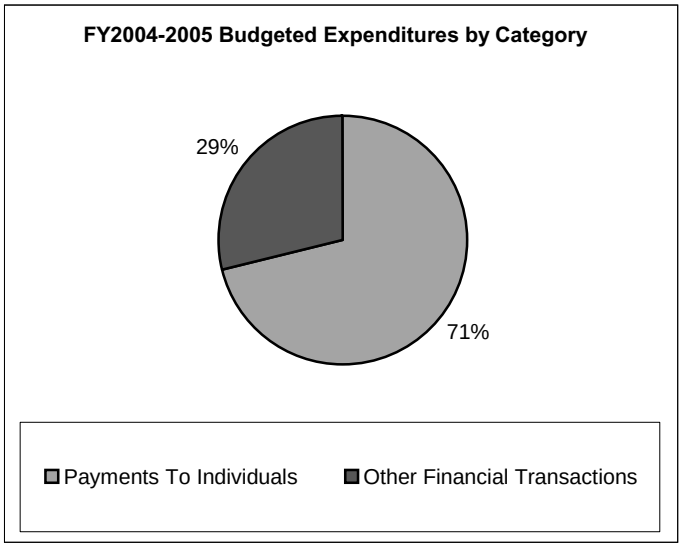
HOUSING FINANCE AGENCY
Program: APPROPRIATED PROGRAMS
Activity: SUPPORTIVE HOUSING PROGS

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.

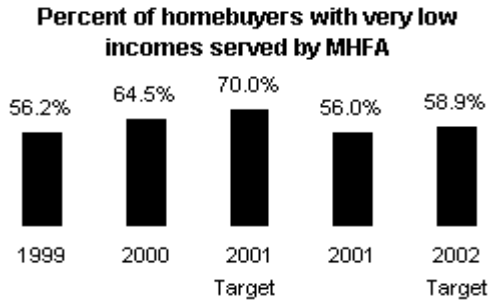
3. Homeownership Assistance Fund (M.S 462A.21, Subd. 8)

   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.

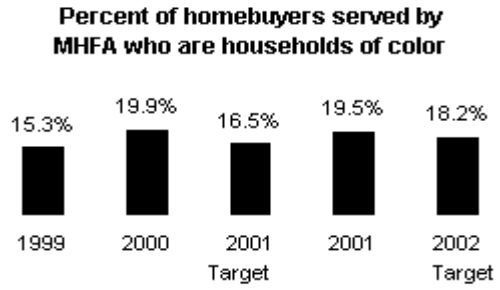
Key Measures

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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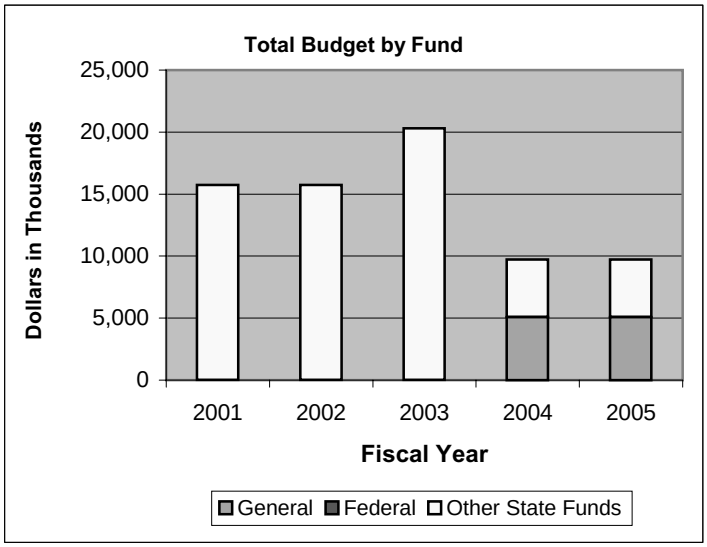
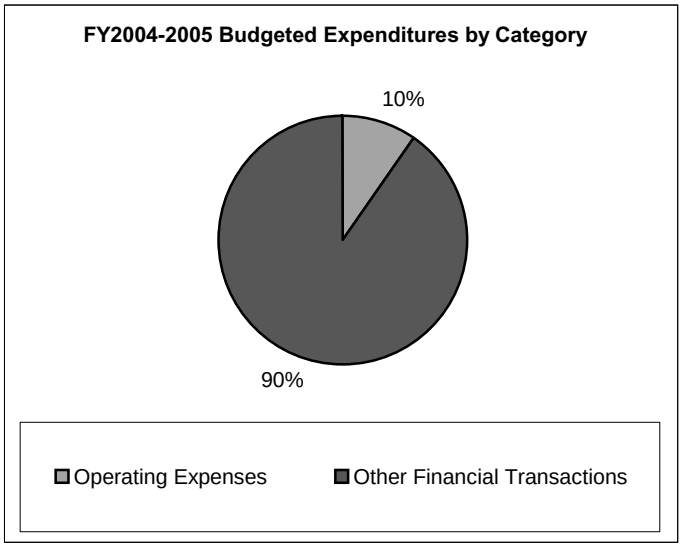
HOUSING FINANCE AGENCY
Program: APPROPRIATED PROGRAMS
Activity: HOMEOWNERSHIP LOAN PROGS

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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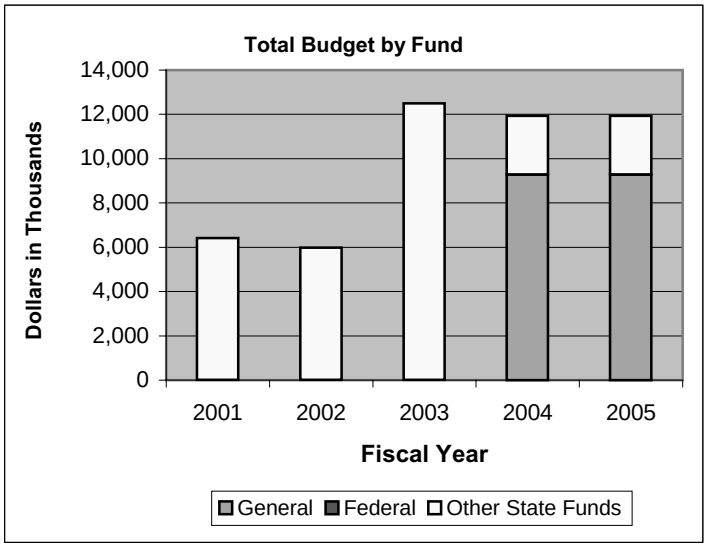
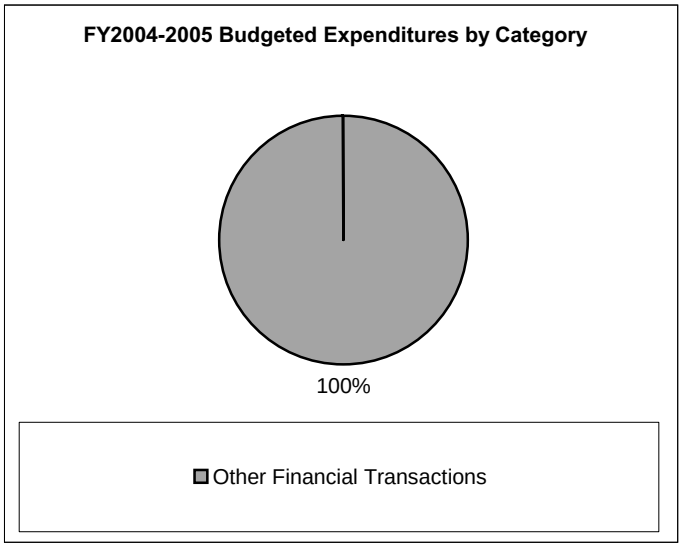
HOUSING FINANCE AGENCY
Program: APPROPRIATED PROGRAMS
Activity: PRESERV OF FED ASSISTED HOUS

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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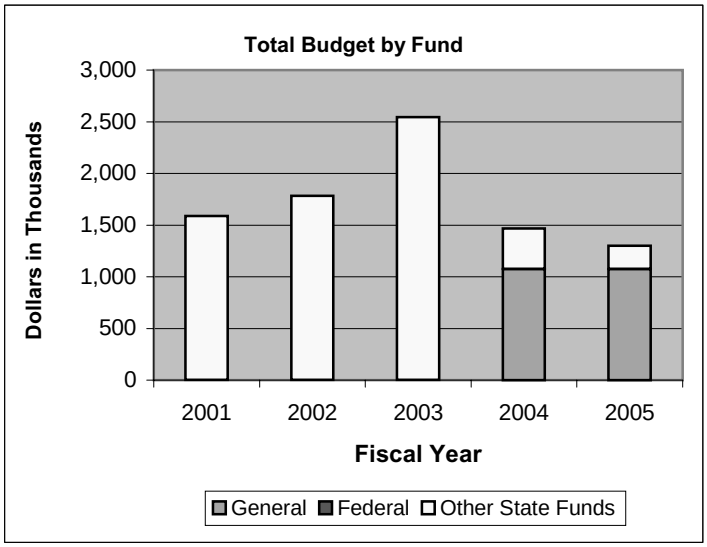
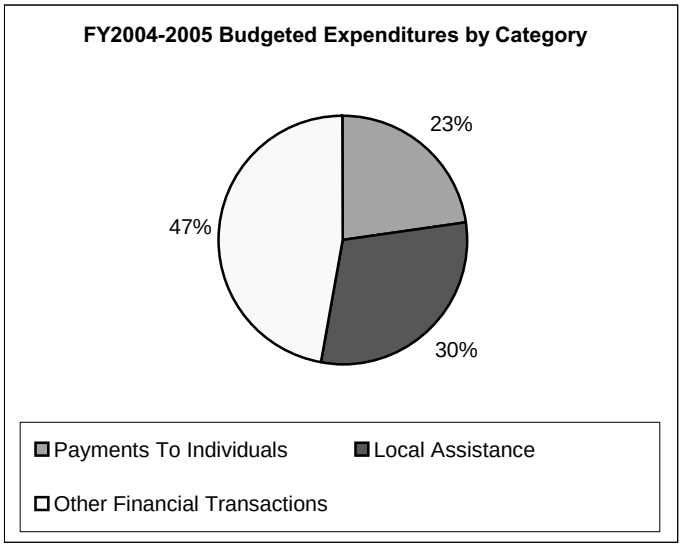
HOUSING FINANCE AGENCY
Program: APPROPRIATED PROGRAMS
Activity: RESIDENT & ORGANIZATIONAL SUPP

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.

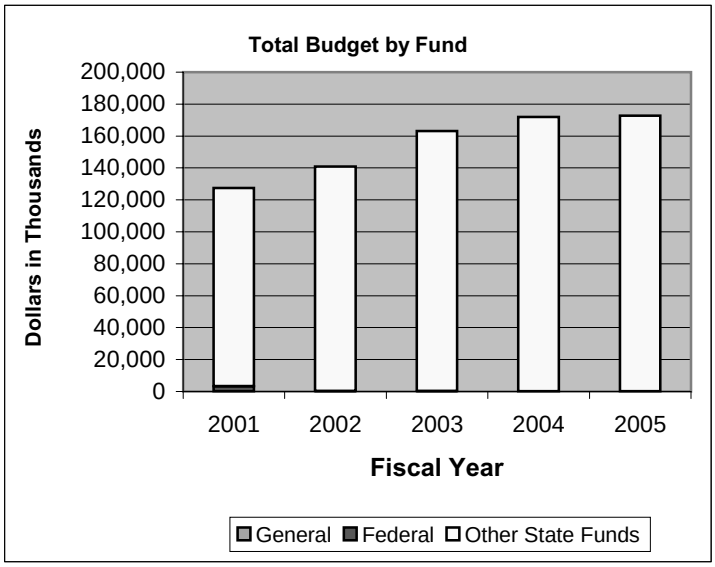
⇒ **Resident and Organizational Support**. These programs provide operating funds for organizations that develop affordable housing, offer homebuyer training, education, and foreclosure prevention assistance, or coordinate regional planning efforts.

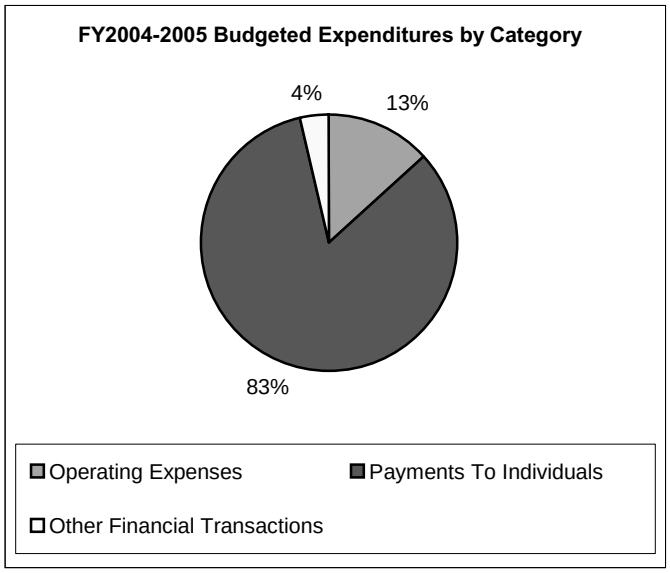
	FY 2004	FY 2005	Biennial
Development and Redevelopment Programs			
HOME Rental Rehabilitation Program	$6,400,000	$6,400,000	$12,800,000
Minnesota Urban Rural Homesteading Program (HOME-MURL)	3,300,000	3,300,000	6,600,000
Supportive Housing Programs			
Housing Opportunities for Persons with AIDS (HOPWA)	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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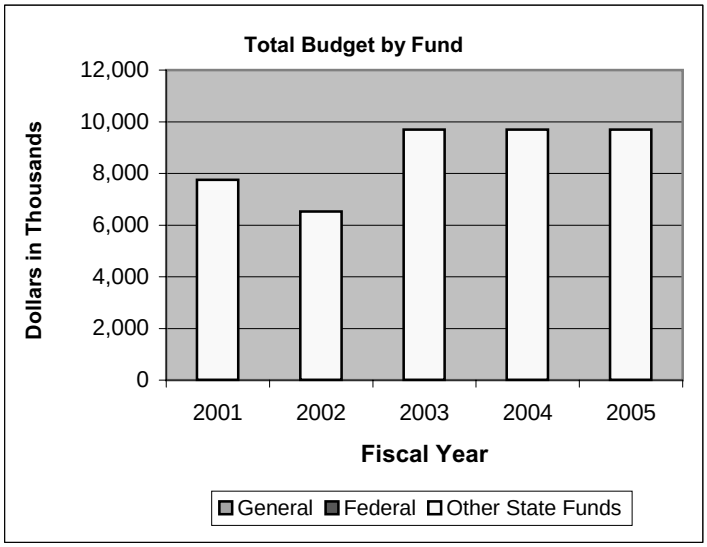
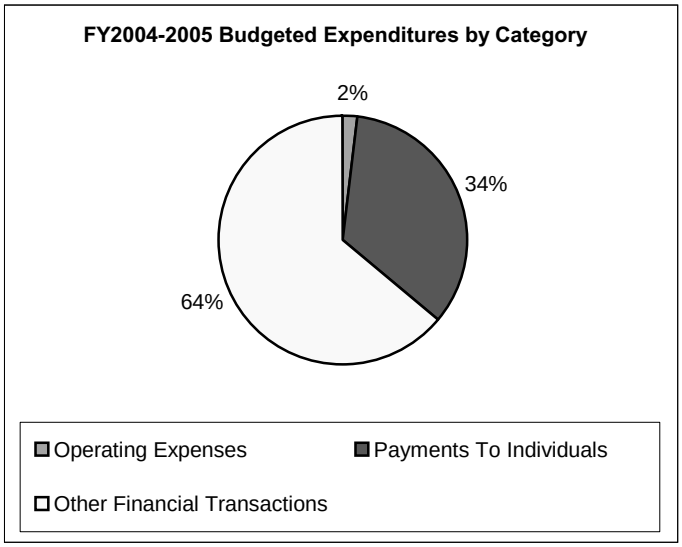
HOUSING FINANCE AGENCY
Program: NON-APPROPRIATED PROGRAMS
Activity: DEVELOPM & REDEVELOPM PROGS

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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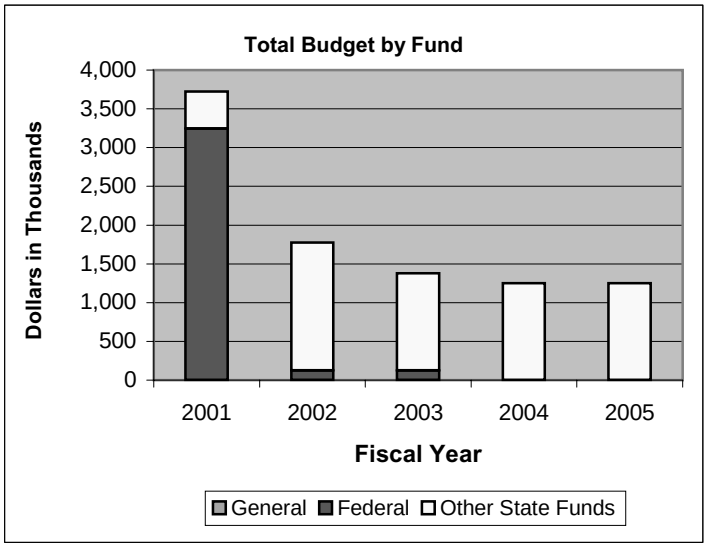
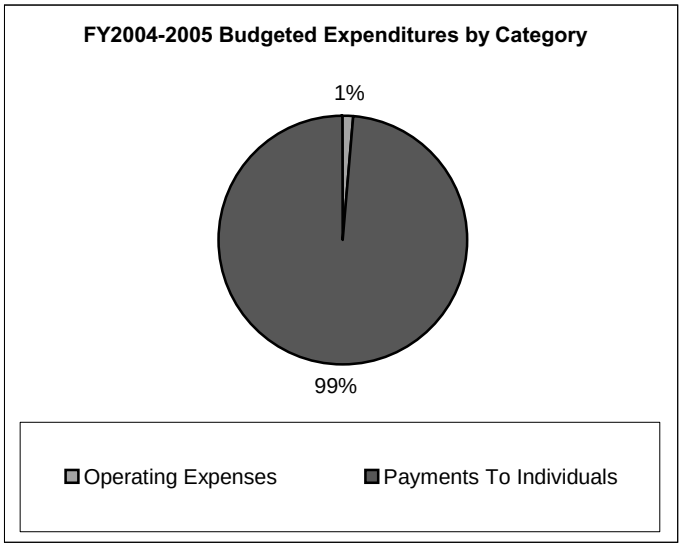
HOUSING FINANCE AGENCY
Program: NON-APPROPRIATED PROGRAMS
Activity: SUPPORTIVE HOUSING PROGS

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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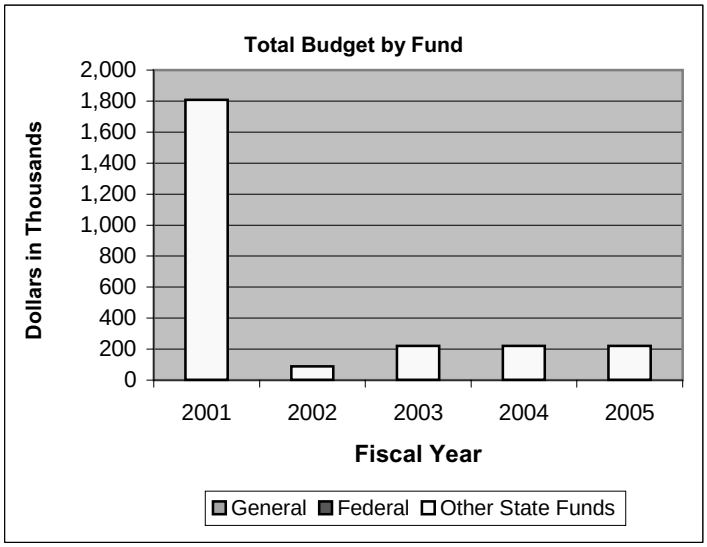
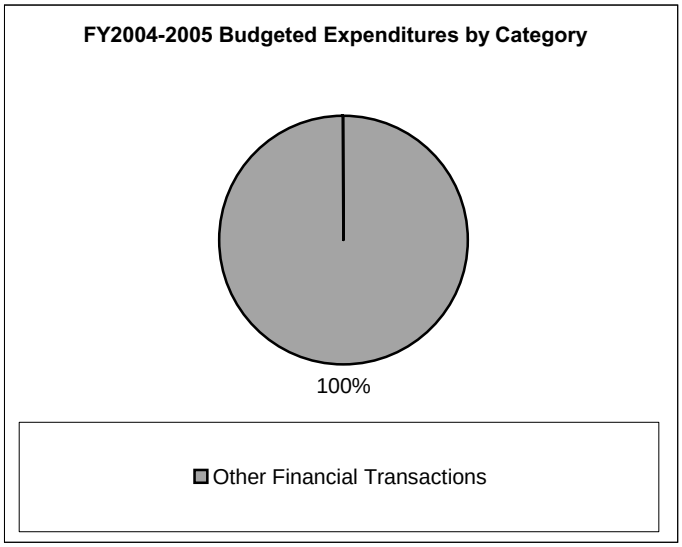
HOUSING FINANCE AGENCY
Program: NON-APPROPRIATED PROGRAMS
Activity: HOMEOWNERSHIP LOAN PROGS

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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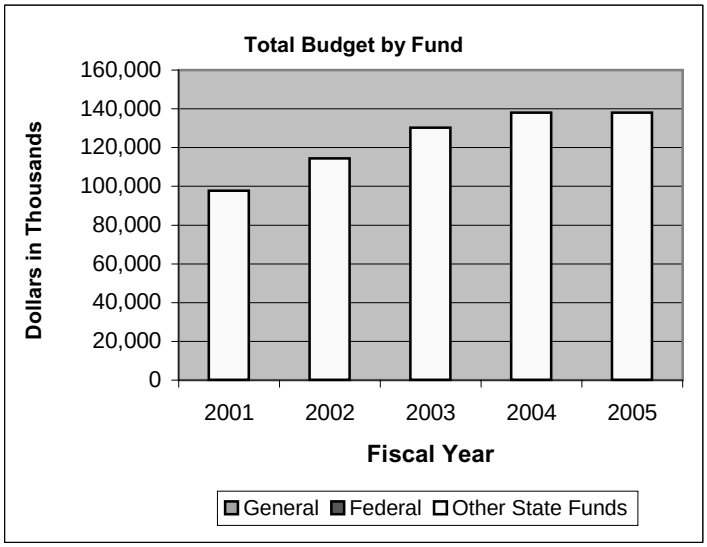
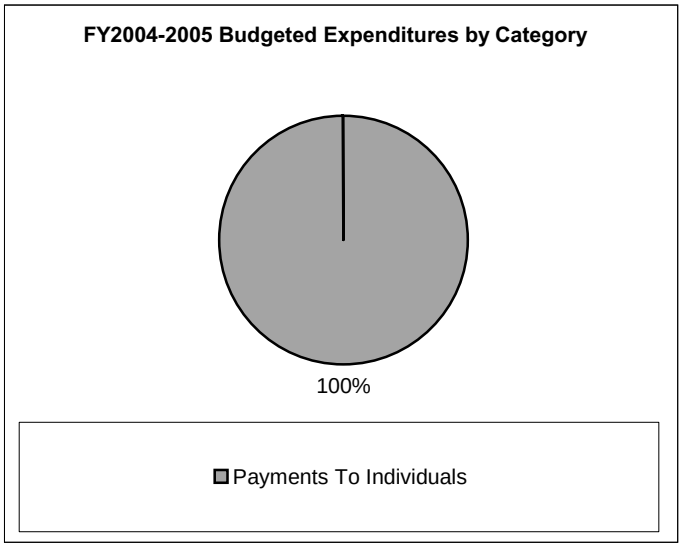
HOUSING FINANCE AGENCY
Program: NON-APPROPRIATED PROGRAMS
Activity: PRESERV OF FED ASSISTED HOUS

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.

Contact

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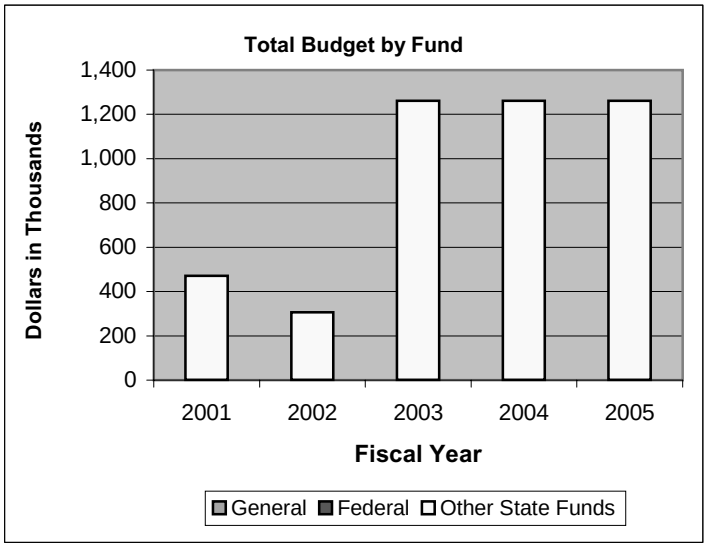
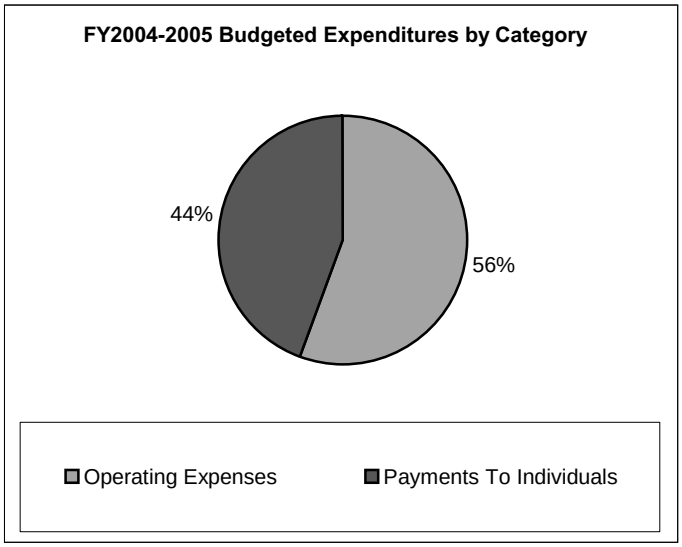
E-mail: tonja.orr@state.mn.us

For further information, visit MHFA's web site at: www.mhfa.state.mn.us

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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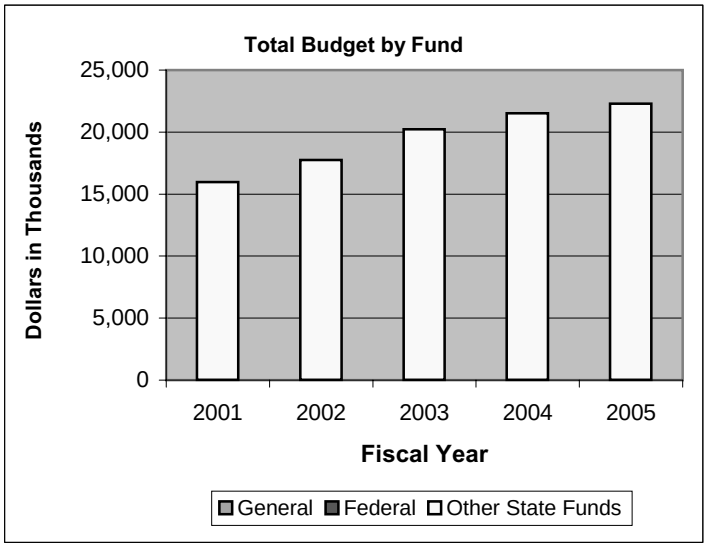
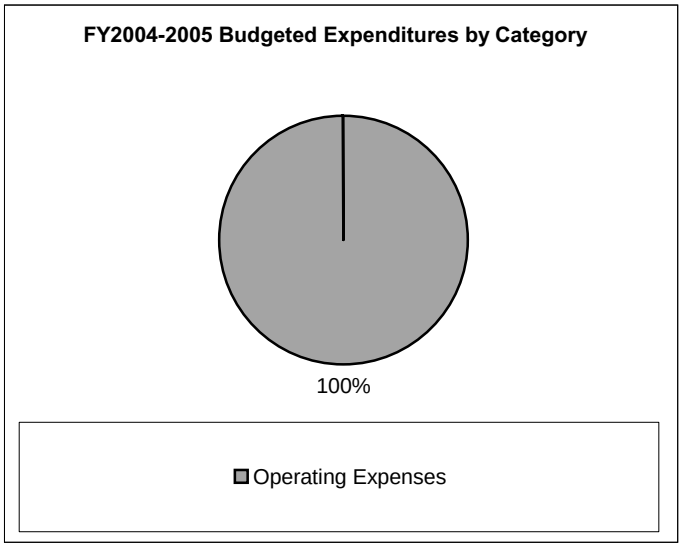
HOUSING FINANCE AGENCY
Program: NON-APPROPRIATED PROGRAMS
Activity: PROGRAM ADMINISTRATION

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

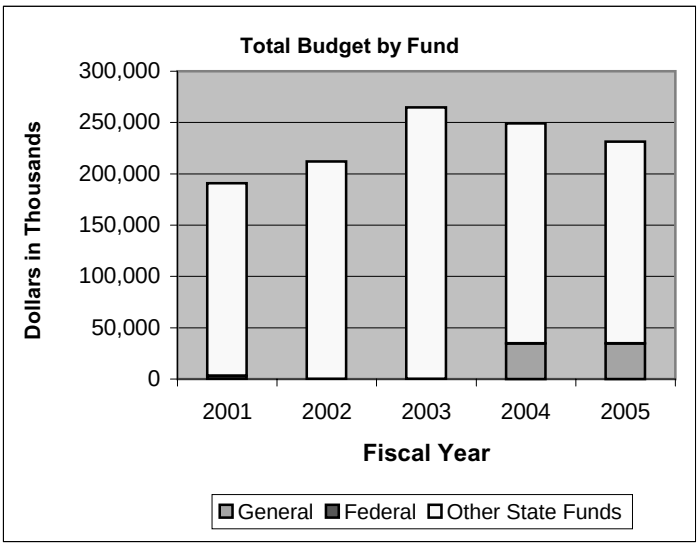
Patricia Hippe
Acting Commissioner

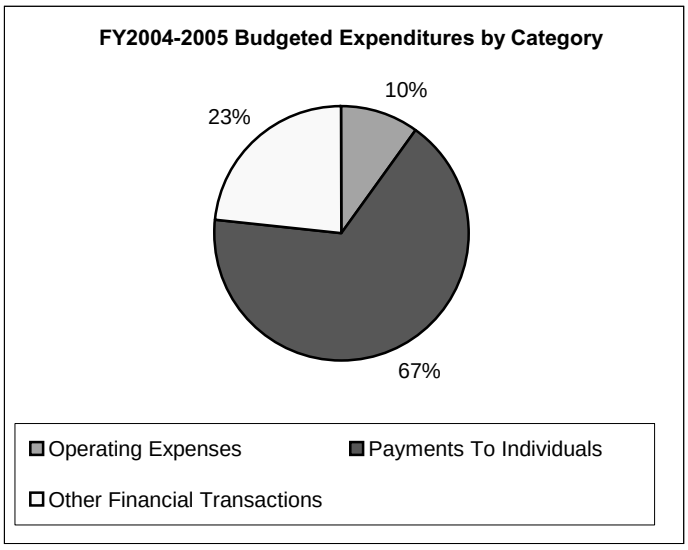
	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	104,232	411,388	515,620
Legislatively Mandated Base	-914	0	-914
One-Time Appropriations	-24,250	-250	-24,500
Adjusted Base Funding	79,068	411,138	490,206
Change Items			
Appropriated Programs			
Budget Reduction	-9,598	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.

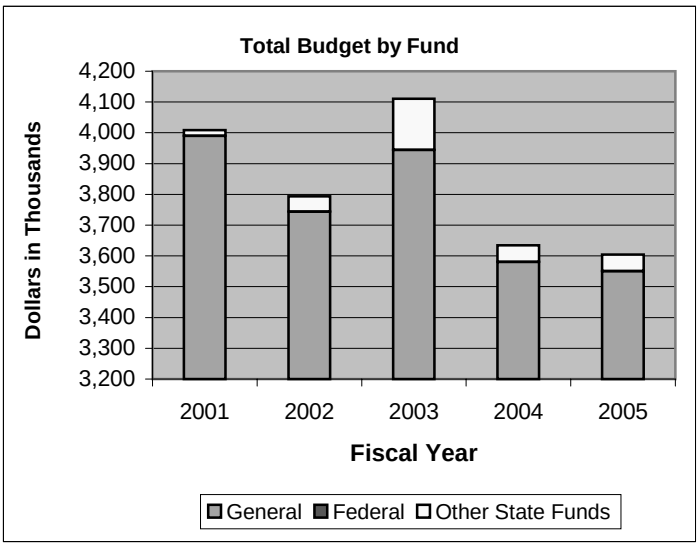
Note: The agency also generates $360,000 per year through a contract with the federal Equal Employment Opportunity Commission. All receipts are transferred to the General Fund.

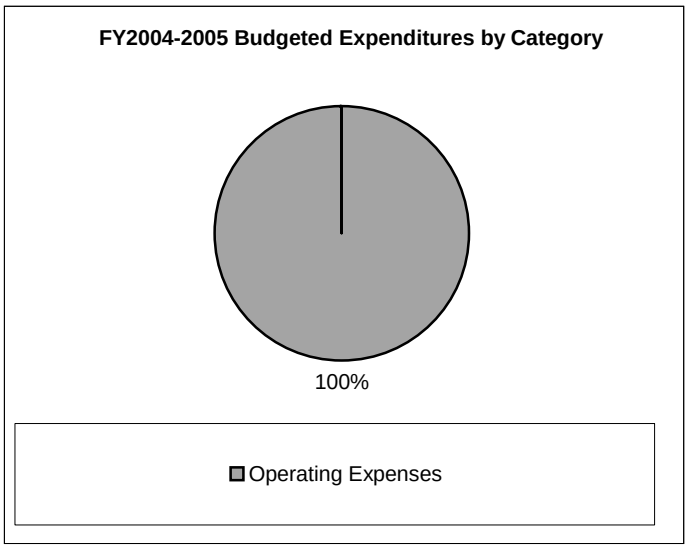
Contact

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.

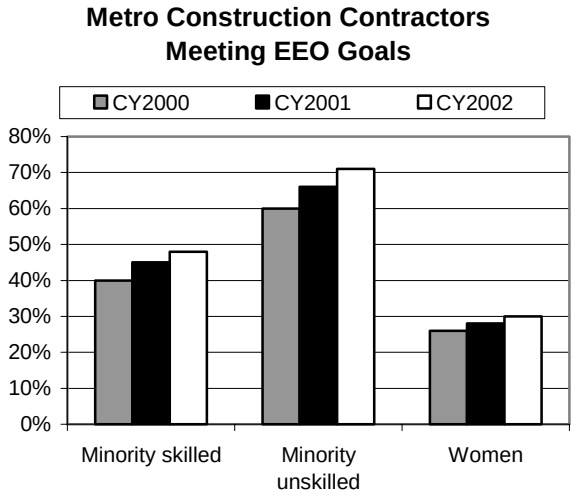
Historical Perspective

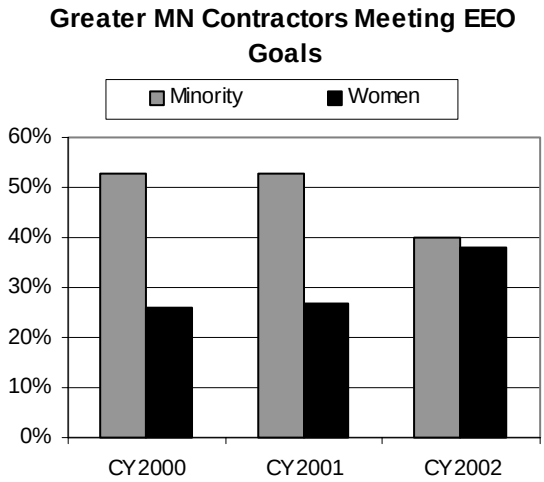
The Contract Compliance activity historically has focused its efforts on conducting “desk audits” of business affirmative action plans and providing telephone assistance to businesses in developing and implementing plans that work. Recently, Minnesota Department of Human Rights (MDHR) has emphasized 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

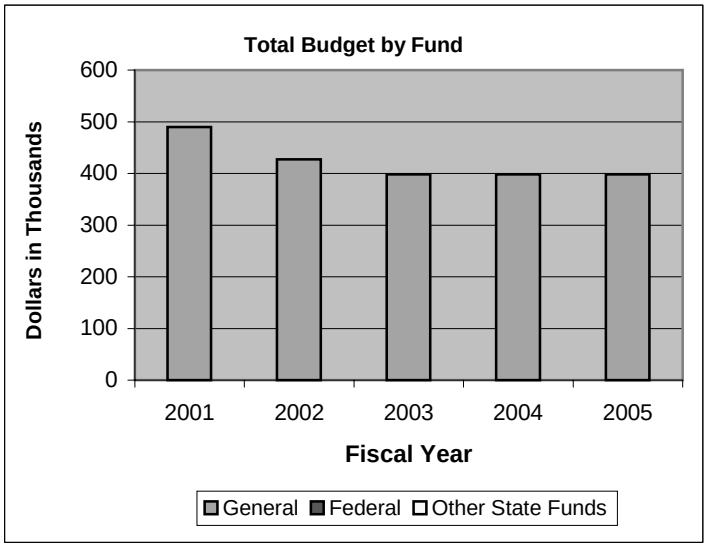
This activity is 100% funded by state General Funds.

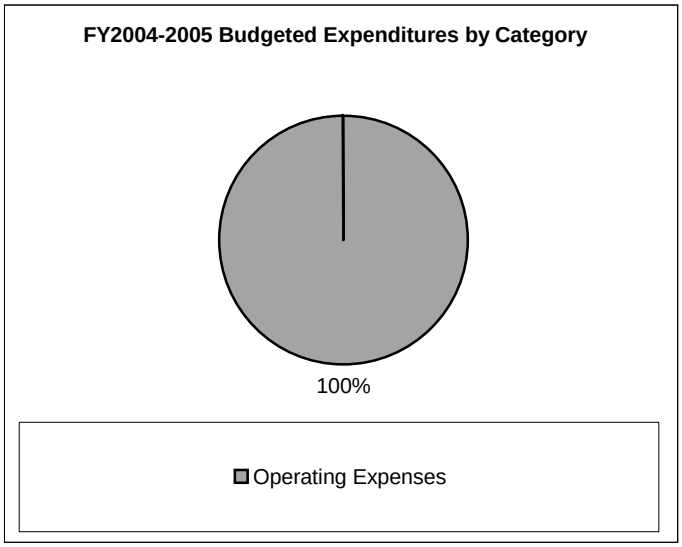
Contact

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.

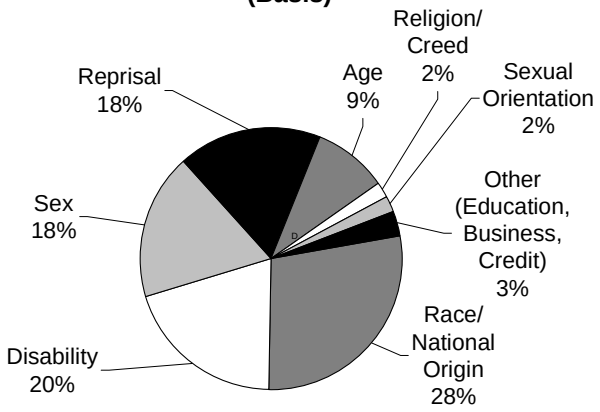
⇒ Genetic testing, prohibited in Minnesota and many other states, will continue to be an issue in pre-employment screening.

Historical Perspective (Internal)

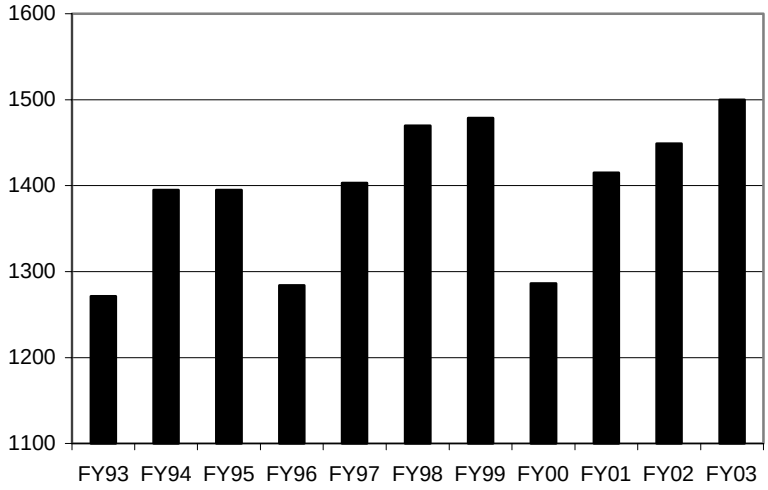
The number of discrimination charges filed with the agency has increased 13% over the current biennium. The events of September 11th coupled with the resulting economic decline are possible causes. We have noted an increase in the number of discrimination charges filed by charging parties of Middle Eastern 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

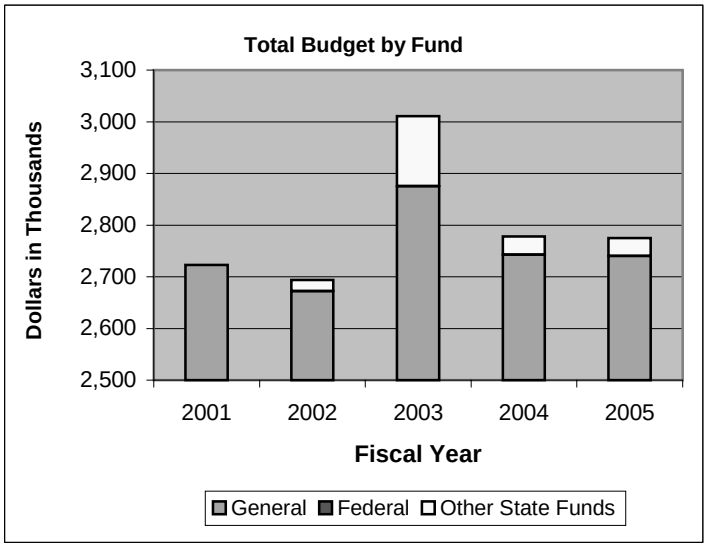
This activity is funded 100% by the state General Fund. This activity also generates revenue based on a performance contract with the Equal Employment Opportunity Commission. Cases are dual filed with the department, and must be completed within specified time periods. As a result of budget reductions, 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.

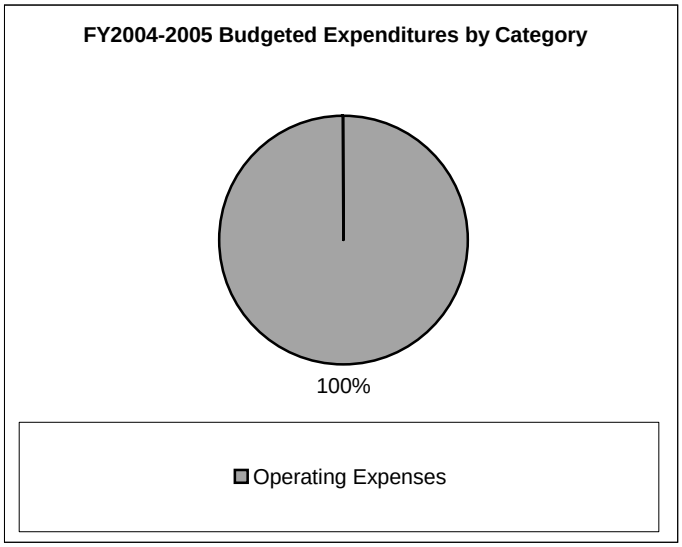
Contact

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.

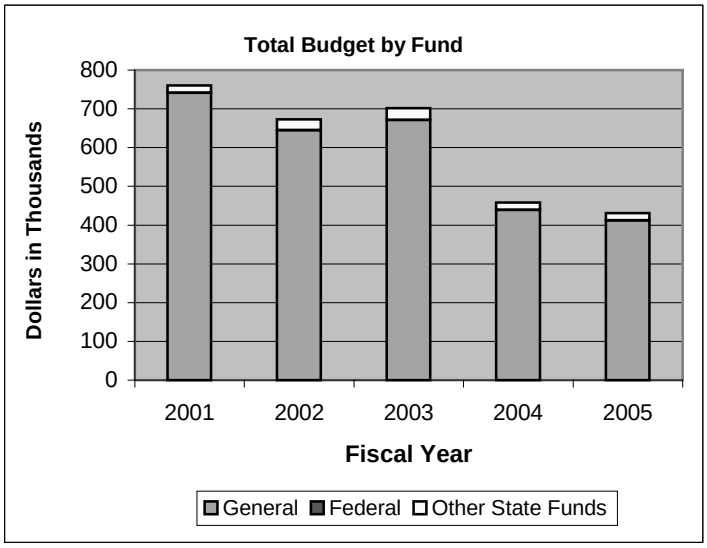
Key Measures
- resolving all administrative appeals within the statutory deadline of 20 days;
- processing 100% of all payables within 30 days; and
- maintaining computer system reliability and availability at 99% during working hours.

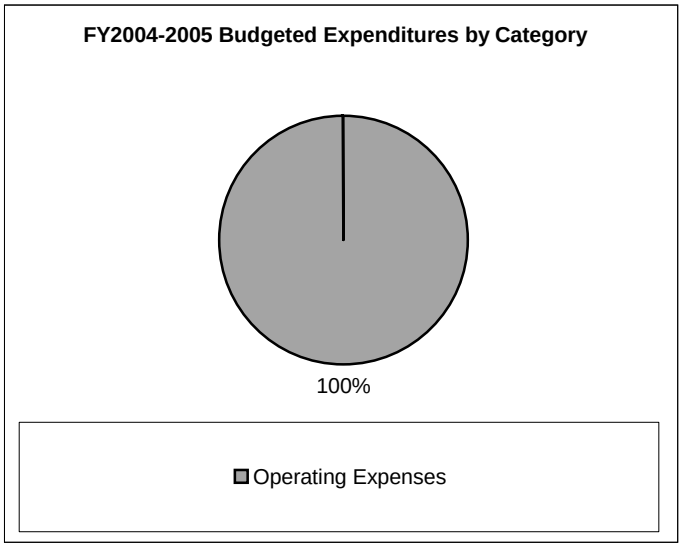
Activity Funding
This activity is 100% funded by the General Fund.

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,

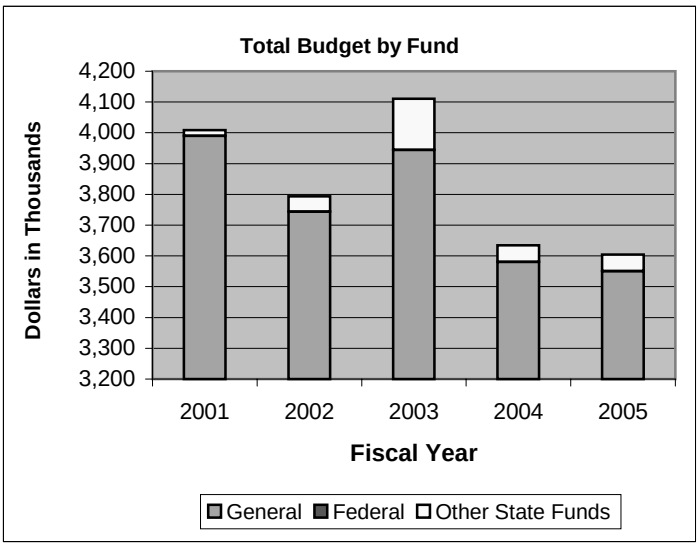
Velma Korbel
Commissioner

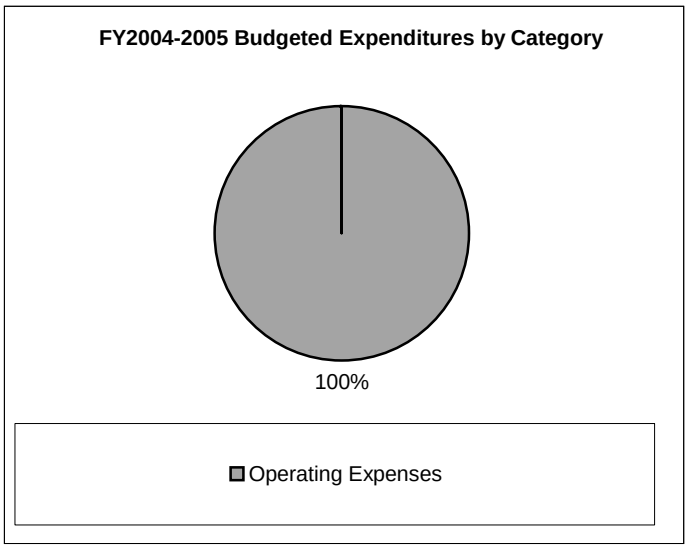
	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	7,882	108	7,990
Adjusted Base Funding	7,882	108	7,990
Change Items			
Operating Budget Reduction	-752	0	-752
Governor's Recommendations	7,130	108	7,238
Biennial Change, 2002-03 to 2004-05	-558	-109	-667
Percent Change	-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**
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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

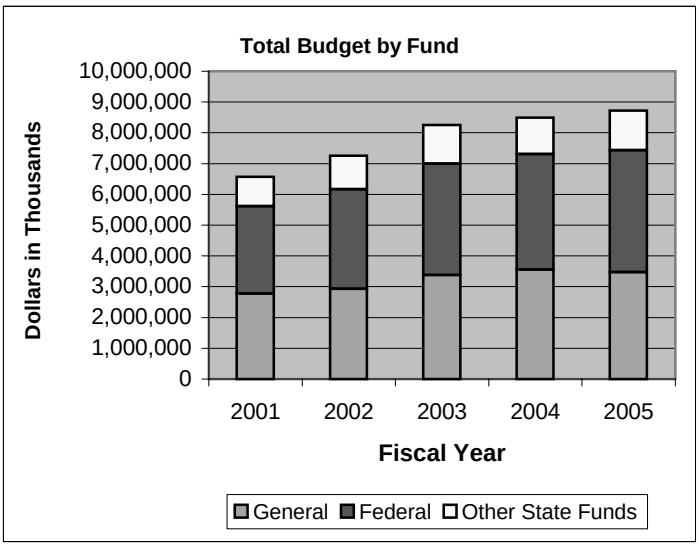
Minnesota Department of Human Services
444 Lafayette Road North
Saint Paul, Minnesota 55155-3815

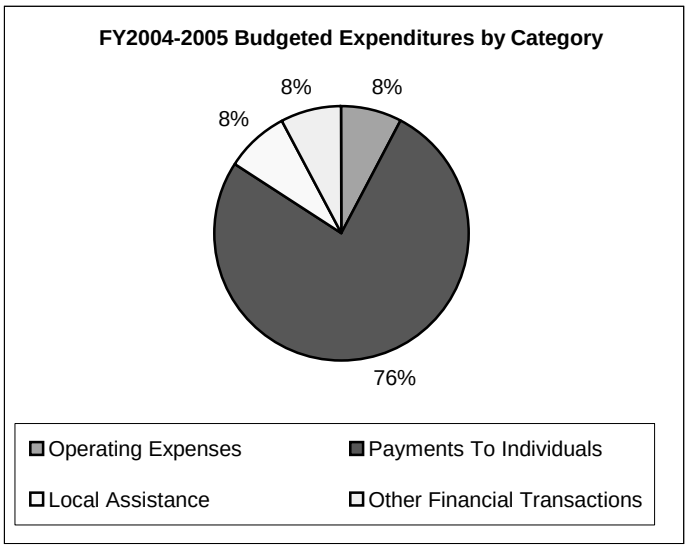
Commissioner's Office:
Kevin Goodno, Commissioner
Phone: (651) 296-2701

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**

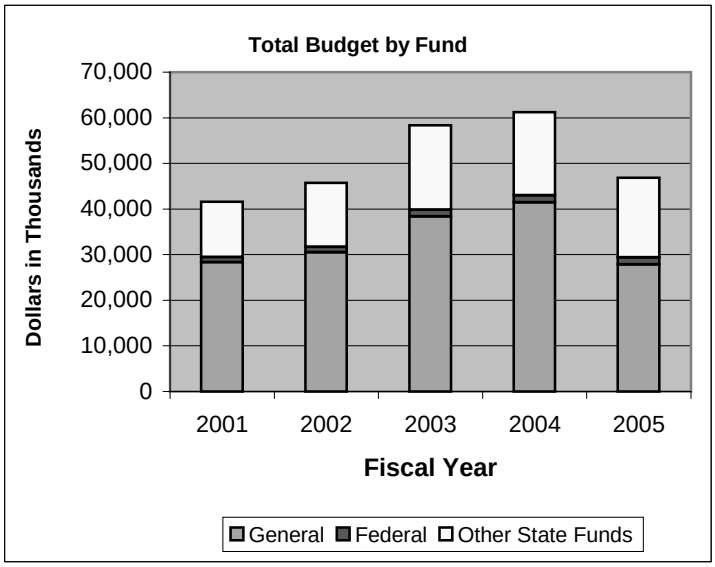
Revenue by Type and Fund						
Non Dedicated						
General	202,104	285,835	326,077	382,718	390,495	773,213
Health Care Access	2,298	4,548	3,175	2,549	2,549	5,098
Special Revenue	3	2	1	1	1	2
Cambridge Deposit Fund	58,119	0	0	0	0	0
Federal Tanf	300,488	321,847	394,256	267,482	267,161	534,643
Miscellaneous 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**	

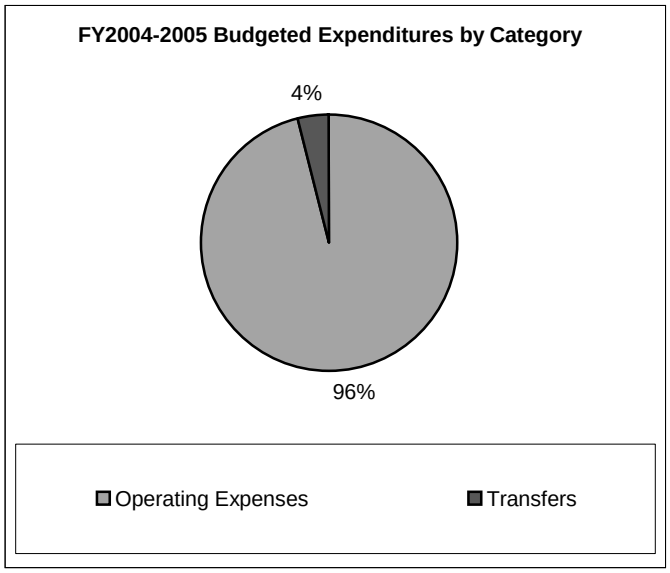
Program Description

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

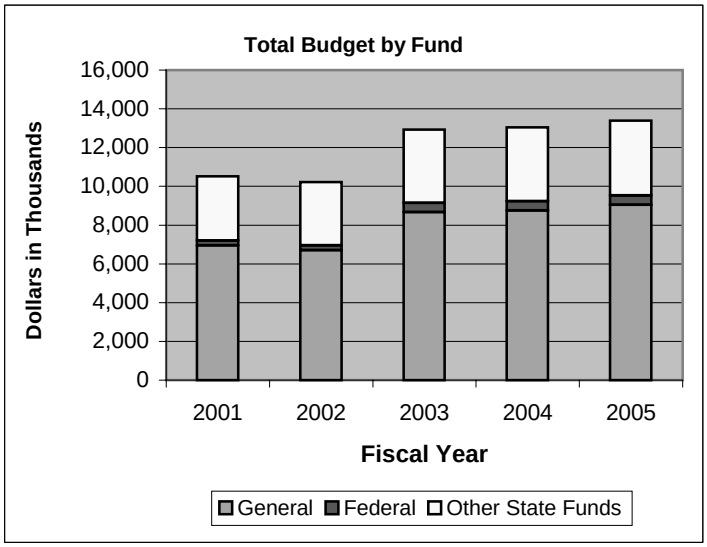
Financial Operations is funded primarily from appropriations from the General Fund and Health Care Access Fund and from federal funds.

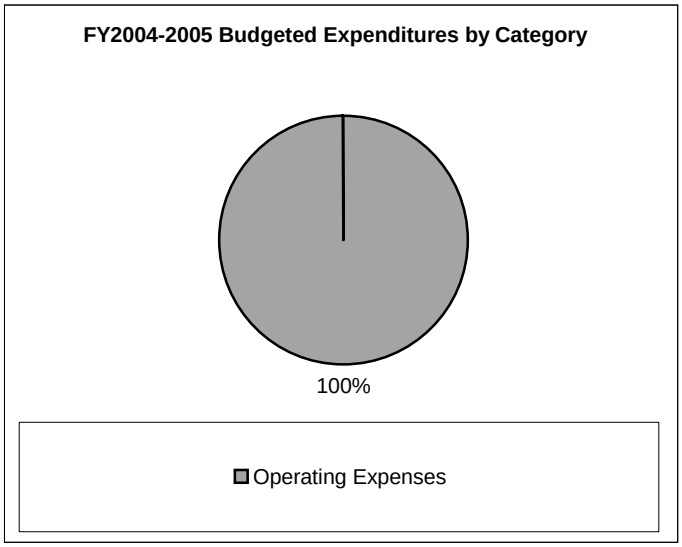
Contact

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

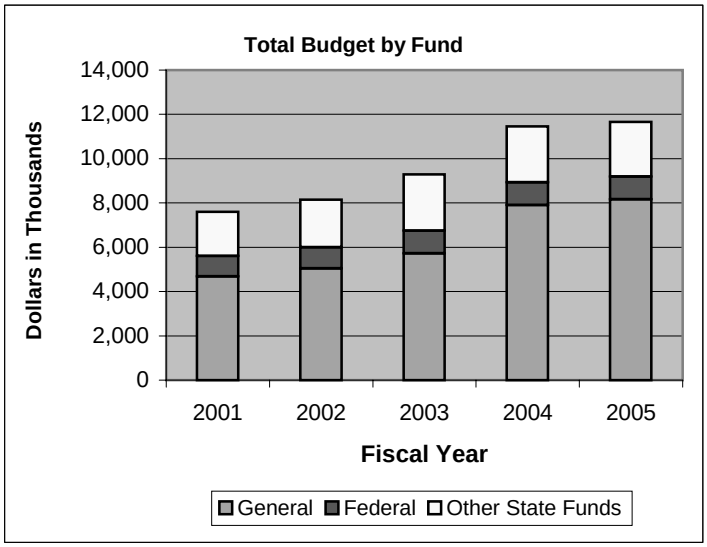
For more information about Legal and Regulatory Operations, contact:

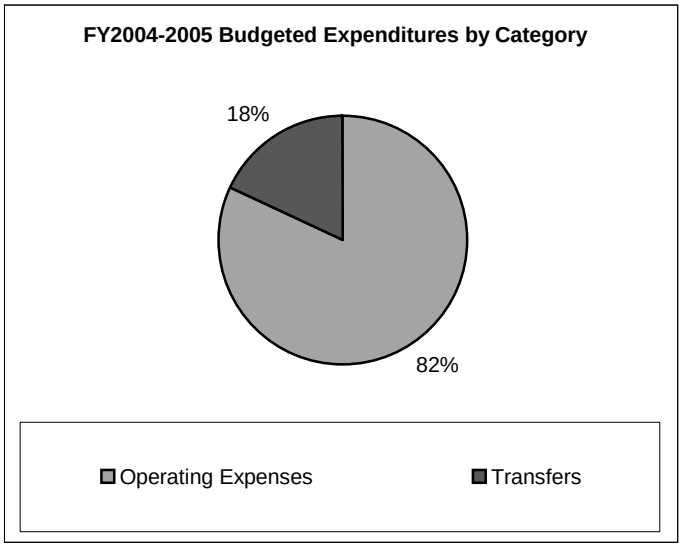
- Assistant Commissioner, Finance and Management Operations Dennis W. Erickson, (651) 296-6635
- Appeals & Regulations Director Rae Bly, (651) 297-1489
- Licensing Director Jerry Kerber, (651) 296-4473

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

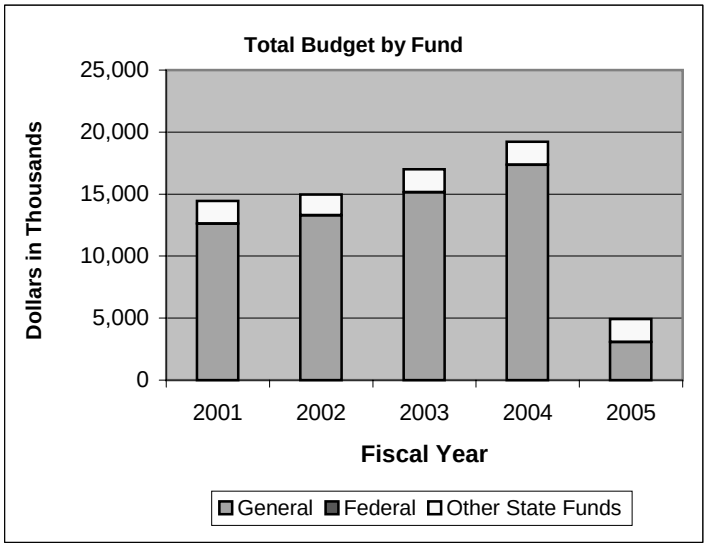
For more information about Management Operations, contact:

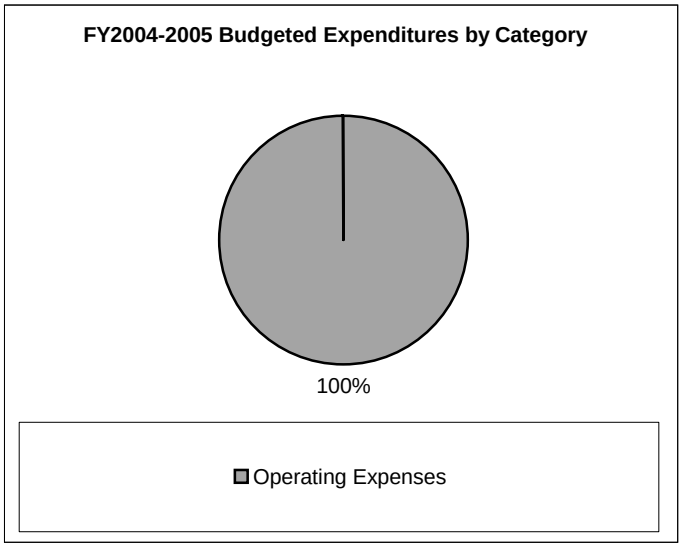
- Deputy Commissioner Wes Kooistra, (651) 296-6993
- Assistant Commissioner, Finance and Management Operations Dennis W. Erickson, (651) 296-6635
- Communications Director Terry Gunderson, (651) 296-4416
- Human Resources Director Martha J. Watson, (651) 296-8067
- Internal Audits Director David Ehrhardt, (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

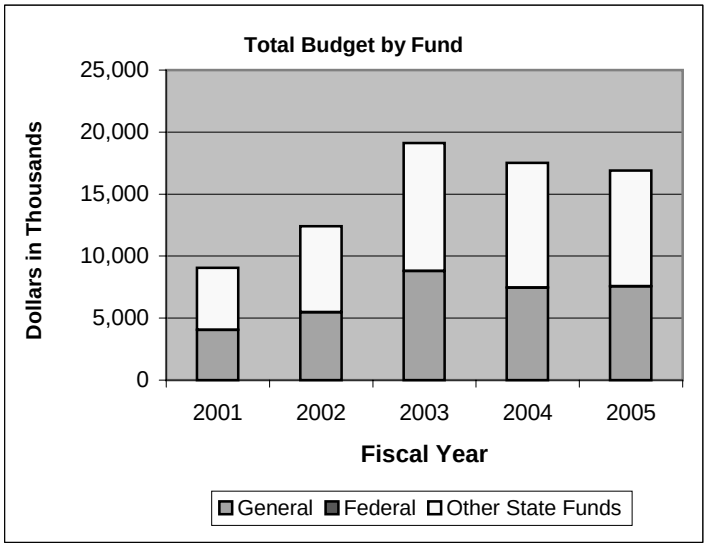
Information Technology Operations is funded from appropriations from the General Fund and Health Care Access Fund and from matching funds.

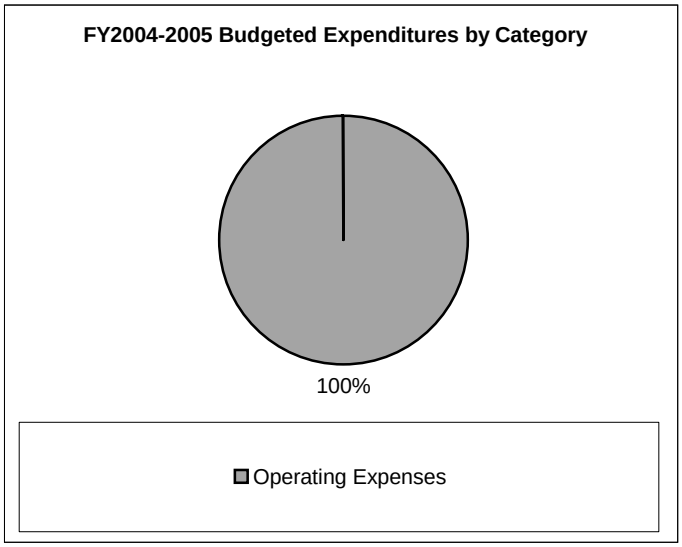
Contact

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.

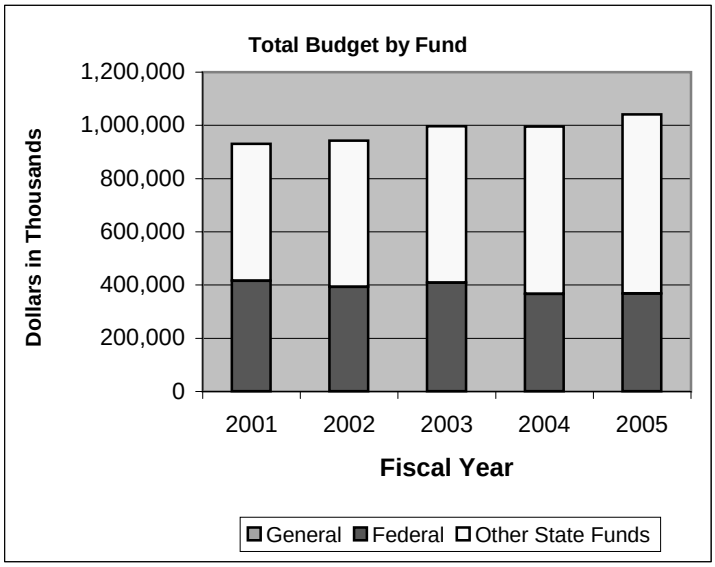
The department maintains a federally approved cost allocation plan that draws reimbursement for the federal share of state administrative expenditures. In this case, state administrative expenditures are defined to state costs (including the DHS central office) as well as county/local costs.

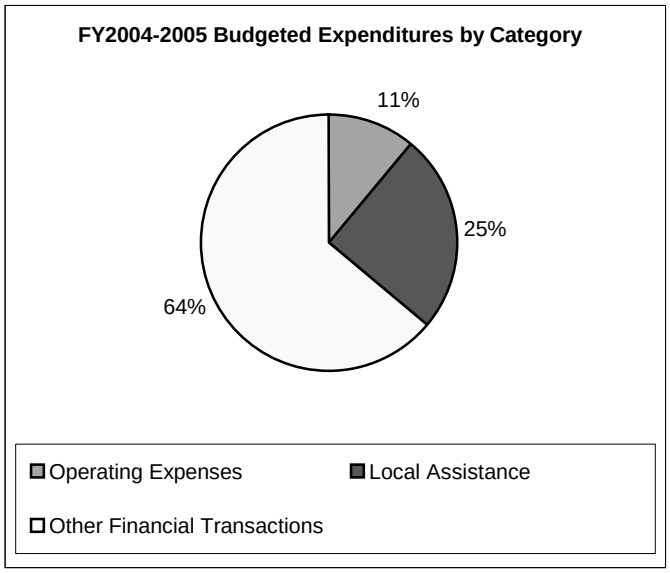
The department's central office federal administrative reimbursement exceeds $100 million annually. Unless otherwise required in state law, federal administrative reimbursement earned on General Fund and Health Care Access Fund expenditures is non-dedicated revenue to the state. State law dedicates the 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

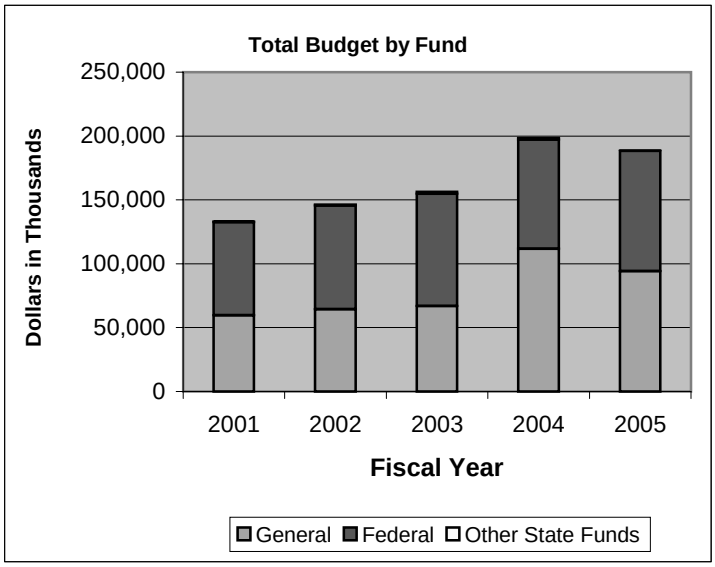
Children's Services Grants is funded primarily from appropriations from the General Fund and from federal funds.

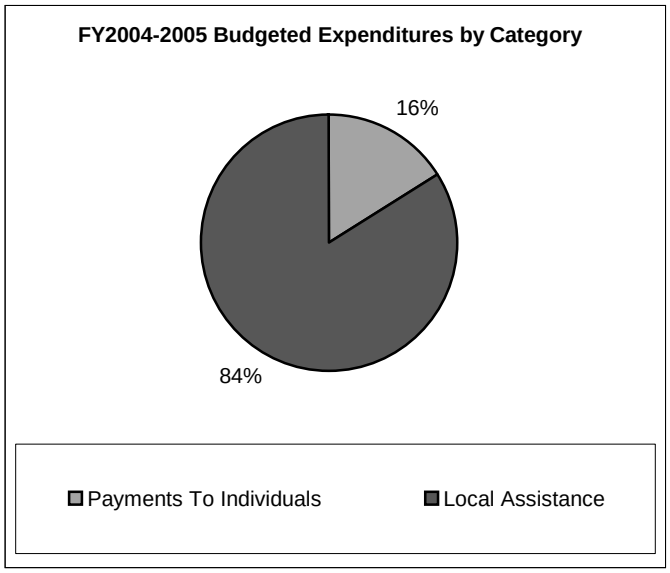
Contact

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.

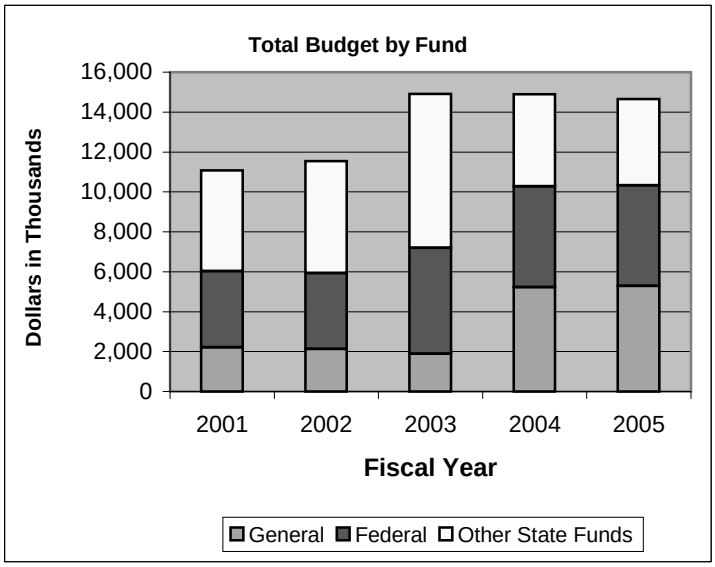
Program Funding

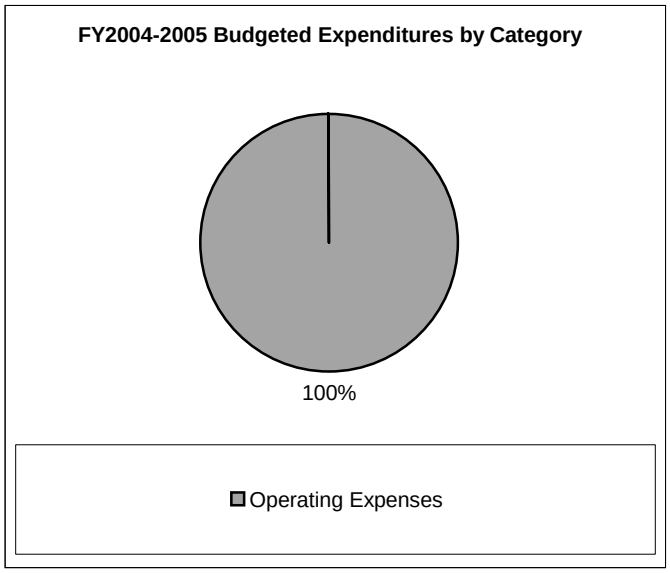
Children's Services Management is funded primarily from appropriations from the General Fund and from federal funds.

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**	

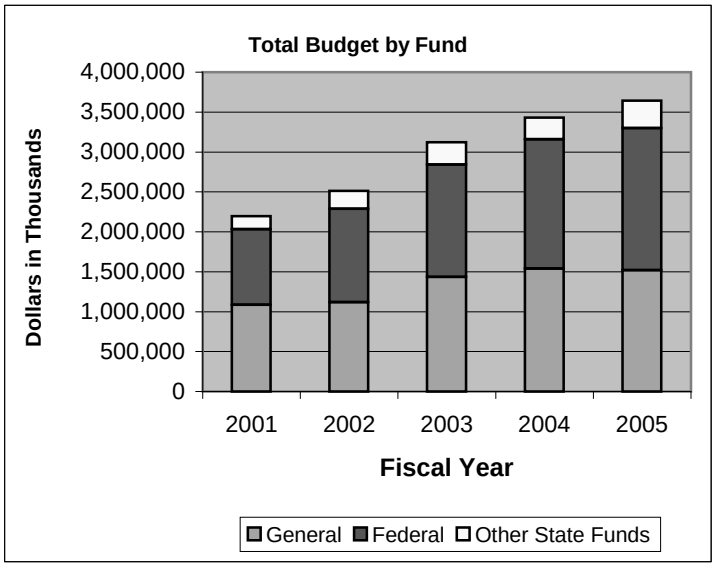
Program Description

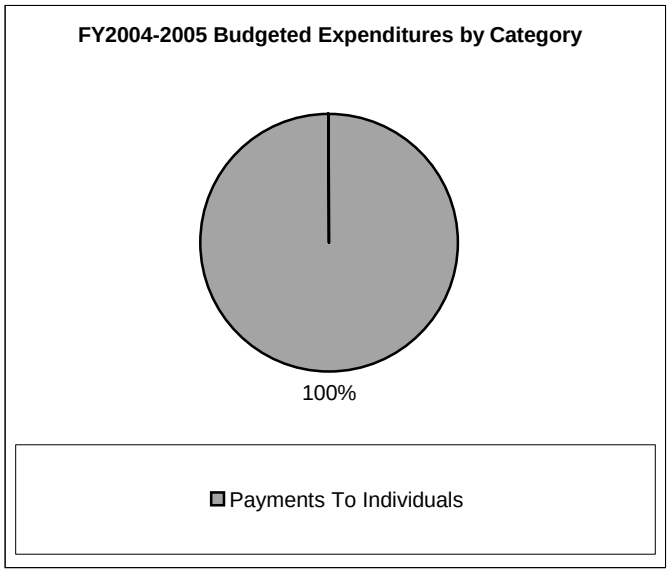
Basic Health Care Grants purchase preventive and primary health care services, such as physician services, medications, and dental care for low-income families with children, elderly and people with disabilities. More than 500,000 Minnesotans receive health care assistance through this grant area each 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

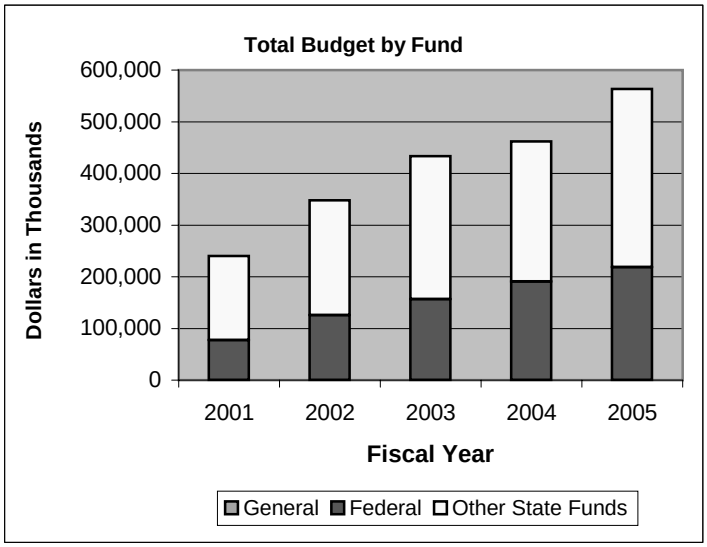
MinnesotaCare Grants is funded from appropriations from the Health Care Access Fund, from federal Medicaid funds, and from enrollee premiums.

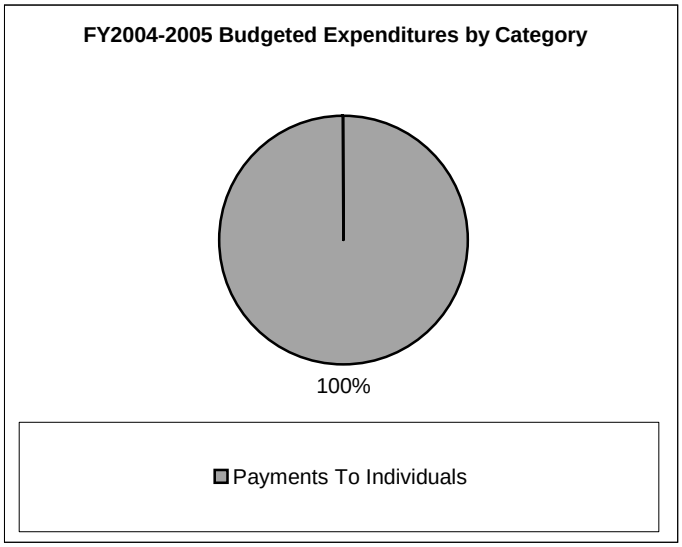
Contact

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

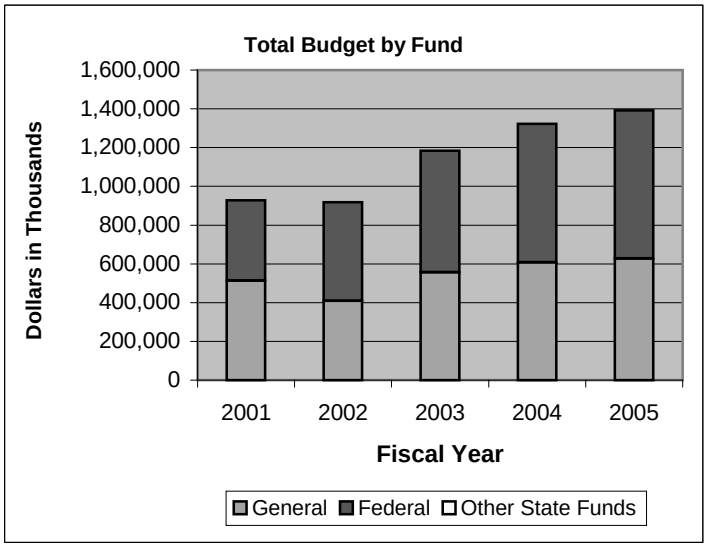
MA Basic Health Care Grants–Families and Children is funded with appropriations from the General fund and federal Medicaid funds.

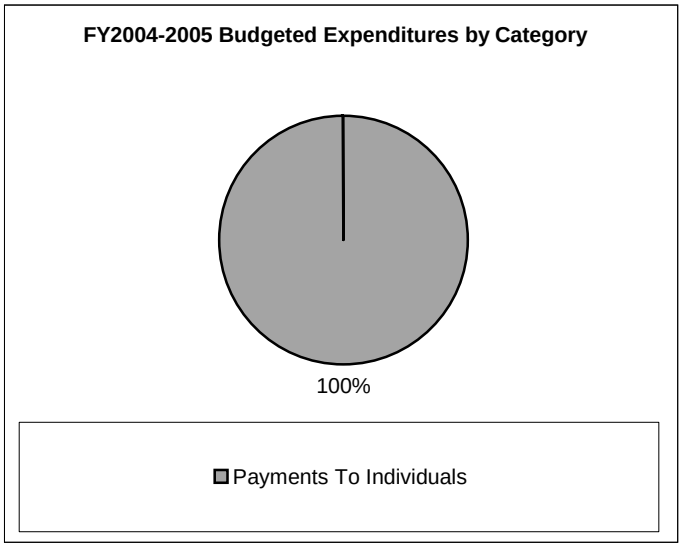
Contact

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

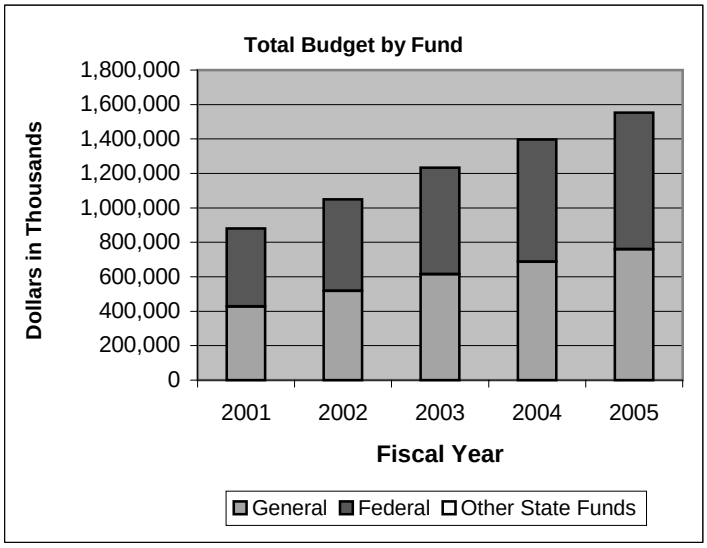
MA Basic Health Care Grants–Elderly and Disabled is funded from appropriations from the General Fund and from federal Medicaid funds.

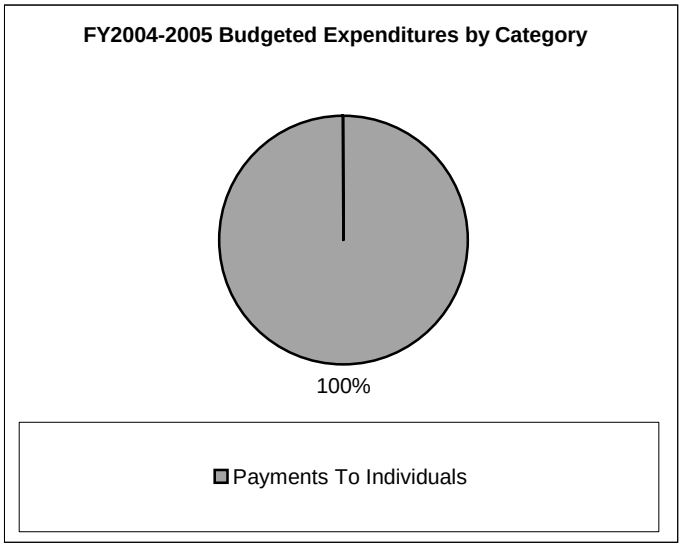
Contact

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.

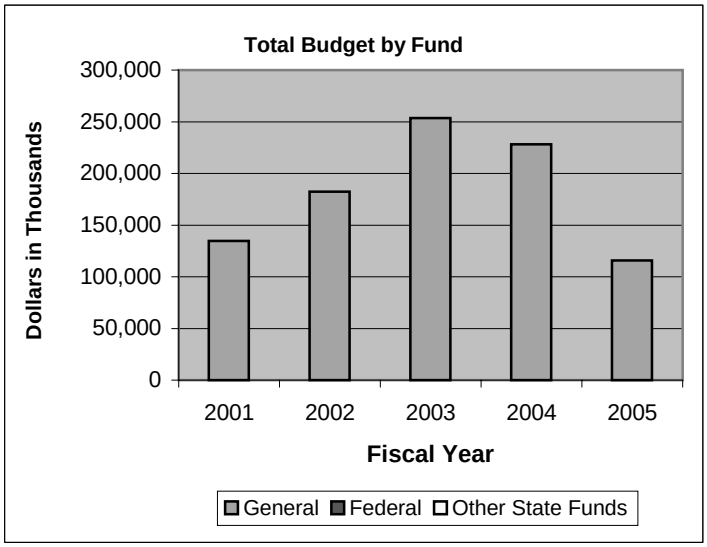
Activity Funding

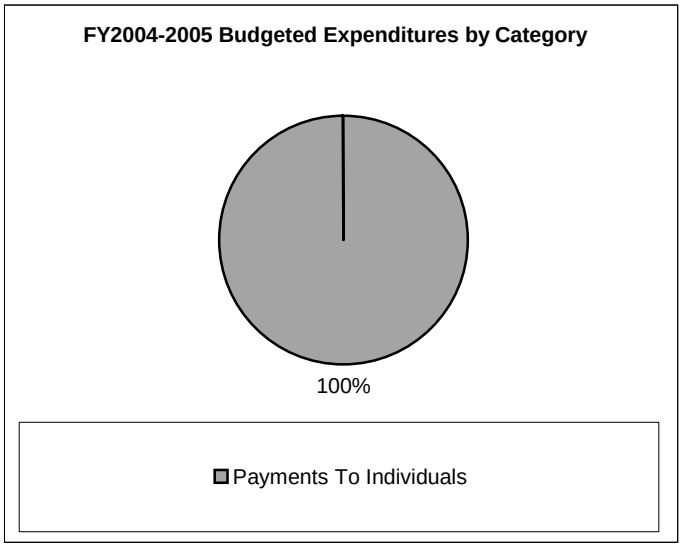
General Assistance Medical Care Grants is funded from appropriations from the General Fund.

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.

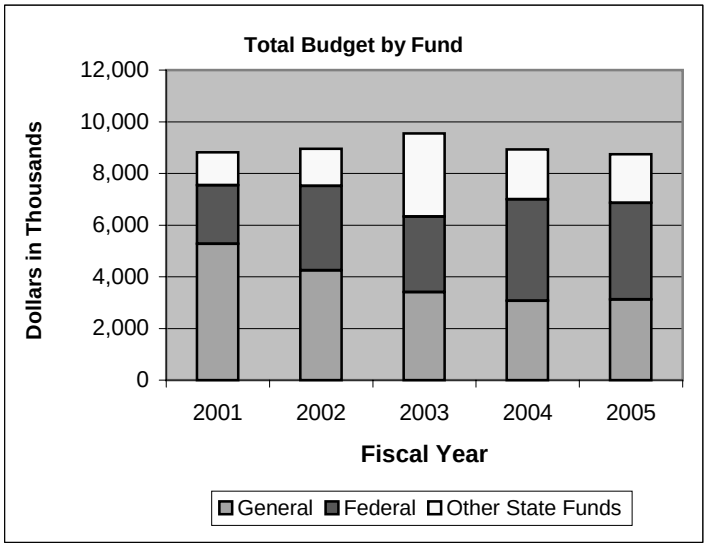
Contact

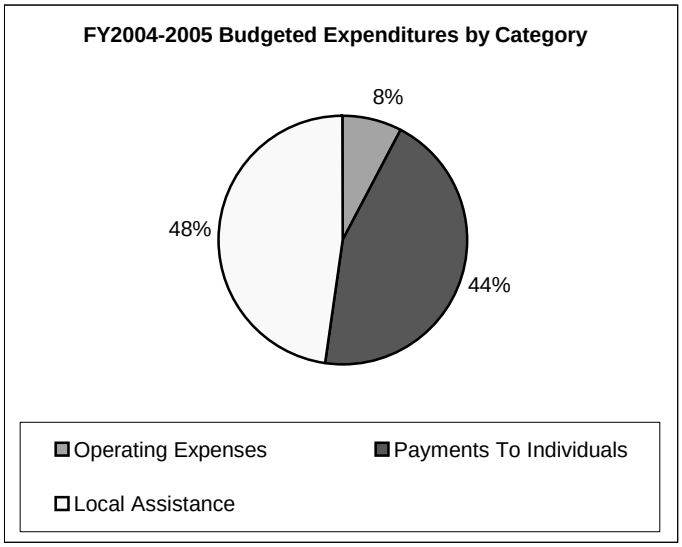
For more information on Health Care Grants-Other Assistance, contact:
- Assistant Commissioner for Health Care Brian Osberg, (651) 284-4388
- Health Care Eligibility and Access Director Kathleen Henry, (651) 296-8818
- Purchasing & Service Delivery Acting Director Kathleen Cota, (651) 297-3200
- Director 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

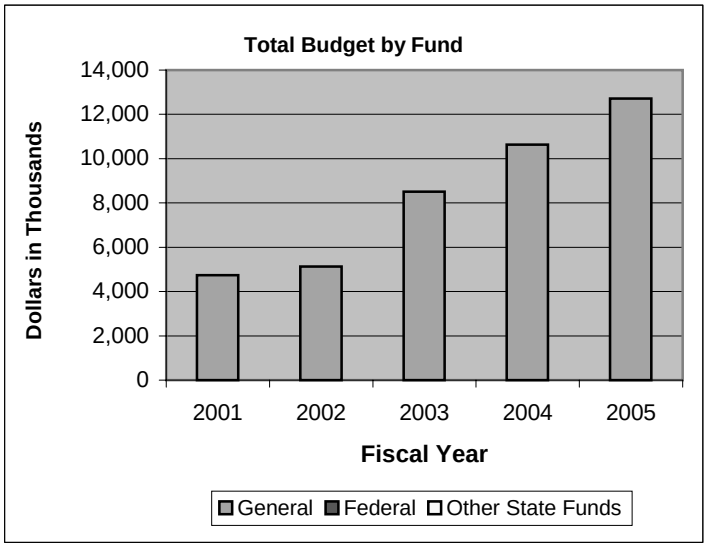
For more information about the Prescription Drug Program, contact:

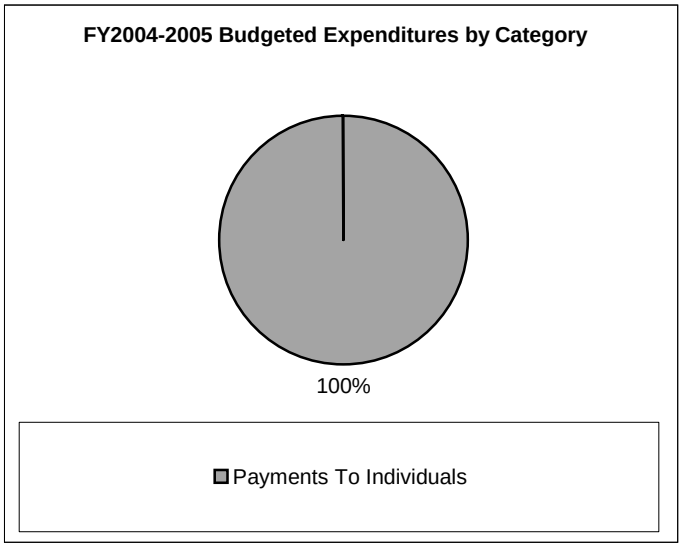
- Assistant Commissioner for Health Care Brian Osberg, (651) 284-4388
- Health Care Eligibility and Access Director Kathleen Henry, (651) 296-8818

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**

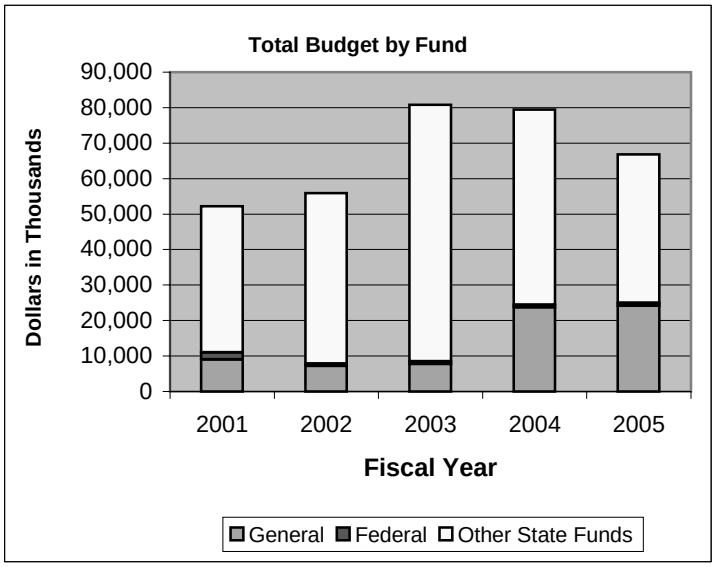
Expenditures by Category						
Payments To Individuals	4,735	5,133	8,507	10,636	12,717	23,353
Total	**4,735**	**5,133**	**8,507**	**10,636**	**12,717**	**23,353**

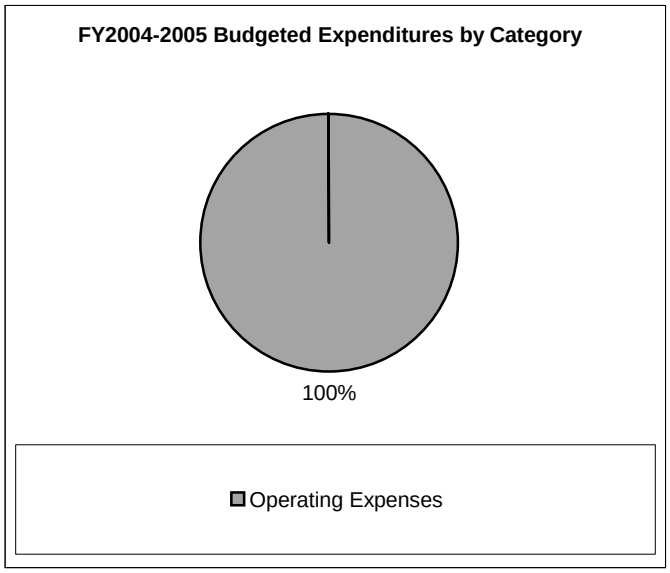
Program Description

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

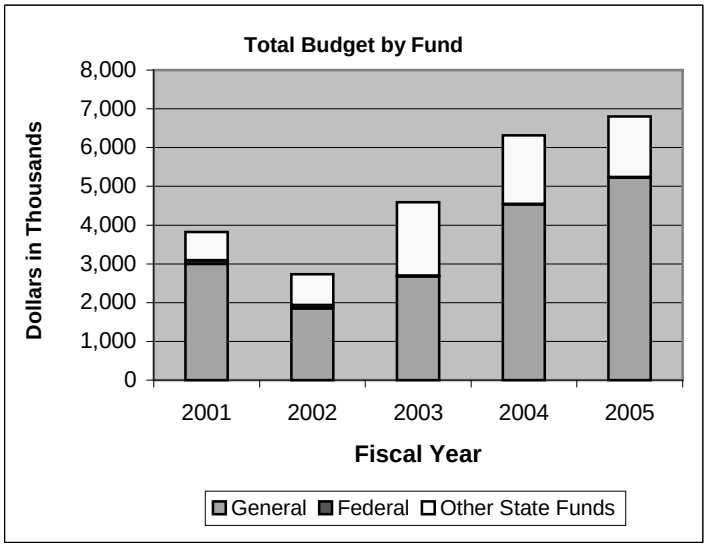
For more information on Health Care Policy Administration, contact:

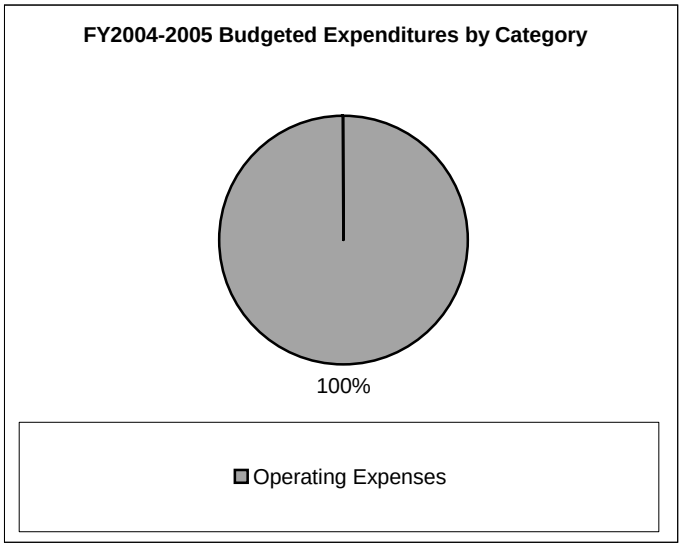
- Assistant Commissioner for Health Care Brian Osberg, (651) 284-4388
- State Medicaid Director Mary B. Kennedy, (651) 297-7515
- Health Care Eligibility and Access Director Kathleen Henry, (651) -296-8818
- Performance Measurement and Quality Improvement Director Vicki Kunerth, (651) 215-5755
- Purchasing 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

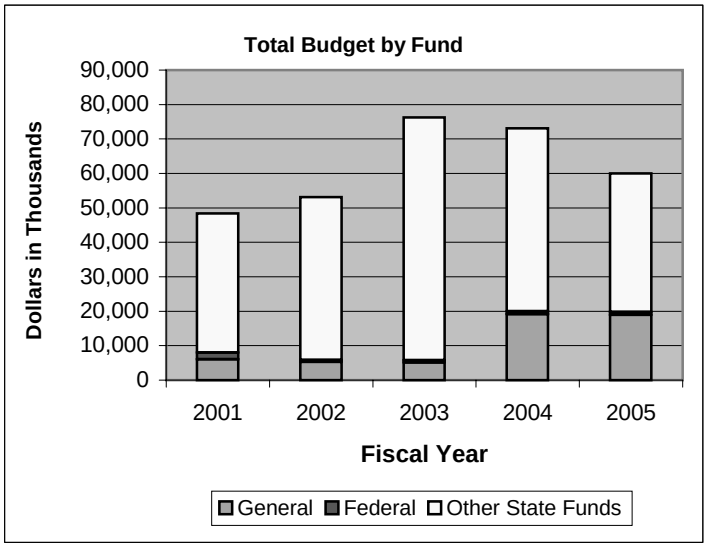
For more information on Health Care Operations, contact:

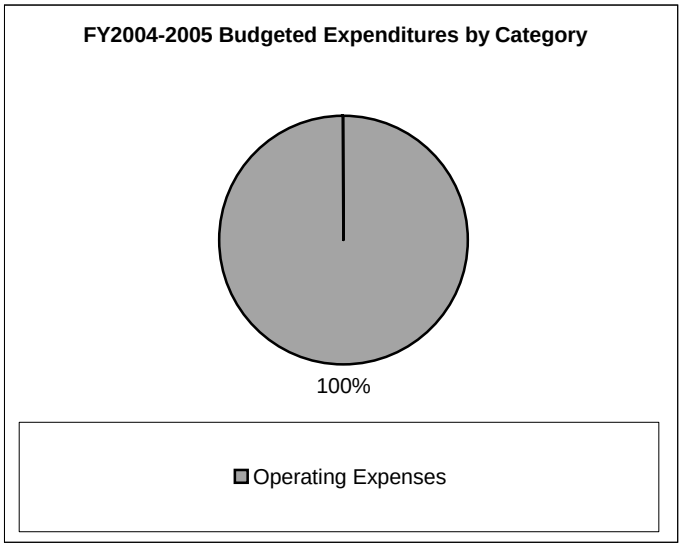
- Assistant Commissioner, Finance and Management Operations Dennis W. Erickson, (651) 296-6635
- Assistant Commissioner for Health Care, Brian Osberg, (651) 284-4388
- Health Care Operations Director, Larry Woods, (651) 296-2719

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**

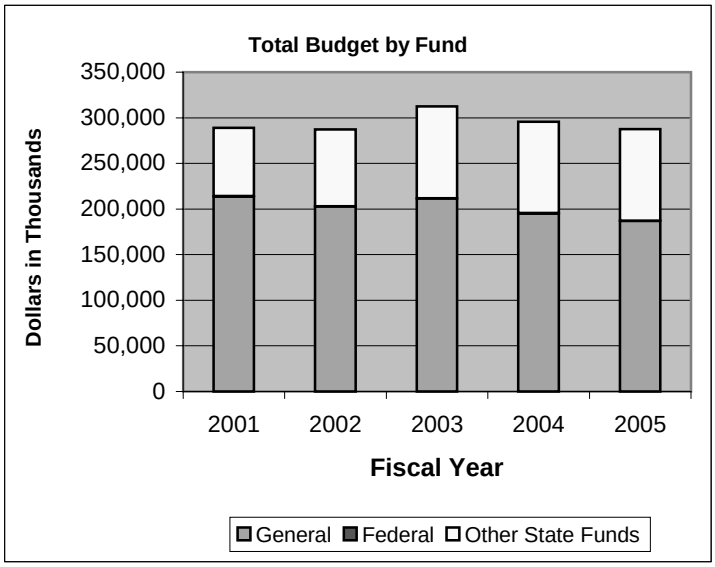
Full-Time Equivalents (FTE)	**563.0**	**603.2**	**629.5**	**629.5**	**629.5**

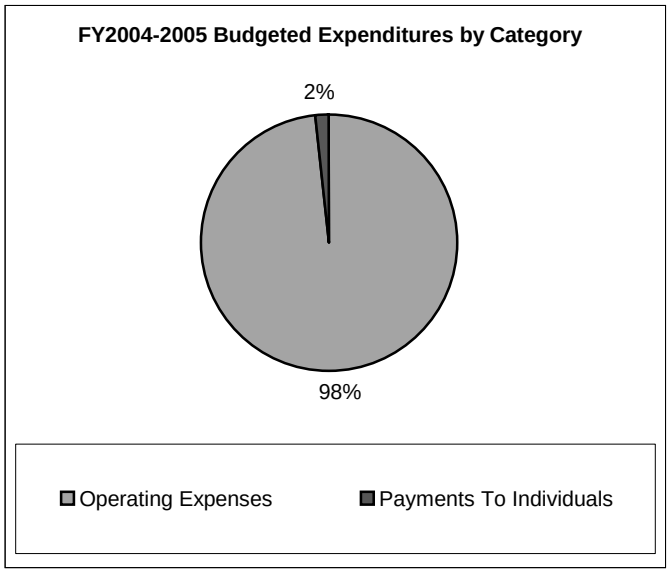
Program Description

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.

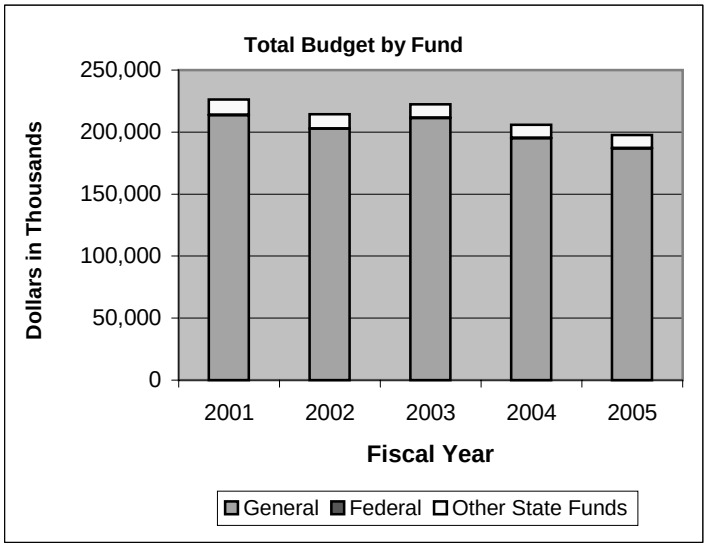
Activity Funding

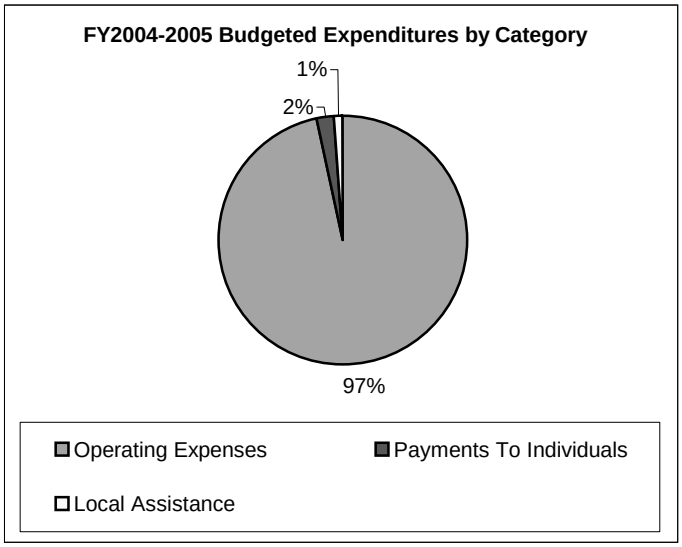
Appropriated Services is funded from appropriations from the General Fund.

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

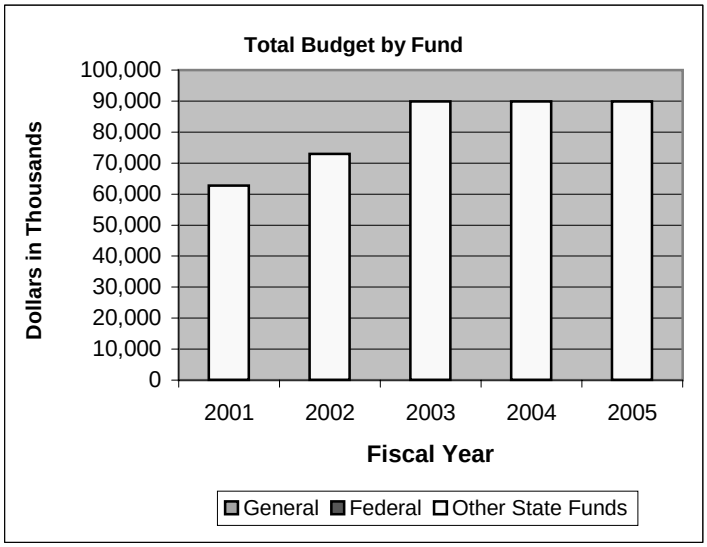
For more information on Enterprise Services, contact:

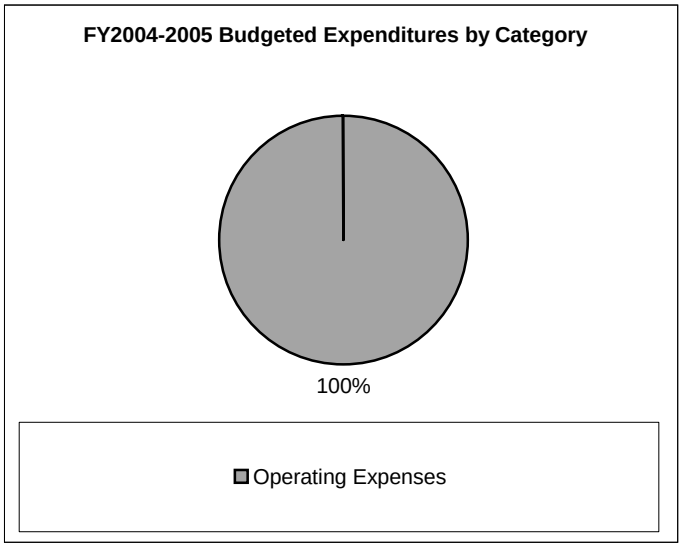
- State Operated Services Assistant Commissioner Loren Colman, (651) 296-1776
- State Operated Services Chief Operating Officer Mike Tessneer, (651) 582-1885
- State Operated Services Support Director Fran Bly, (651) 582-1868

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





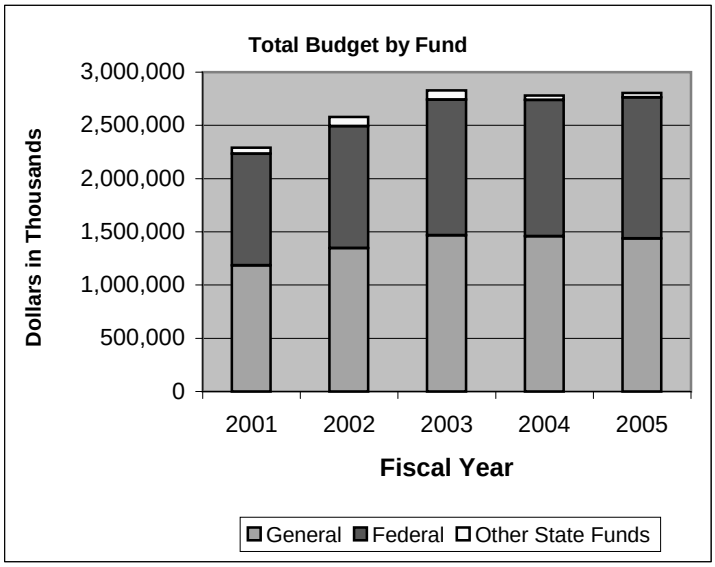
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Revenue Based State Oper Serv	46,119	50,270	57,733	57,733	57,733	115,466
Mn Neurorehab Hospital Brd	2,724	7,439	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**	

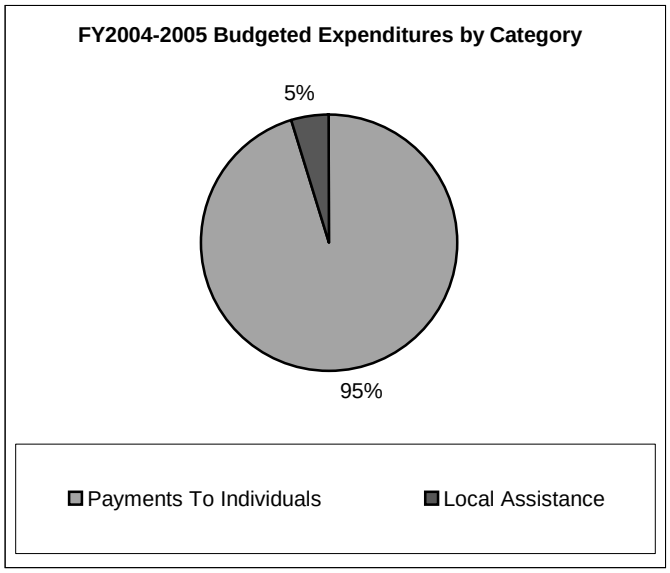
Program Description

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

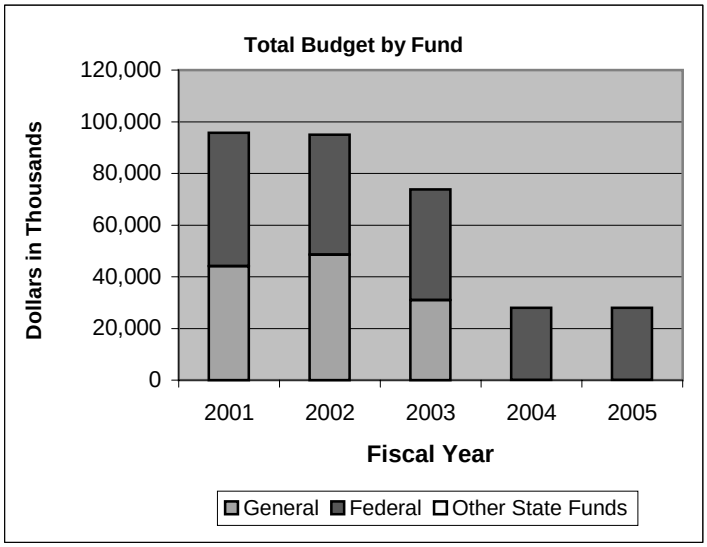
Community Social Services Grants is funded from appropriations from the General Fund and from federal funds.

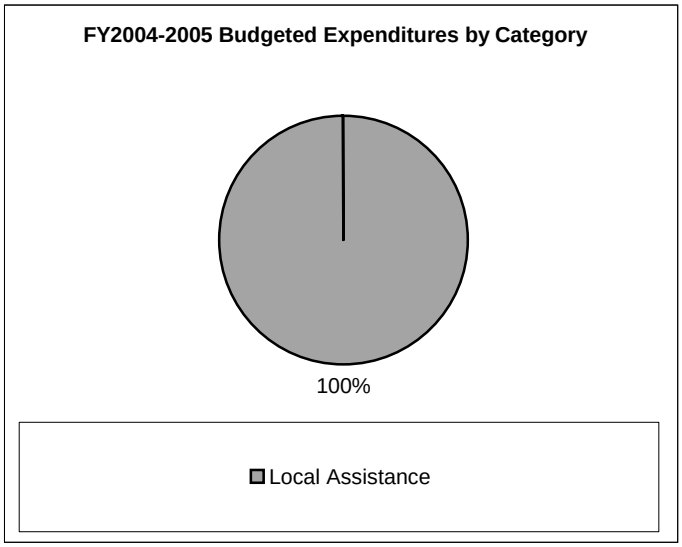
Contact

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

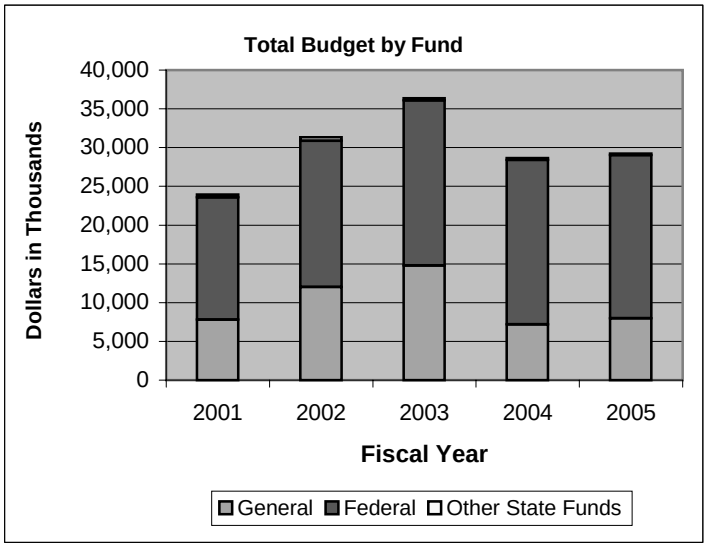
Aging and Adult Services Grants is funded from appropriations from the General Fund and from federal funds.

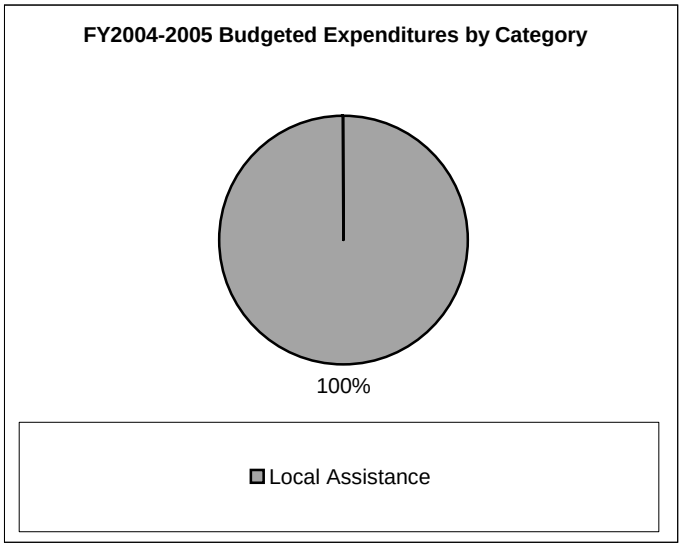
Contact

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

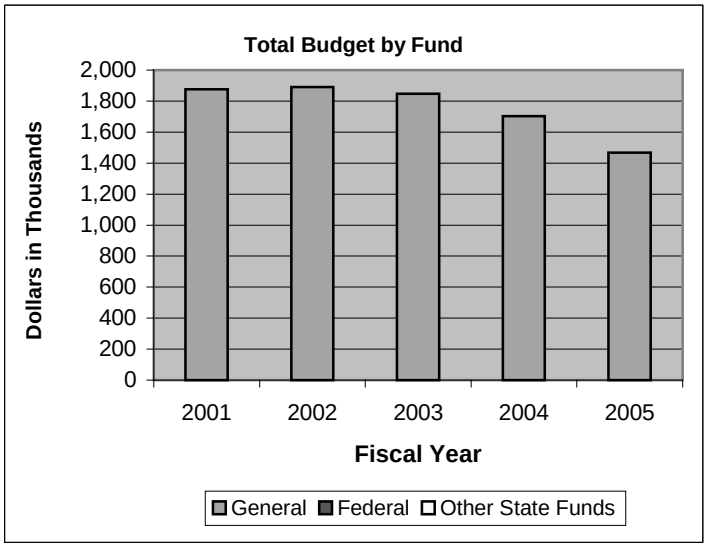
For more information on Deaf and Hard of Hearing Grants, contact:

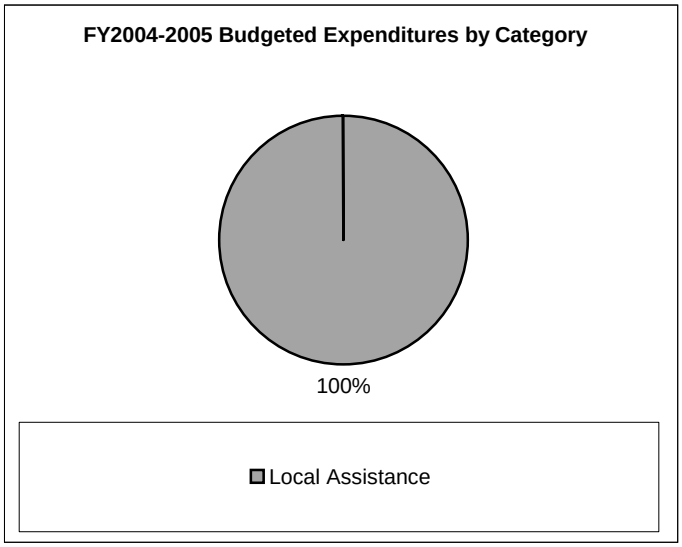
- Assistant Commissioner Maria Gomez, (651) 297-3209
- Deaf and Hard of Hearing Services Director Bruce Hodek, (651) 296-3980 (voice) or (651) 297-1392 (TTY)

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.

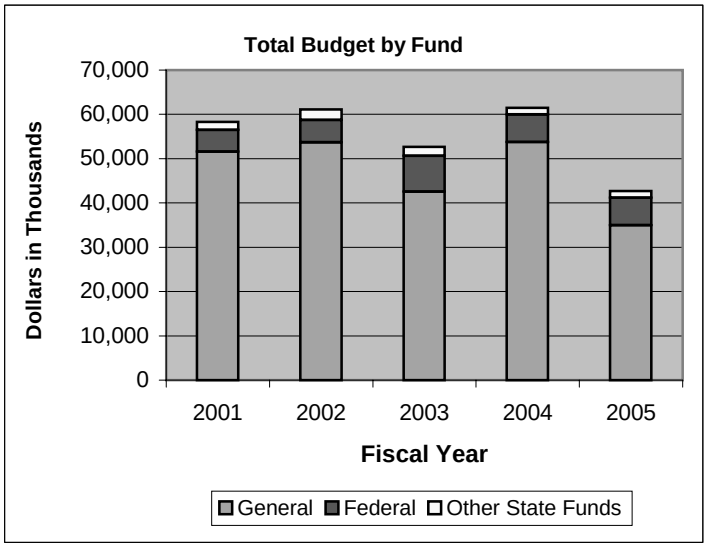
Contact

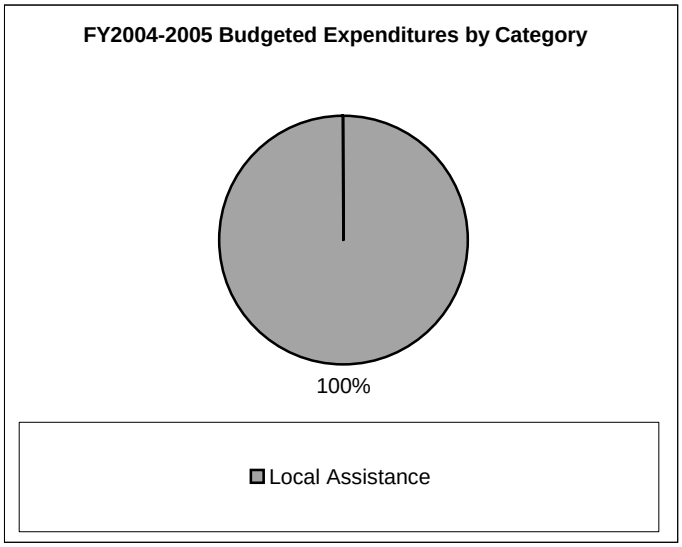
For more information about Mental Health Grants, contact:
- ♦ Mental Health Director Sharon Autio, (651) 582-1810
- ♦ Fiscal & Legislative Operations, Mental Health Division, John Zakelj, (651) 582-1825

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

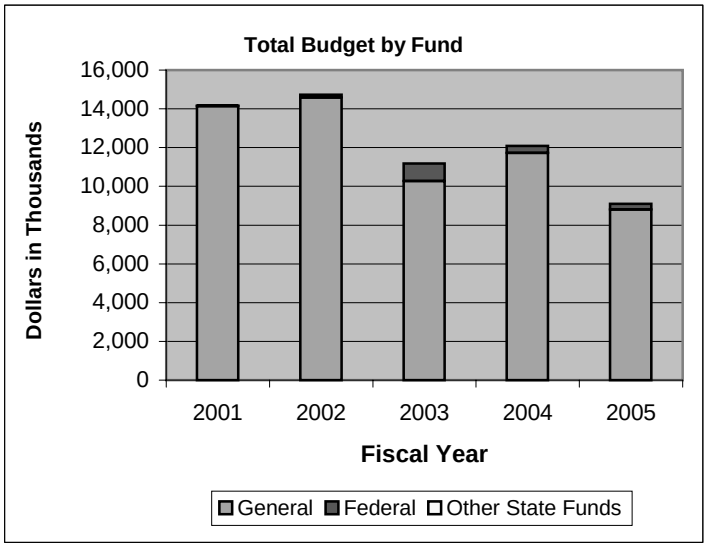
Community Support Grants is funded from appropriations from the General Fund and from federal funds.

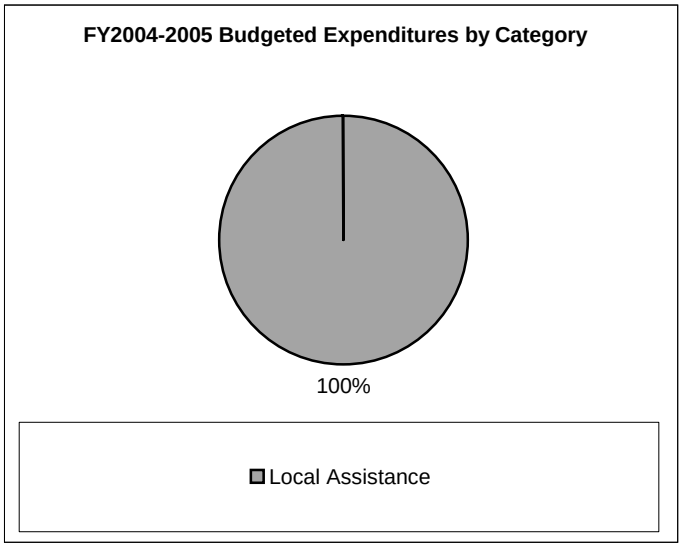
Contact

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.

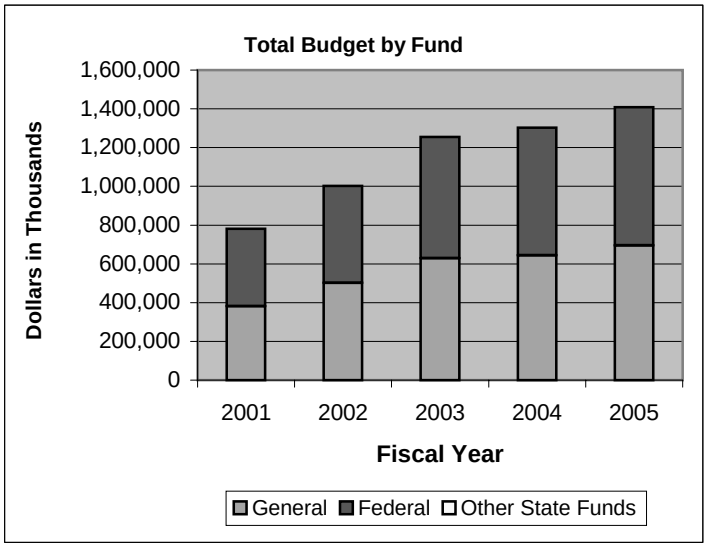
Activity Funding

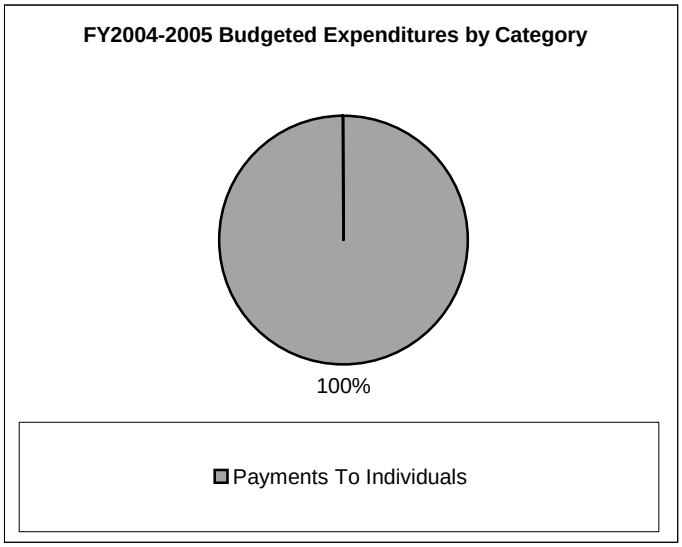
MA Long-Term Care Waivers and Home Care Grants is funded with appropriations from the General Fund and from federal Medicaid funds.

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

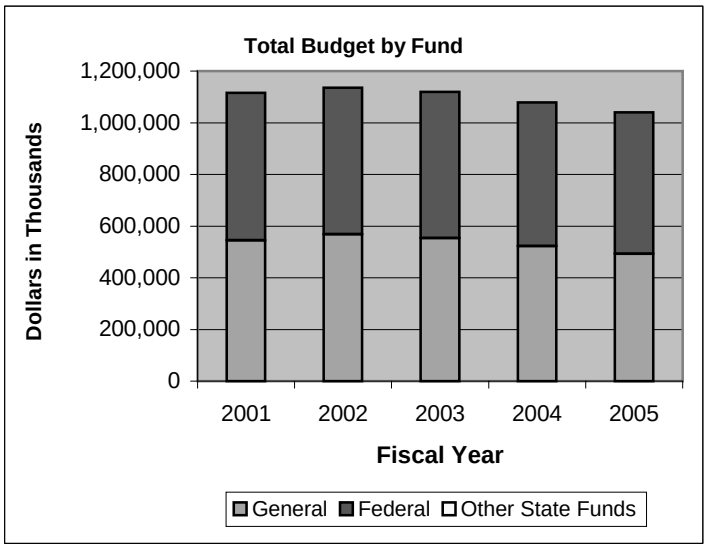
MA Long Term Care Facilities Grants is funded from appropriations from the General Fund and from federal Medicaid funds.

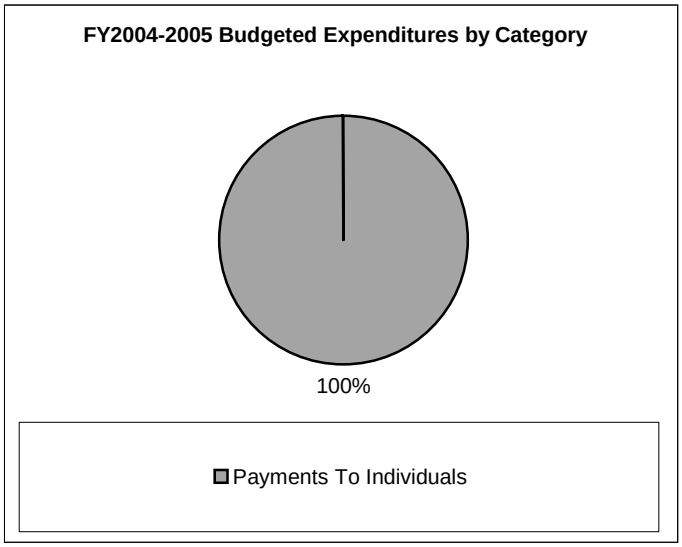
Contact

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

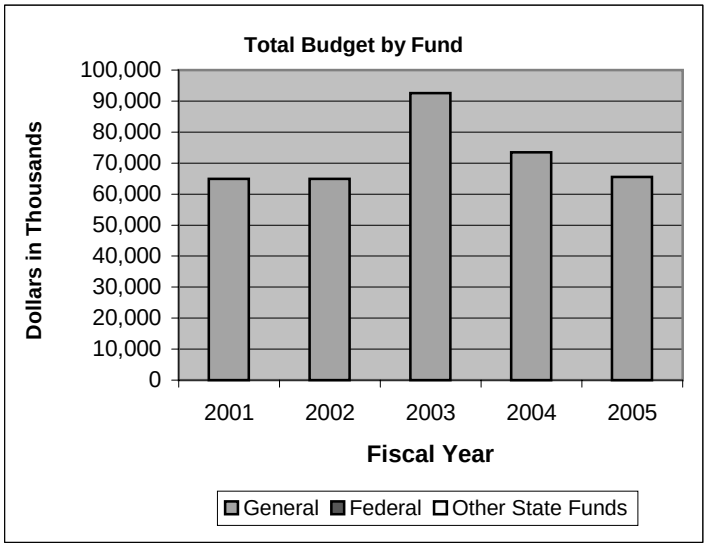
Alternative Care Grants is funded from appropriations from the General Fund and from enrollee premiums.

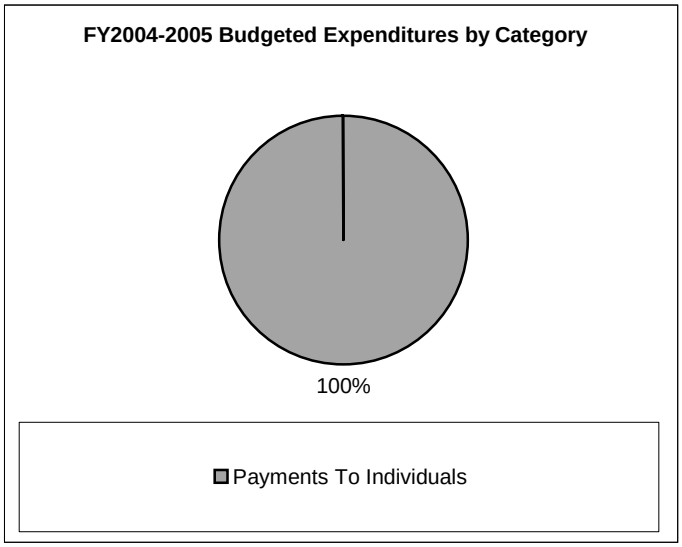
Contact

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

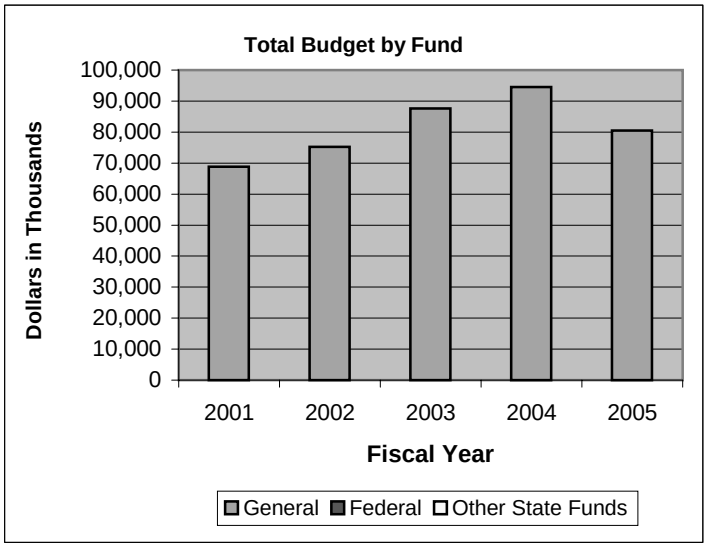
For more information on Group Residential Housing, contact:

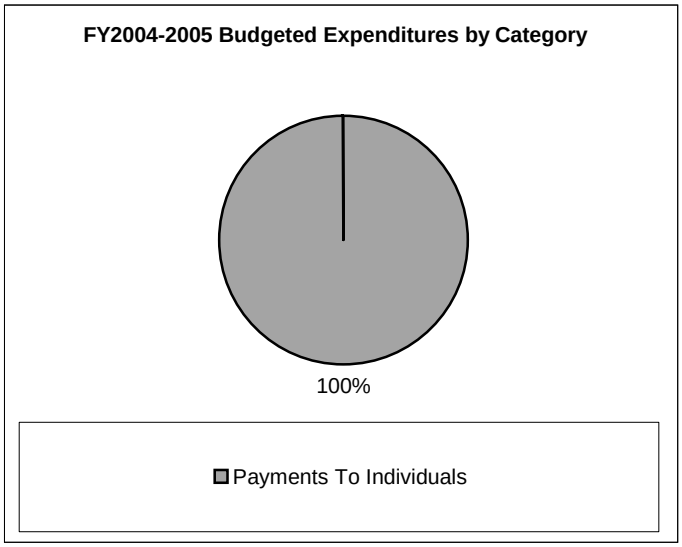
- Social Services Program Consultant, GRH, Duane Elg, (651) 296-6004
- Legislative and Fiscal Operations – older adult populations, Sue Banken, (651) 296-5724
- Legislative and Fiscal Operations – disabled populations, Dan McCarthy, (651) 582-1959

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

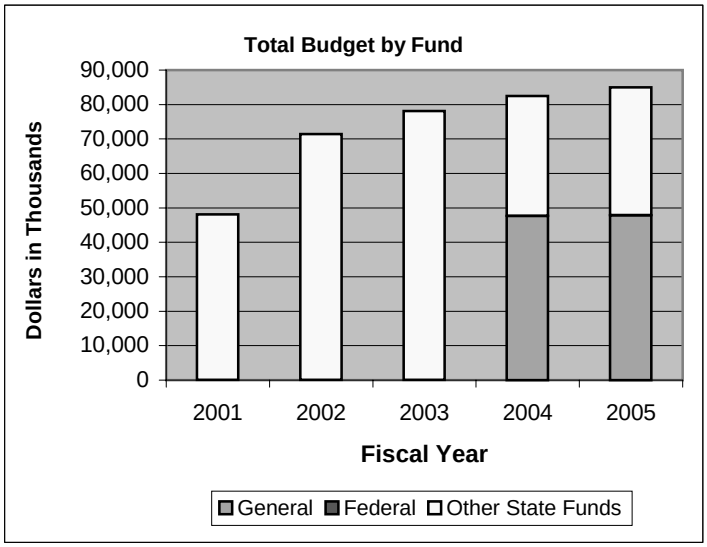
For more information on Chemical Dependency Entitlement Grants, contact:

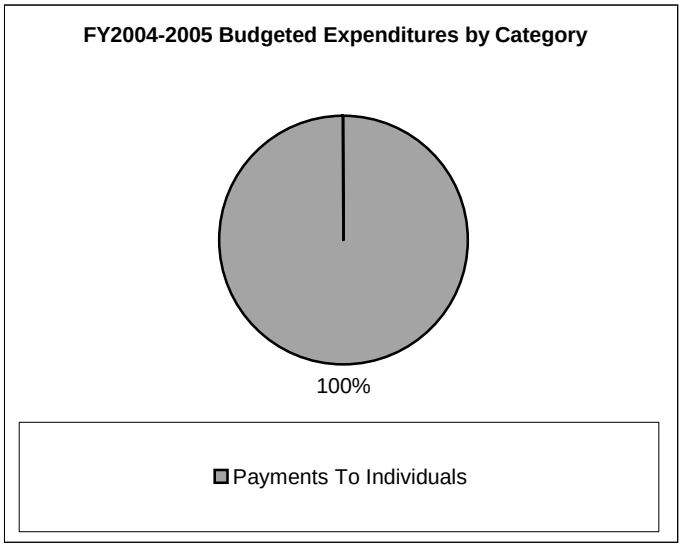
- Chemical Health Director Donald Eubanks, (651) 582-1856
- Chemical Health Operations Manager Troy Mangan, (651) 582-1884

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.

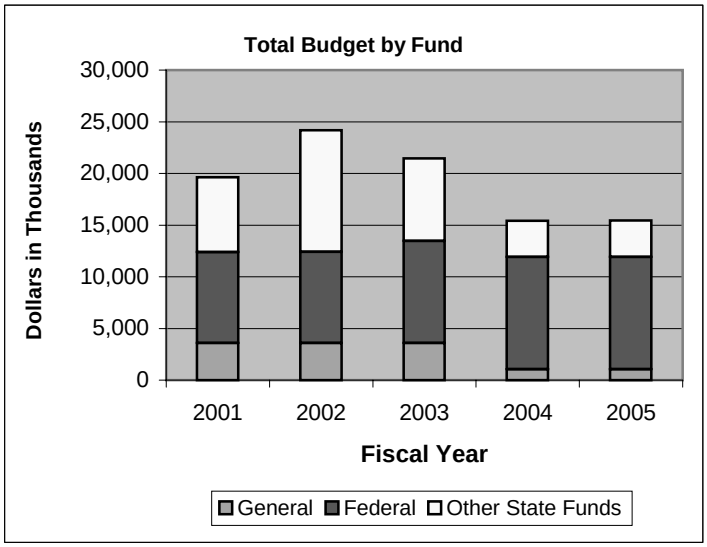
Activity Funding

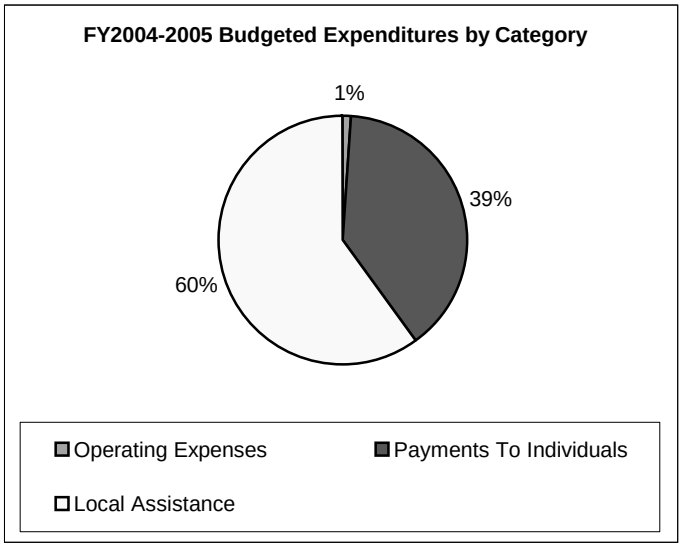
Chemical Dependency Non-Entitlement Grants is funded from appropriations from the General Fund and from federal funds.

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

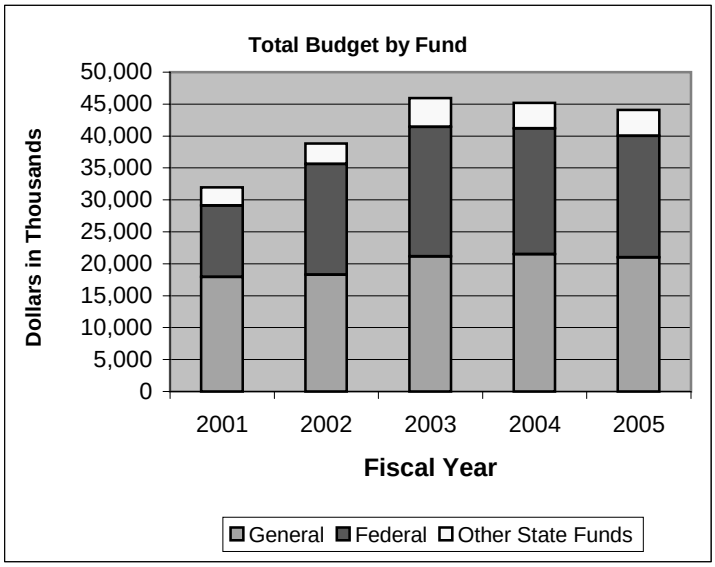
Continuing Care Management is funded primarily from appropriations from the General Fund, State Government Special Revenue Fund, and Lottery Fund and from federal funds.

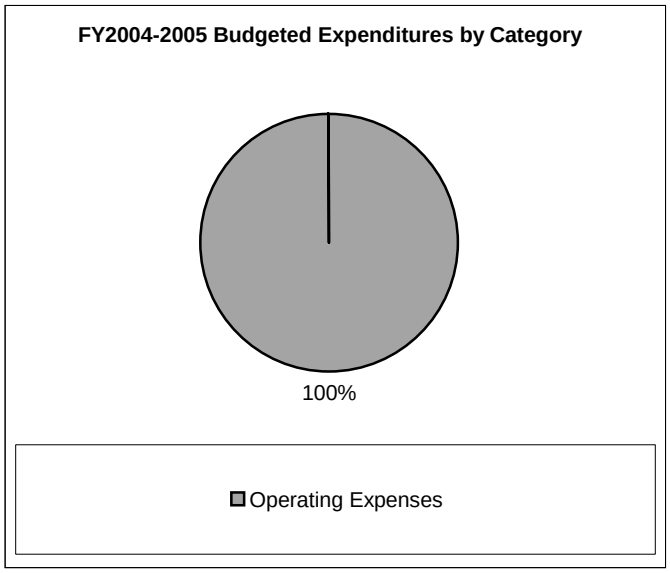
Contact

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.





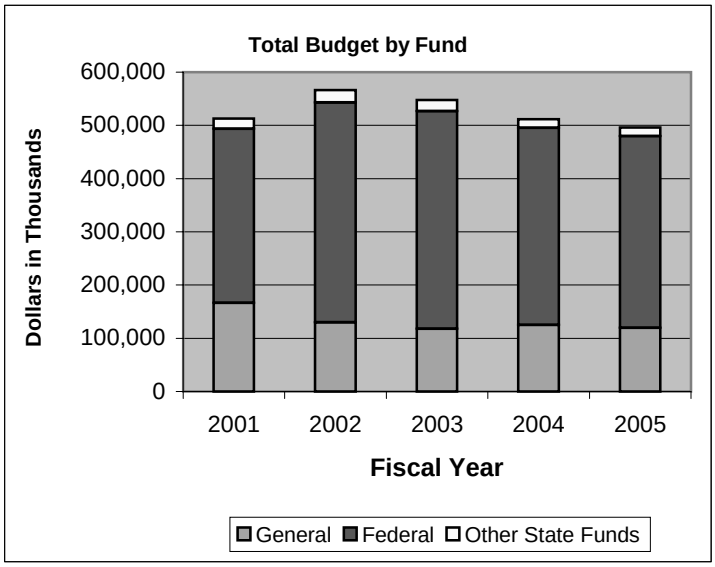
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	17,888	18,278	21,161	21,484	21,014	42,498
State Government Special Revenue	114	79	119	119	119	238
Lottery 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**	

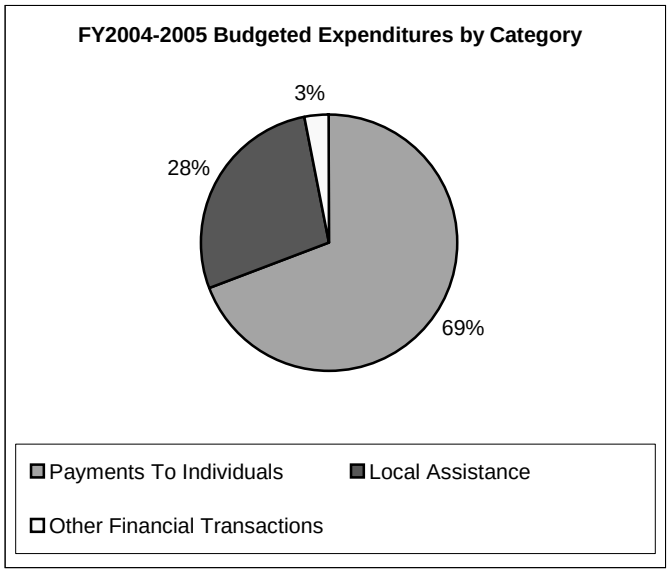
Program Description

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

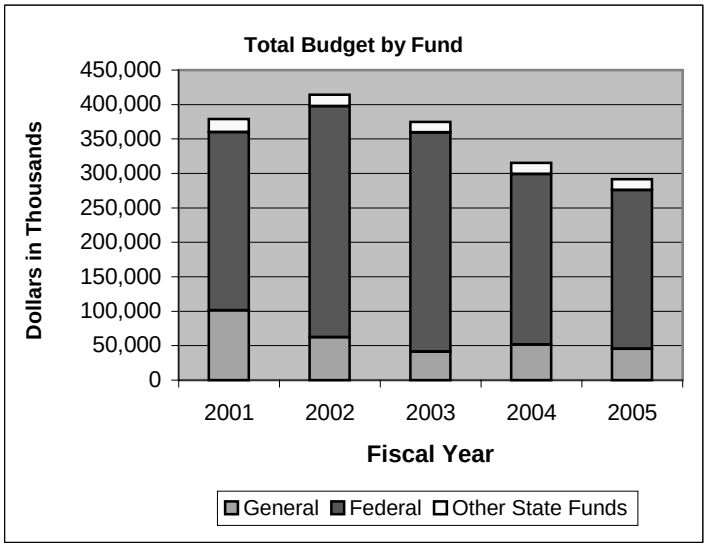
Minnesota Family Investment Program Grants is funded primarily from appropriations from the General Fund and from the federal TANF block grant, which replaced AFDC in 1996.

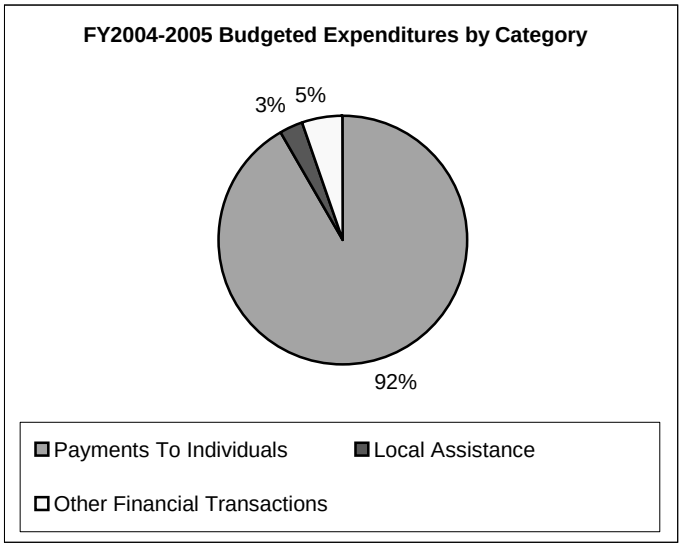
Contact

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

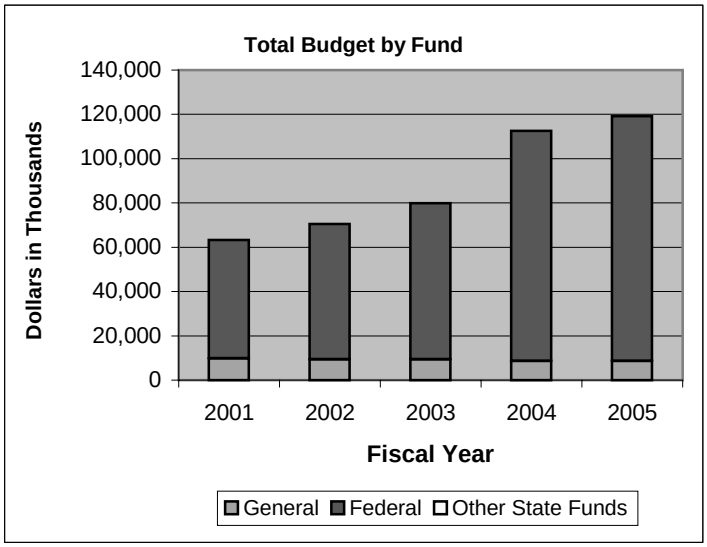
For more information on Work Grants, contact:

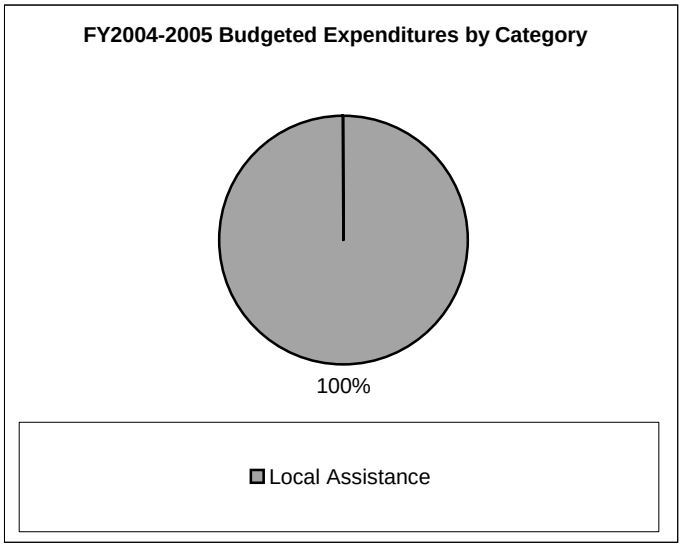
- Assistant Commissioner Maria Gomez, (651) 297-3209
- Families with Children Division Director Chuck Johnson, (651) 297-1428
- Adult Supports Division Director Bonnie Becker, (651) 296-2499

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

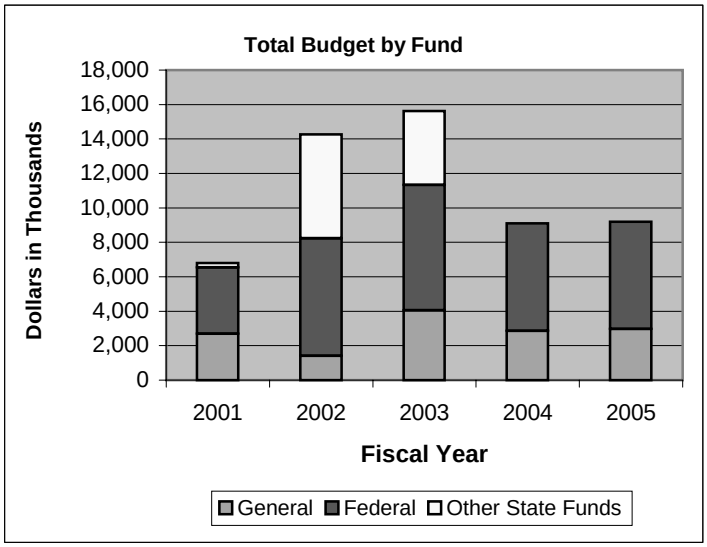
Economic Support Grants–Other Assistance is funded from appropriations from the General Fund and from federal funds.

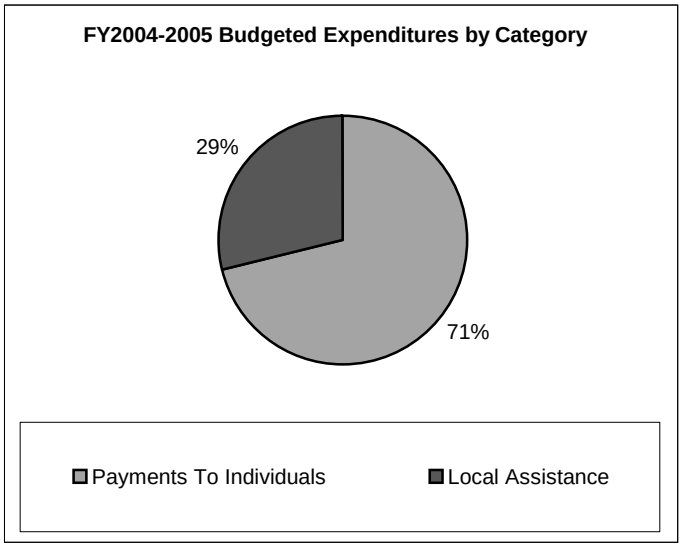
Contact

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

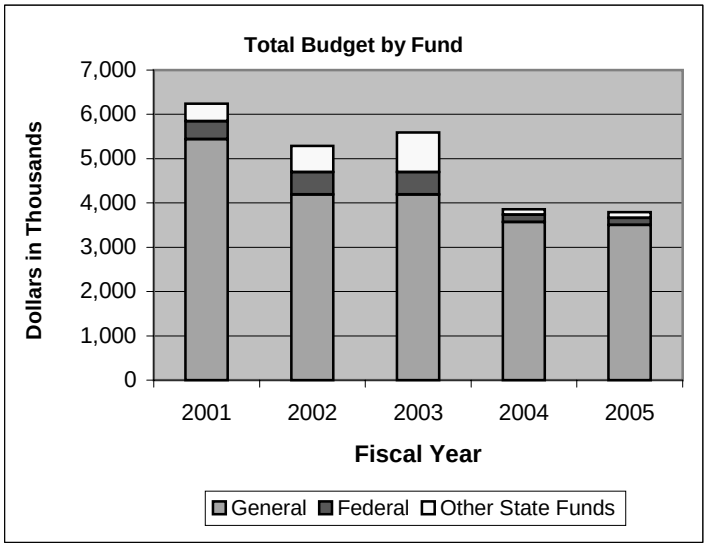
For more information on Child Support Enforcement Grants, contact:

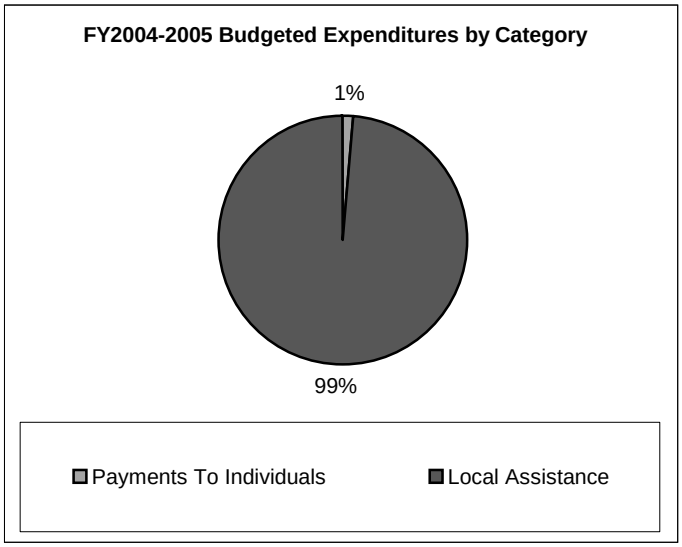
- Assistant Commissioner Maria Gomez, (651) 297-3209
- Child Support Enforcement Division Director Wayland Campbell, (651) 297-8232

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

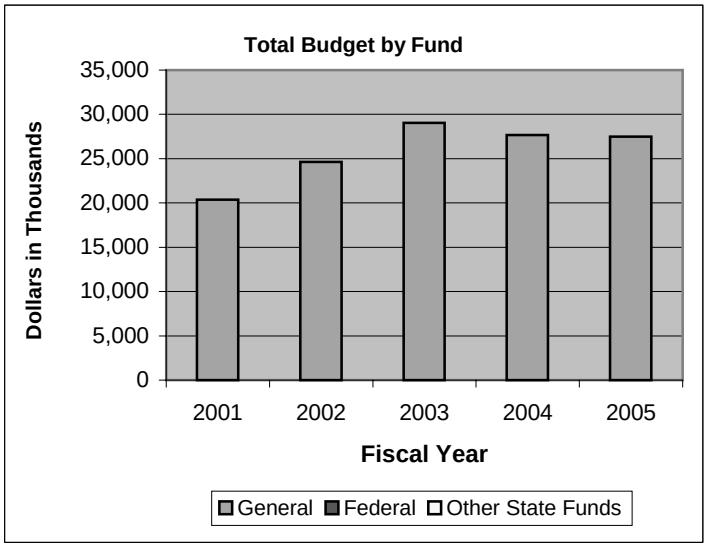
For more information on General Assistance Grants, contact:

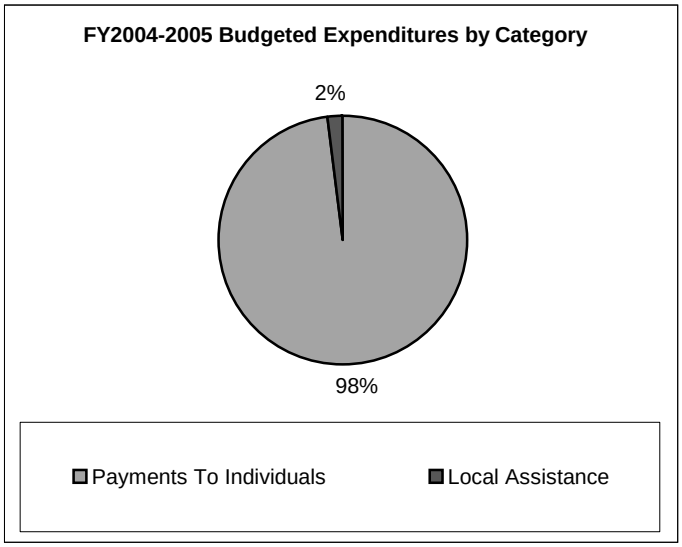
- Assistant Commissioner Maria Gomez, (651) 297-3209
- Adult Supports Division Director Bonnie Becker, (651) 296-2499

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

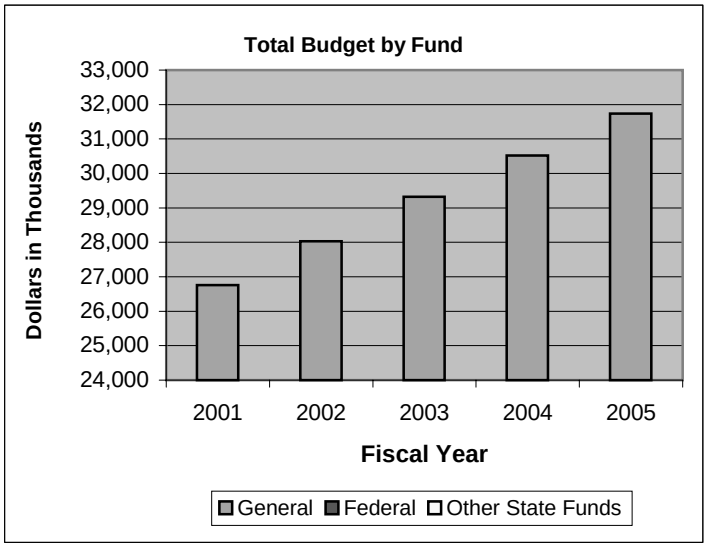
Minnesota Supplemental Aid Grants is funded from appropriations from the General Fund.

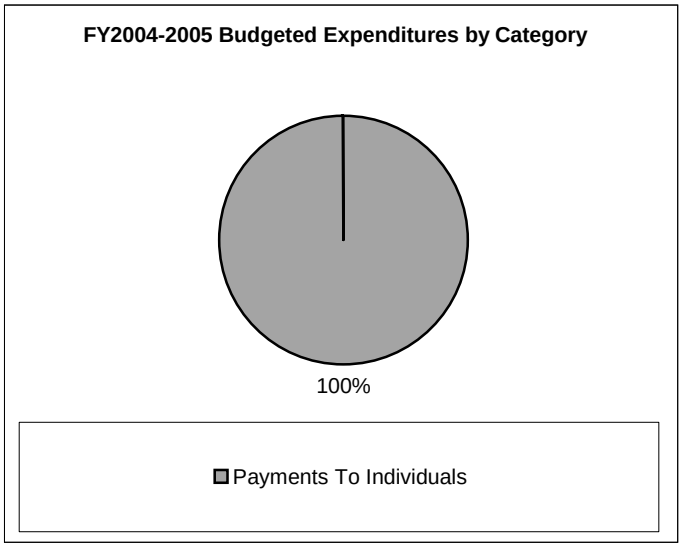
Contact

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.

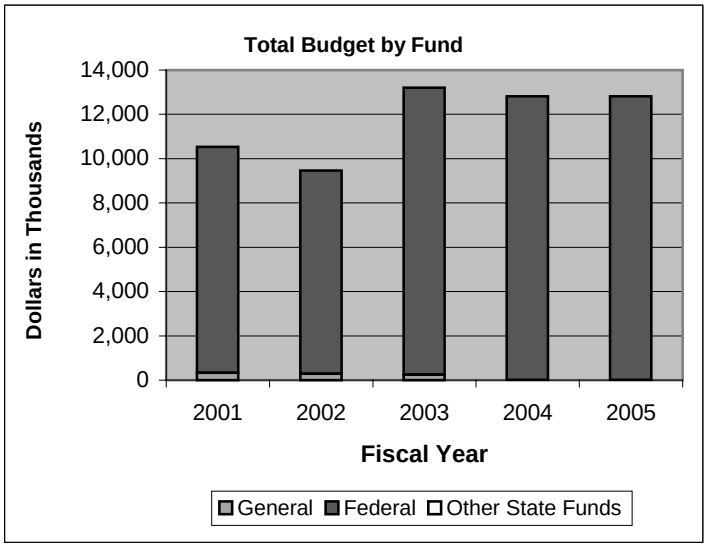
Activity Funding
Refugee Services Grants is funded from appropriations from the General Fund and from federal funds.

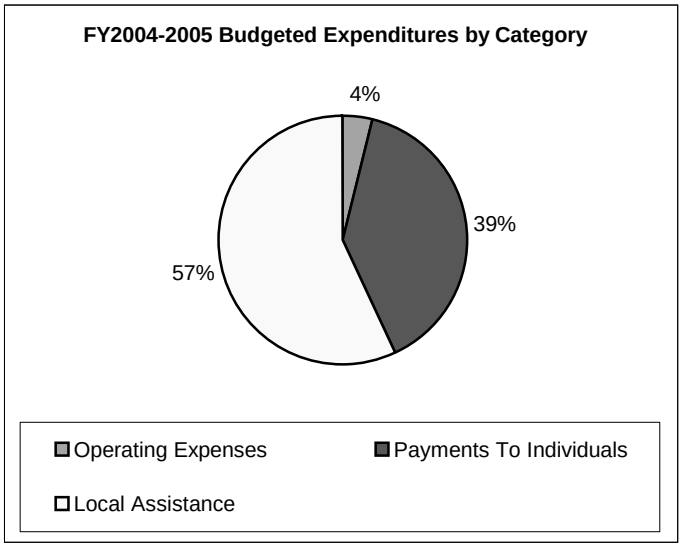
Contact

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**

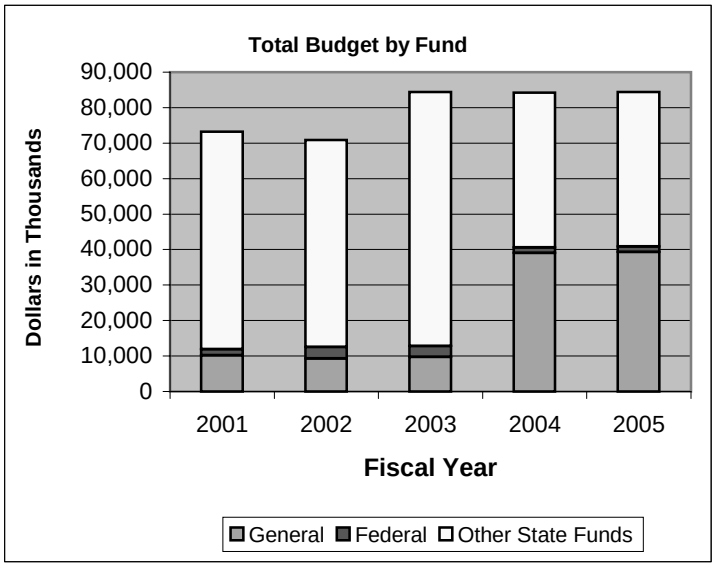
Expenditures by Category						
Operating Expenses	208	632	500	500	500	1,000
Payments To Individuals	4,235	3,285	5,000	5,000	5,000	10,000
Local Assistance	6,084	5,540	7,709	7,309	7,309	14,618
Total	**10,527**	**9,457**	**13,209**	**12,809**	**12,809**	**25,618**

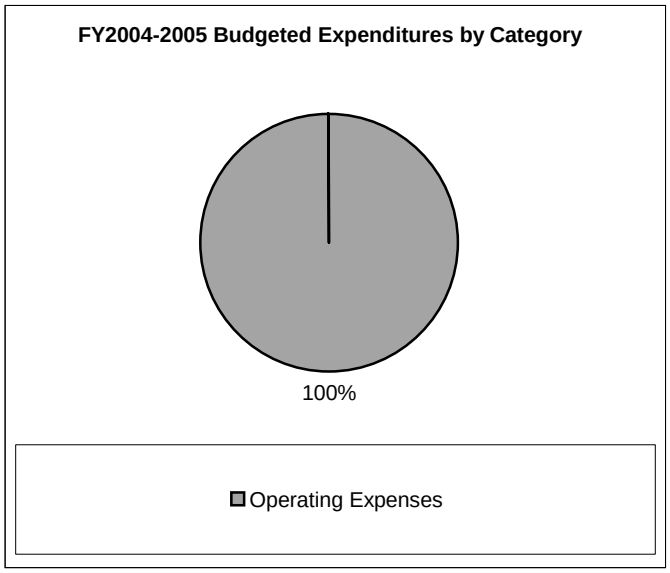
Program Description

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

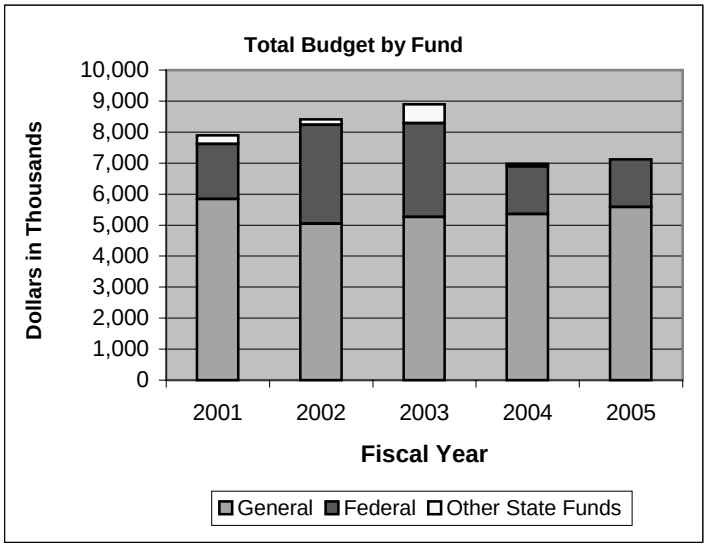
Economic Support Policy Administration is funded primarily from appropriations from the General Fund and from federal funds.

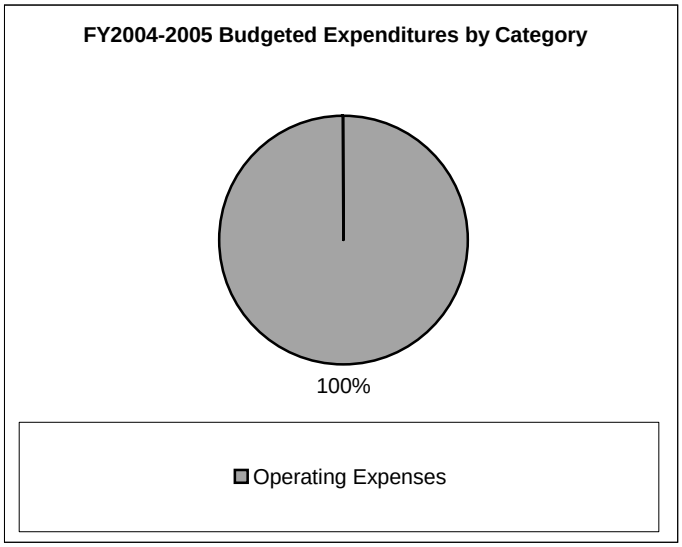
Contact

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

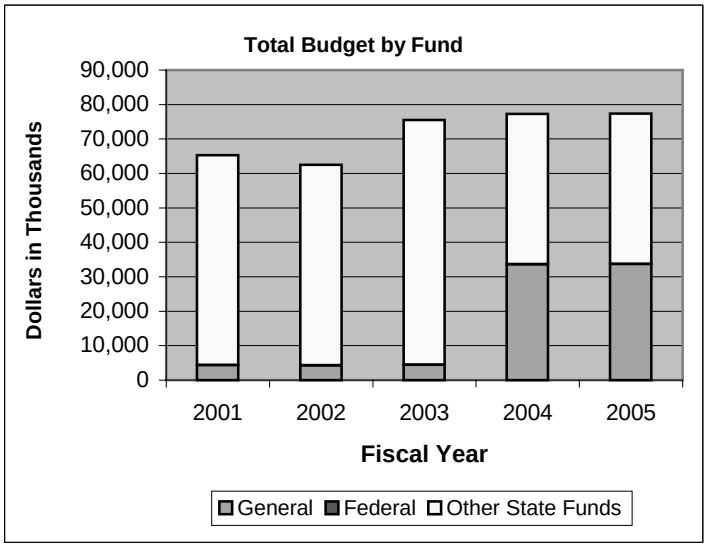
For more information on Economic Support Operations, contact:

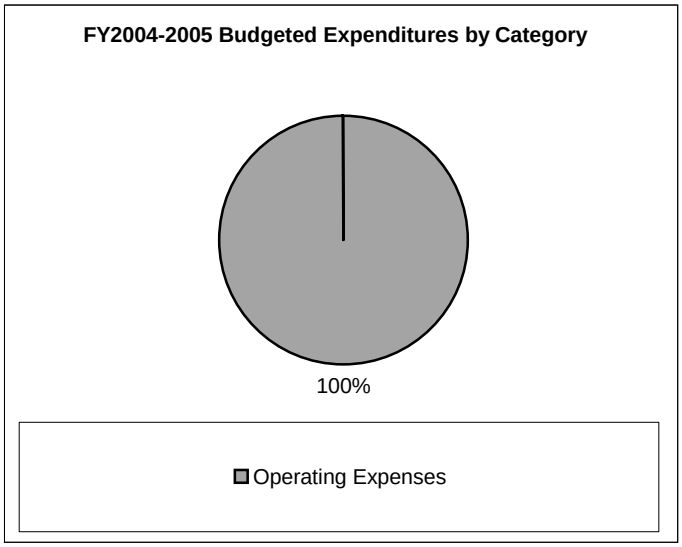
- Assistant Commissioner Maria Gomez, (651) 297-3209
- Child Support Enforcement Division Director Wayland Campbell (651) 297-8232
- MAXIS Division Director Kate Wulf (651) 297-1428

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.

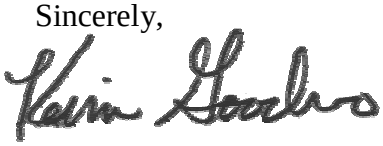
While I believe we did an excellent job of preserving core services, I also want to acknowledge that the services we are reducing benefit people. By definition we are a safety net agency providing people in need with useful supports, many of which I authored or supported in the Legislature. It is important 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

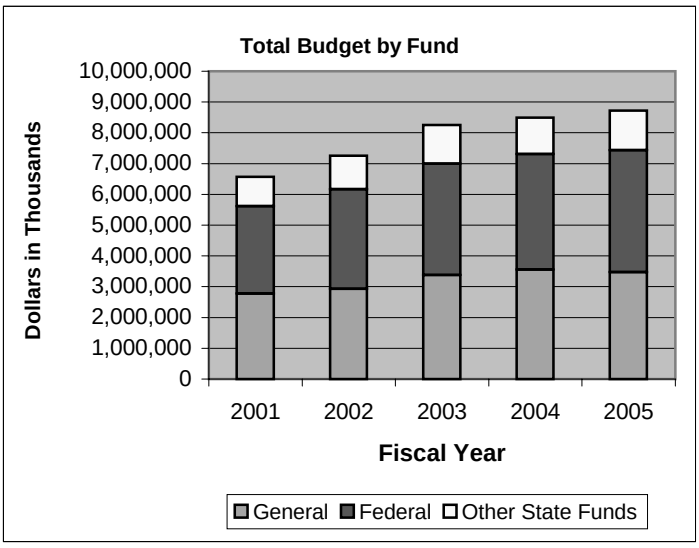
The Governor’s budget for the Department of Human Services contains savings of $1.07 billion and represents a change of 12 percent from projected funding levels for the 2004-2005 biennium. Savings are generated by a combination of expenditure reductions ($895 million) and additional revenues ($117 million).

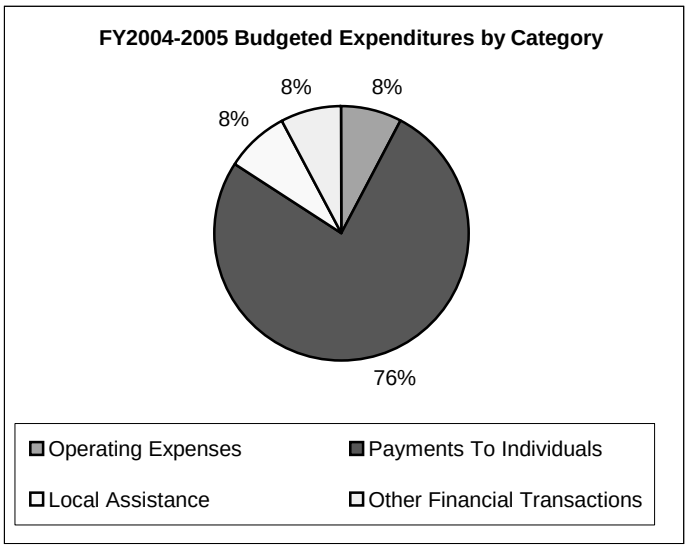
Expenditures:
Recommended reductions to the Department of Human Services' budget total $895 million for the FY2004-05 biennium, across all funds. Of this amount, $761 million in savings will come from the General Fund, and $134 million will come from other funds, namely the Health Care Access Fund.

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.

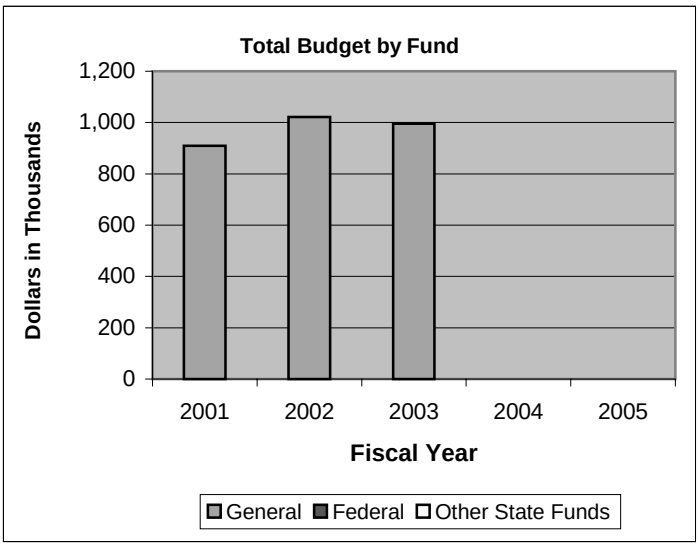
The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

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

Indian Affairs Council
1819 Bemidji Avenue
Bemidji, Minnesota 56601

Visit http://www.indians.state.mn.us for information on Minnesota tribes, treaties, resources and additional important links.

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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 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.

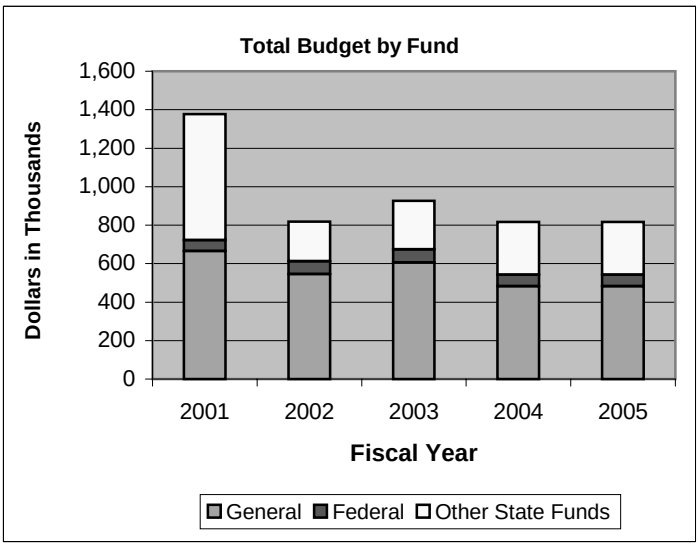
The pages that follow provide more detailed information on individual agency spending history and budget plans for the next biennium.

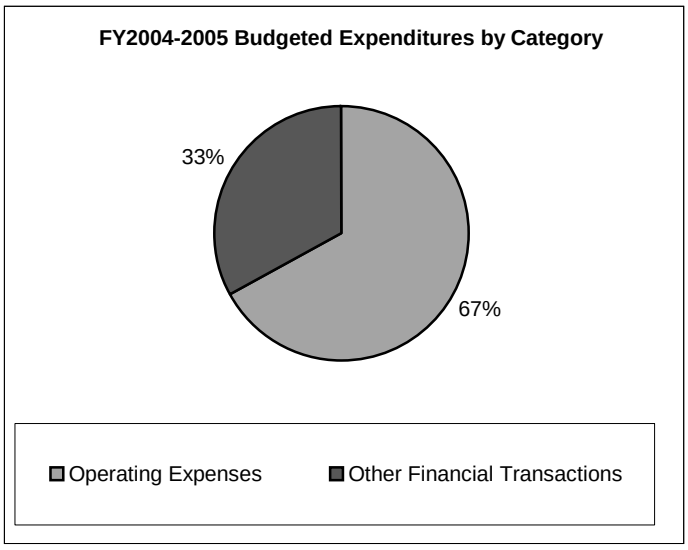
I know that my staff, the agencies, and the Governor's Office all stand ready to provide you with additional information and assistance as necessary as you go about the difficult task of crafting a sound budget for the upcoming biennium.

Sincerely,

Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	1,204	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.

Contact

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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 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,

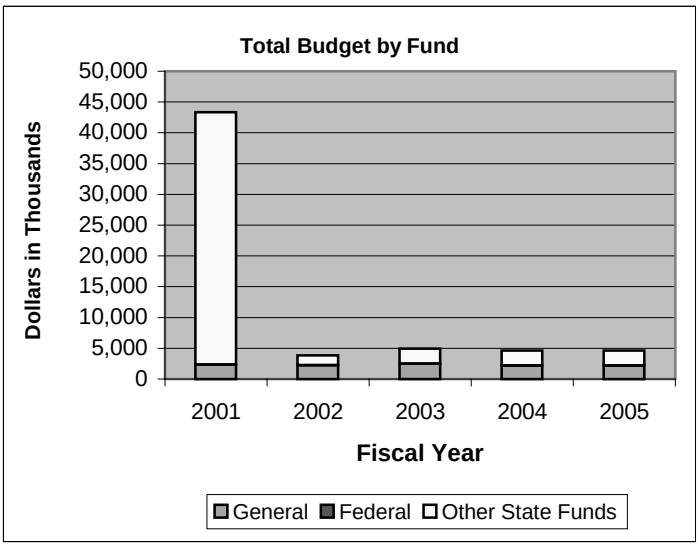
Dan McElroy
Commissioner

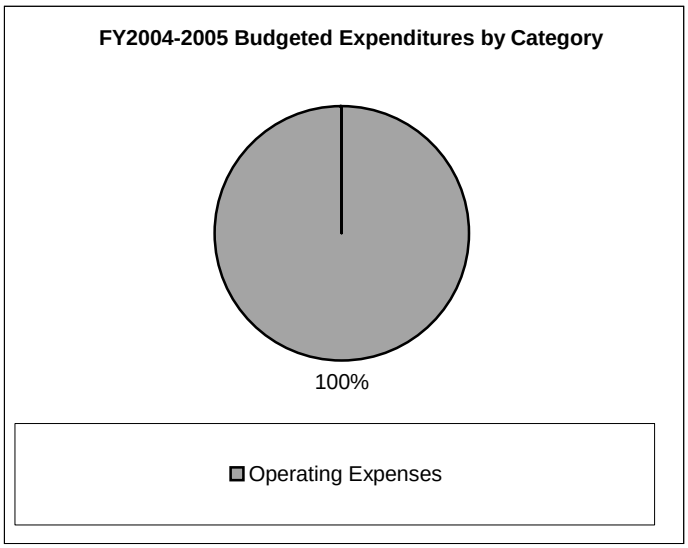
FY 2004-05 Expenditures ($000s)

	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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Web site: www.irrrb.org

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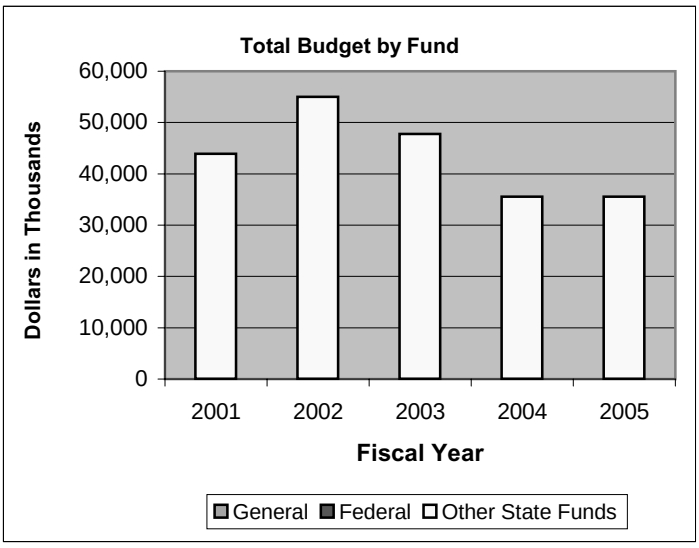

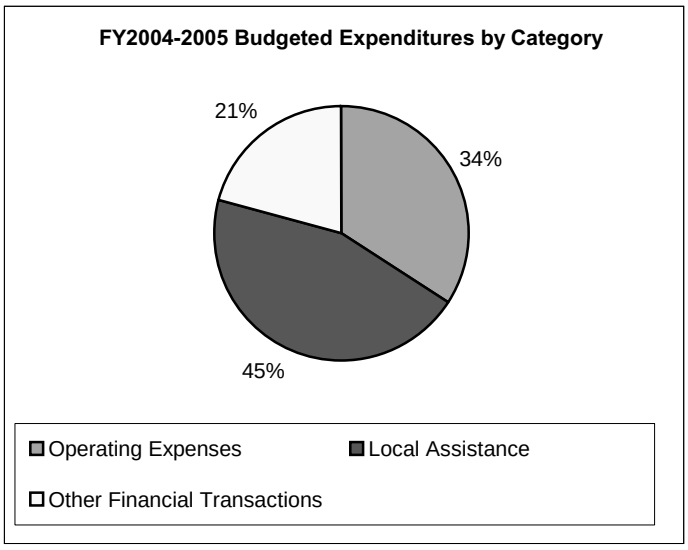

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Iron Range Resources & Rehab	34,916	29,086	28,706	24,083	25,583	49,666
Giants Ridge Golf & Ski Resort	0	4,436	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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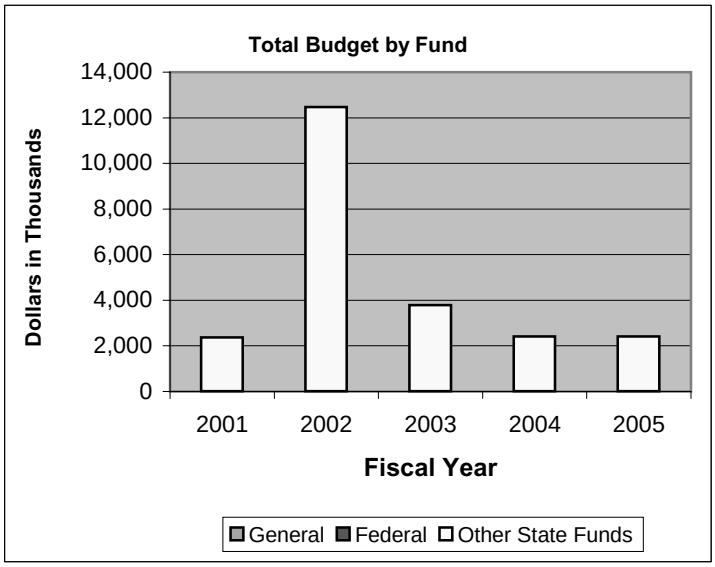

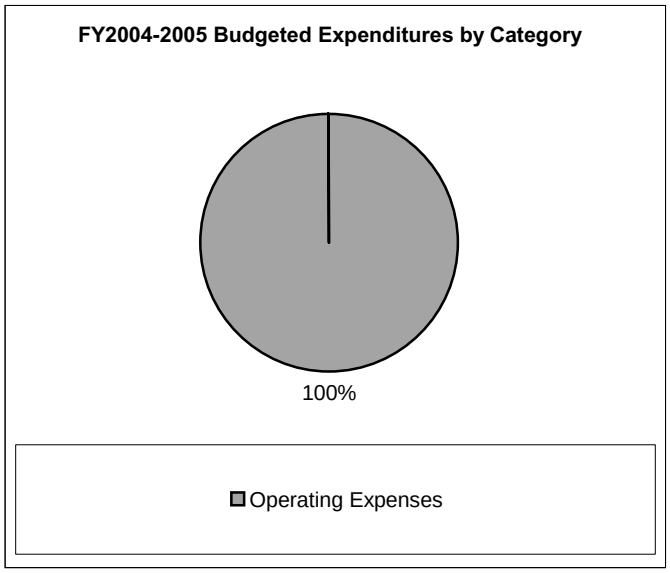

Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Statutory Appropriations						
Iron Range Resources & Rehab	2,151	4,726	3,789	2,408	2,408	4,816
Ne Mn Economic Protection	214	7,742	0	0	0	0
Total	**2,365**	**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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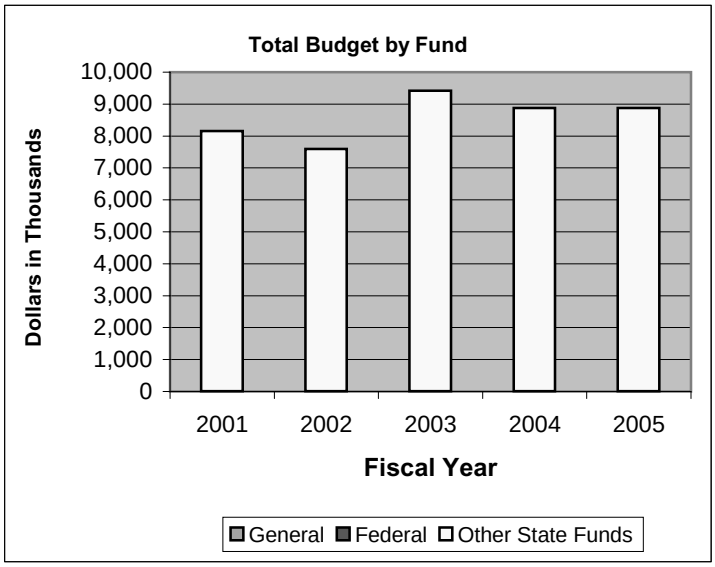

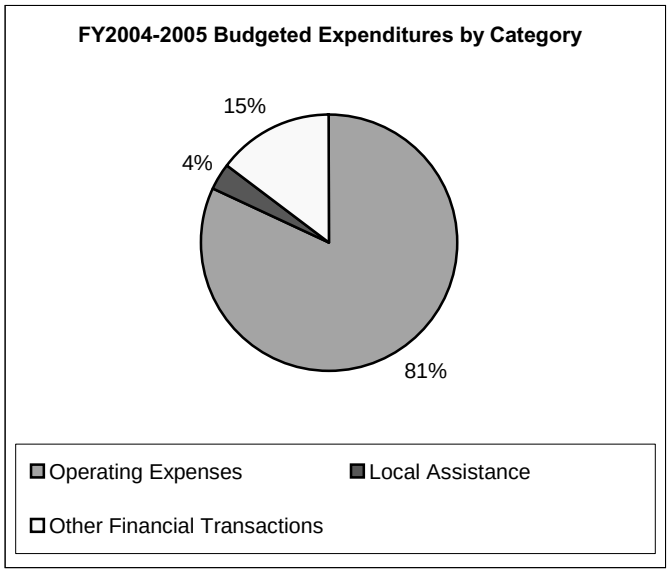

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Iron Range Resources & Rehab	8,152	3,156	3,433	3,123	3,123	6,246
Giants Ridge Golf & Ski Resort	0	4,436	5,989	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

Contacts

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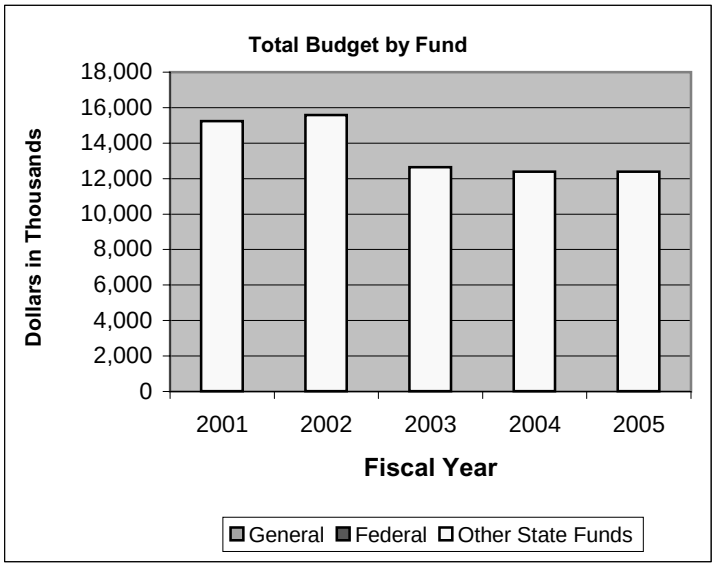

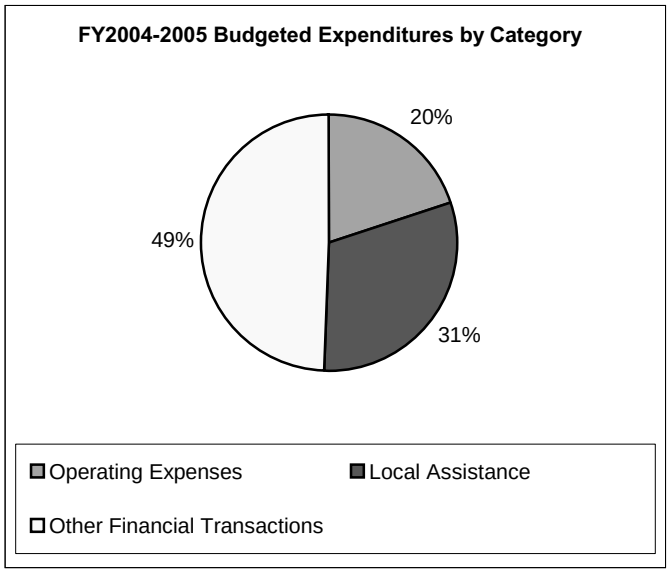

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Iron Range Resources & Rehab	9,762	8,977	6,386	6,673	8,173	14,846
Ne Mn Economic Protection	5,480	6,615	6,252	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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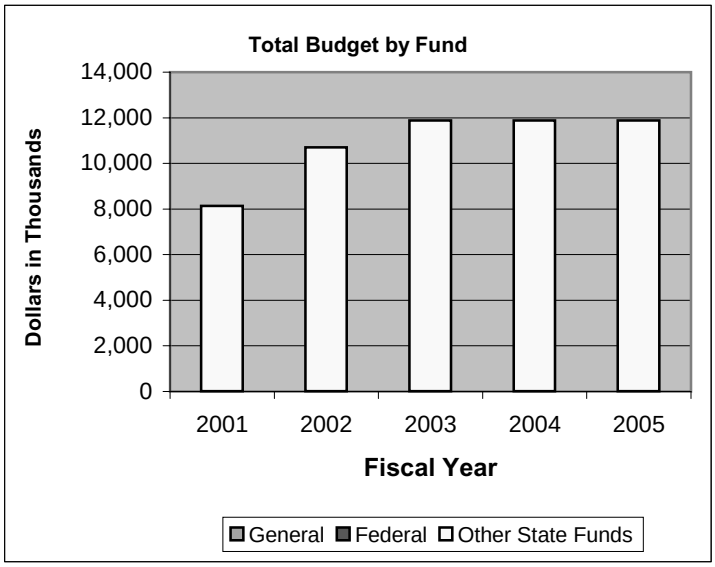

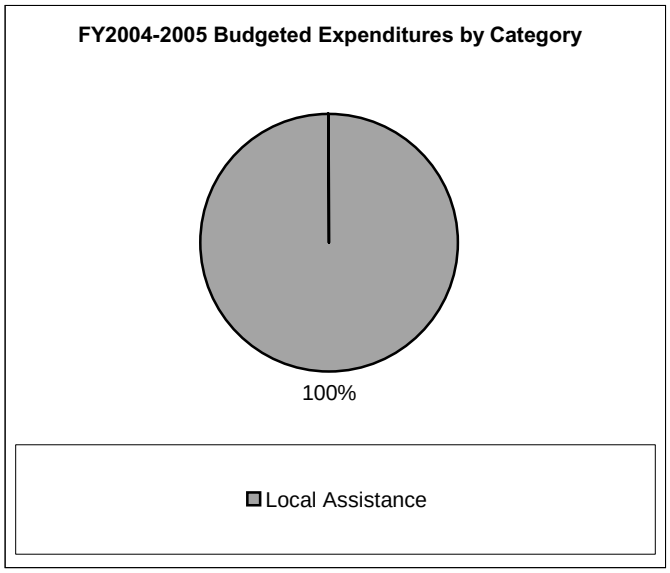

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Iron Range Resources & Rehab	8,131	10,705	11,879	11,879	11,879	23,758
Total	**8,131**	**10,705**	**11,879**	**11,879**	**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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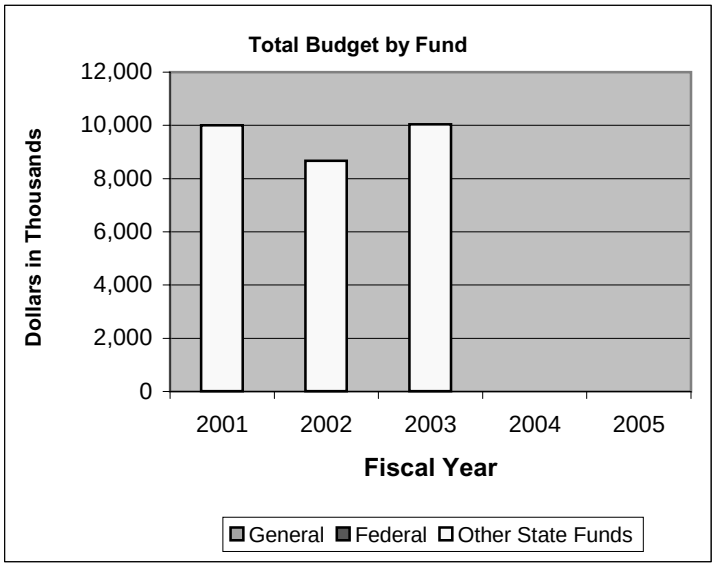

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Statutory Appropriations						
Iron Range Resources & Rehab	6,720	1,522	3,219	0	0	0
Giants Ridge Golf & Ski Resort	0	0	4	0	0	0
Ne Mn Economic 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.

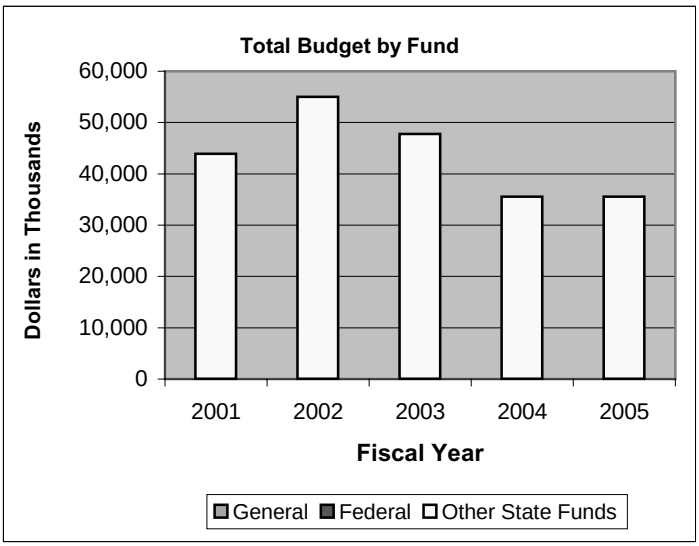
Sincerely,

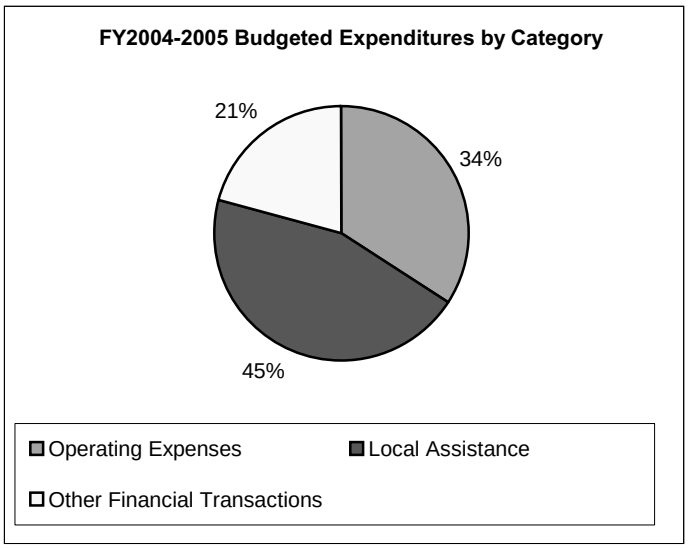
Brian Hiti
Acting Commissioner

	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.

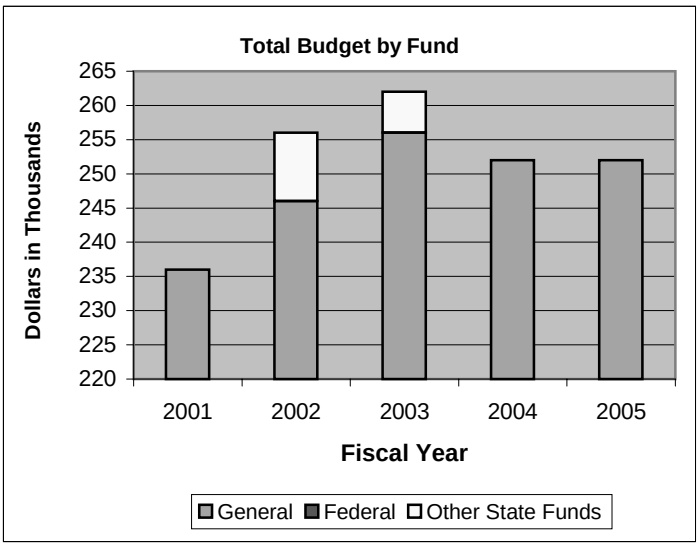
Sincerely,

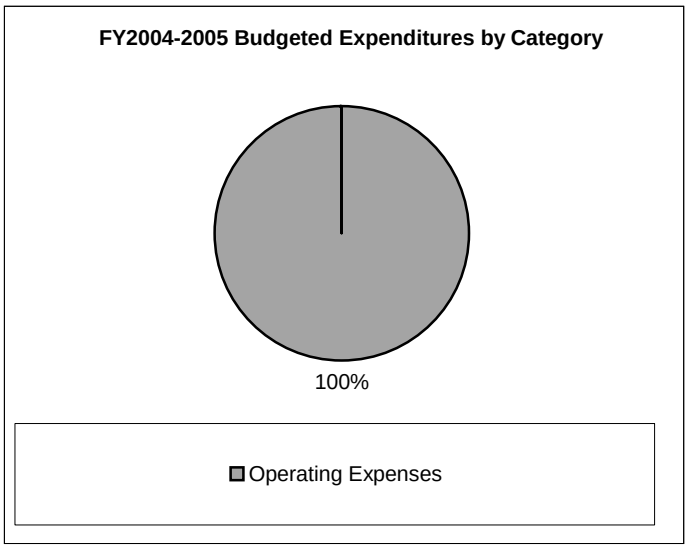
Dan McElroy
Commissioner

	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

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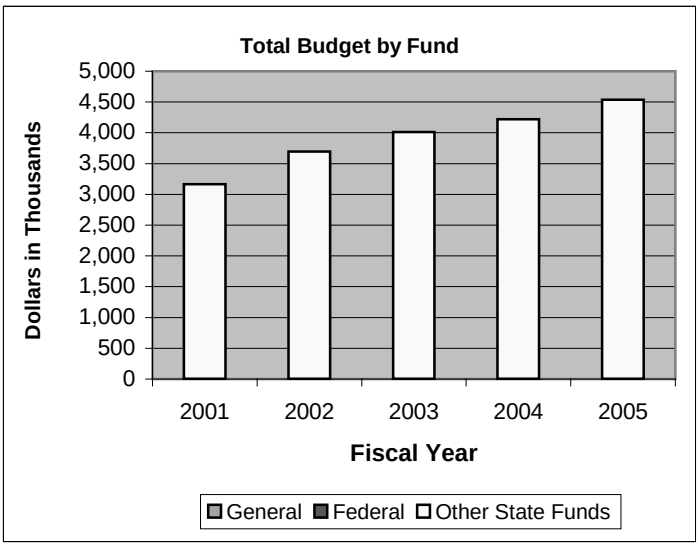
Sincerely,

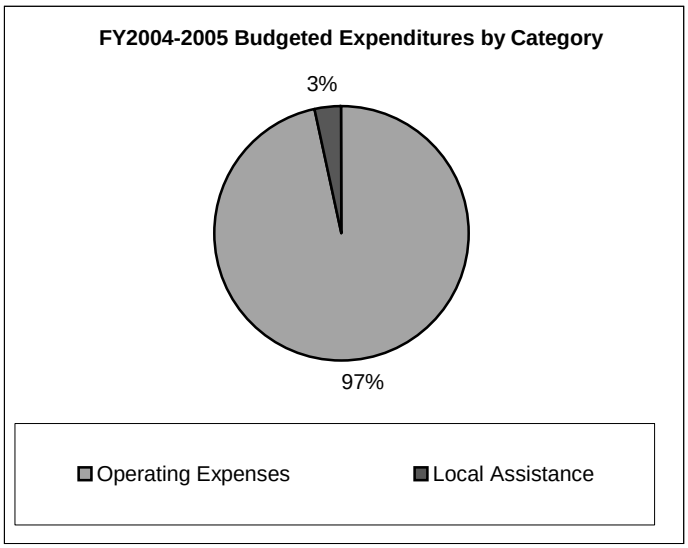
Dan McElroy
Commissioner

	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.

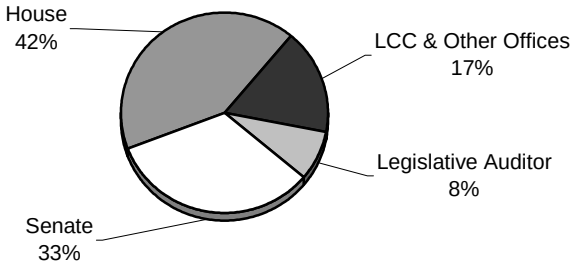
The **Electric Energy Task Force** was established under M.S. 216C.051 to make recommendations to the legislature regarding an environmentally and economically sustainable and advantageous electric energy supply. It consists of ten members of the senate and ten members of the house of representatives. 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

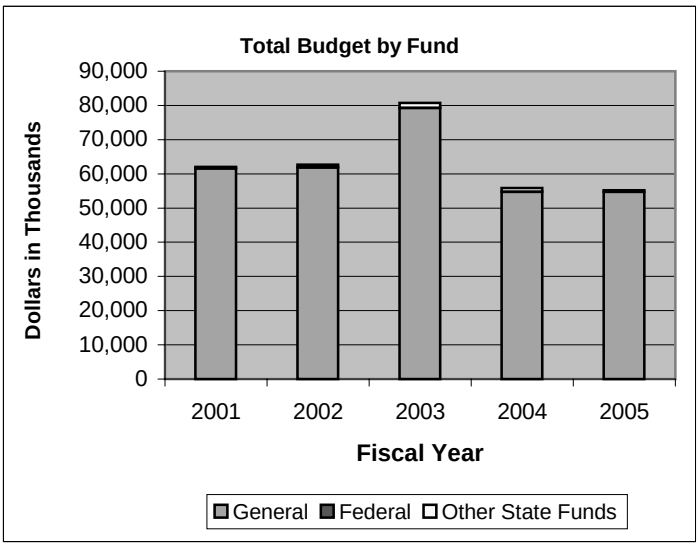
The state legislature receives its funding as direct appropriations from the General Fund.

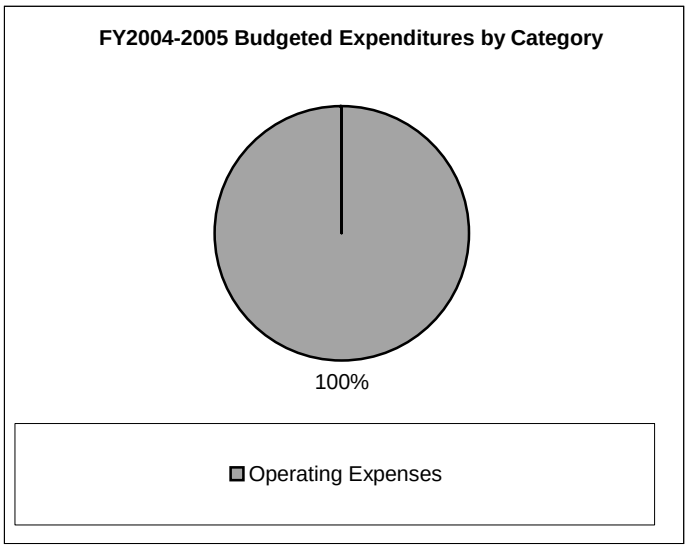
Contact

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/



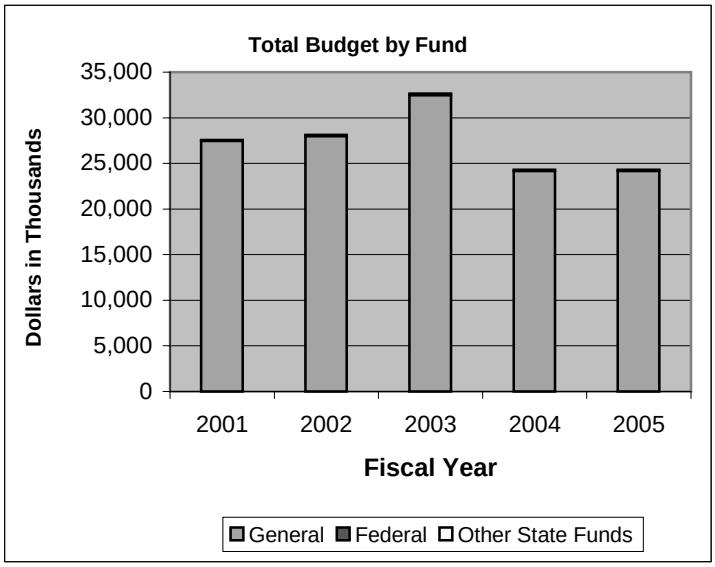


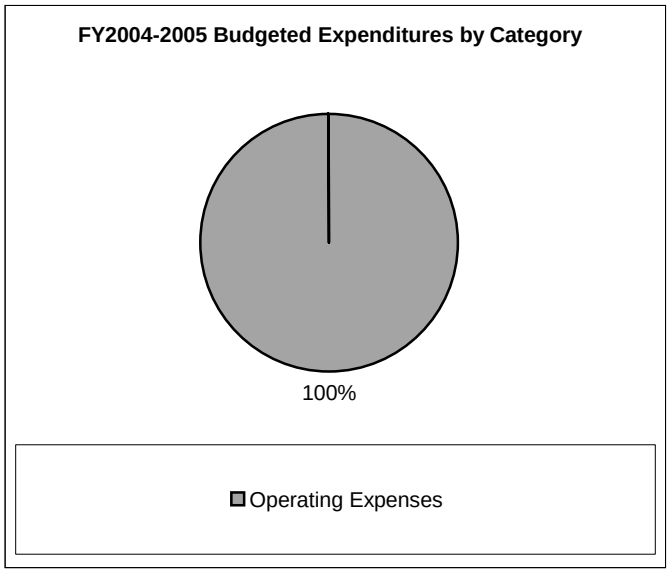
Dollars in Thousands Expenditures by Fund	Actual FY2001	Actual FY2002	Preliminary FY2003	Governor's Rec FY2004	Governor's Rec FY2005	Biennium 2004-05
Carry Forward						
General	0	0	0	18	11	29
Direct Appropriations						
General	61,544	61,811	79,228	54,719	54,719	109,438
Health Care Access	154	150	150	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**

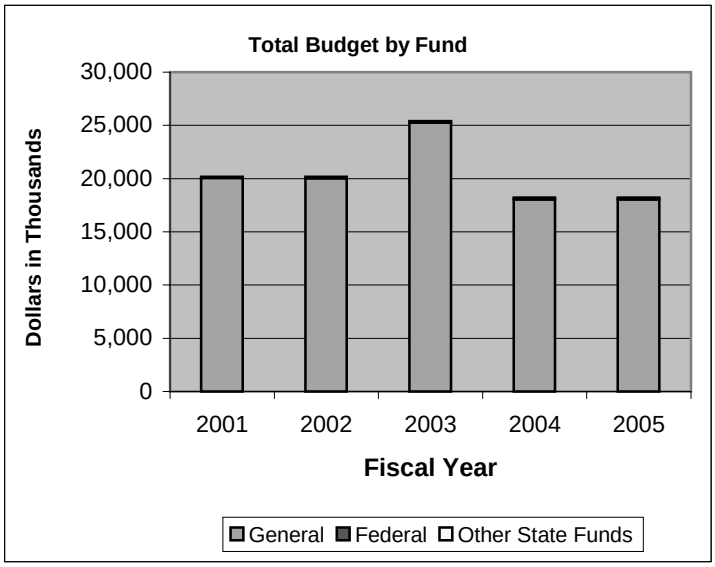
Expenditures by Program						
House Of Representatives	27,582	28,116	32,635	24,309	24,309	48,618
Senate	20,177	20,164	25,397	18,204	18,204	36,408
Legislative Coordinating Cmsn	8,522	8,729	16,366	8,761	8,188	16,949
Legislative Audit Comm	5,731	5,678	6,324	4,532	4,532	9,064
Total	**62,012**	**62,687**	**80,722**	**55,806**	**55,233**	**111,039**

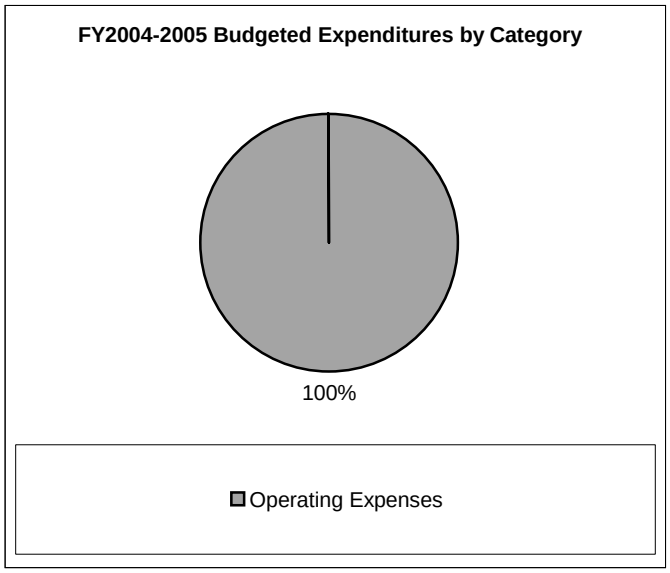
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	75	489	605	78	78	156
Subtotal Non Dedicated	75	489	605	78	78	156
Dedicated						
General	480	350	325	0	0	0
Special 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**	



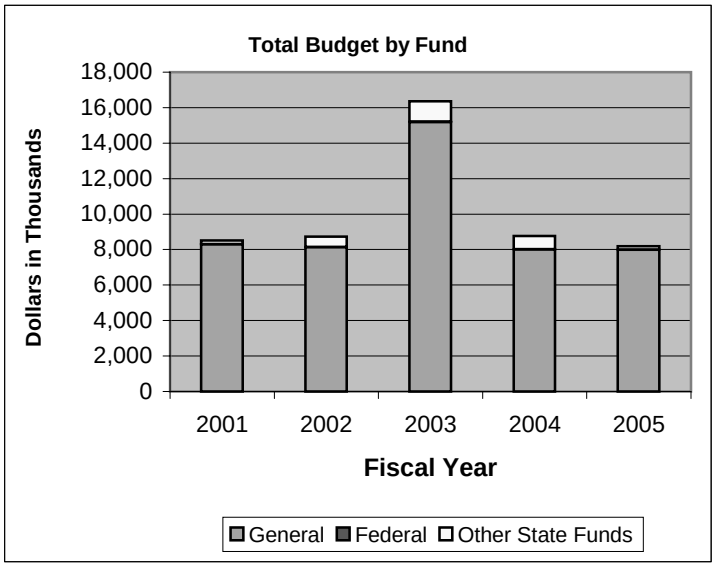


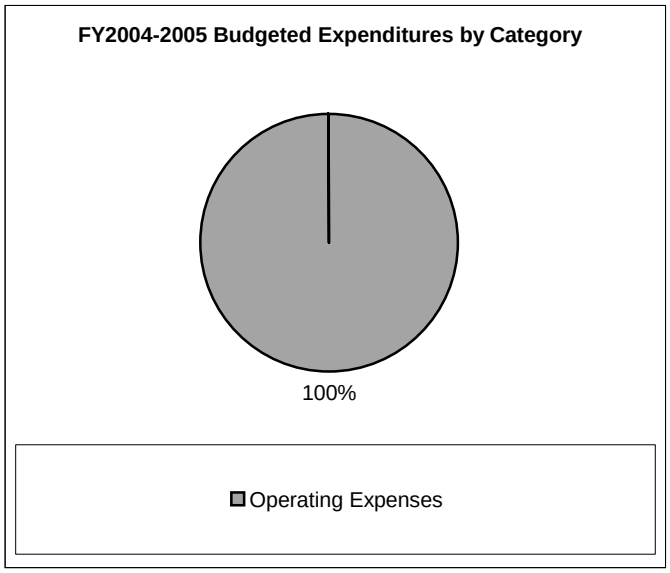
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	27,464	27,969	32,484	24,158	24,158	48,316
Statutory Appropriations						
Miscellaneous Agency	118	147	151	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**





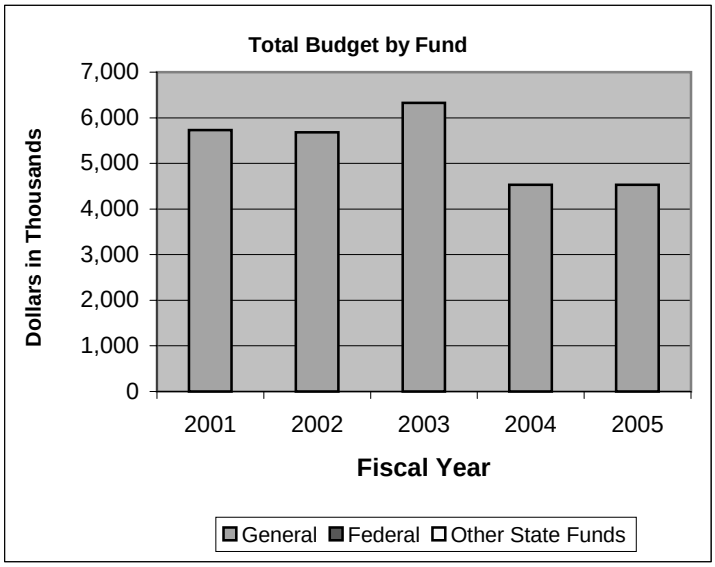
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	20,046	20,035	25,236	18,043	18,043	36,086
Statutory Appropriations						
Miscellaneous Agency	131	129	161	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**

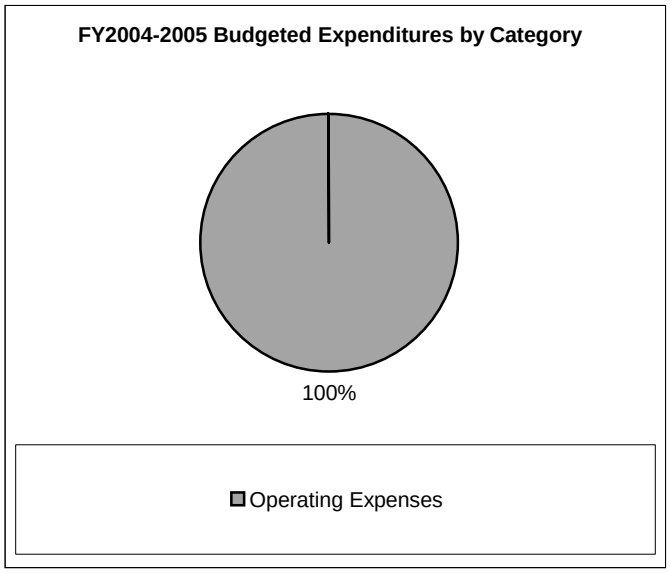




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Carry Forward						
General	0	0	0	18	11	29
Direct Appropriations						
General	8,303	8,129	15,184	7,986	7,986	15,972
Health Care Access	154	150	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.

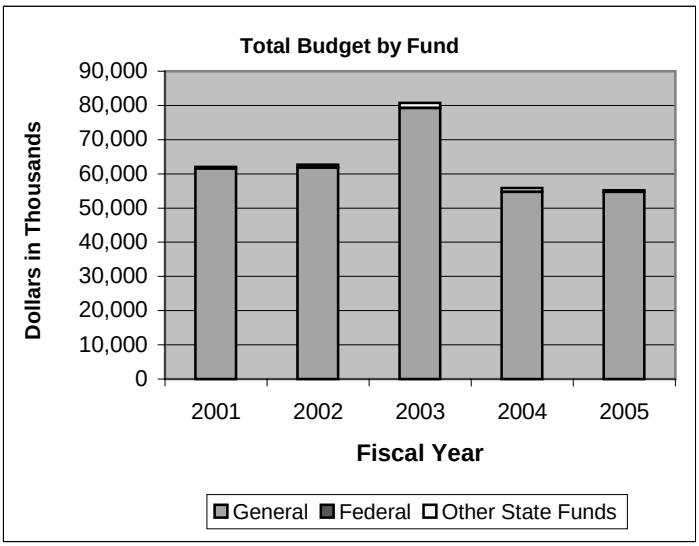
Sincerely,

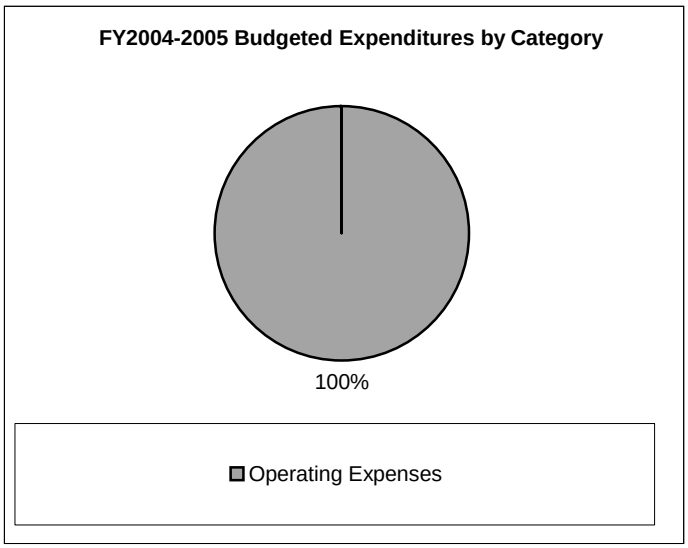
Dan McElroy
Commissioner

	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
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
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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**	

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

Minnesota State Lottery
2645 Long Lake Road
Roseville, Minnesota 55113

http://www.mnlottery.com

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Fax: (651) 297-7496
andege@winternet.com

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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 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.

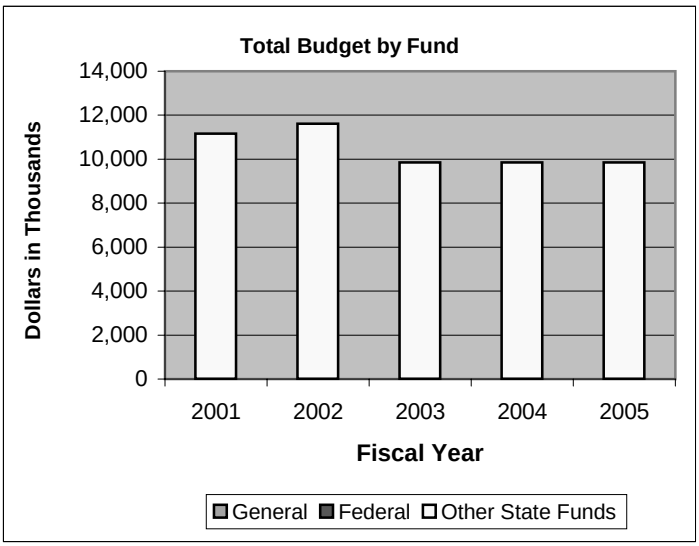
Sincerely,

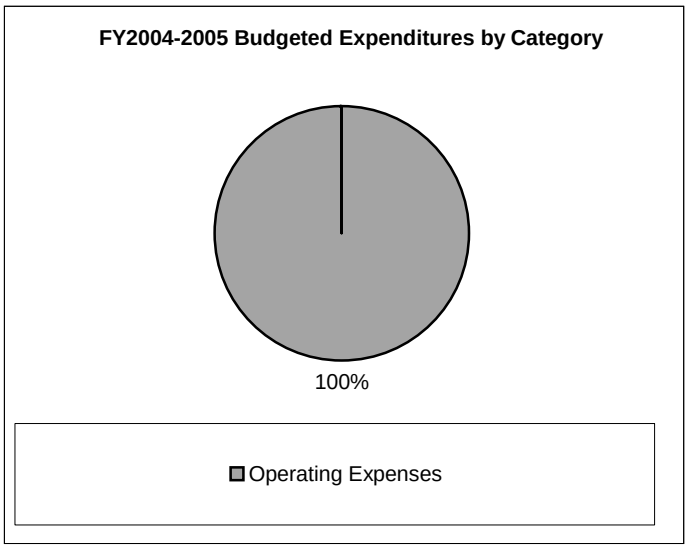
Dan McElroy
Commissioner

	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.

Robert Butler, Executive Director
E-mail: Robert.Butler@state.mn.us
Phone: (612) 617-2220
Fax: (612) 617-2221

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.

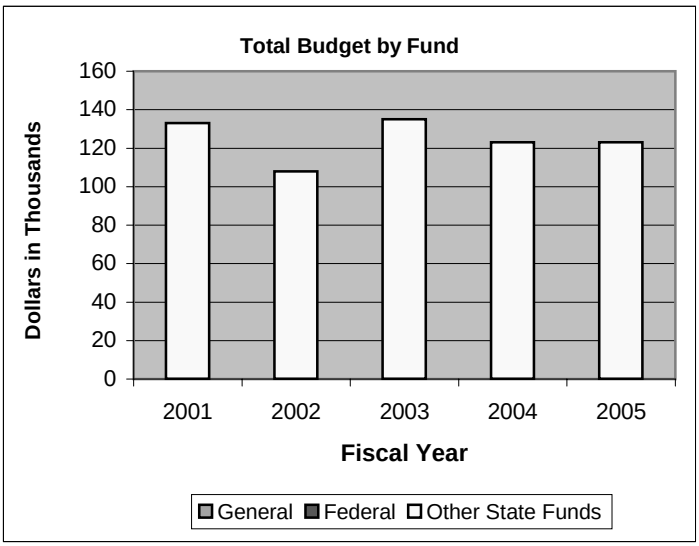
Sincerely,

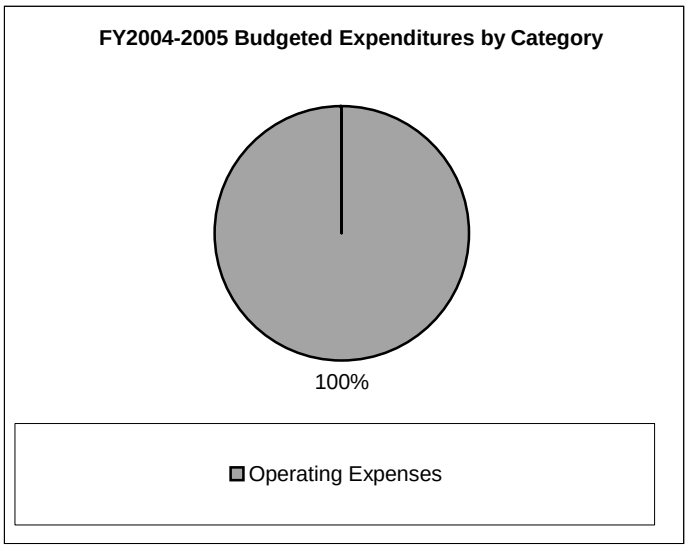
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	0	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

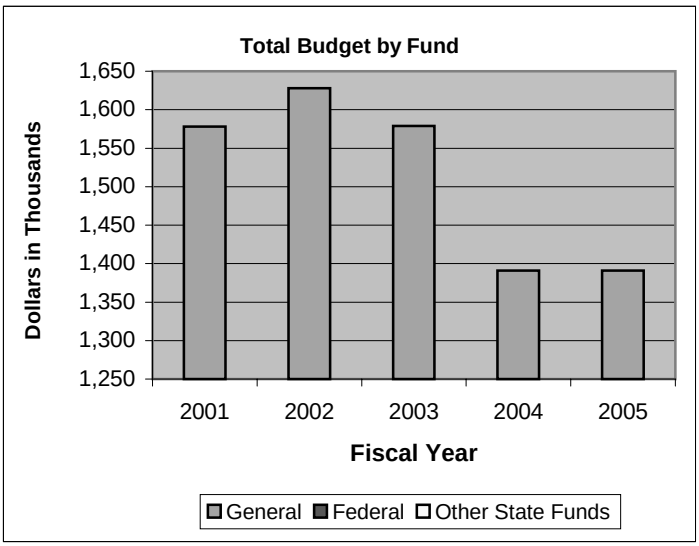
Mayo Foundation clinics and hospitals served more than a half-million patients in 2001. The state of Minnesota has provided Mayo Medical School capitation support for Minnesota students since the opening of the school in 1972. For the past several years, each Minnesota student has received $10,736 in 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.

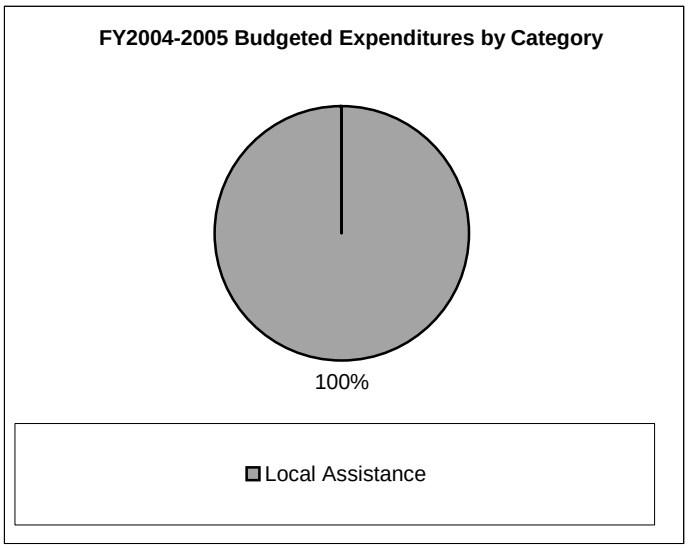
Budget

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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http://www.mayo.edu/mms/MMS_Home_Page.html

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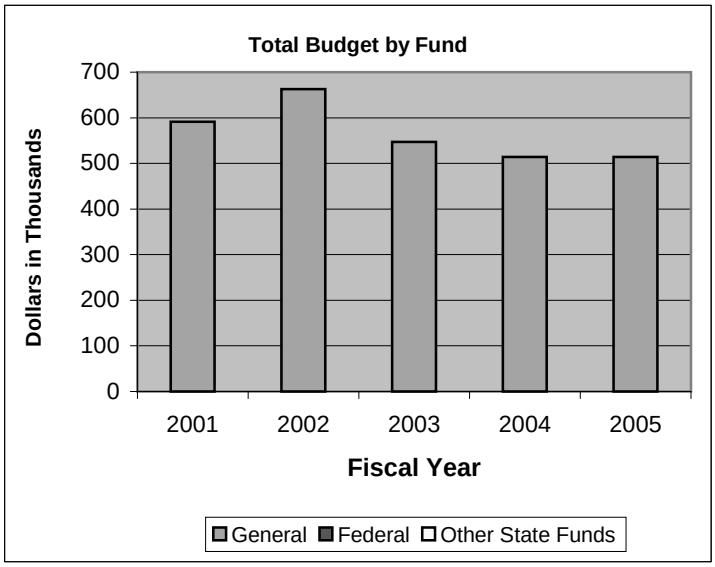
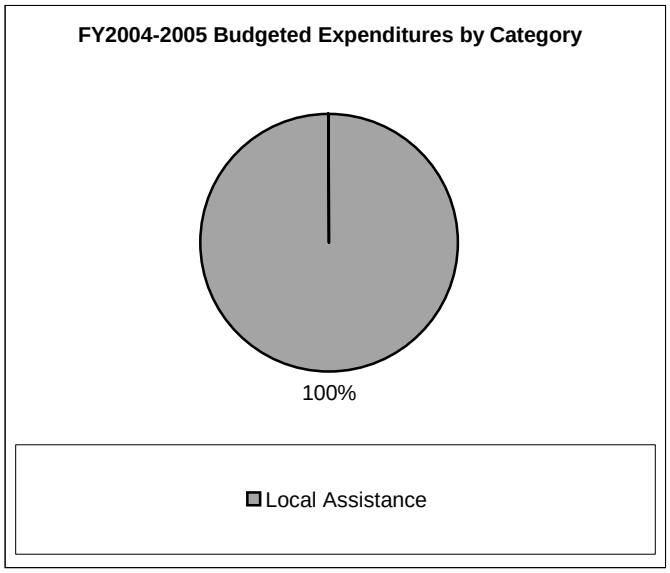
E-mail: bporter@mayo.edu

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

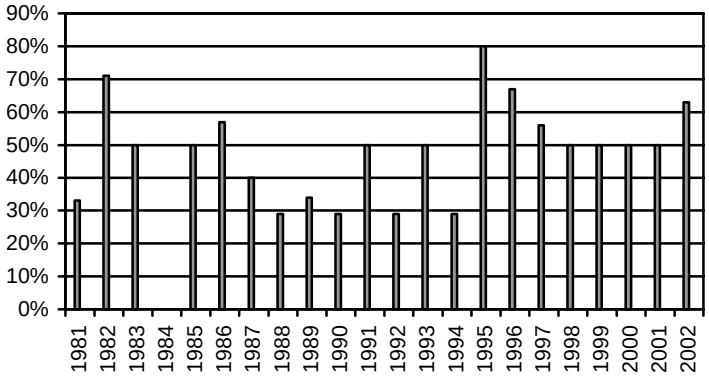
The three-year training program was established in 1978, beginning with four residents. It has included a maximum of 25 positions. Over time, it has grown in size and success, with all training positions being filled for the past 21 years. The program has graduated 108 family physicians and 107 remain in practice. The Minnesota capitation appropriation has supported residents' training stipends since 1978-79.

Key Measures

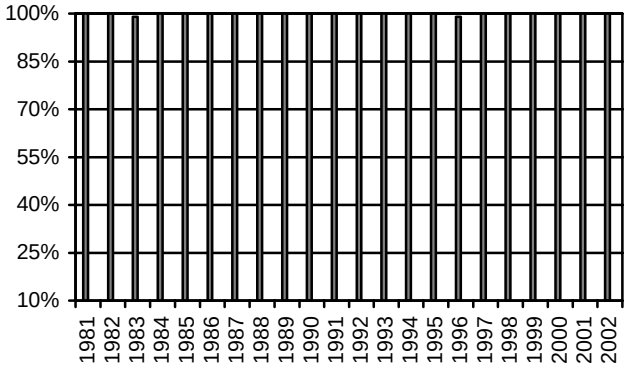
⇒ Percent of Family Medicine Graduates Practicing in Minnesota

⇒ 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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Donnis Lassig
Administrator
200 First Street South West
Rochester, Minnesota 55906
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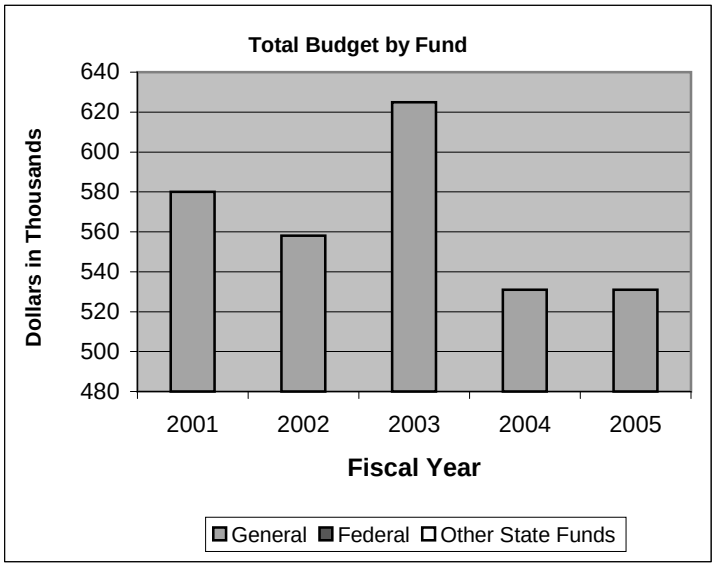
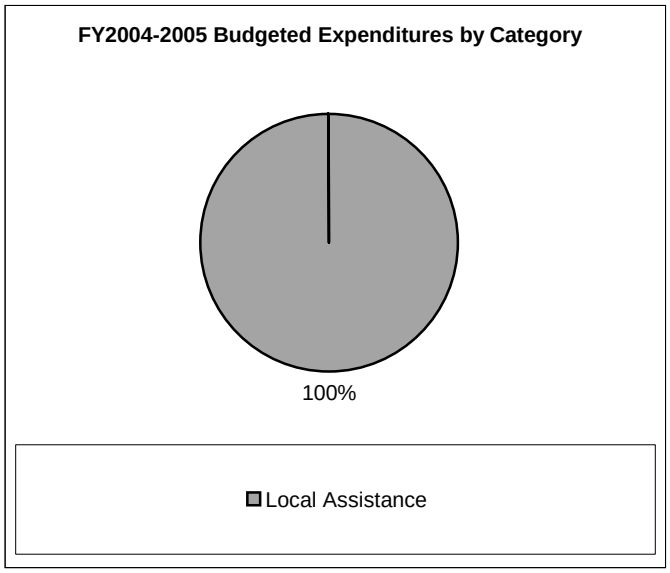
Email: lassig.donnis@mayo.edu

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

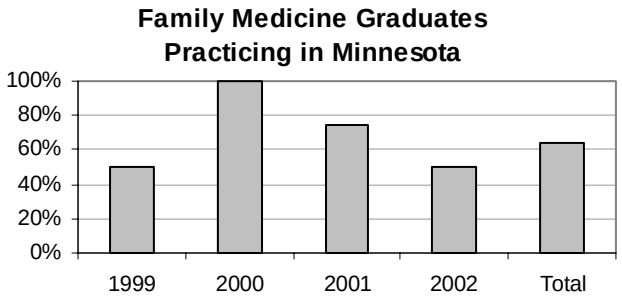
The residency program trains family physicians for primary care medicine in all settings, especially in small and rural communities. The residents train in hospitals and clinics in St. Cloud and throughout central Minnesota. Obstetrical care and procedures needed in smaller communities are emphasized.

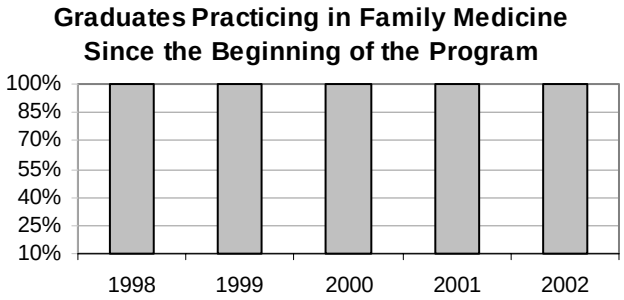
Historical Perspective

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.

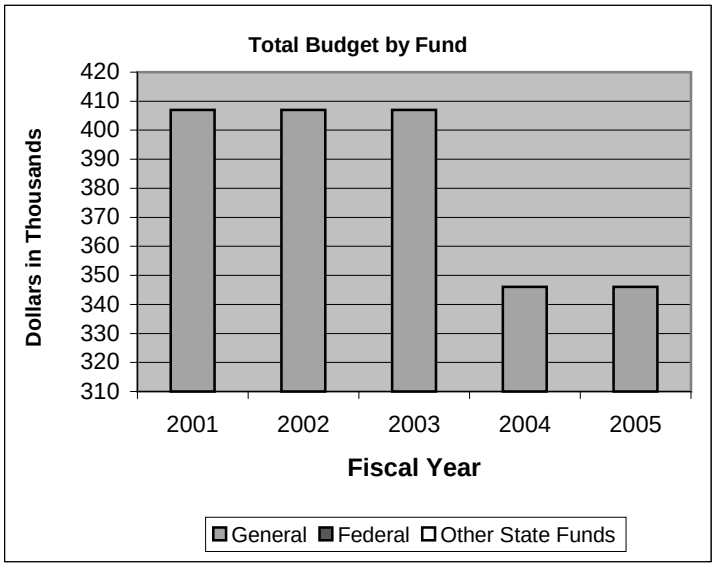
Contact

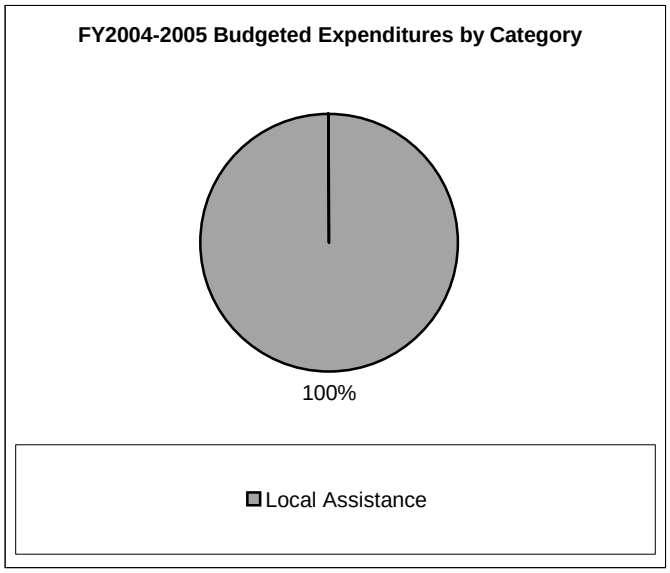
Joseph Hellie, Program Administrator
1520 Whitney Court Suite 200
St. Cloud, Minnesota 56303
Phone: (320) 255-5699
Email: helliej@centracare.com

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

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 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.

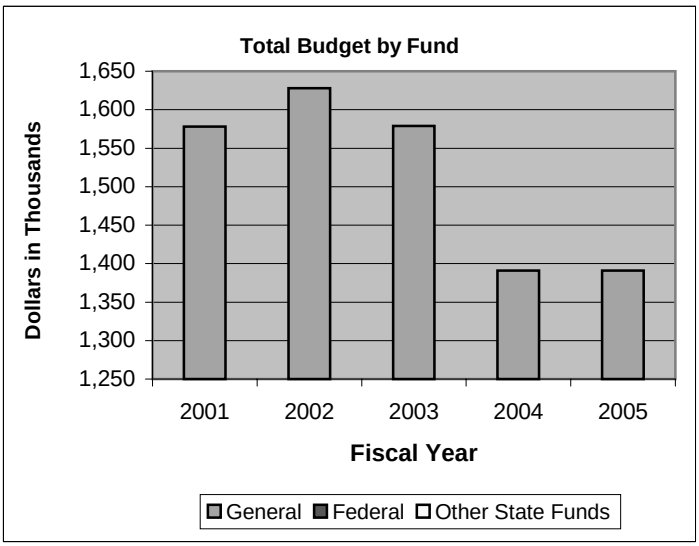
Sincerely,

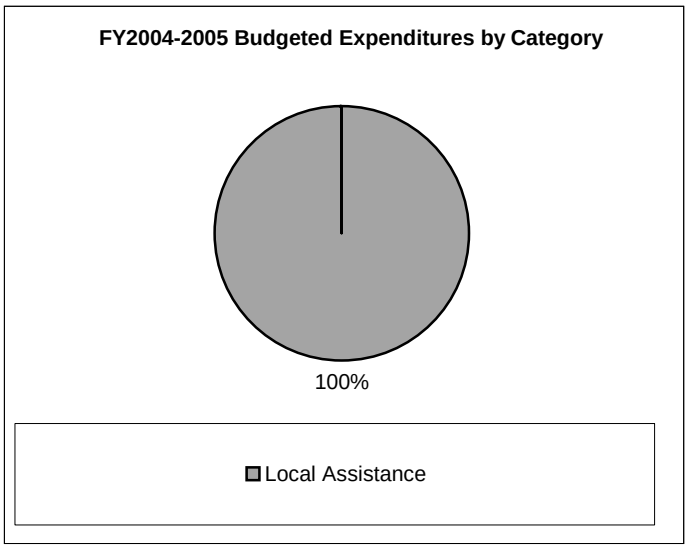
Dan McElroy
Commissioner

	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

Bureau of Mediation Services
1380 Energy Lane, Suite #2
St. Paul, Minnesota 55108

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

James Cunningham, Commissioner
Phone: (651) 649-5433
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.

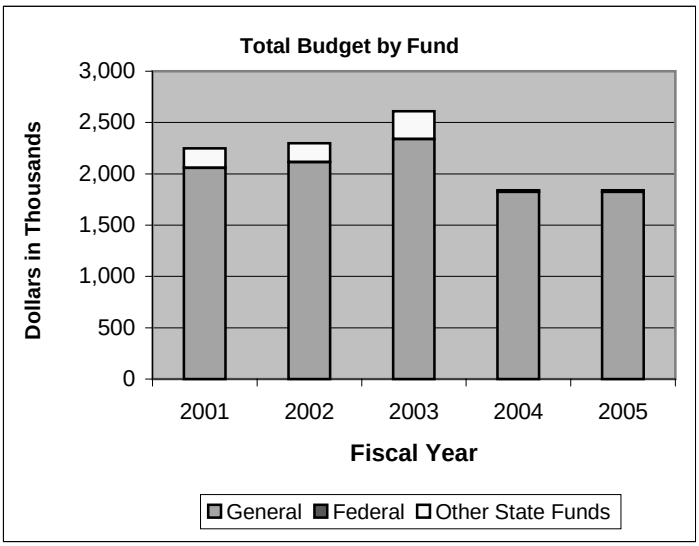
Reduction in technical support training for clients, for example, conflict management, grievance settlement, labor-management committee effectiveness training.

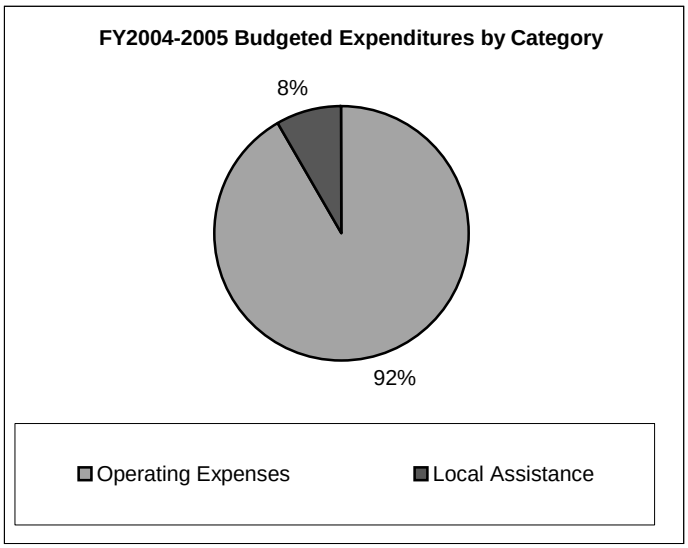
I would appreciate your support and consideration of this budget request. Please feel free to contact me if you have any questions or if there is any other information that you need.

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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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.

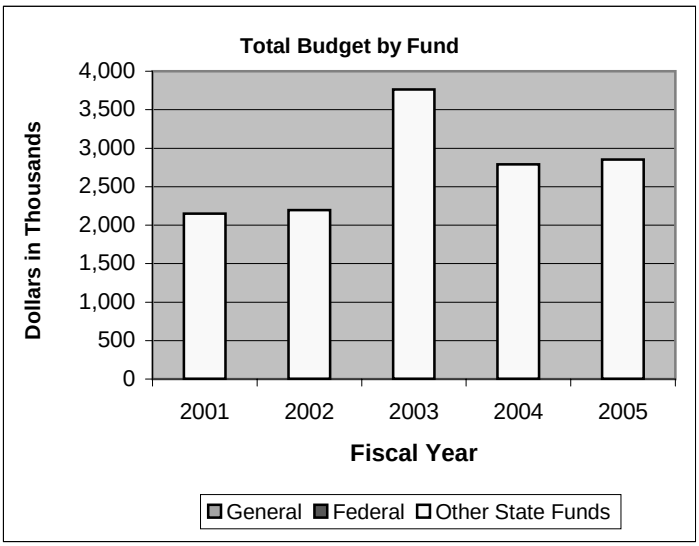
Sincerely,

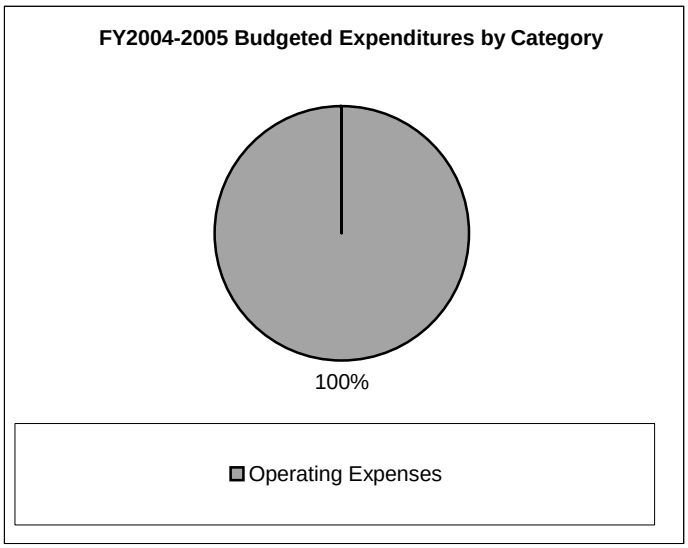
Dan McElroy
Commissioner

	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:

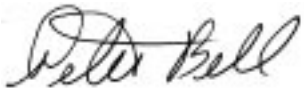
- Labor cost
- Restructure contracted transit
- Manage insurance costs

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

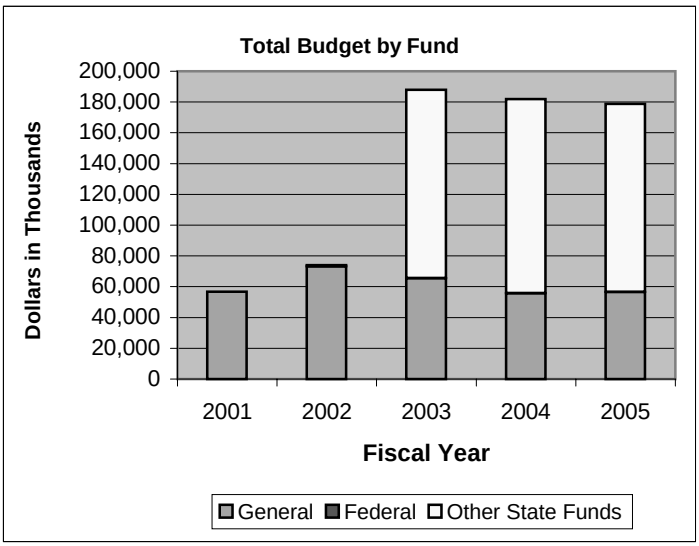
	FY 2004-05 Expenditures ($000s)		
	General Fund	**Other Funds**	**Total**
2003 Funding Level	130,772	248,543	379,315
Legislatively Mandated Base	-5,000	0	-5,000
Adjusted Base Funding	125,772	248,543	374,315
Change Items			
Rail Operations	5,360	0	5,360
Reduce Twin Cities Transit Funding	-18,866	0	-18,866
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%

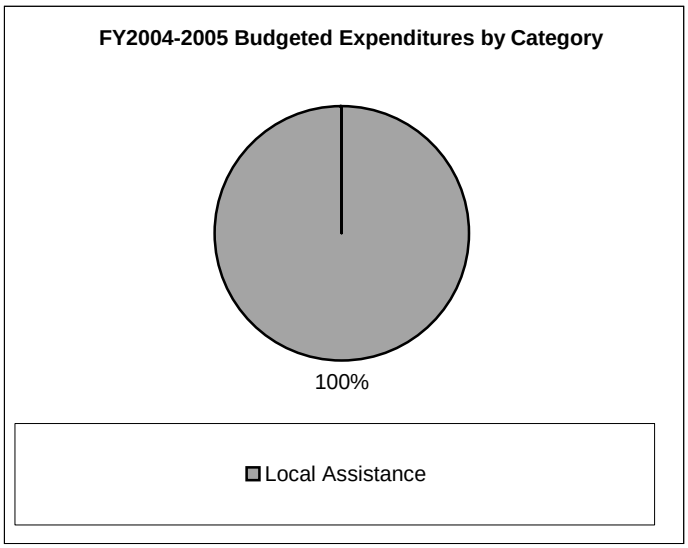
Brief Explanation Of Budget Decisions:

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:
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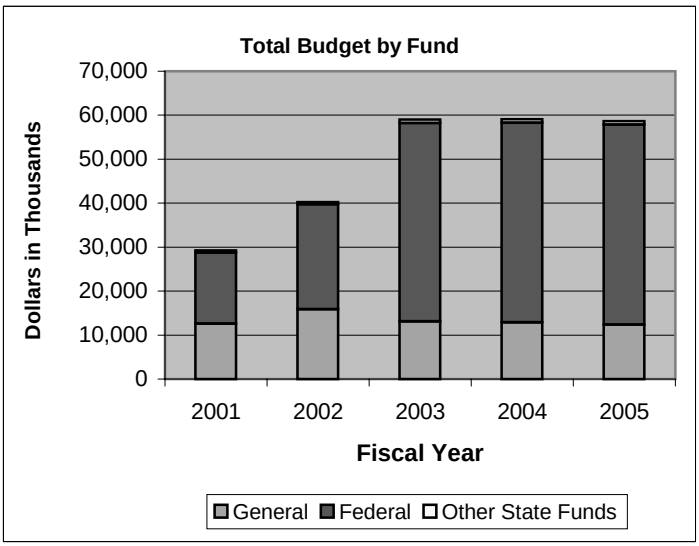
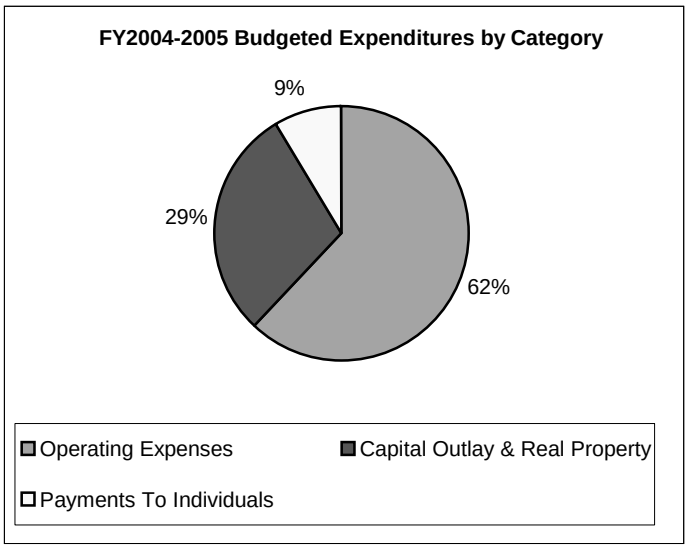
Major General Eugene R. Andreotti,
Adjutant General

Phone: (651)282-4664 Fax: (651)282-4541

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**

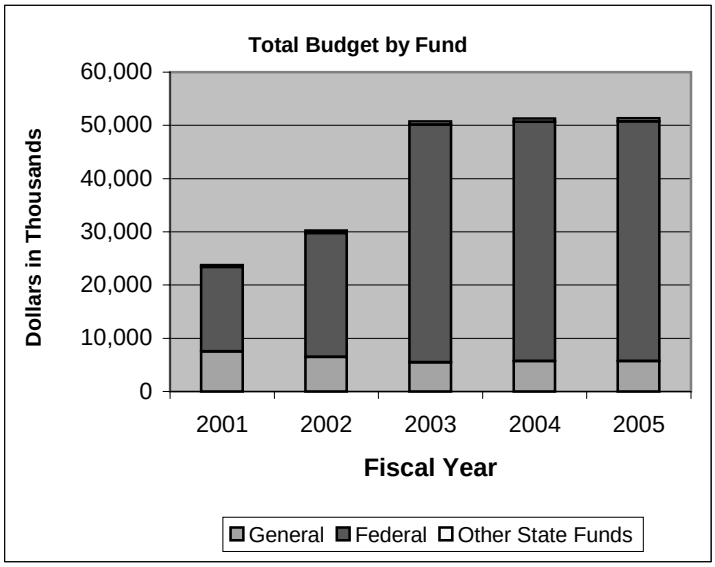
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	2	2	0	0	0	0
Subtotal Non Dedicated	2	2	0	0	0	0
Dedicated						
General	252	117	105	120	125	245
Special Revenue	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**	

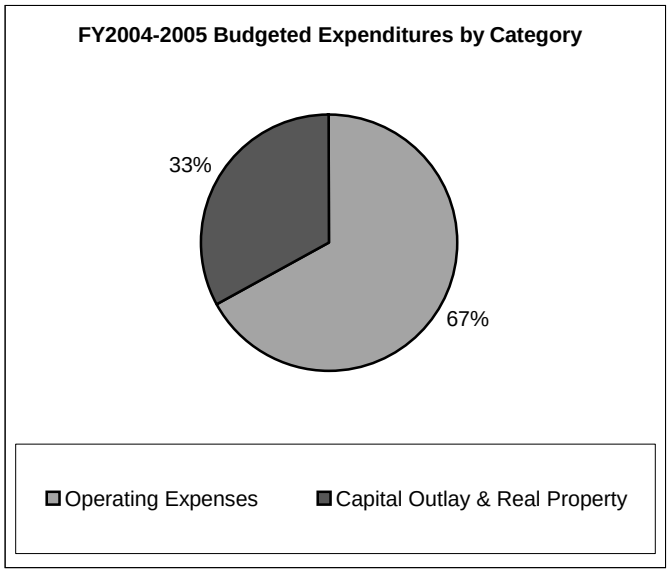
Program Description

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.

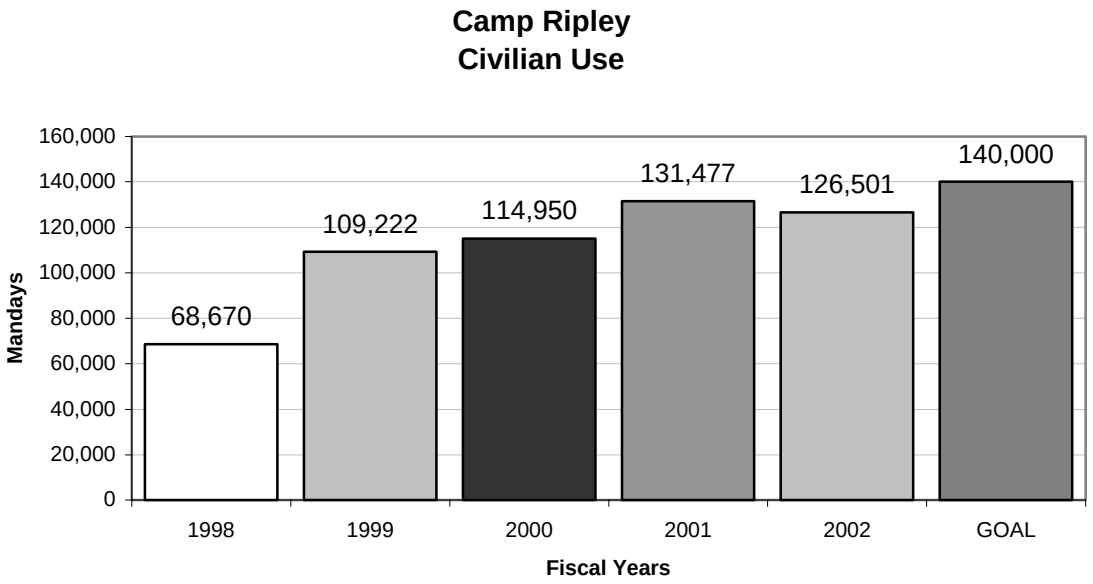
All these facilities support the training of soldiers and repair of equipment used by the Minnesota Army National Guard which directly affect the readiness posture of the Army National Guard.

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

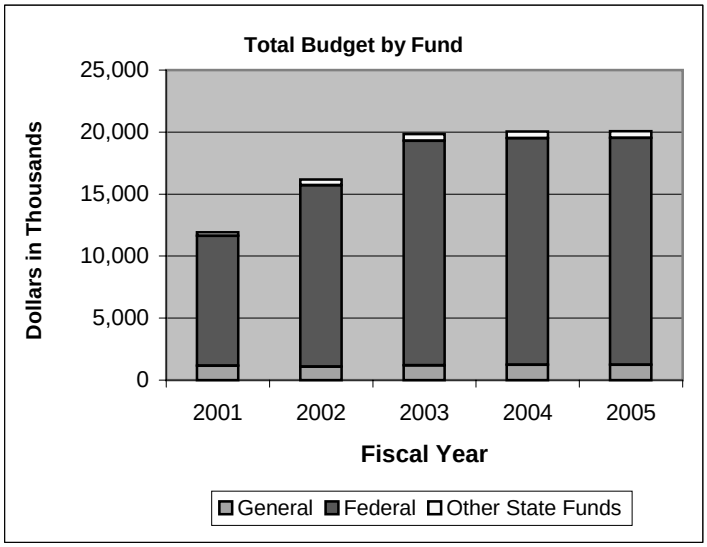
Most of the facilities at Camp Ripley are supported 100% with federal funds. Some of the other logistical facilities are funded at 75% by the federal government; the state is required to fund the remaining 25% of the operational costs. The state's portion receives a direct appropriation from the General Fund. Some special funds are also generated through the use of Camp Ripley.

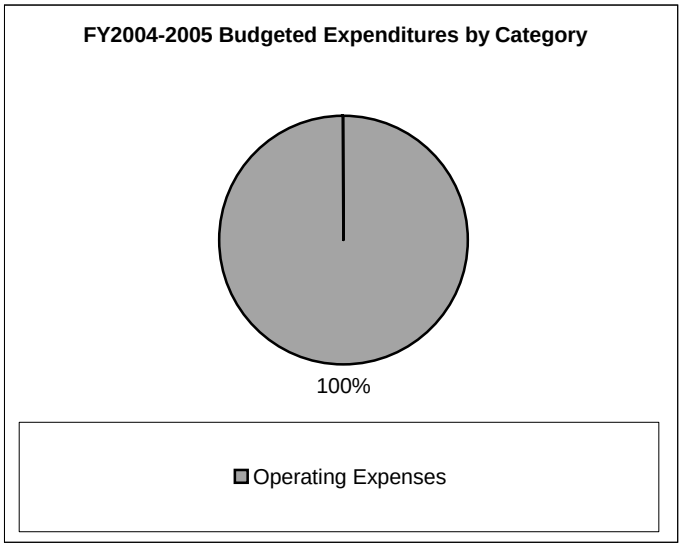
Contact

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.

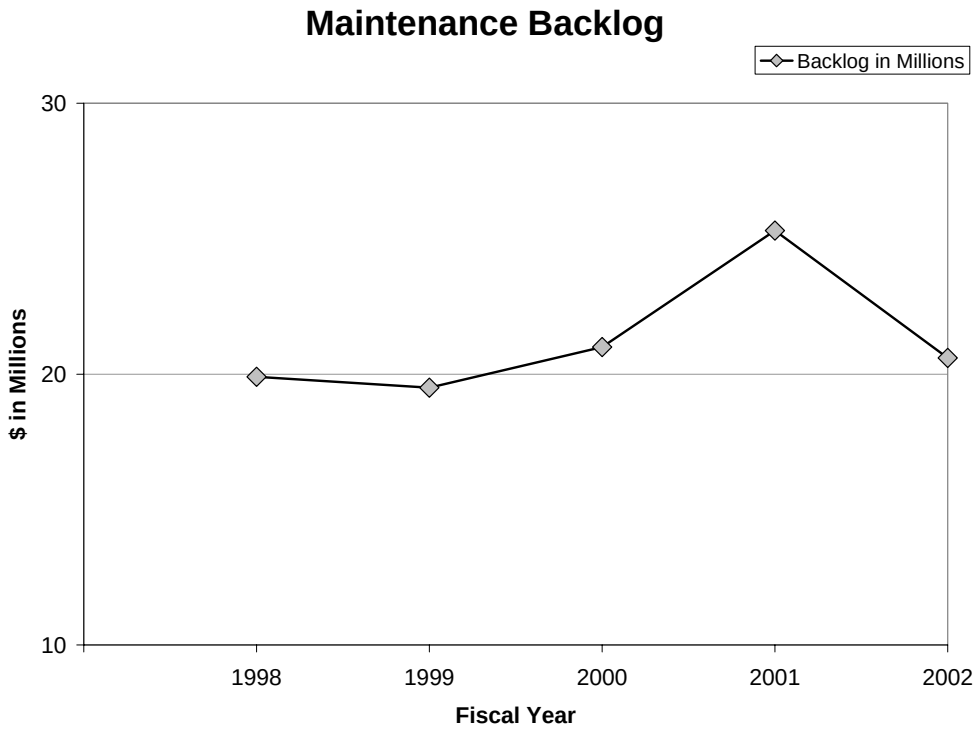
Historical Perspective

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.



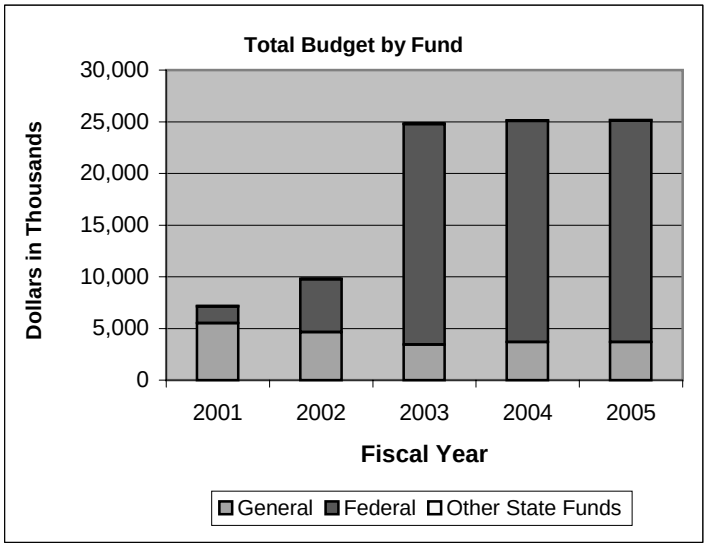
Activity Funding

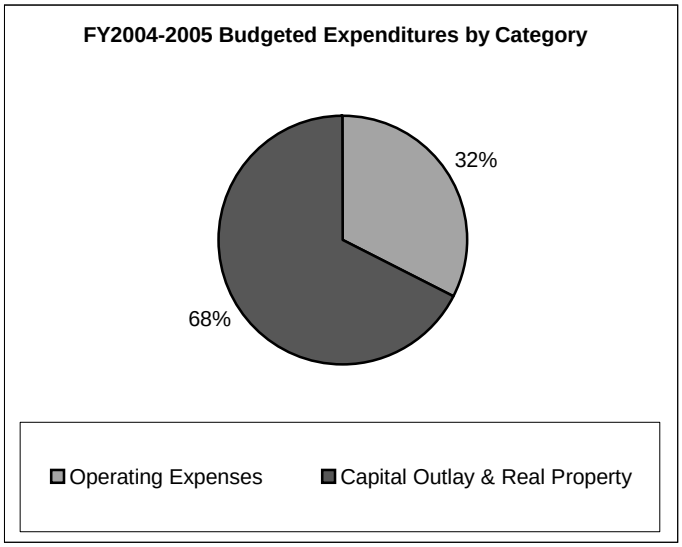
The state is responsible for maintenance, operation, and upkeep of armory facilities. Some funds are received from the federal government where we share with or lease space to other military organizations, and some local funds are provided where we partner with local government in the operation, maintenance, 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.

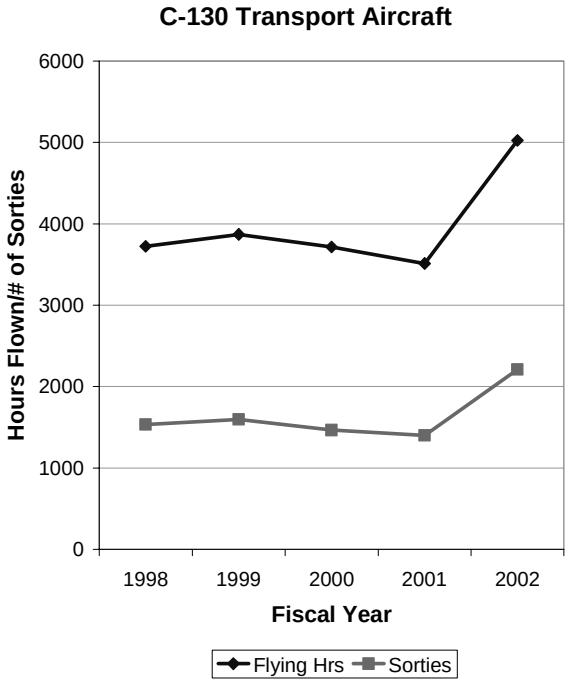
In the spring of 2001, the wing also provided assistance statewide for flood response. Most recently, the 133rd Airlift Wing activated hundreds of members to provide essential services to the residents of the state veteran's homes during the October 2001 state employee strike.

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.

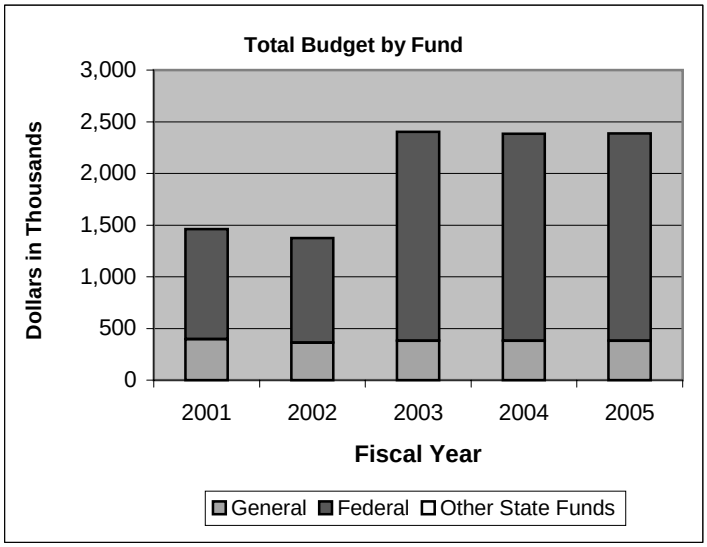
Contact

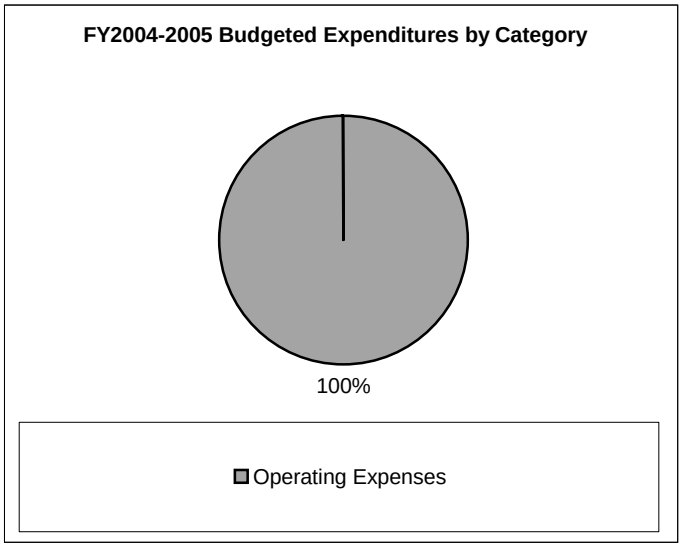
For further information on this activity, contact the Headquarters, Minnesota Air National Guard, Veterans Service Building, 20 West 12th Street, St. Paul, Minnesota 55155-2098 or Phone: (651) 282-4673.

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

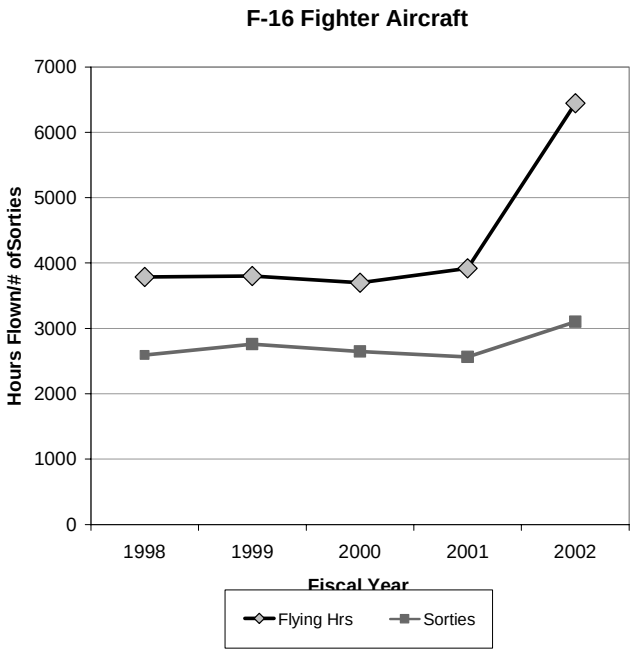
The wing has participated in many federal missions. It also provided security, medical, aircraft refueling and services support, as well as vehicle maintenance technicians and heavy equipment operators for state active duty call-ups.

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.

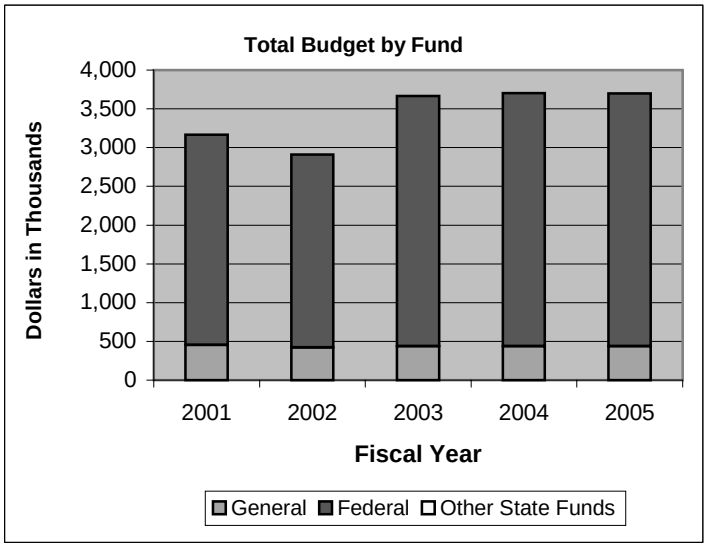
Contact

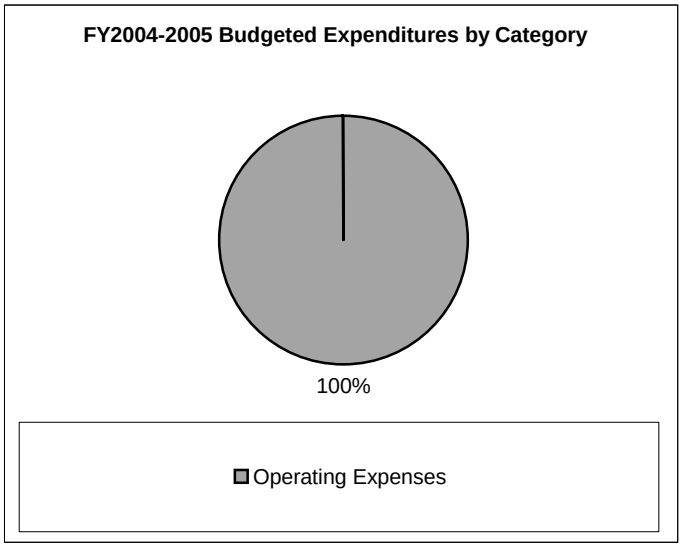
For further information on this activity, contact the Headquarters, Minnesota Air National Guard, Veterans Service Building, 20 West 12th Street, St. Paul, Minnesota 55155-2098 or Phone: (651) 282-4673.

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





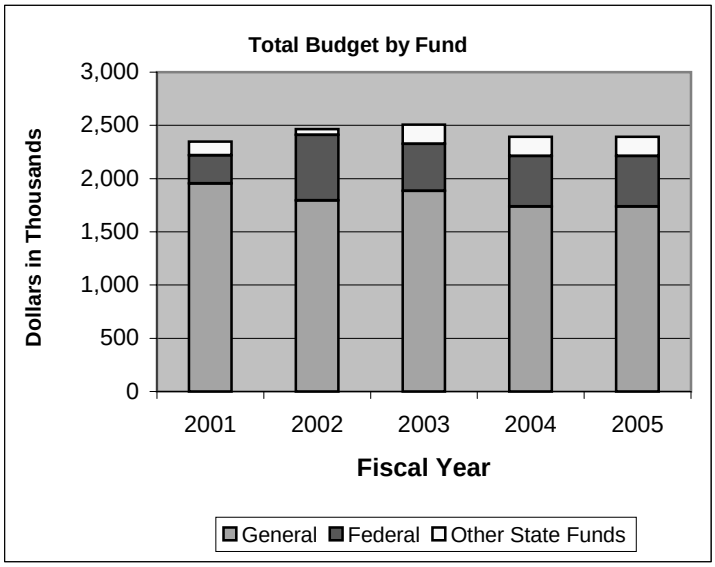
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	455	421	439	439	439	878
Statutory Appropriations						
Federal	2,711	2,490	3,227	3,263	3,259	6,522
Total	**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**	

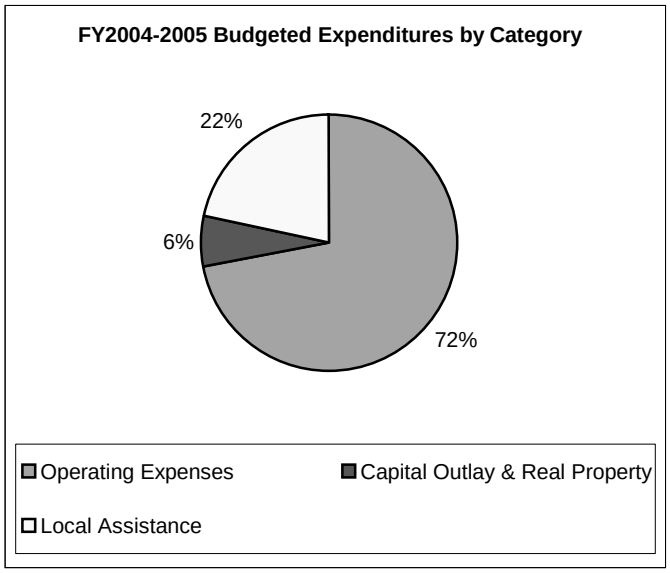
Program Description

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.

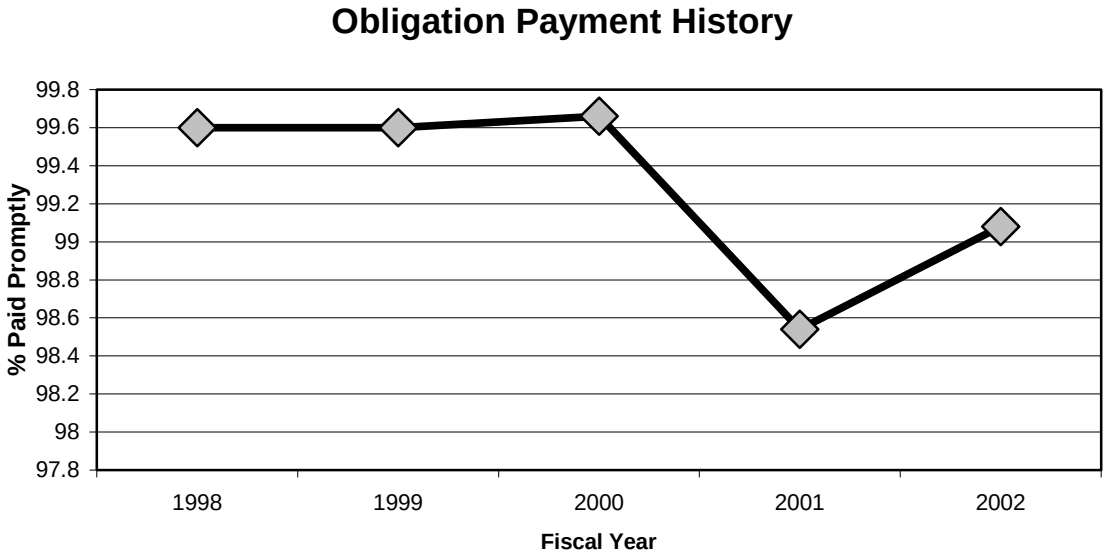
Some of the administrative and management services provided include:
- senior leadership and management;
- budget and accounting functions;
- fiscal management of the state/federal cooperative agreement;
- internal audit and management controls;
- payroll and logistical support to personnel called to 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.

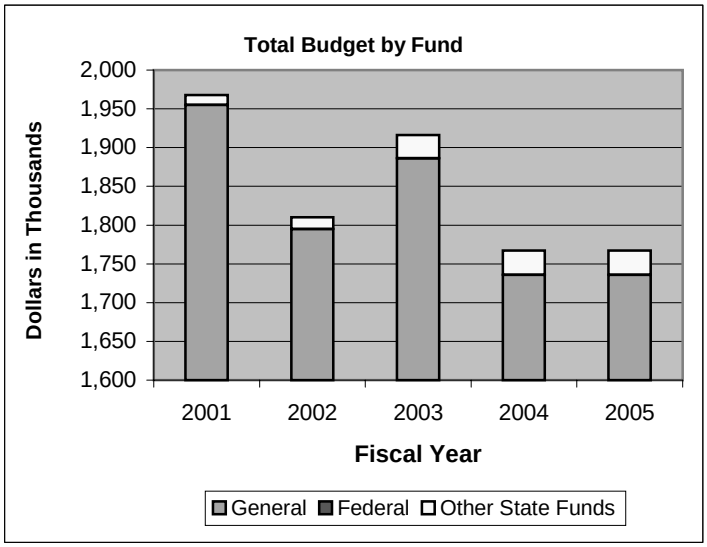
Contact

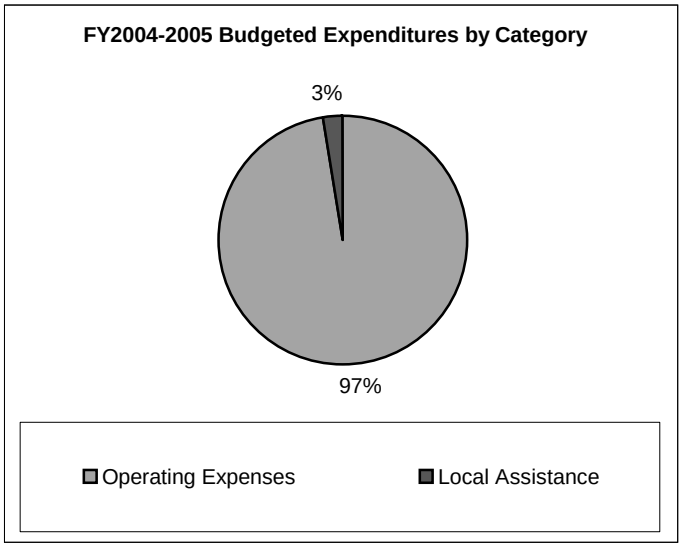
For further information, contact Comptroller, Department of Military Affairs, 20 West 12th Street, St. Paul, Minnesota 55155-2098 or call (651) 282-4678.

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.

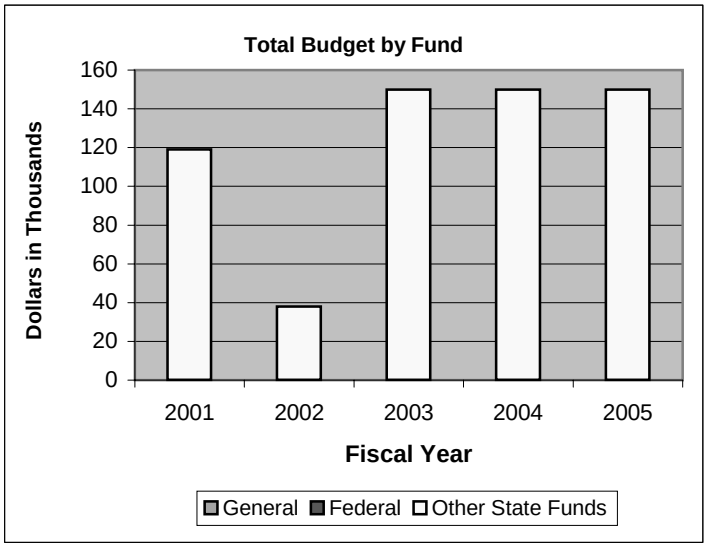
Services Provided
This activity serves as a pass through for the receipt and dispersal of proceeds from the sale of closed armories.

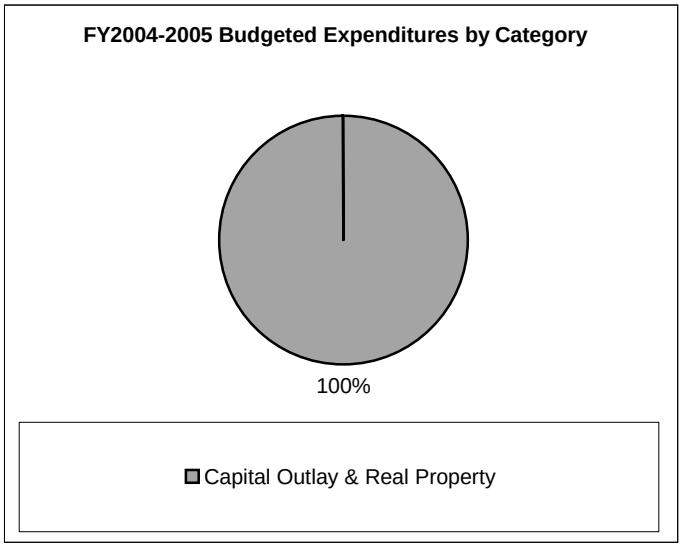
Key Measures
There are no measures associated with this activity. Occasionally, armories are replaced and the old facility is sold to help finance the construction of the new facility.

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

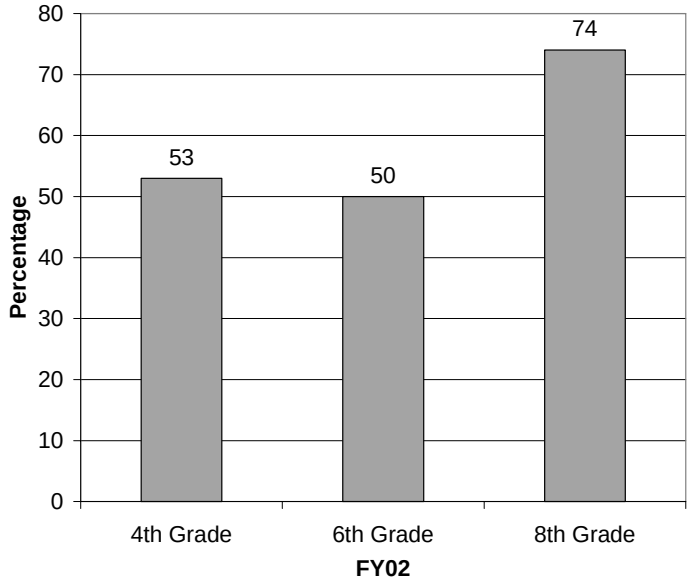
STARBASE is an accredited educational program providing;
- a 20-hour program serving; to
- over 2,300 inner city school students each year.

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



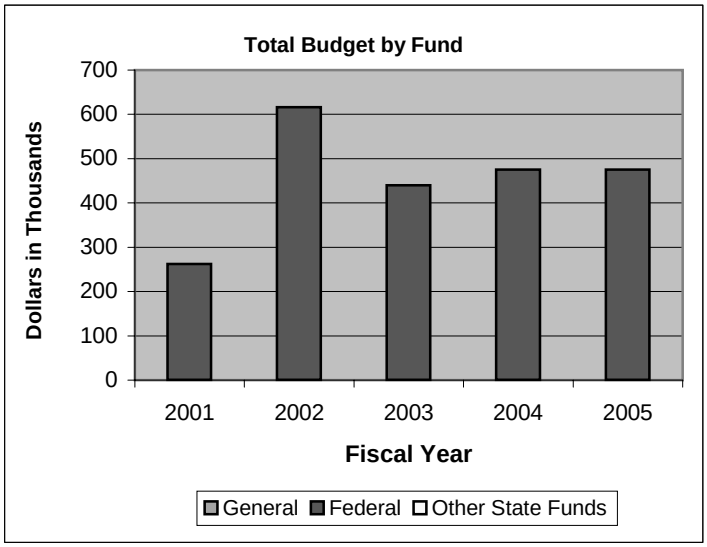
Activity Funding

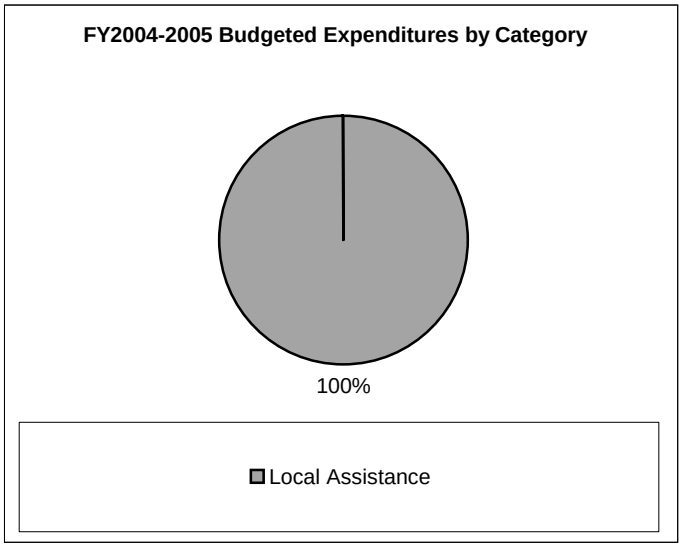
Annual funding for this activity is 100% federal.

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).

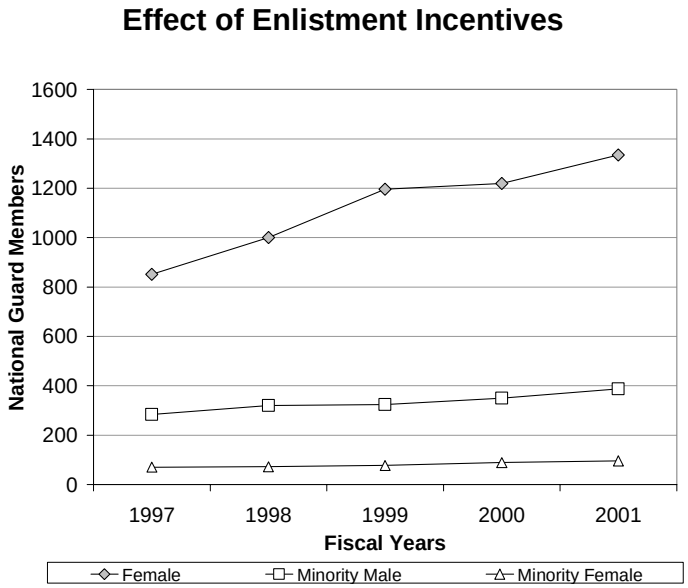
Commissioning Bonuses are also paid to some members. A commissioning bonus is designed to attract and encourage quality members of the Minnesota National Guard to become officers or warrant officers within the organization. The state offers a $1,000 bonus to enlisted members receiving a commission through Federal OCS (Officer Candidate School), State OCS, or Air Guard COTS (Commissioned Officer Training School). This program was previously suspended due to insufficient funding.

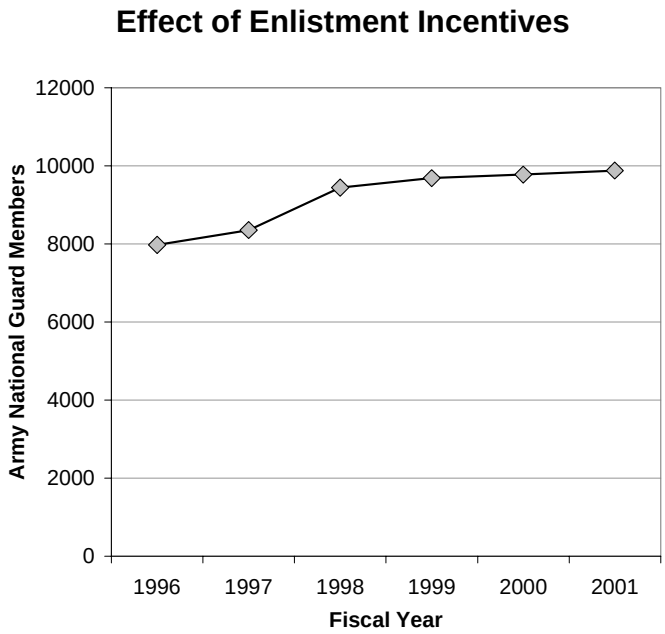
Historical Perspective

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.





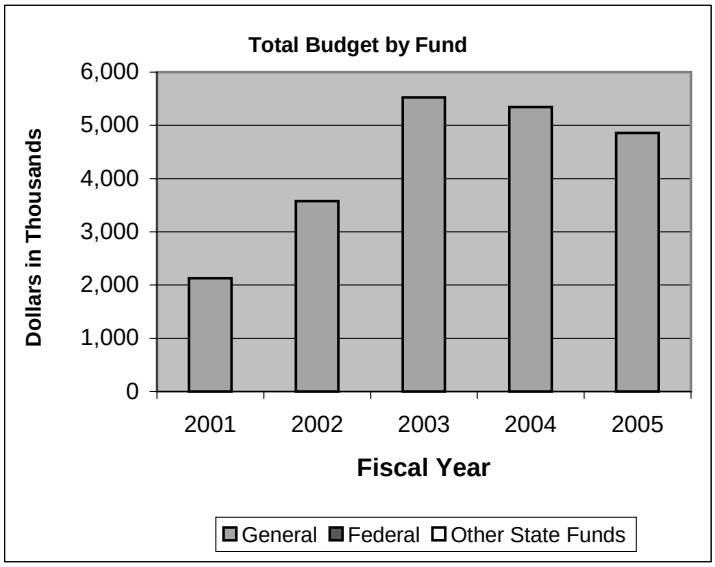
Activity Funding

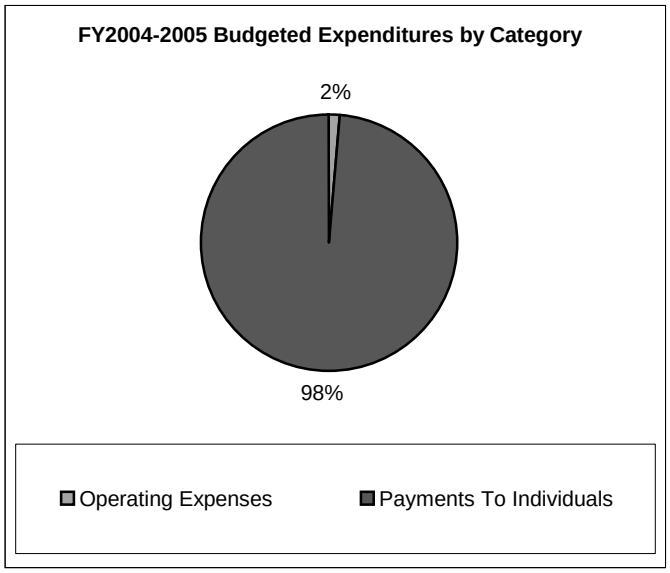
All of the funding for this program is provided from the state General Fund. 98% of the funding is spent on tuition reimbursement, 1% on bonuses, and 1% on overhead costs – primarily salary.

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.

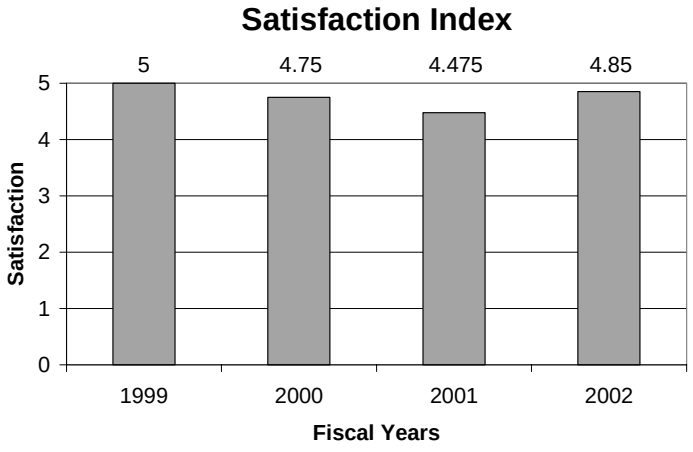
Historical Perspective

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):



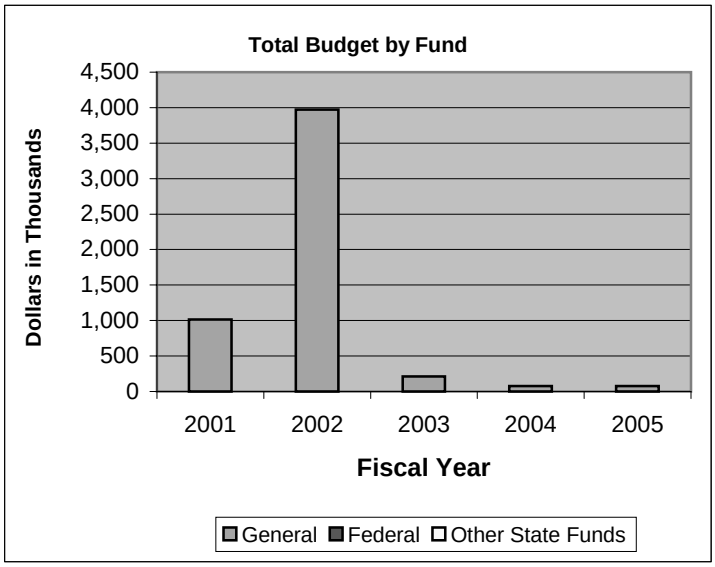
Activity Funding

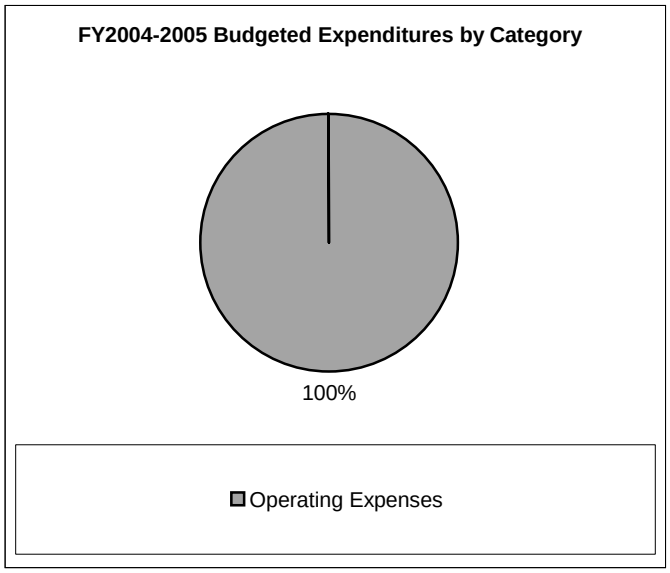
The Department of Military receives a biennial appropriation of $150,000. If these funds are exhausted, the department requests additional funds through an open appropriation under M.S. 192.52. When emergencies are declared federal disasters, the department applies for federal reimbursement on behalf 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.

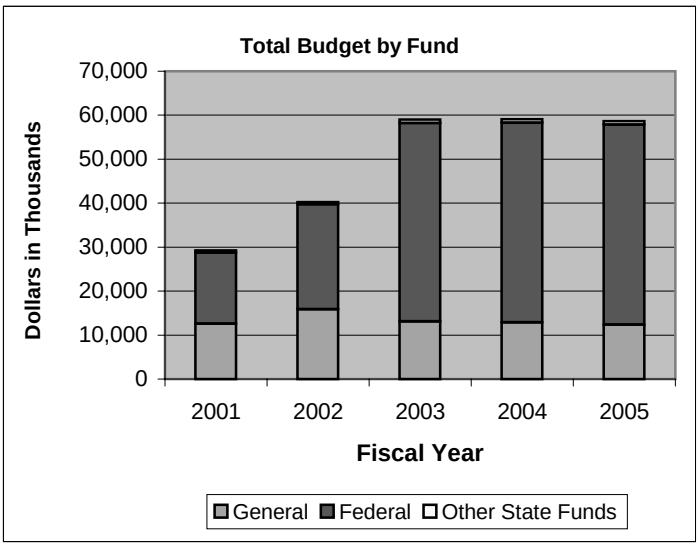
Eugene R. Andreotti
Major General, MN Air National Guard
The Adjutant General

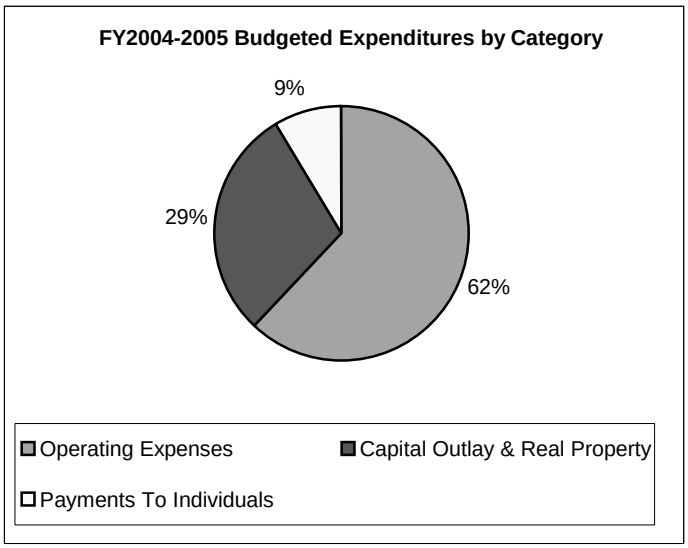
	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	24,622	92,452	117,074
Biennial Appropriations	150	0	150
Legislatively Mandated Base	1,406	0	1,406
Adjusted Base Funding	26,178	92,452	118,630
Change Items			
Budget Reductions	-886	0	-886
Governor's Recommendations	25,292	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.

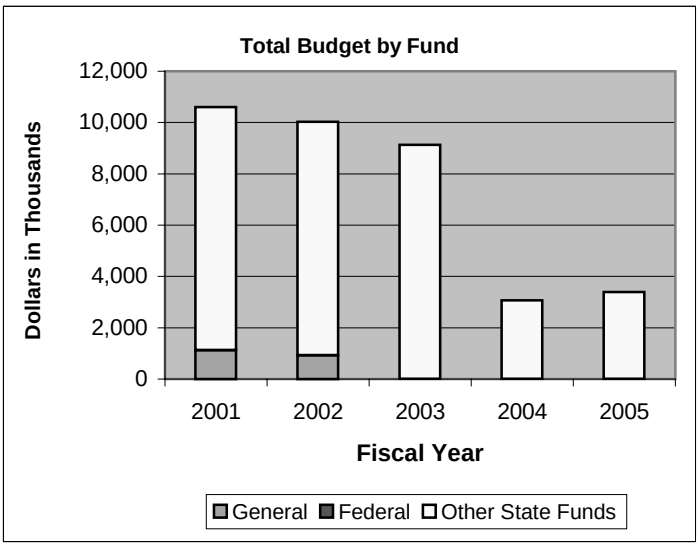
At the end of FY 2002, MTI merged all of its services which support internal customers (finance, human resources, information technology, reporting) into one operating unit to maximize the efficient use of resources and best support the delivery of services to external customers.

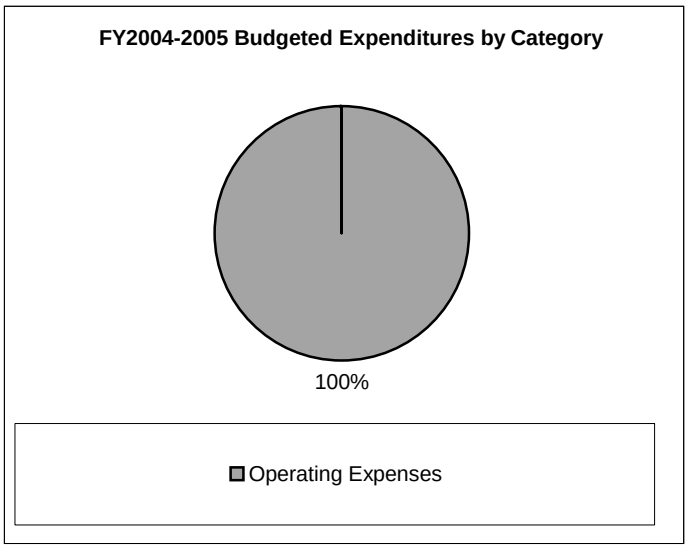
Budget

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).

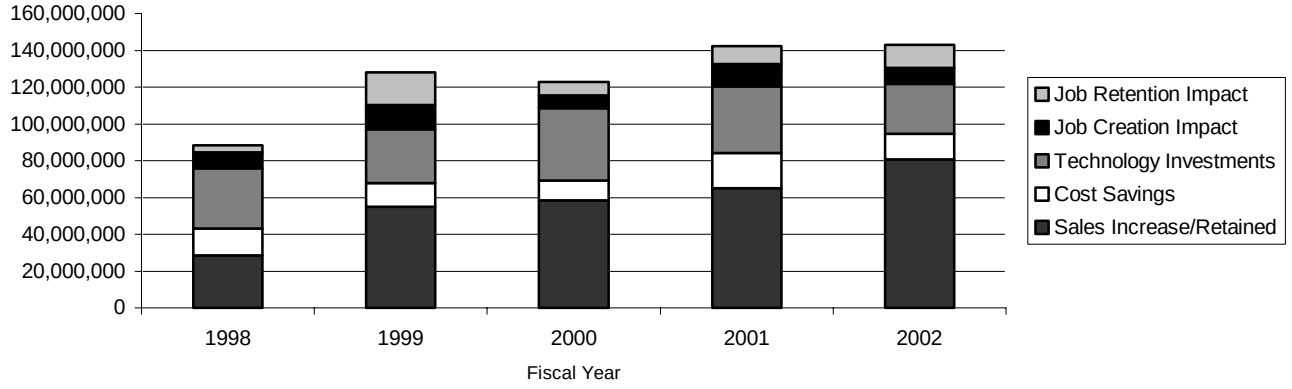
MTI also serves members of the legislature and Governor's Office through periodic reports on the technology economy, information and guidance on technology-based economic development strategies, the Capitol Forum Series, and monthly Future Visions meetings, which offer insight into the impact of up-and-coming 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.

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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 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.

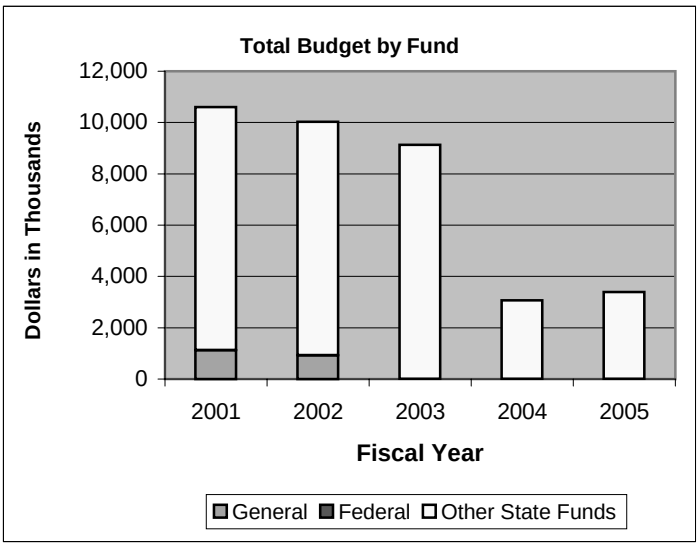
Sincerely,

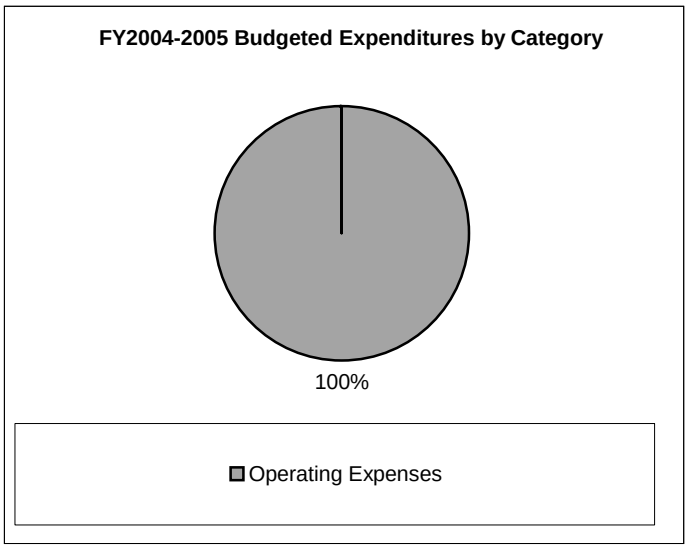
Dan McElroy
Commissioner

	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.





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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

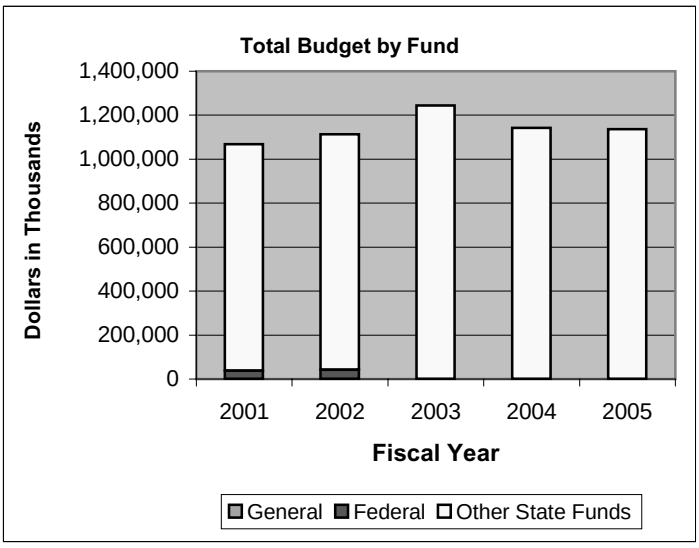
Faculty comprise slightly less than half of the 10,377 MnSCU FTE employees. Forty-two percent are staff and professional employees and 11% are administrative.

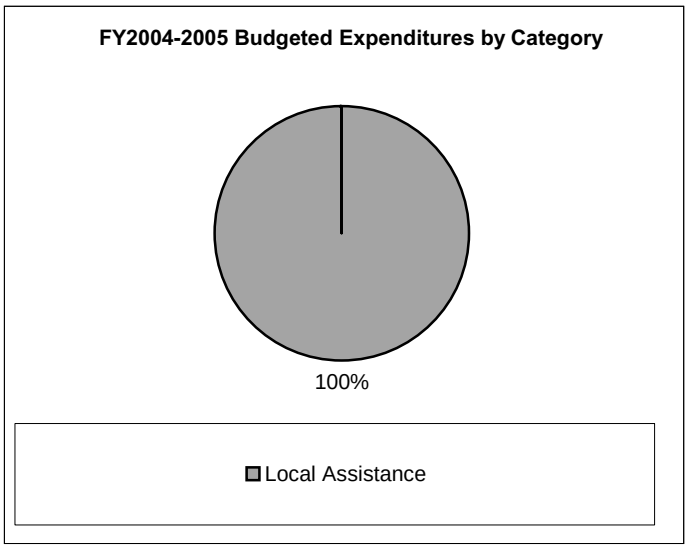
Contact

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

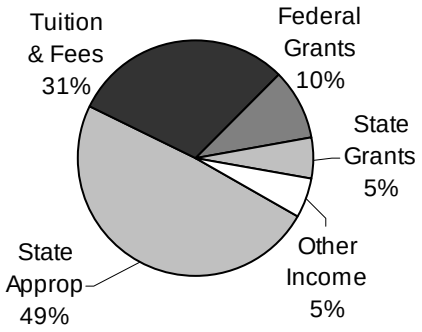
The state colleges and universities offer more than 3,500 degree programs, including 171 graduate degree programs. They award approximately 26,000 degrees and diplomas each year.

Historical Perspective

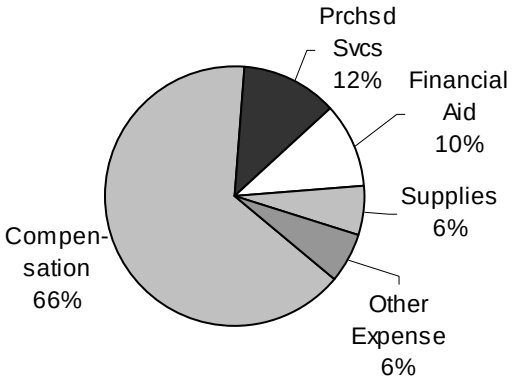
In July 1995, the former community college, technical college and state university systems merged to become the Minnesota State Colleges and Universities.

Program Funding

Source of Funding
FY01 Gen & Spec Rev (Total: $1.2B)

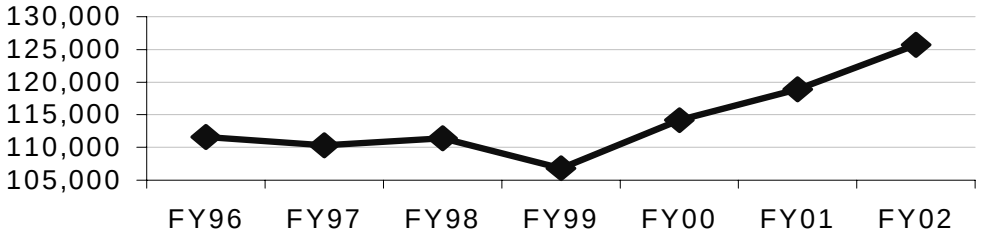


Expenditures by Category
FY01 Gen & Spec Rev. (Total: $1.2B)



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
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MnSCU home:
http://www.mnscu.edu

MnSCU Budget Unit web site:
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State of Minnesota
Department of Finance

400 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155
Voice: (651) 296-5900
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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 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:

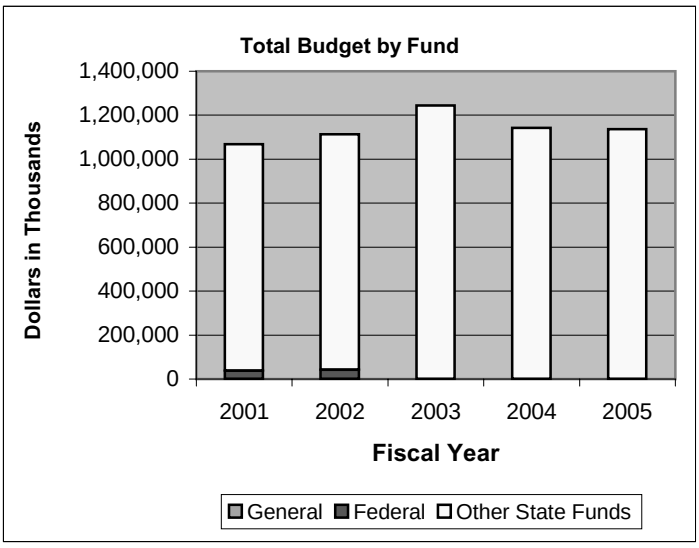
In the General Fund, Minnesota State Colleges and Universities (MnSCU) received a forecast base adjustment of $39.6 million to reflect projected enrollment changes as allowed under Minnesota Statutes, section 135A.031, subdivision 4. MnSCU's base appropriations have also been adjusted to reflect a legislatively-mandated 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).

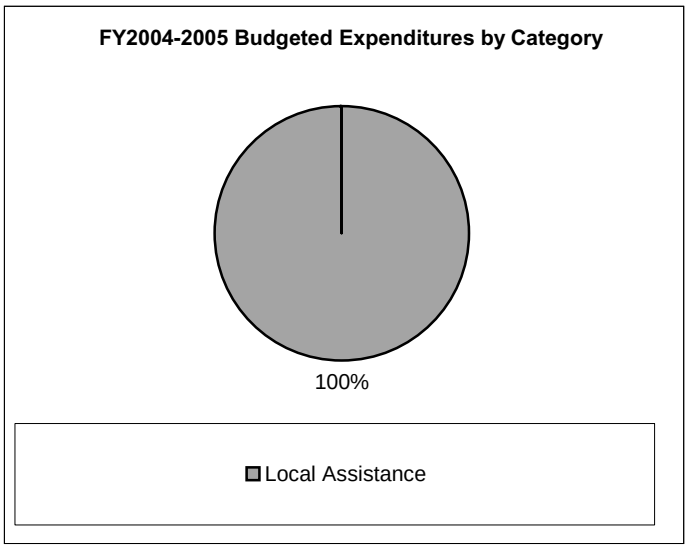
Agency Request:

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						
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Special Revenue	4,709	11,442	0	0	0	0
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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
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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

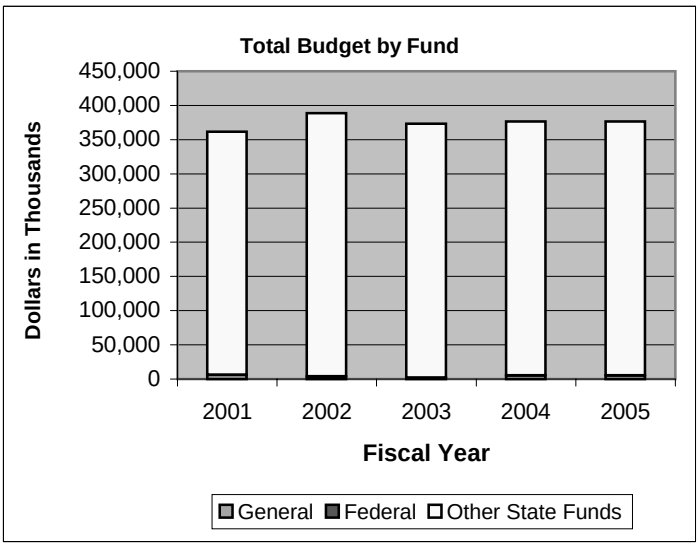
	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	15,212	742,844	758,056
Forecast Caseload/Enrollment Changes	-4,629	0	-4,629
Adjusted Base Funding	10,583	742,844	753,427
Governor's Recommendations	10,583	742,844	753,427
Biennial Change, 2002-03 to 2004-05	5,124	-13,873	-8,749
Percent Change	94%	-2%	-1%

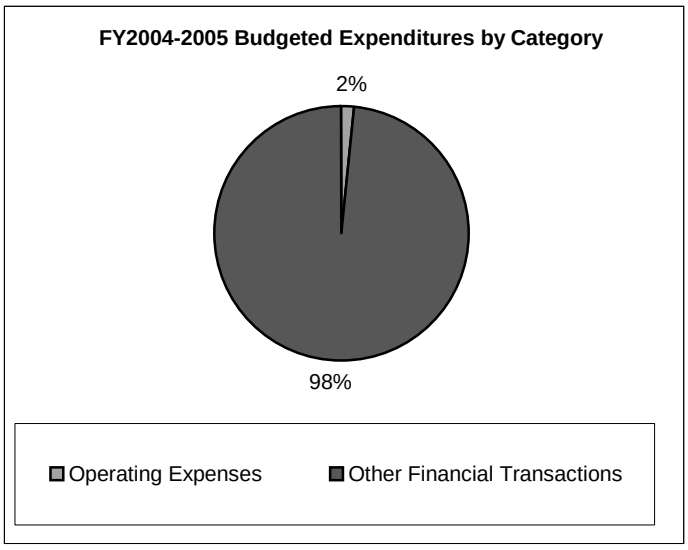
Brief Explanation of Budget Decisions

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.

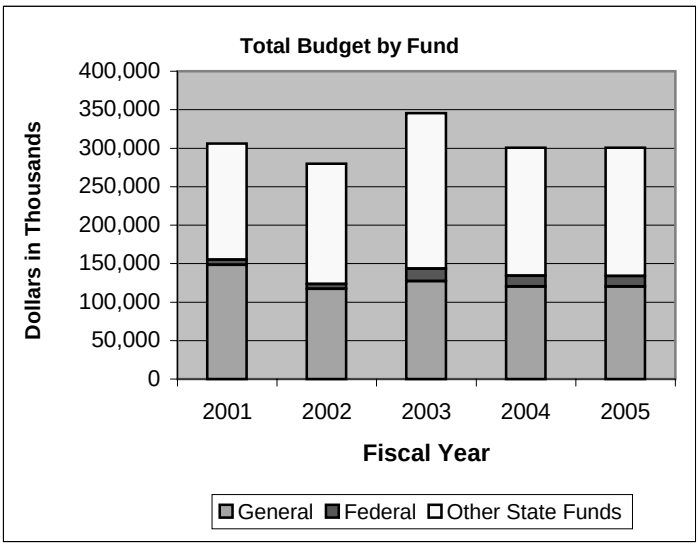
About 40% of total appropriations to the DNR are made from accounts where the money is generated from user fees: licenses, registrations, titling, permits, gas tax, agreements, donations and participation fees. Typically user fees are deposited in dedicated and special revenue accounts (mainly within the Natural Resources, Game and Fish Funds and special revenue accounts) and appropriated to the agency for a specific purpose.

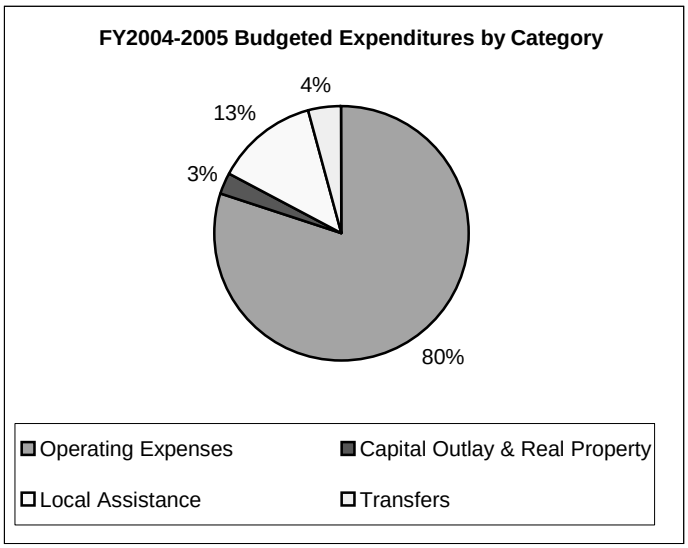
Contact

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

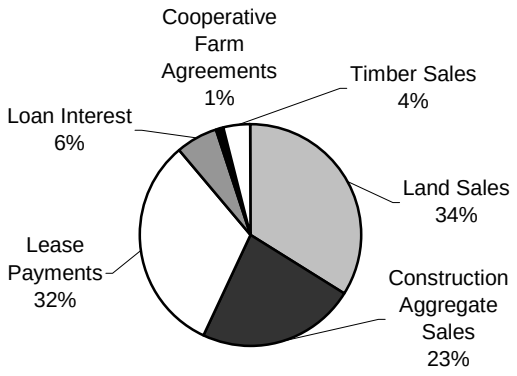
Data source for land exchange: Land exchange documents, Division of Lands and Minerals, MN DNR, August 2002

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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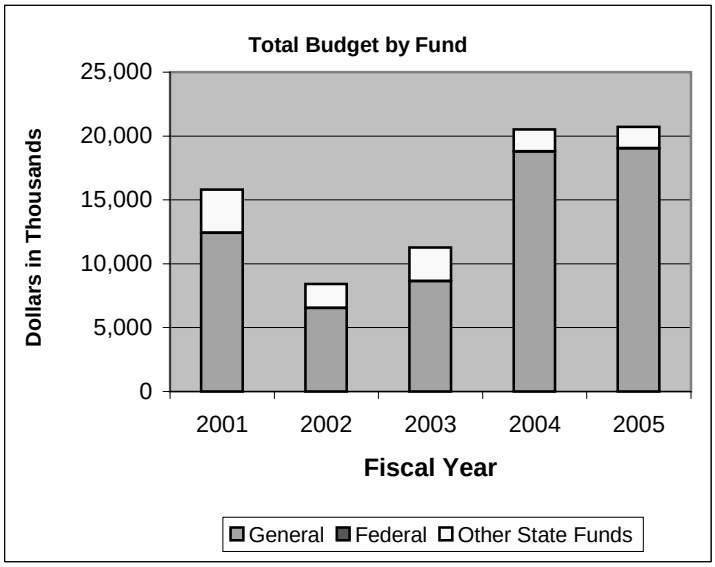

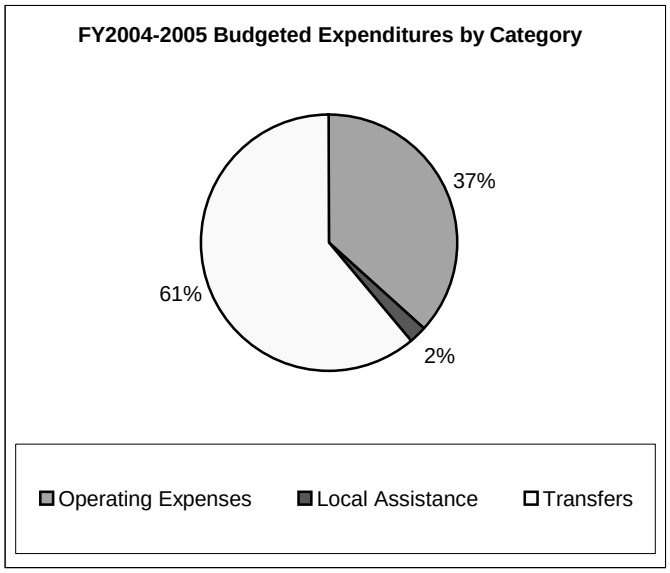

Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	206	28	0	123	123	246
General	6,745	6,409	7,705	6,186	6,186	12,372
Minnesota Resources	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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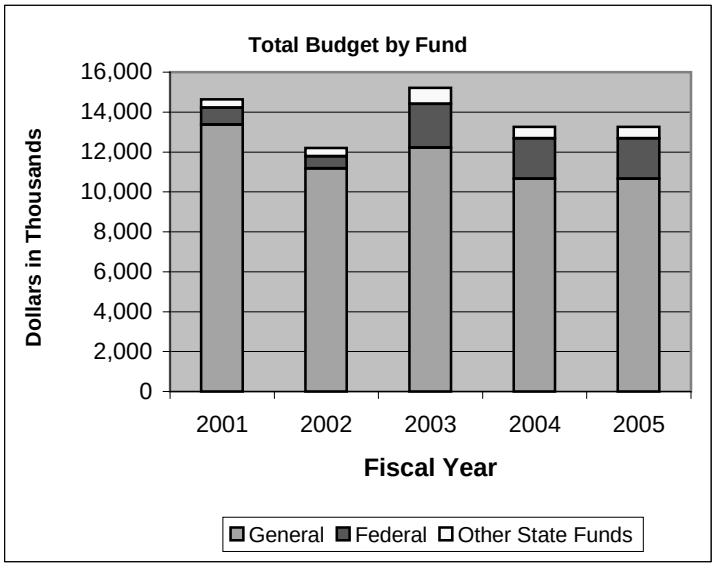
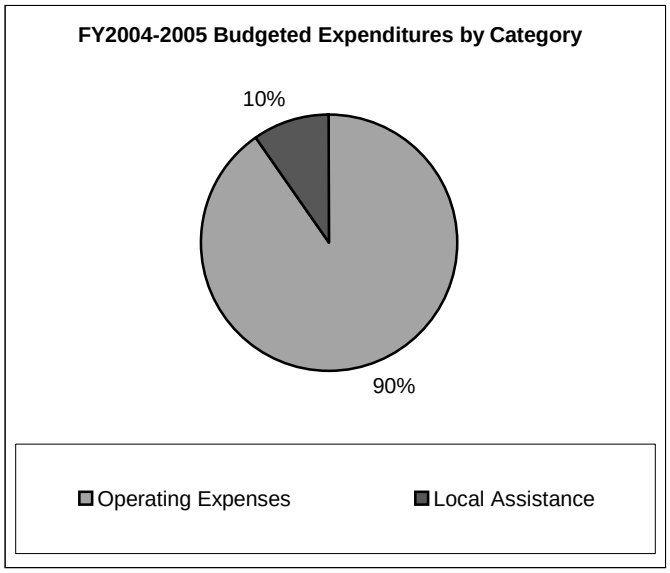
For additional DNR Waters program information visit www.dnr.state.mn.us/waters.





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**	

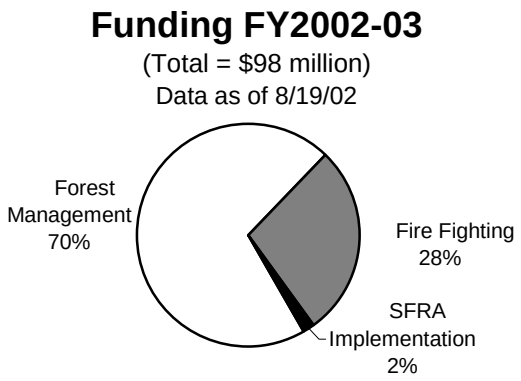
Program Description

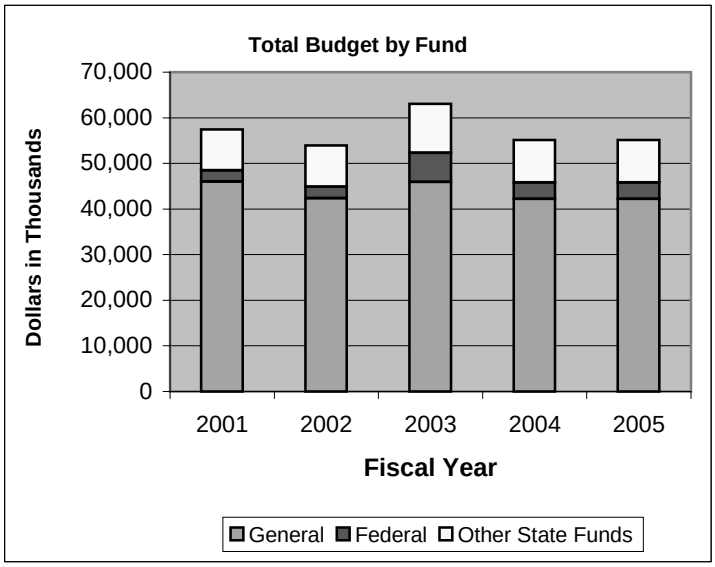
The purpose of the Forest Management Program is to

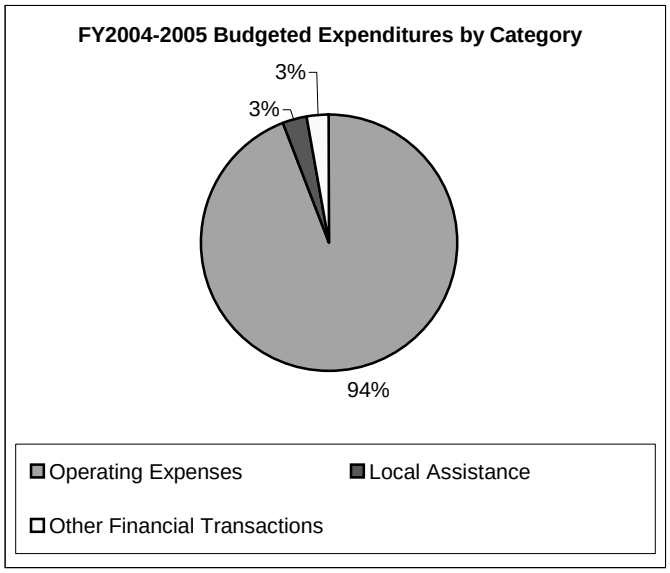
- manage forest lands in the state (including community forests) to meet long-term, sustainable management objectives for multiple forest resources, including timber, wildlife habitat, recreation, and aesthetics;
- protect citizens, property, and natural resources from wildfires; and
- bring together 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

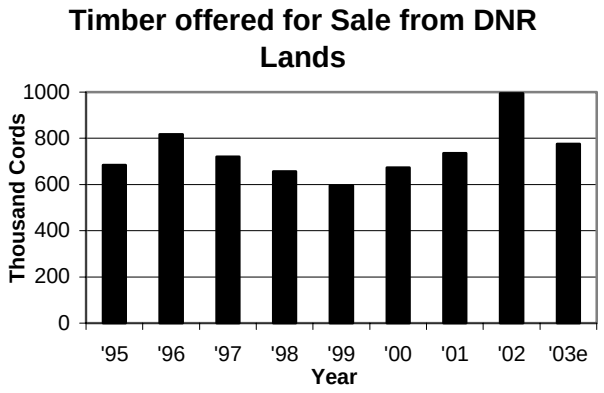
Over the past 15 years, Department of Natural Resources (DNR) has contributed about 15 to 20% (i.e., 600,000 to 700,000 cords) to the total amount of timber harvesting occurring in the state (i.e., current statewide timber harvesting is about 3.8 million cords per year). Over a three-year period (starting 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.

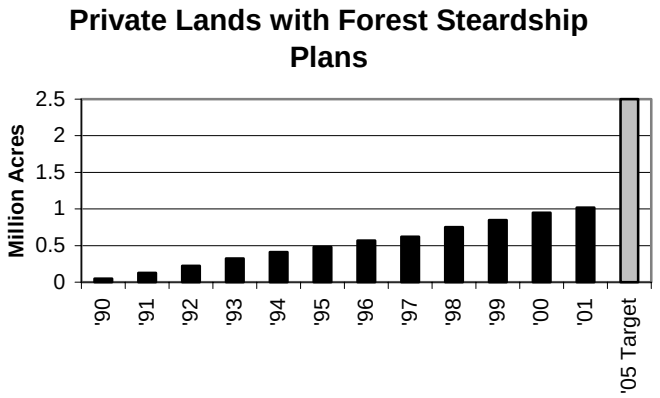
The DNR works with conservation partners to strengthen private forest management through the voluntary Forest Stewardship Program, which gives professional natural resource management expertise and cost sharing (for tree planting and other actions) to private landowners who develop plans for sustainable 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.

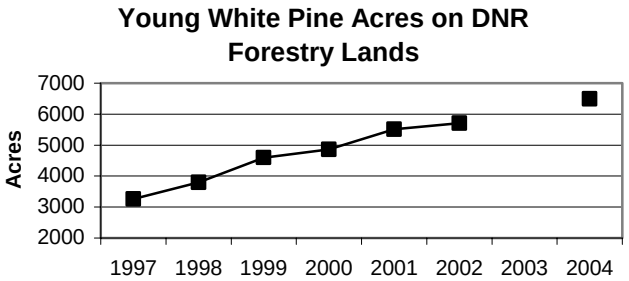
Key Measures

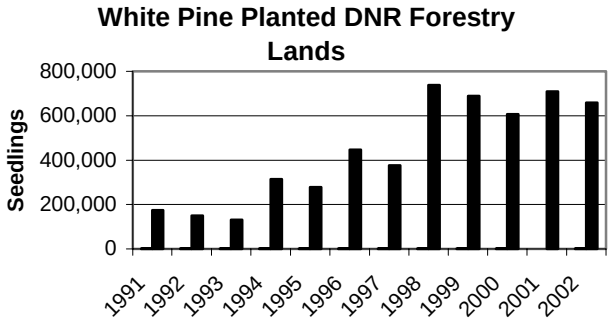
DNR's overarching goal of forest sustainability requires striking a balance between protecting forests for future generations and providing for increasing use and consumption of forest resources. As part of this goal, DNR offers timber for sale from DNR lands. Timber sales generate $12-$16 million in 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

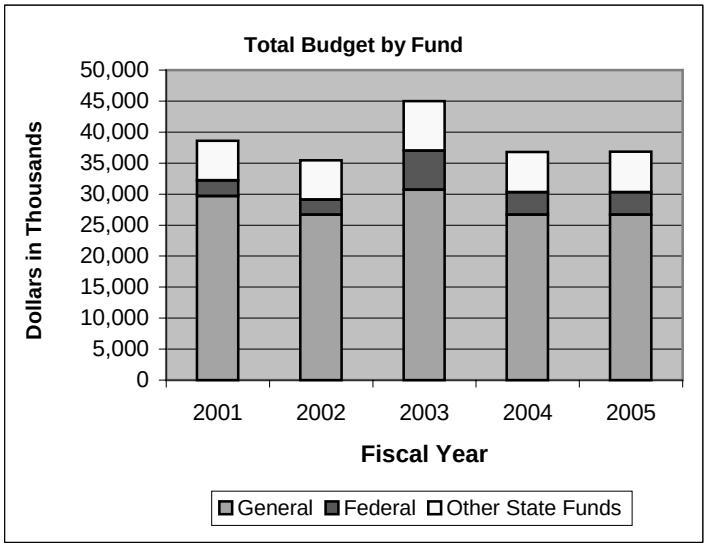
This activity is funded primarily through General Fund appropriations (82%), with 13% from special revenue and dedicated accounts, and 5% from federal sources. Two-thirds of this activity's expenditures are salary related, 30% for other operating costs, and 3% for local assistance grants.

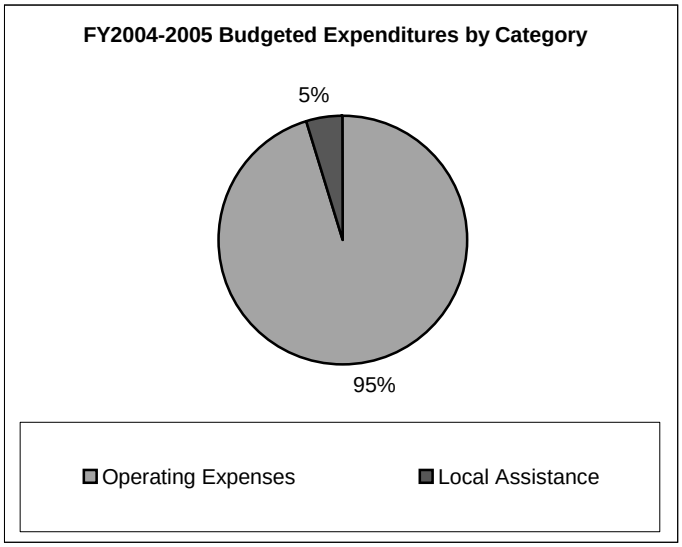
Contact

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.

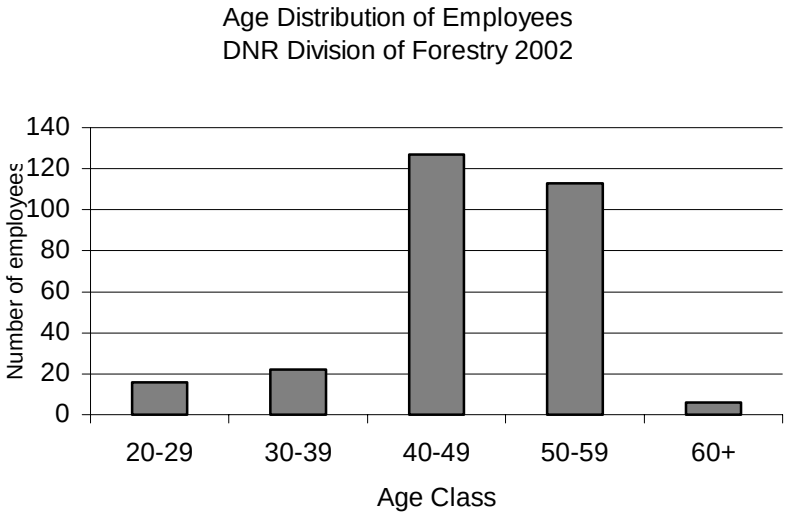
Services Provided

- *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.

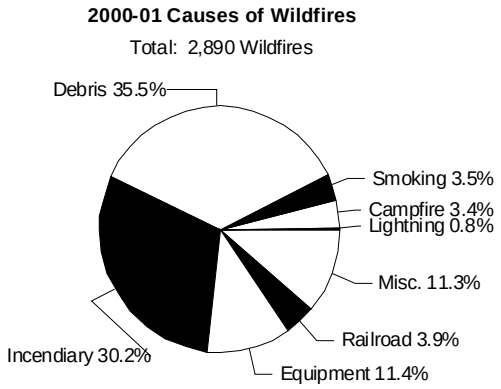


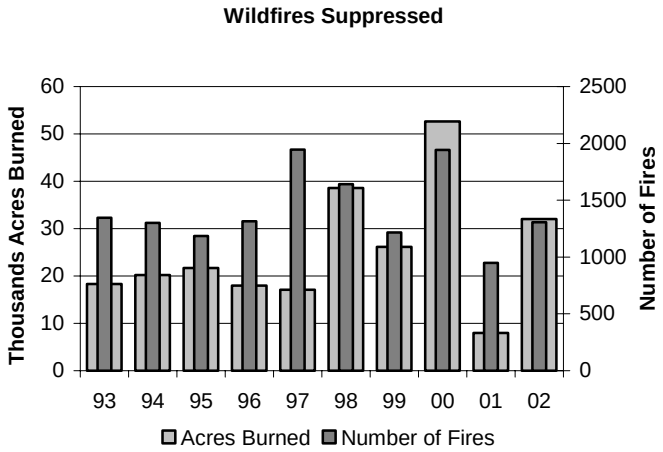
To overcome the national shortage of wildfire response staff, the division will need to maintain strong reciprocal relationships with other state, federal and provincial wildfire agencies. This will also impact other division programs through the reciprocal sharing of our experienced and skilled leadership 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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Resource Protection Section Manager
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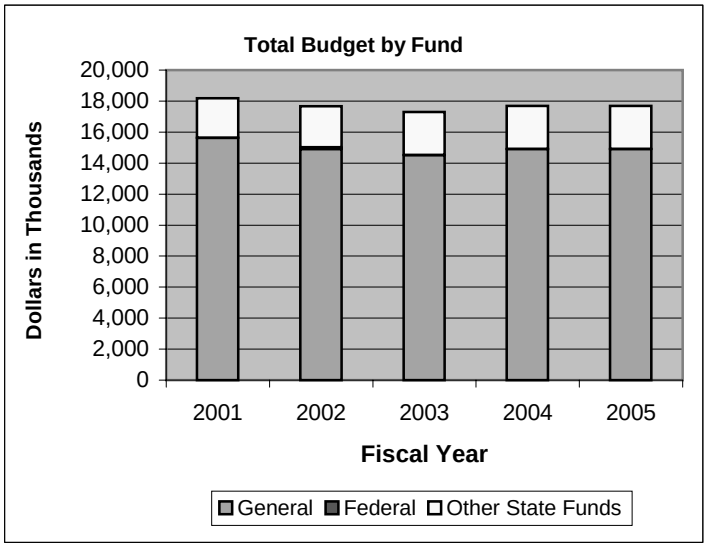
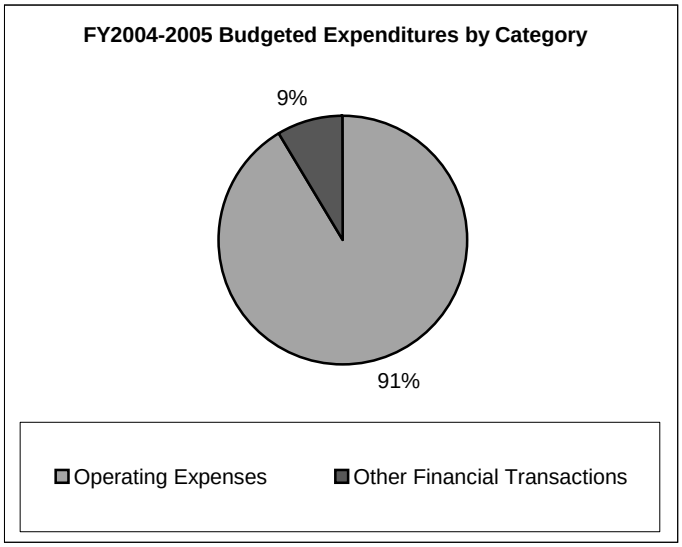
http://www.dnr.state.mn.us/forestry/resource_protection.html
http://www.dnr.state.mn.us/forestry/fire/index.html
http://www.dnr.state.mn.us/firewise/homerisk.html
http://www.dnr.state.mn.us/education/wildfire/index.html

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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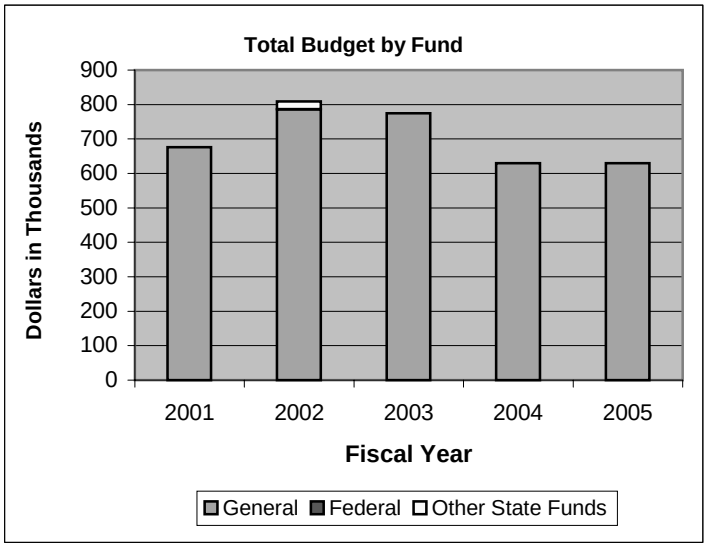
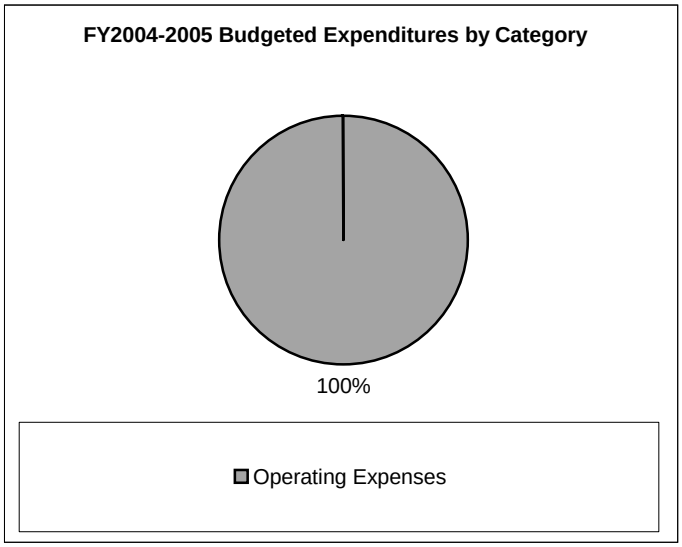
Web site: http://www.frc.state.mn.us/

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

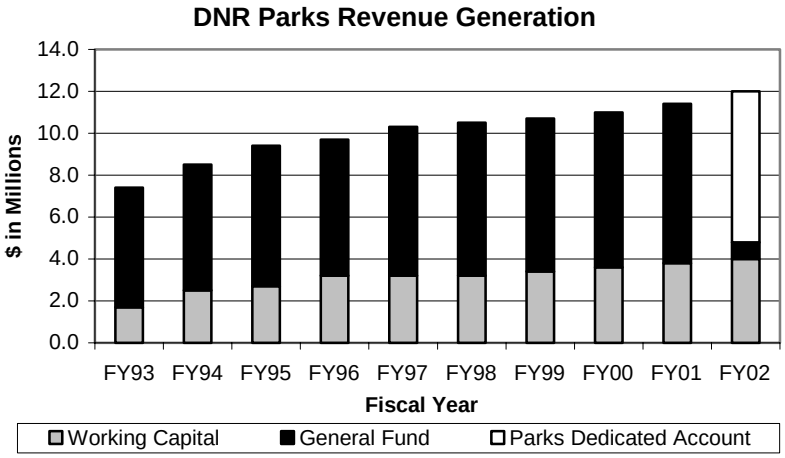
⇒ Visitation: Visitation rose steadily through the 1980s and 1990s but has leveled off in the last few years. This is due to weather related factors such as floods and storms, campground closures, an employee strike, a potential government shutdown and an economic depression. In spite of these limiting 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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Patricia Arndt, Planning and MIS Manager
Peter Skwira, Administrative Manager
Ron Hains, Operations Manager

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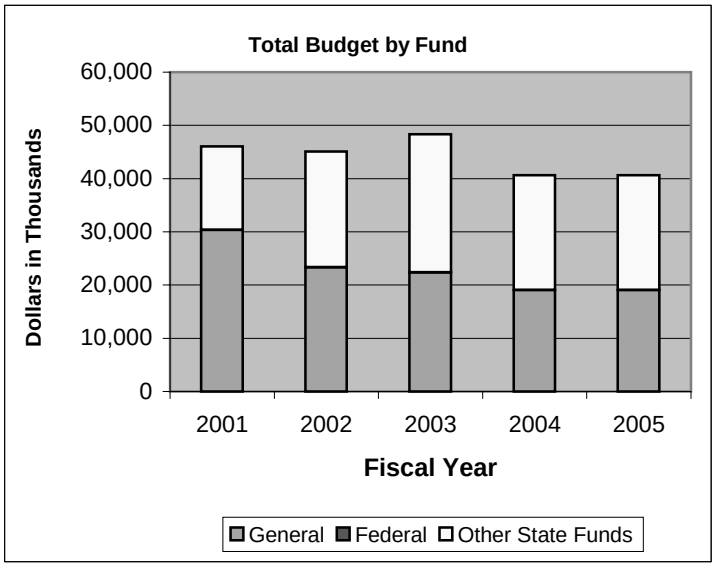
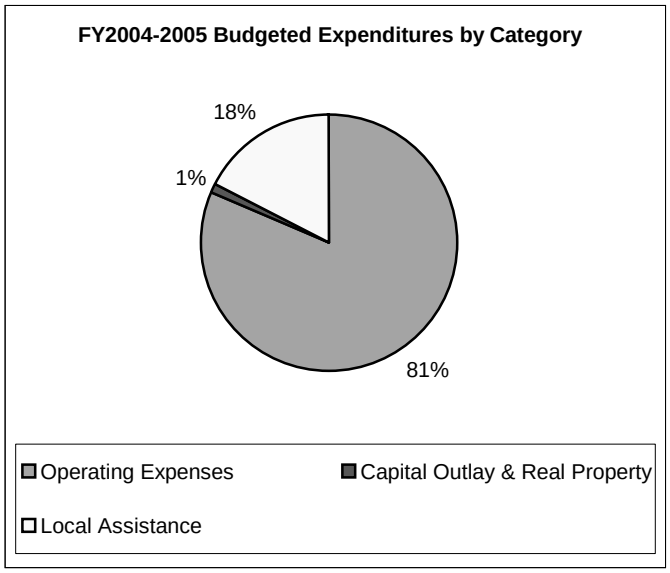




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	734	1,062	905	983	983	1,966
General	30,357	23,326	22,356	19,032	19,032	38,064
Minnesota 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**

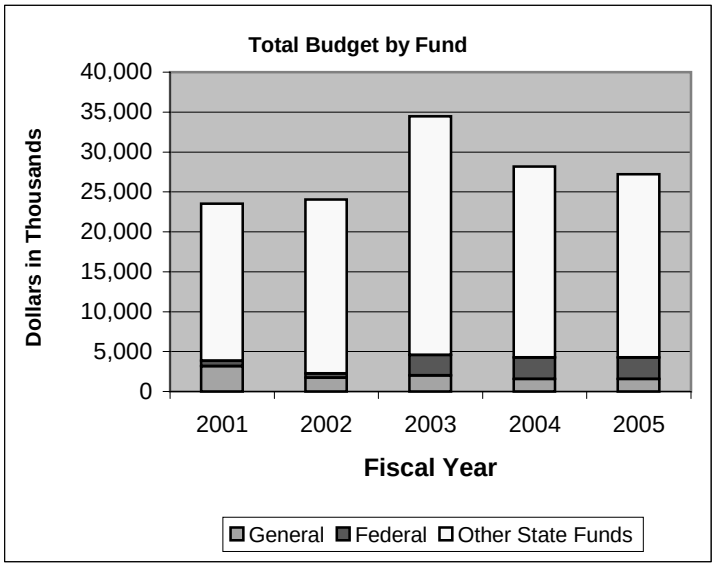
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
General	639	798	771	796	796	1,592
Natural Resources	0	7,207	7,064	7,643	7,643	15,286
Cambridge Deposit Fund	6,931	0	0	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**	

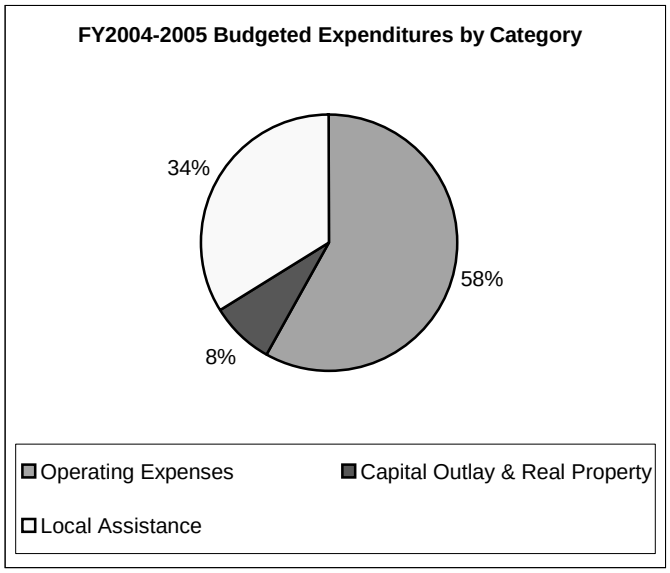
Program Description

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

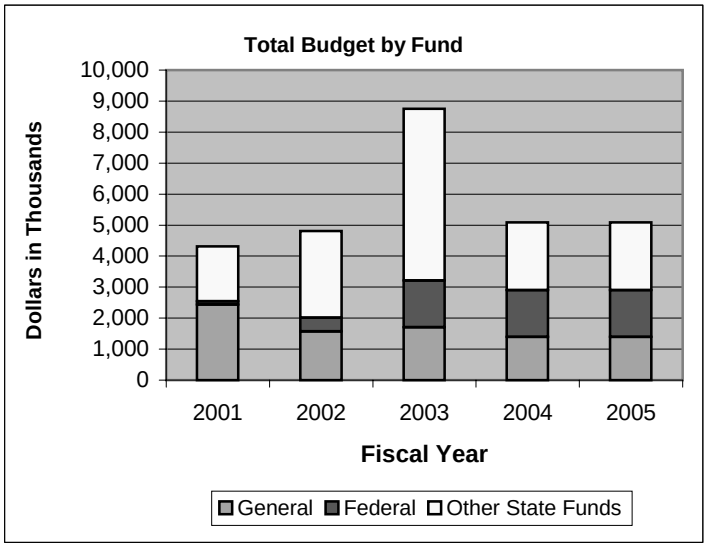
This activity is funded primarily through General Fund appropriations.

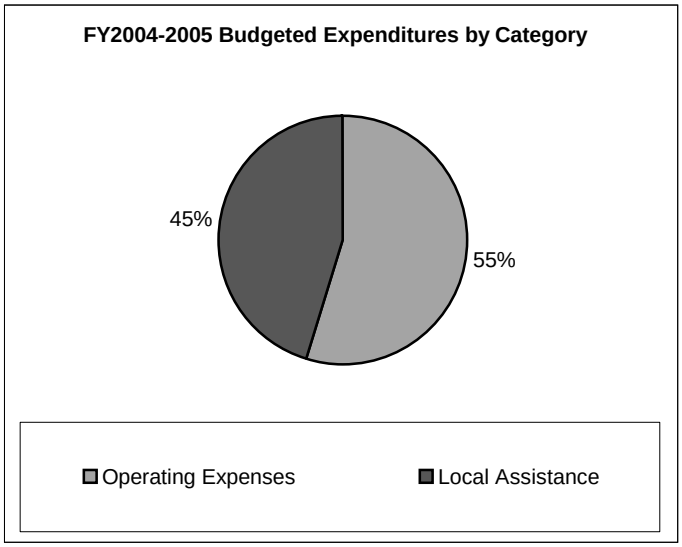
Contact

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

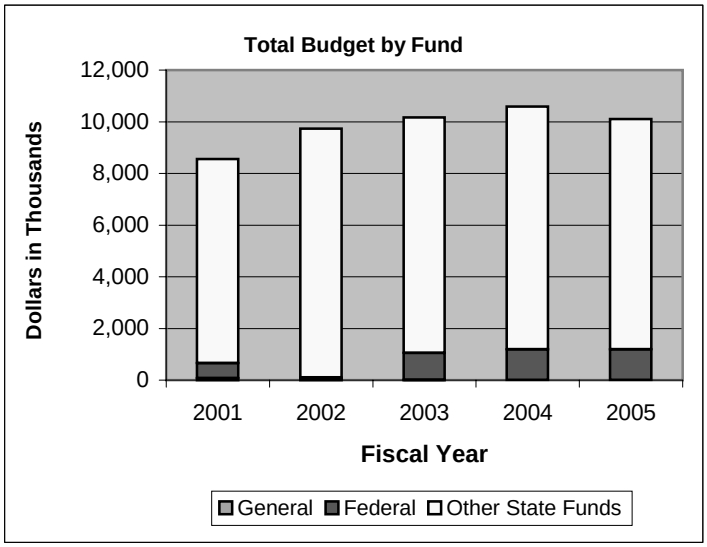
Almost 35% of the current funding for this budget activity is appropriated from the Water Recreation Fund. This fund has two revenue sources: unfunded highway gas tax collected on gasoline used in boats; and watercraft registration fees. We also receive federal Wallop/Breaux funds for boat access from 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).

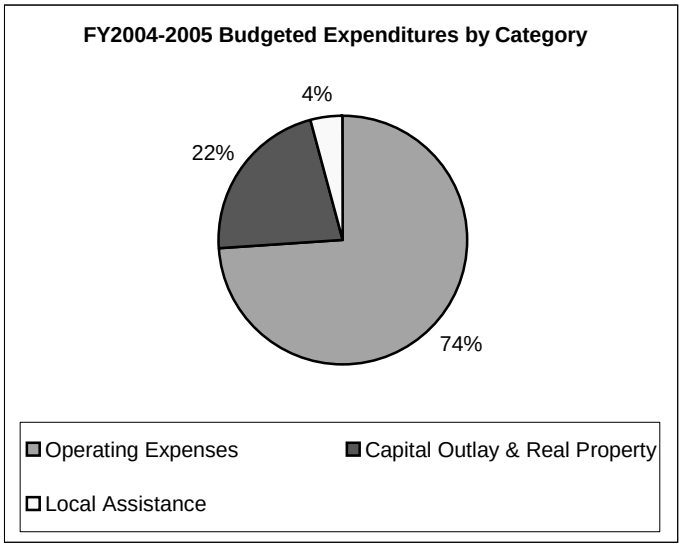
Contact

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

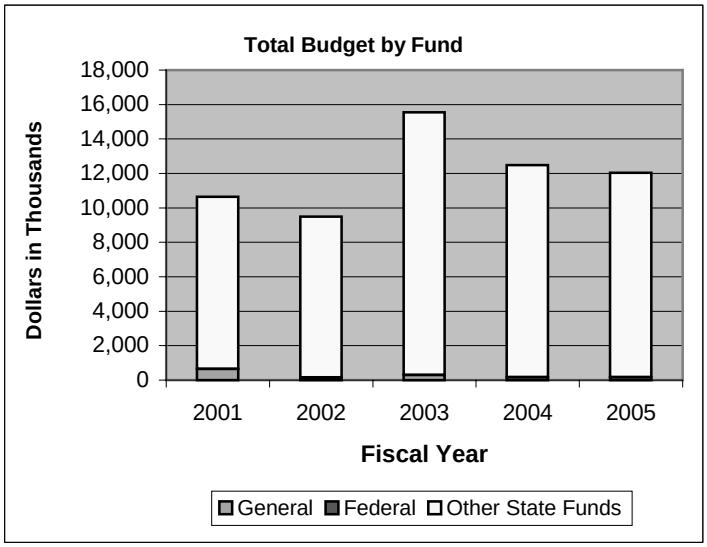
This activity is funded primarily through dedicated revenues from the Natural Resources Fund and with supplemental funding from the General Fund for cross-country ski. Revenues generated for the Off-Highway Motorcycle (OHM), Off-Road Vehicle (ORV), All-terrain Vehicle (ATV), and Snowmobile Safety and 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.

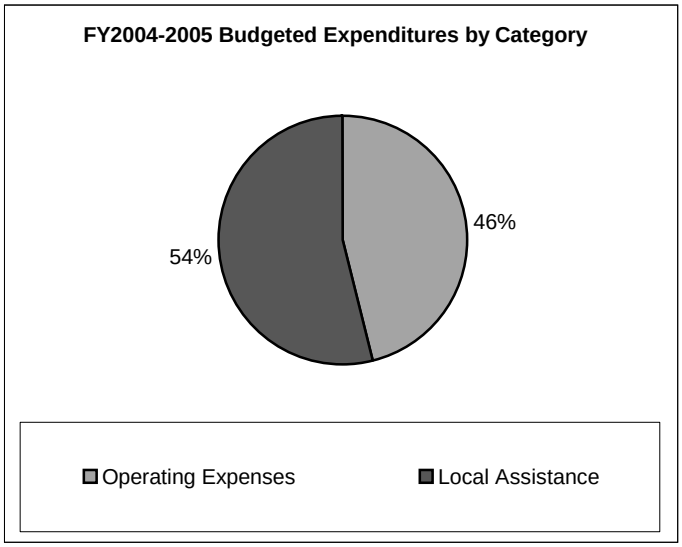
Contact

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:

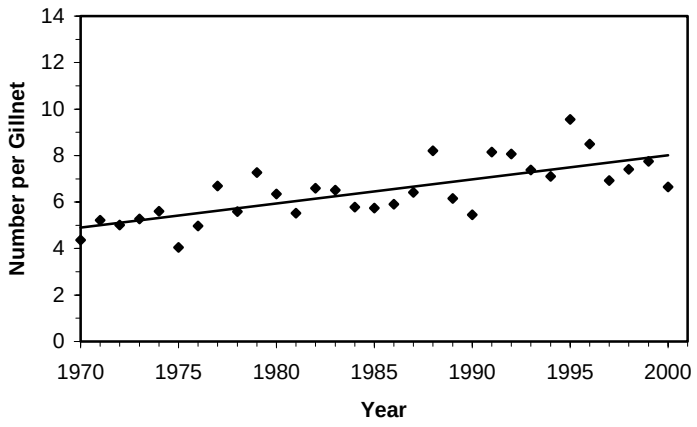
⇒ Game fish abundance and average size as measured by net catches and other sampling from the survey and assessment program.
⇒ Angler catch rates and average size of various fish species as measured by creel surveys.
⇒ Angler satisfaction as measured by attitude surveys.
⇒ Fisheries management plans 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:

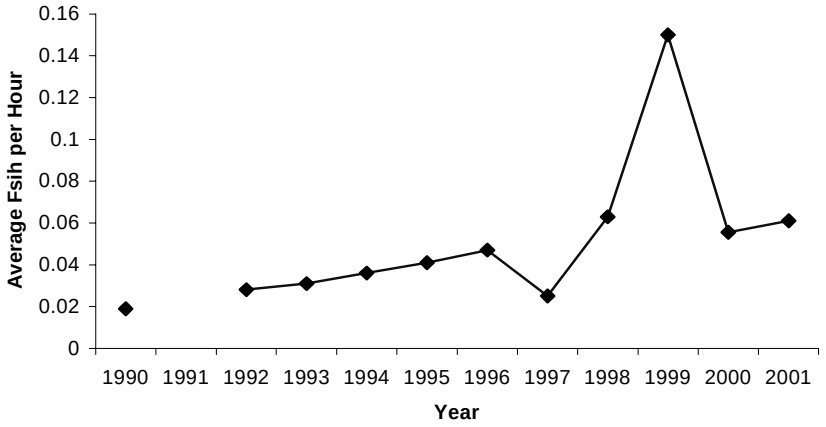
The walleye stocking program provides fish for approximately 900 lakes where natural reproduction is thought to be insufficient to provide good fishing. Due to more effective stocking, stocked walleye populations as measured by survey gill net catches have been increasing on average since 1977. The goal 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

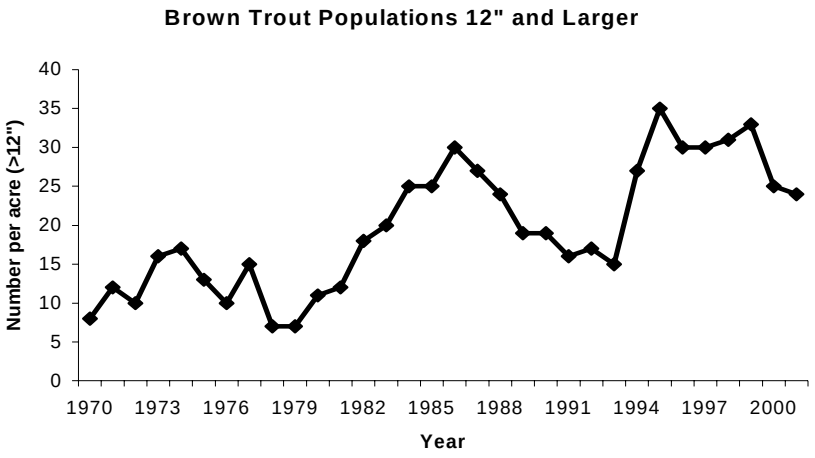


Steelhead catch rates (fish/angler-hour) on tributaries to Lake Superior have increased after development of a Lake Superior steelhead plan and implementation of restrictive harvest regulations in 1992.

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.

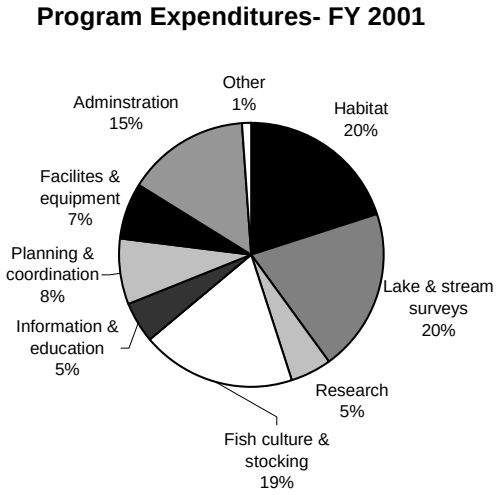


Program Funding

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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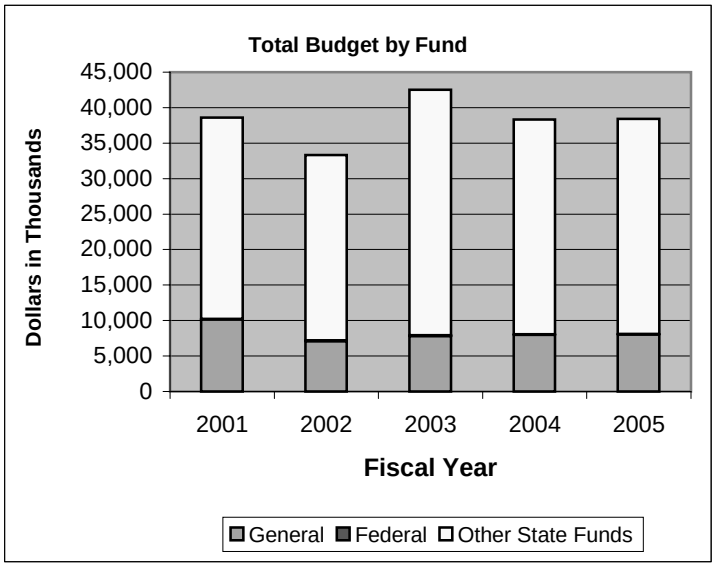
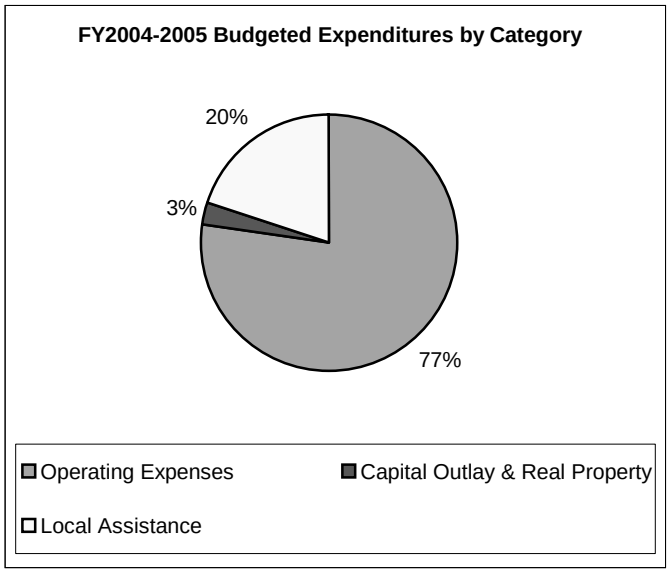




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
Environment & Natural Resource	74	600	1,907	408	408	816
General	2,654	186	485	417	417	834
Minnesota Resources	0	5	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.

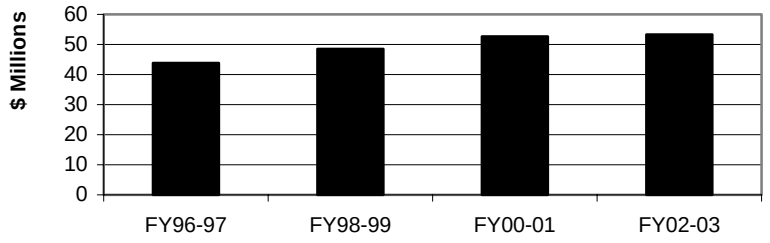
⇒ **Wildlife Habitat.** In addition to direct management of WMAs, the program provides technical assistance for wildlife habitat management and improvement on other public as well as private lands by consulting with forest managers, providing wildlife expertise for agricultural land conservation programs 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.

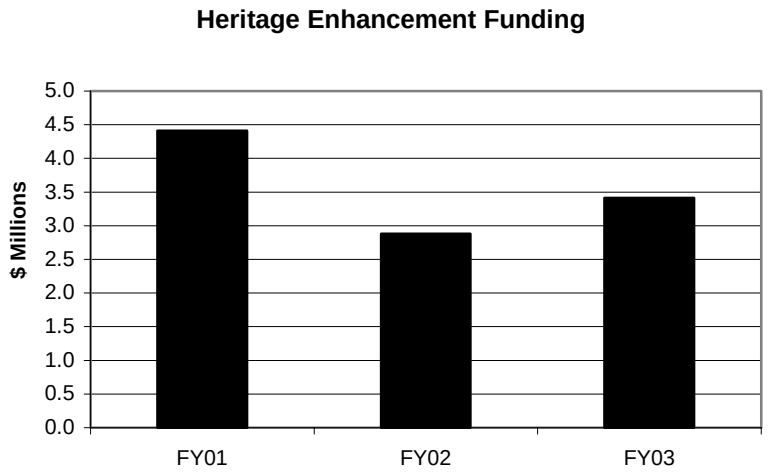
Historical Perspective

⇒ 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.

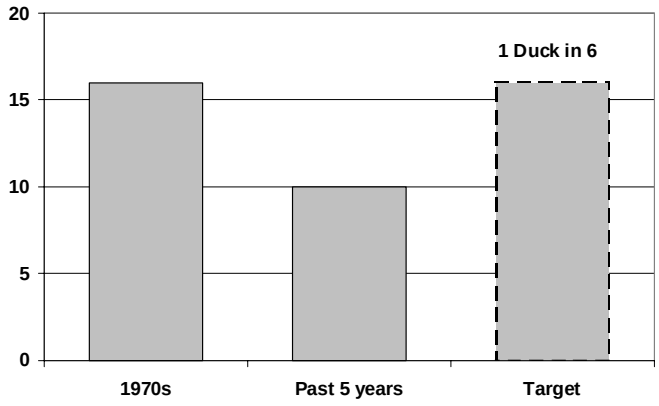


Key Measures

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.**



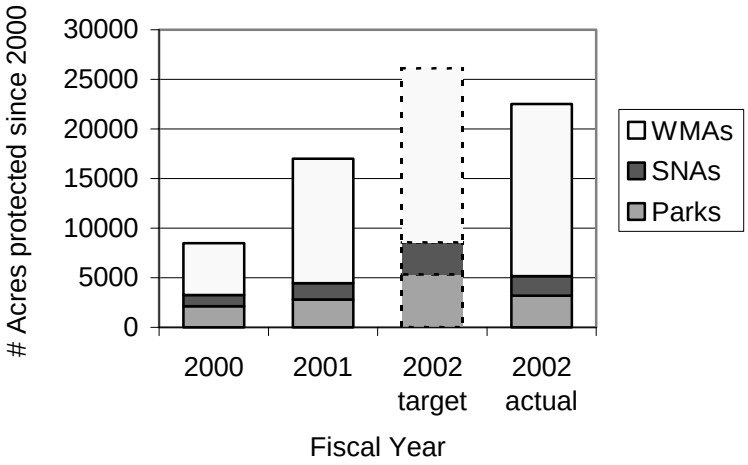
Minnesota has one of the largest populations of duck hunters in the nation. Over the past three decades, Minnesota's share of the yearly Mississippi Flyway duck harvest has decreased from 16% of the ducks annually harvested in the Mississippi Flyway to 10% of the total harvest due to fall migration habitat 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.

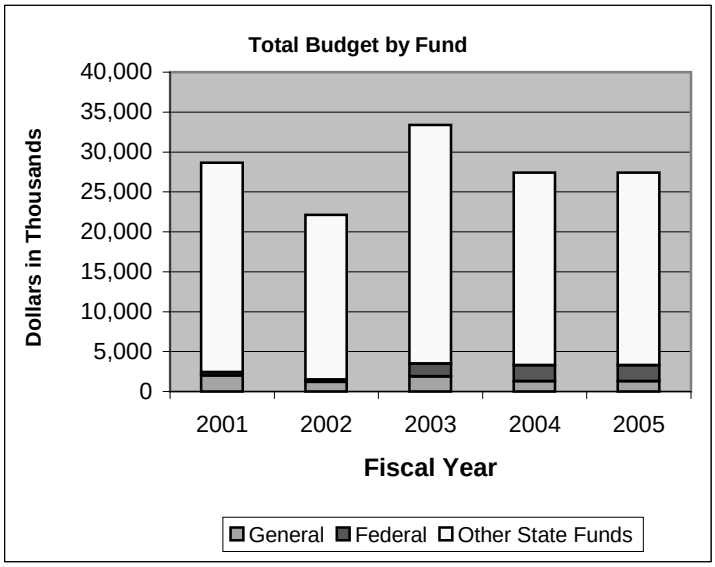
Salaries comprise 53% of Wildlife's FY 2002-03 budget; 40% is allotted to non-salary costs including support costs, land acquisition, and supplies and equipment for habitat management. The FY 2002-03 grants payments are $3.5 million and include the payment in-lieu of taxes made to the counties for public 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.

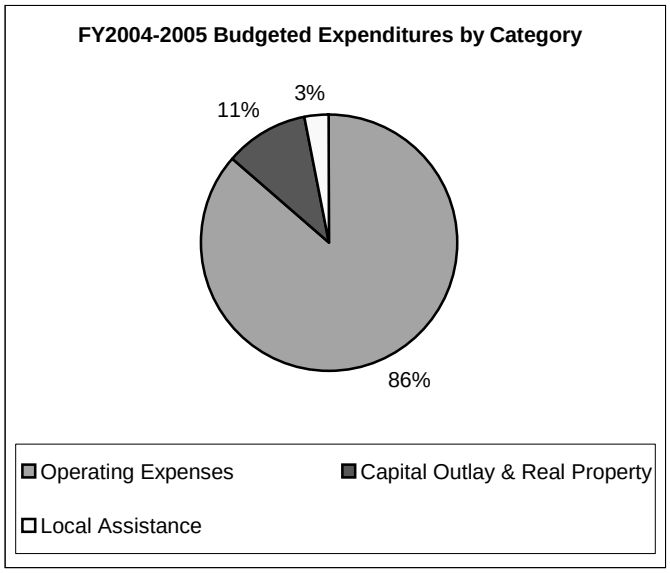
Contact

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
Fax: (651) 297-4961
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.

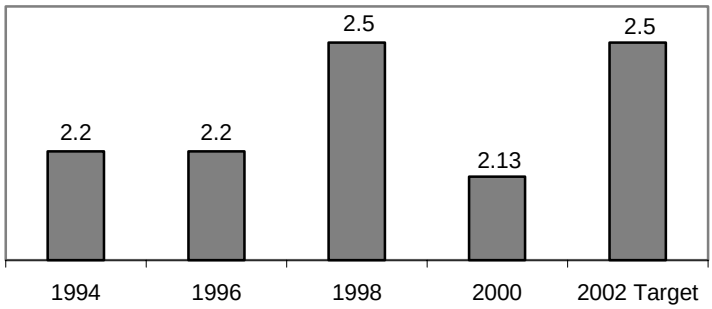
Coupled with this significant trend is a growing interest by local units of government to protect open space and natural areas and to restore degraded sites. Increasingly local communities are utilizing ecological data provided by the Division to launch local protection initiatives, such as Dakota County's 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.

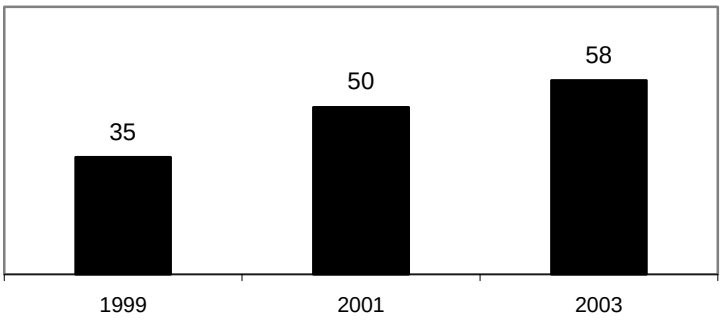
Loon Abundance in North-central Minnesota Lakes (adults/100 acres)



⇒ 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

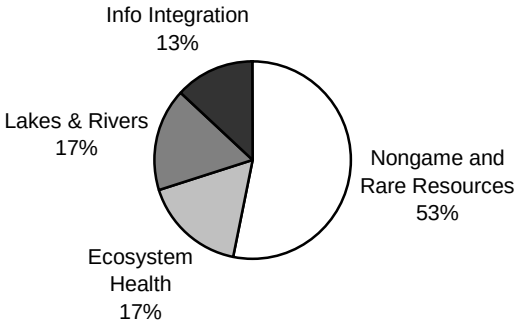


Program Funding

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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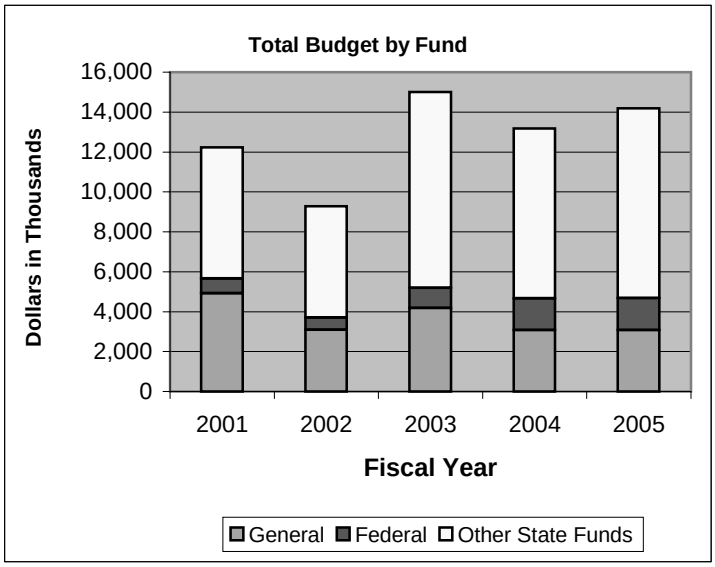
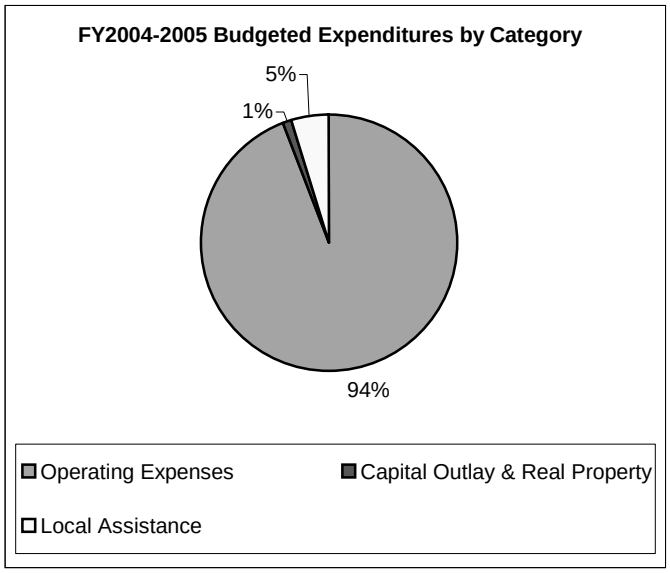
General information about the division and its diverse program services is available on the DNR web site (http://www.dnr.state.mn.us/ecological_services/index.html). In addition, annual reports are available that summarize the division's expenditures from the Game and Fish Fund and activities with the 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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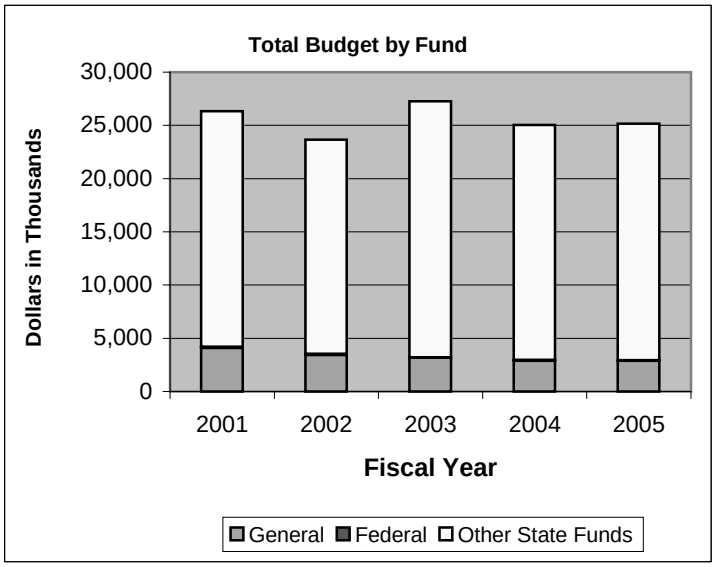
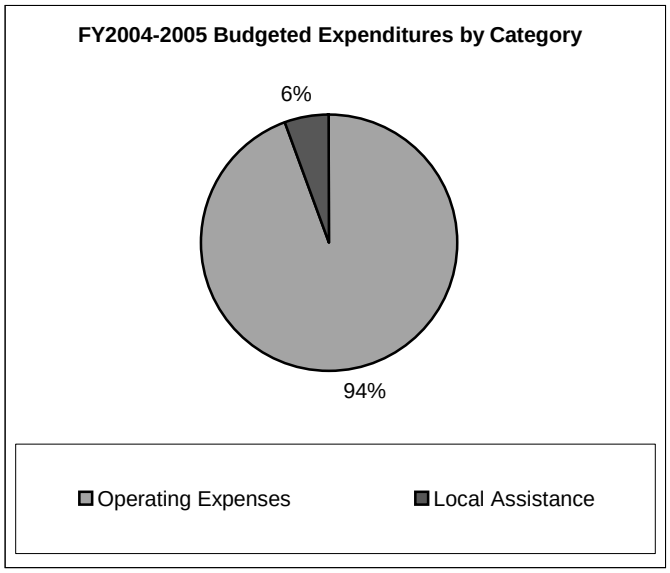




Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Expenditures by Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Direct Appropriations						
General	4,075	3,431	3,176	2,878	2,878	5,756
Minnesota Resources	97	485	425	0	0	0
Natural Resources	4,721	4,264	5,614	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**

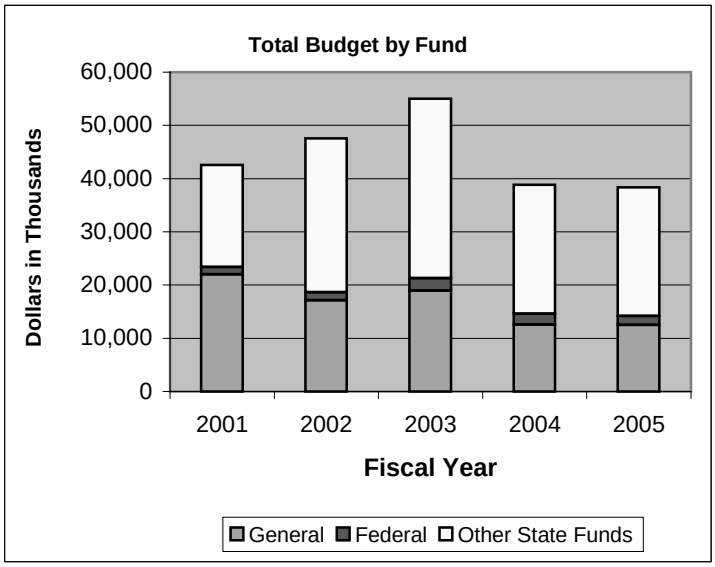
Dollars in Thousands	Actual	Actual	Preliminary	Governor's Rec		Biennium
Revenue by Type and Fund	**FY2001**	**FY2002**	**FY2003**	**FY2004**	**FY2005**	**2004-05**
Non Dedicated						
Natural Resources	122	84	108	108	108	216
Game And Fish (Operations)	545	246	262	262	262	524
Subtotal Non Dedicated	667	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**	

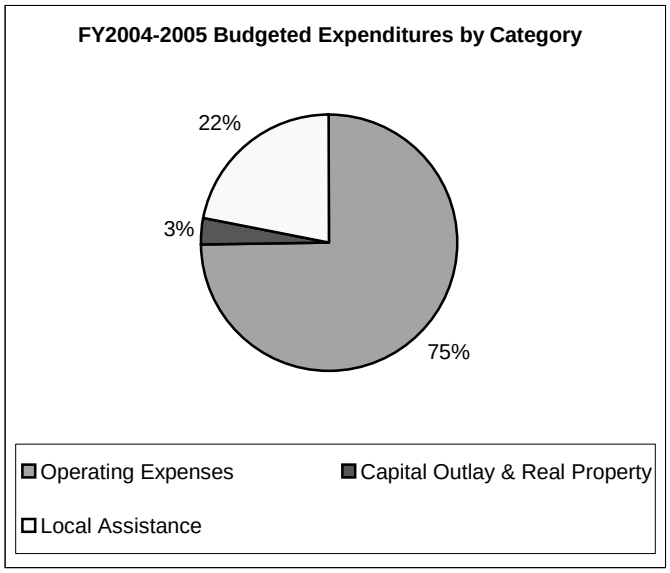
Program Description

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.

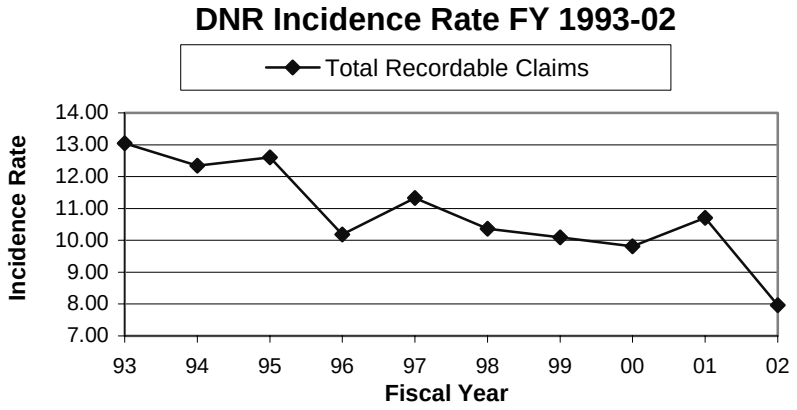
Historical Perspective

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.

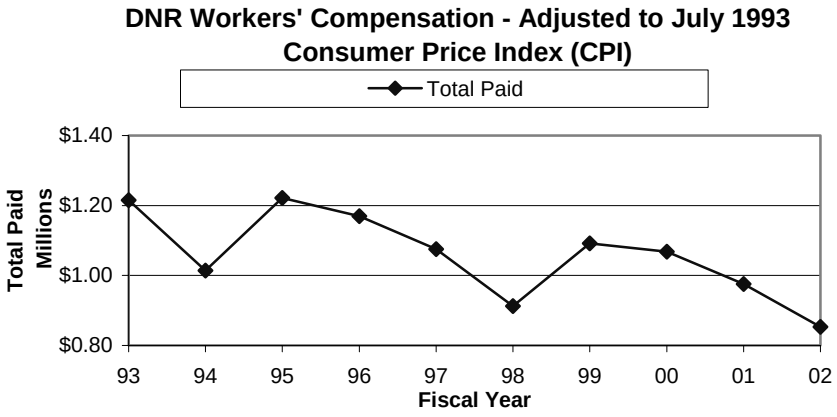
Key Measures

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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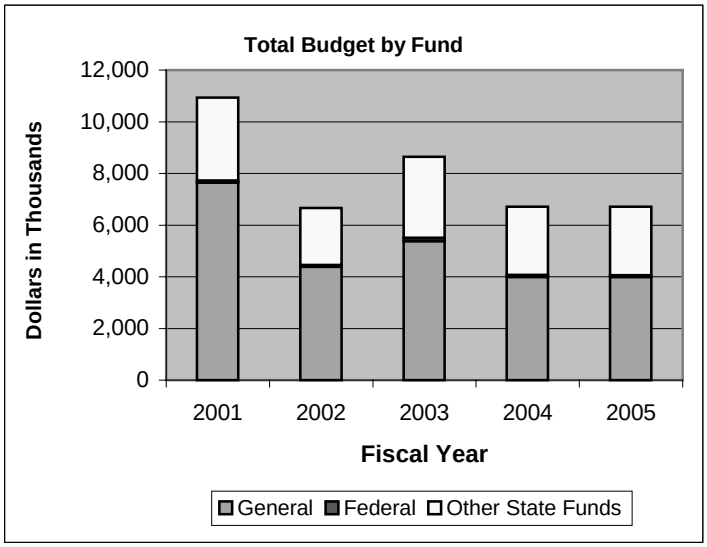
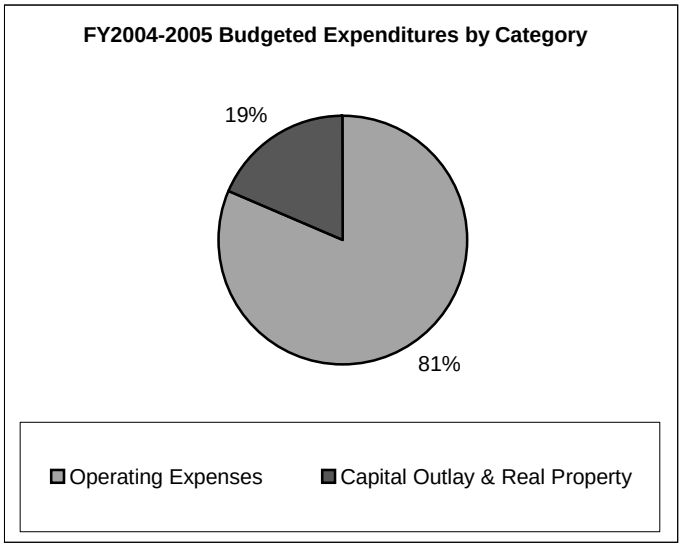
NATURAL RESOURCES DEPT
Program: OPERATIONS SUPPORT
Activity: FACILITIES & OPERATION SUPPORT

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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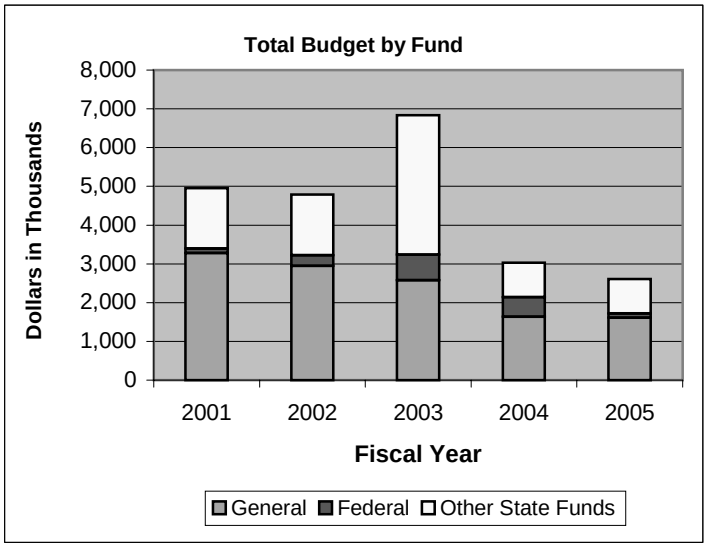
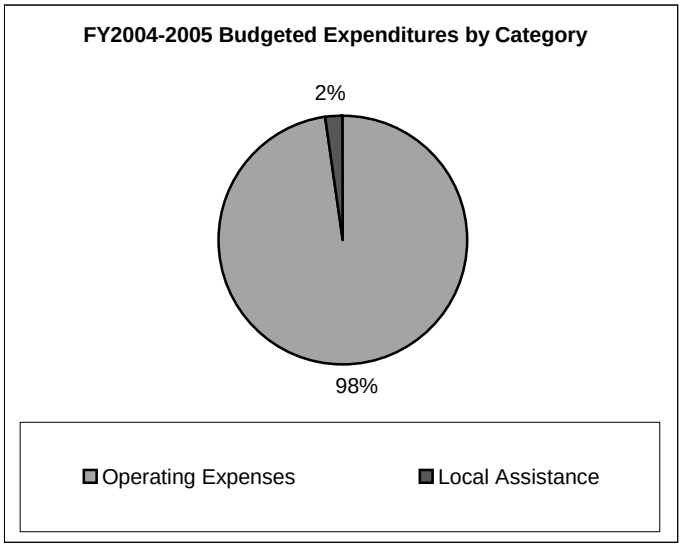
NATURAL RESOURCES DEPT
Program: OPERATIONS SUPPORT
Activity: REGIONAL OPERATIONS SUPPORT

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

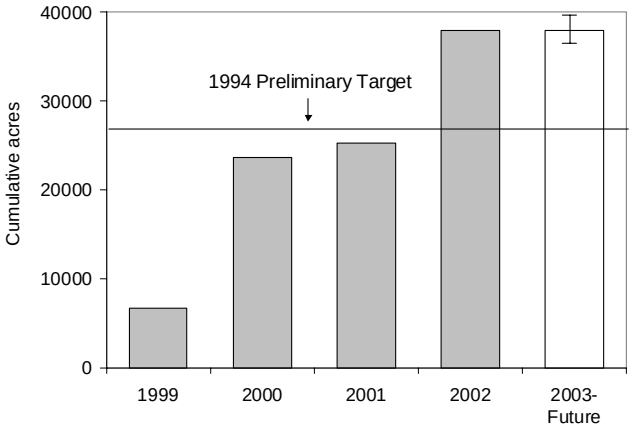
The use of computers has greatly changed the way the department's business is conducted and the way the public gains access to our services. In the late 1980s, fewer than 10% of DNR employees had access to e-mail; today all employees have access. In 1995, DNR established its first web site and today 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.

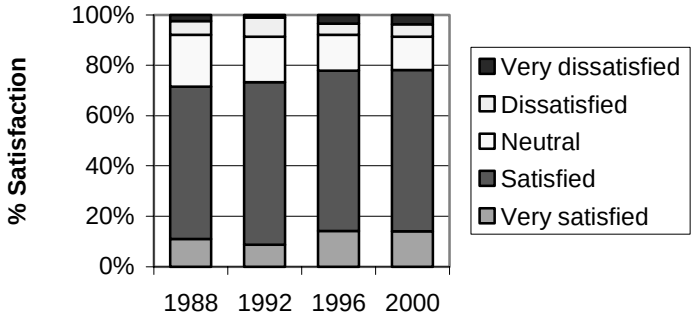
1. Protection of the highest quality old-growth forests on DNR-administered lands.



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)

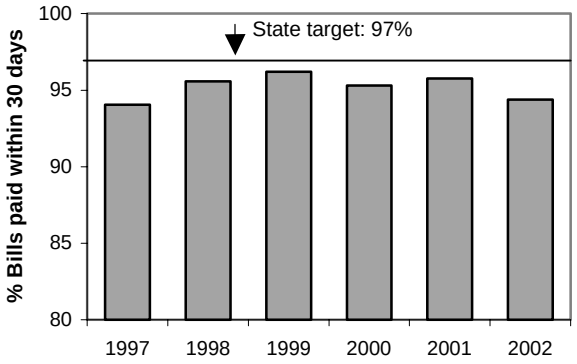
2. Hunter and angler satisfaction with licensing procedures.



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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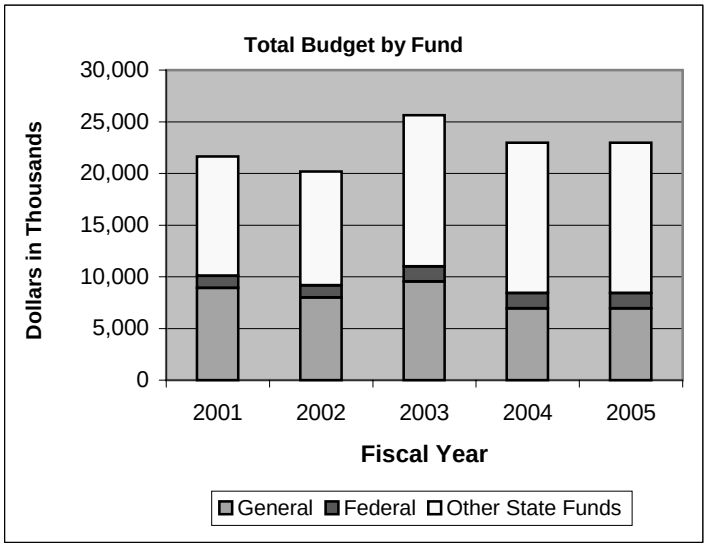
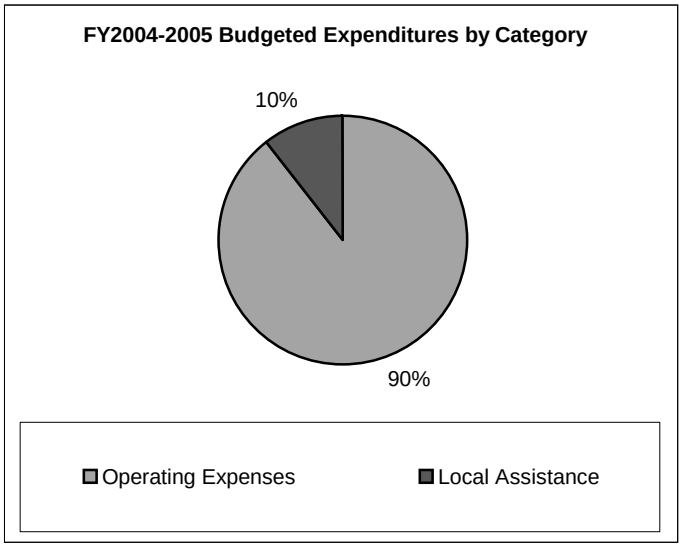
NATURAL RESOURCES DEPT
Program: OPERATIONS SUPPORT
Activity: ADMINISTRATIVE MANAGEMENT

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

Department of Natural Resources
500 Lafayette Road
St. Paul, Minnesota 55155

Wayne Sames, Program Supervisor
Peggy Adelmann, CFO
Office of Management and Budget
Phone: (651) 296-0565
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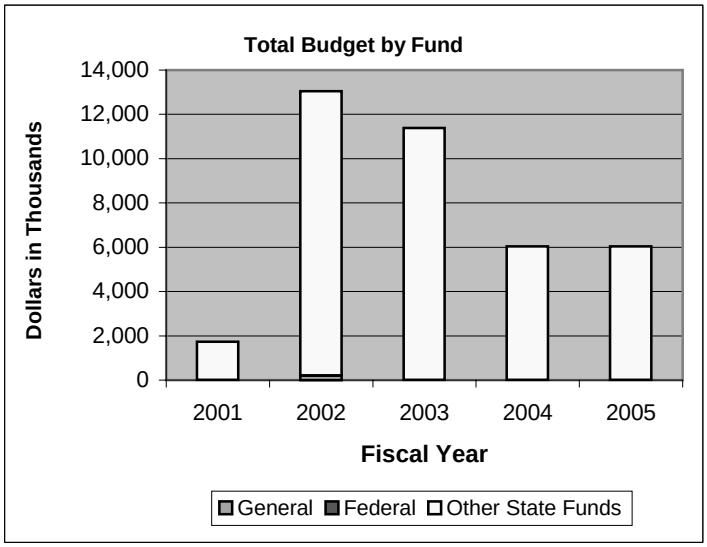
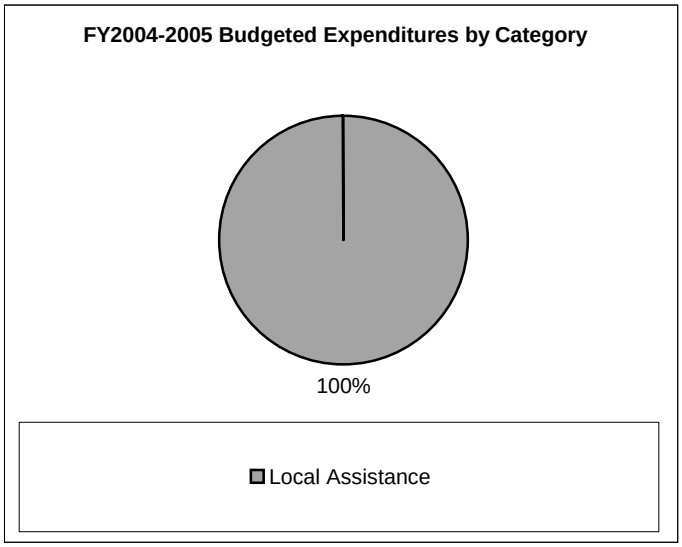
http://www.dnr.state.mn.us

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.

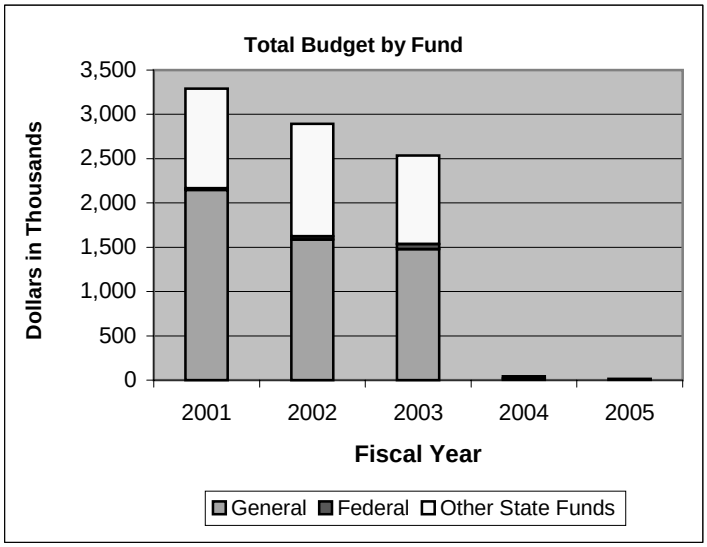
***Utilizing Volunteer of America's value estimation formula compared to MCC's actual total expenses (including all direct overhead and administrative costs) and hours worked.**

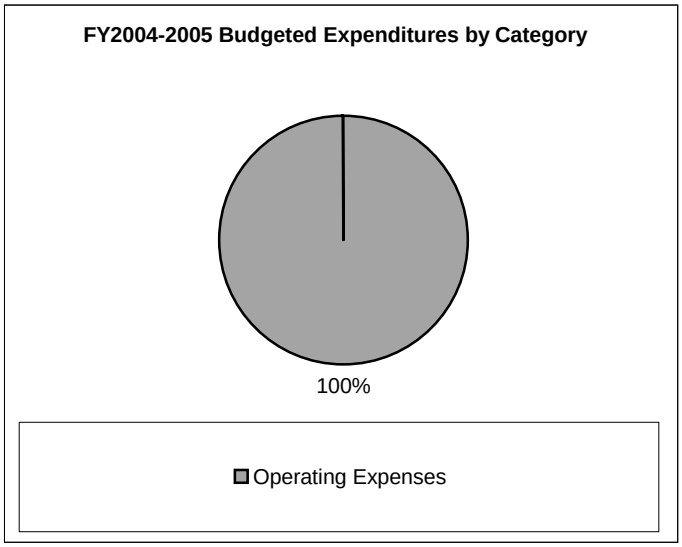
Activity Funding

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

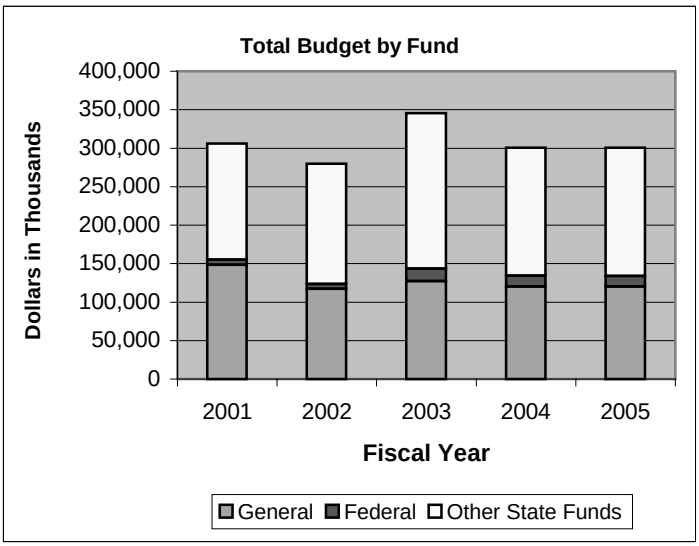
The **One Time Appropriations** to be excluded from base level funding include:
⇒ Reductions in other funds of ($62.012) million
- ($600,000) from the Natural Resources Fund for the Mississippi Whitewater Trail appropriation
- ($8.976) million from the Natural Resources Fund for appropriations associated 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

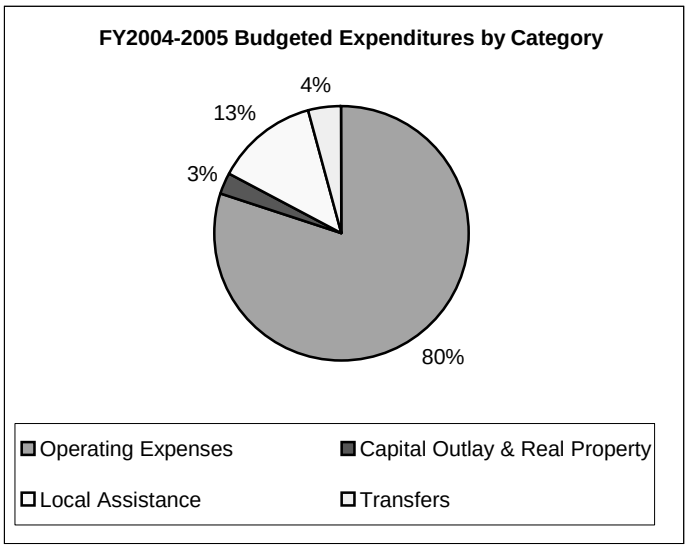
The **Open Appropriation Forecast** changes in base funding include:
⇒ General Fund increased funding of $4.001 million
- Increase of $1.058 million for payment in lieu of taxes (PILT)
- Increase of $444,000 for taconite mining grants
- Increase of $2.000 million for emergency fire fighting
- Increase 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.

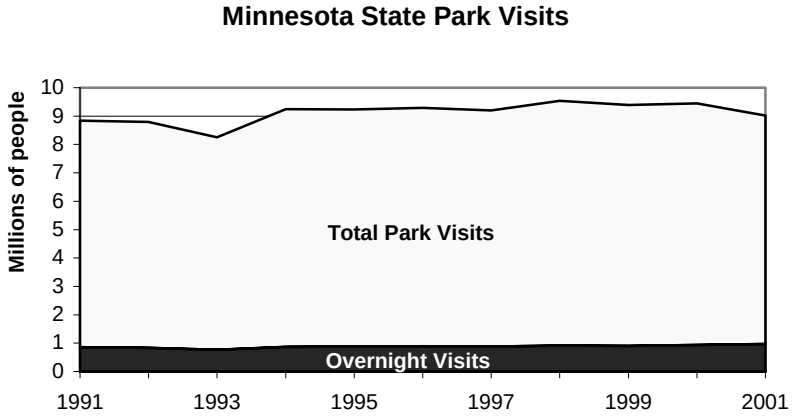
							7-1-03
Fee History	**1991**	**1992**		**1996**	**1997**	**Current**	**Proposed**
Semi-Modern Camping	$ 9.00	$ 10.00		$ 12.00	$ 12.00	**$ 12.00**	**$ 15.00**
Rustic Camping	$ 7.00	$ 8.00		$ 8.00	$ 8.00	**$ 8.00**	**$ 11.00**
Forest Campground	$ 6.00	$ 7.00		$ 7.00	$ 9.00	**$ 9.00**	**$ 11.00**

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.

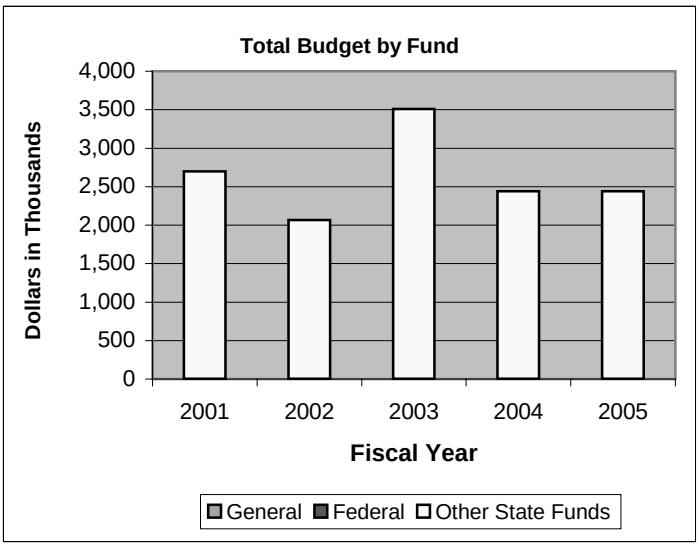
Sincerely,

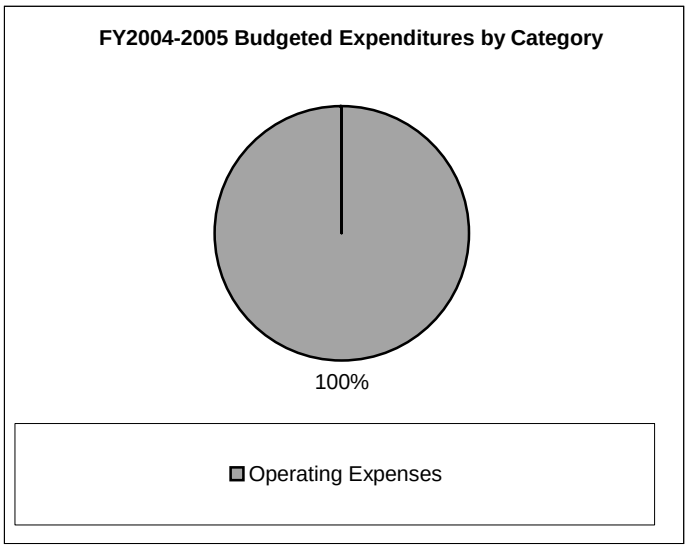
Dan McElroy
Commissioner

	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.

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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.

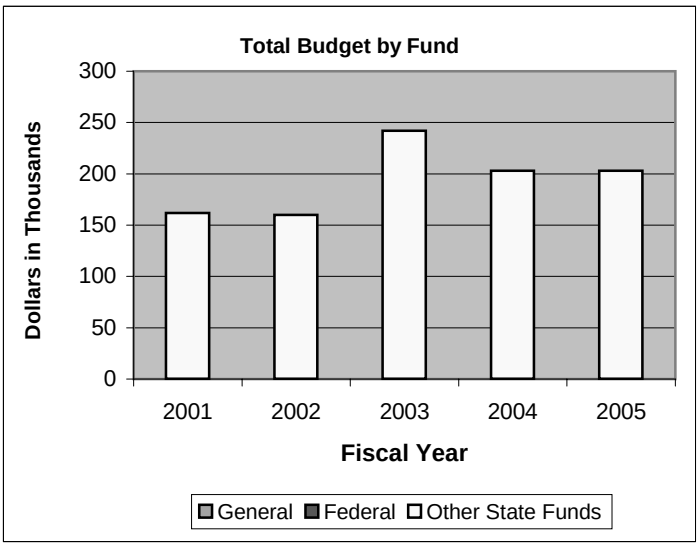
Sincerely,

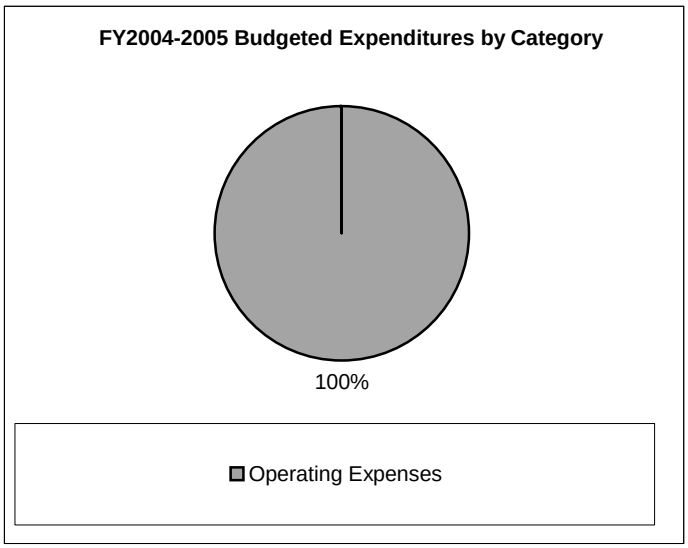
Dan McElroy
Commissioner

	FY 2004-05 Expenditures ($000s)		
	General Fund	Other Funds	Total
2003 Funding Level	0	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**	

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