



March 22, 2019

Rep. Melissa Hortman, Speaker of the House
267 State Office Building
St. Paul, MN 55155

Sen. Paul Gazelka, Senate Majority Leader
3113 Minnesota Senate Building
St. Paul, MN 55155

Rep. Kurt Daudt, House Minority Leader
463 State Office Building
St. Paul, MN 55155

Sen. Tom Bakk, Senate Minority Leader
2221 Minnesota Senate Building
St. Paul, MN 55155

RE: Governor's FY 2020-21 Revised Biennial Budget

Dear Senators and Representatives:

This letter officially transmits changes to Governor Walz's proposed FY 2020-21 budget that was originally released on February 19, 2019. The changes submitted today incorporate the impact of both the February forecast and enacted legislation this session along with adjustments to the Governor's FY 2020-21 budget plan.

FY 2020-21 General Fund Recommendations
(\$ in millions)

	Feb. Budget	March Budget	\$ Change
Beginning Balance	\$3,189	\$3,034	\$(155)
Forecast Revenues	48,327	47,941	(386)
<i>Recommended Tax Changes</i>	1,223	1,273	50
<i>Recommended Non-tax Changes</i>	43	189	146
Total Revenues	49,594	49,403	(191)
Forecast Expenditures	47,454	47,403	(51)
<i>Recommended Expenditure Changes</i>	2,018	1,949	(69)
Total Expenditures	49,471	49,352	(119)
Reserves	2,523	2,523	-
Ending Balance	\$789	\$562	\$(227)

The Governor's revised general fund recommendations are based on the February 2019 forecast that reduced available resources projected for the current biennium and the next. The budget adjustments reflect the reduced projected balance for FY 2020-21. The projected balance decreased from \$1.544 billion to \$1.052 billion due to changes in the underlying revenue and expenditure forecast.

After changes, the FY 2020-21 revised budget leaves an available balance of \$562 million. The Governor's recommendations also maintain a positive budgetary balance in the FY 2022-23 biennium.

Revisions to the Governor's budget can be found on the MMB website (<http://www.mn.gov/mmb>) including a revised general fund statement and other supporting documents.

Included with the Governor's budget documents are revisions to the Governor's budget recommendations for federal funds. A complete list of all federal funds is posted to <http://www.mn.gov/mmb>. This list includes changes that are subject to your review under Minnesota Statute 3.3005, Subdivision 2 and 2a. I will approve these federal fund requests for spending in 20 days unless an LAC member requests further review or provides a negative recommendation for a specific request in writing by Friday April 12, 2019.

Several attachments are included with this letter. The first shows the Governor's proposed recommended general fund revenues and expenditures compared to the February forecast for the FY 2020-21 biennium; the second displays the impact of the Governor's proposed budget on the FY 2022-23 planning estimates compared to the February forecast. An itemized list detailing changes to the Governor's budget by agency and bill area is also attached.

Individual agency staff, along with MMB executive budget officers, are prepared to answer any questions you may have on the recommendations.

Sincerely,



Myron Frans
Commissioner

cc: Senator Julie Rosen, Senate Finance Chair
Representative Lyndon Carlson, House Ways and Means Chair
Senator Richard Cohen
Representative Pat Garofalo
Eric Nauman, Senate Chief Fiscal Analyst
Bill Marx, House Chief Fiscal Analyst



FY 2020-21 General Fund Budget

March 2019 Governor's Recommendations vs February 2019 Forecast

(\$ in thousands)

	February FY 2020-21	Gov Rec FY 2020-21	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	3,037,242	3,034,138	-3,104
Current Resources:			
Tax Revenues	46,061,695	46,061,695	0
Non-Tax Revenues	1,510,714	1,510,714	0
Subtotal - Non-Dedicated Revenue	47,572,409	47,572,409	0
Transfers In	305,225	305,225	0
Prior Year Adjustments	63,542	63,542	0
Subtotal - Other Revenue	368,767	368,767	0
Budget Changes - Taxes	0	1,272,733	1,272,733
Budget Changes - Non-Taxes	0	188,963	188,963
Subtotal-Current Resources	47,941,176	49,402,872	1,461,696
Total Resources Available	50,978,418	52,437,010	1,458,592
<u>Actual & Estimated Spending</u>			
E-12 Education	19,552,783	20,270,694	717,911
Higher Education	3,255,828	3,420,511	164,683
Property Tax Aids & Credits	3,738,896	3,816,205	77,309
Health & Human Services	14,874,653	15,152,859	278,206
Public Safety & Judiciary	2,350,702	2,570,222	219,520
Transportation	247,455	315,731	68,276
Environment	324,229	356,787	32,558
Agriculture	122,252	129,832	7,580
Jobs, Economic Development, Housing & Commerce	385,457	580,649	195,192
State Government & Veterans	1,098,936	1,192,846	93,910
Debt Service	1,198,807	1,283,045	84,238
Capital Projects & Grants	272,970	274,890	1,920
Estimated Cancellations	-20,000	-12,500	7,500
Total Expenditures & Transfers	47,402,968	49,351,771	1,948,803
Balance Before Reserves	3,575,450	3,085,239	-490,211
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,074,733	2,074,733	0
Stadium Reserve	98,389	98,389	0
Budgetary Balance	1,052,328	562,117	-490,211



FY 2022-23 General Fund Budget

March 2019 Governor's Recommendations vs February 2019 Forecast

(\$ in thousands)

	February FY 2022-23	Gov Rec FY 2022-23	\$ Change
<u>Actual & Estimated Resources</u>			
Balance Forward From Prior Year	3,575,450	3,085,239	-490,211
Current Resources:			
Tax Revenues	48,579,024	48,579,024	0
Non-Tax Revenues	1,476,901	1,476,901	0
Subtotal - Non-Dedicated Revenue	50,055,925	50,055,925	0
Transfers In	61,460	61,460	0
Prior Year Adjustments	74,486	74,486	0
Subtotal - Other Revenue	135,946	135,946	0
Budget Changes - Taxes	0	1,474,548	1,474,548
Budget Changes - Non-Taxes	0	290,665	290,665
Subtotal-Current Resources	50,191,871	51,957,084	1,765,213
Total Resources Available	53,767,321	55,042,323	1,275,002
<u>Actual & Estimated Spending</u>			
E-12 Education	20,248,635	21,213,009	964,374
Higher Education	3,255,828	3,456,821	200,993
Property Tax Aids & Credits	3,944,094	4,100,512	156,418
Health & Human Services	16,679,761	16,997,618	317,857
Public Safety & Judiciary	2,350,637	2,587,197	236,560
Transportation	247,584	292,226	44,642
Environment	324,239	341,245	17,006
Agriculture	122,252	128,674	6,422
Jobs, Economic Development, Housing & Commerce	403,398	438,220	34,822
State Government & Veterans	1,093,571	1,173,379	79,808
Debt Service	1,260,371	1,404,348	143,977
Capital Projects & Grants	292,697	297,497	4,800
Estimated Cancellations	-20,000	-12,500	7,500
Total Expenditures & Transfers	50,203,067	52,418,246	2,215,179
Balance Before Reserves	3,564,254	2,624,077	-940,177
Cash Flow Account	350,000	350,000	0
Budget Reserve	2,074,733	2,074,733	0
Stadium Reserve	193,170	193,170	0
Budgetary Balance	946,351	6,174	-940,177

Governor's Revised Budget

Changes to Original General Fund Recommendations

		FY 2019	FY 2020-21	FY 2022-23
Original Budget Bottom Line		714,696	788,549	519,760
Original Budget Bottom Line after February Forecast, Repricing and Passage of Two Bills		560,145	260,937	(527,850)
Cuts to Original Budget		0	(97,673)	(136,628)
Agriculture Bill Area		0	(1,283)	(300)
Agriculture	Meat Inspection Program	0	(200)	(200)
Agriculture	Agricultural Trade and Marketing	0	(100)	(100)
Agriculture	Capital Equipment Replacement	0	(983)	0
State Government Bill Area		0	(18,433)	(10,606)
Administration	Building Efficiency Revolving Loan Fund	0	(5,000)	0
Attorney General	Maintain and Stabilize Experienced Attorney Staff	0	(450)	(600)
Attorney General	Continued IT Litigation Support Modernization	0	(352)	(358)
Attorney General	Enhanced Criminal Enforcement – Assist. to Rural Counties and	0	(598)	(680)
Governor's Office	Office of Public Engagement	0	(700)	(700)
Historical Society	Museum Professionals Development Program	0	(375)	(450)
Human Rights	MDHR Transformational Budget -- A Path to One Minnesota	0	(982)	(1,052)
MMB	State Workforce Investment	0	(4,915)	(4,634)
MN.IT	Securing the State	0	(3,649)	(1,774)
Revenue	Minnesota's Response to the 2017 Federal Tax Changes	0	(1,000)	0
Secretary of State	2018 HAVA Election Security Funds State Match	0	(57)	0
Secretary of State	Civic Engagement and Youth Outreach	0	(200)	(200)
State Auditor	Refill Staff Support Positions	0	(155)	(158)
Economic Development Bill Area		0	(5,751)	(1,751)
Commerce	Senior Financial Fraud Prevention	0	(500)	0
DEED	Minnesota Innovation Collaborative	0	(4,000)	0
Labor and Industry	DLI IT Systems Modernization	0	(700)	(1,725)
BMS	Mediator Training Program	0	(26)	(26)
PUC	Litigation Expenses	0	(525)	0
Environment Bill Area		0	(5,864)	(2,980)
Tourism	Community Event Grant Program	0	(2,000)	0
DNR	Protecting DNR Applications	0	0	(980)
DNR	Address State Trail Maintenance Funding Shortfall	0	(2,000)	(2,000)
PCA	Environmental Impact Statement for Karst Groundwater Contaminants	0	(1,357)	0
Zoo	Guest Mobility	0	(507)	0
Public Safety and Judiciary Bill Area		0	(12,980)	(15,818)
Corrections	Pre-trial Assessment and Supervision	0	(3,000)	(4,000)
Corrections	Intensive Supervised Release (ISR)	0	(2,100)	(2,800)
Corrections	Integrated Case Management (ICM)	0	(1,152)	(2,048)
Corrections	Victim Notification and Juvenile Correctional Management Systems	0	(1,150)	0
Court of Appeals	Maintain Core Justice Operations	0	(146)	(196)
District Courts	Maintain Core Justice Operations	0	(3,399)	(4,570)
Public Safety	Technology Cost Increases	0	(1,534)	(1,534)
Supreme Court	Maintain Core Justice Operations	0	(499)	(670)
E-12 Education Bill Area		0	(14,962)	(16,099)
Education	Grants to Support Students Experiencing Homelessness	0	(1,000)	(1,000)
Education	Regional Centers Expansion	0	(5,000)	(6,000)
Education	School Safety Revenue	0	(8,960)	(9,097)
PELSB	Maintain Funding Structure in FY20	0	(2)	(2)
Higher Education Bill Area		0	(17,901)	(17,901)
OHE	Minnesota State Grants	0	(11,091)	(11,091)
OHE	Dual Training Grant Program	0	(2,000)	(2,000)
OHE	MN Reconnect	0	(4,000)	(4,000)
OHE	Base Reduction for Student Employer Connection	0	(810)	(810)

		FY 2019	FY 2020-21	FY 2022-23
HHS Bill Area		0	(11,393)	(62,067)
Health	Statewide Tobacco Cessation Quitline	0	(195)	0
Health	Comprehensive Suicide Prevention	0	(398)	(398)
Health	Operating Adjustment	0	(288)	(300)
Health	Family Planning Special Projects	0	(1,000)	(1,000)
Health	Reduce Positive Alternatives	0	(1,700)	(1,700)
DHS	Child Care Assistance Program Maximum Rates-Update Maximum	0	0	(46,270)
DHS	Fraud Prevention Investigations Expansion	0	(1,191)	(1,360)
DHS	Children's Intensive Services Reform	0	(2,439)	(3,852)
DHS	Minnesota Sex Offender Program Funding	0	(2,274)	(2,498)
DHS	Increase Bed Capacity within DCT's Minnesota Specialty Health Services	0	(1,319)	(2,684)
DHS	Child Care Assistance Program Basic Sliding Fee Waiting List	0	(589)	(2,005)
Transportation Bill Area		0	(9,106)	(9,106)
Met Council	Reduce Base for Rail Services	0	(8,770)	(8,770)
DOT	State Airplane Replacement	0	(174)	(174)
DOT	Rail Services Base Reduction	0	(162)	(162)
Move to Other Funding Sources		(165)	(33,756)	(79,138)
Commerce	Utility Grid Reliability and Assessment Extension	0	(1,000)	(1,000)
DEED	Closing the Opportunity Gap	0	(12,450)	0
DHS	Federal Compliance with Outpatient Pharmacy Rule	(165)	(4,215)	(4,857)
DHS	Substance Use Disorder Waiver	0	(16,091)	(73,281)
New Investments		500	36,771	44,953
Council For MN's of African Heritage	Expand Operations	0	300	300
BMS	Public Employee Relations Board Operations	0	870	870
PUC	Enhancing the Commission's Decision making Capability	0	600	600
DNR	Legal Costs Appropriation Extension	500	0	0
MN State	Campus Investments	0	13,194	17,724
U of MN	Support the U of MN: Improving Lives Through Discovery and	0	11,856	15,925
Tax Aids and Credits	Modifications of Sales Tax Exemptions and Updates for Wayfair	0	0	470
Tax Aids and Credits	School Safety Levy	0	10	40
DHS	Child Care Assistance Program Integrity	0	0	194
DHS	Tribal Child Welfare Initiative Expansion	0	6,400	6,400
DHS	Child Care Assistance Program - Provider Registration and Oversight	0	153	0
DHS	Strengthening Oversight of the Child Care Assistance Program	0	2,094	2,422
DHS	Rebasing Inpatient Hospital Payment Rates	0	26	8
DHS	Community Competency Restoration Taskforce	0	200	0
Public Safety	MNLARS Vehicle and Driver Systems Development	0	1,068	0
Revenue Changes		0	206,856	62,032
Taxes		0	64,530	61,930
Taxes	Make Local Government Sales Tax Exemption one-time	0	0	58,940
Taxes	Close Corporate Loopholes	0	15,830	29,200
Taxes	Change Section 179 Expensing Proposal	0	48,700	(26,200)
Taxes	Tax Interactions with Other Changes	0	0	(10)
Non-Taxes		0	142,326	102
Non-Taxes	Return Unspent Reinsurance Funds	0	142,000	0
PUC	Enhancing the Commission's Decision making Capability	0	600	600
DHS	MSOP - DHS - MN Sex Offender program		(274)	(498)
Total Spending Changes		335	(94,658)	(170,813)
Total Revenue Changes		0	206,856	62,032
Revised Budgetary Balance		559,810	562,116	6,174