2014 LEGISLATIVE SESSION SUMMARY

At the beginning of the 2014 legislative session, Minnesota Management and Budget’s (MMB) February Economic and Budget Forecast projected a FY 2014-15 biennial budget balance of $1.2 billion. Legislative budget actions during the 2014 session included supplemental spending, capital projects, tax law changes, and an increase to the state’s budget reserve. As a result of these actions, the FY 2014-15 projected budgetary balance is now $32 million. These changes also impact the next budget period, leaving a projected balance of $603 million for the 2016-17 biennium.

### 2014 Session Changes

**Total: $1.2 billion**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget Reserve</td>
<td>$150,000</td>
</tr>
<tr>
<td>Supplemental Changes (net, incl. spending and revenue)</td>
<td>$356,337</td>
</tr>
<tr>
<td>Capital Projects</td>
<td>$198,748</td>
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<tr>
<td>State Tax Changes</td>
<td>$495,812</td>
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</tbody>
</table>

**Taxes.** Current biennium change is a decrease of $496 million; FY 2016-17 change is a decrease of $996 million.
- **Sales taxes:** Repealed “business to business” sales taxes enacted during the 2013 legislative session, expanded the sales tax exemption for local government purchases, and reduced June accelerated sales tax payment requirements. Total sales tax law changes will reduce tax receipts by $209 million in the 2014-15 biennium and a $536 million in the 2016-17 biennium.
- **Federal Conformity:** Conformed to federal tax law changes for multiple income and corporate tax provisions including the standard deduction for married filers. As a result, total individual and corporate income tax receipts are expected to be $238 million lower in FY 2014-15 and $315 million lower in FY 2016-17.
- **Gift & Estate Taxes:** Repealed the gift tax an increased the estate tax exemption and phased in reduced rates. This change reduces revenue by $42.7 million in FY 2014-15 and by $144.3 million in FY 2016-17.

**Local Aids & Credits/Property Tax Relief.** Current biennium change is $47 million; FY 2016-17 change is $88 million.
- **Property Tax Refunds:** Increased property tax refund payments by 3 percent for homeowners and 5 percent for renters on a one time basis at a cost of $24.6 million in FY 2015.
- **Local Aids:** Increased the agricultural market value credit with an impact of $16.9 million in FY 14-15 and $29.9 million in FY 2016-17 and added a new county aid program for aquatic invasive species prevention with a cost of $4.5 million in FY 2014-15 and $20 million in FY 2016-17.

**K-12 & Higher Education.** Current biennium general fund spending change is $81 million; FY 2016-17 is $195 million.
- **General Education Funding:** Increased funding for general education by $25.5 million in FY 2015, and $98.4 million in FY 2016-17. An additional $25 per pupil was added to the basic formula. Services for English language learners are extended from five years to six.
- **Local Option Revenue:** All school districts are eligible for the maximum amount of local optional revenue beginning in FY 2016. All school districts can receive a local optional revenue allowance of up to $424 per pupil, which boosts general education funding.
- **Teacher Evaluation:** School districts that do not participate in the Q Comp alternative compensation program will receive $10 million to offset costs associated with teacher evaluation.
**MnSCU Compensation:** Minnesota State Colleges and Universities received ongoing funding of $17 million beginning in FY 2015 in order to fund faculty and staff compensation.

**Health & Human Services.** Current biennium general fund spending change is $109 million; FY 2016-17 is $655 million.
- **Provider Rates:** Increased home and community-based service (HCBS) provider rates by 5% totaling $80.4 million in FY 2014-15 and $192.7 million in FY 2016-17. This rate adjustment is aimed at increasing worker compensation and quality of care.
- **Direct Care Staff Support:** Increased funding by $17.4 million in the current biennium and $22.2 million in FY 2016-17 for DHS’s State Operated Services and the Minnesota Sex Offender Program. These additional funds will pay for rising staff costs, and court ordered compliance and evaluation activities, and stabilize the Community Addiction and Recovery Enterprise (CARE) program.
- **Health Care Access Fund:** Reduced projected deficits in the Health Care Access Fund by restoring $404 million in Medical Assistance costs to the General Fund in FY 2016-2017.

**Transportation & Public Safety.** Current biennium general fund spending change is $51 million; FY 2016-17 is $45 million.
- **Public Safety Staffing and Housing:** Added $19 million to maintain critical staffing for prisons and community supervision and $11.1 million for housing an unforeseen increase in prison inmates.
- **Rail and Pipeline Safety:** New laws will improve state and local resources to respond to accidents. After an initial $4.3 million from the general fund, this effort will be funded by the rail and pipeline companies.
- **Road Repair:** Some of the damage to state roads and bridges caused by the extreme weather this past winter will be repaired with $43 million in one-time funding from the trunk highway fund.
- **Transportation Improvements:** The “Corridors of Commerce” program received $31.5 million in funds to improve capacity on current bottlenecks across the state.

**Environment & Agriculture.** Current biennium general fund spending change is $7 million; FY 2016-17 is $2 million.
- **Grants:** Added $4 million for grants to counties for recycling and waste reduction programs, and $2 million for a grant to purchase surplus fruit and vegetable crops for placement in food shelves.

**Economic Development, Jobs, Commerce, & Housing.** Current biennium general fund spending change is $55 million; FY 2016-17 is $8 million.
- **Broadband:** Created a broadband fund with $20 million for grants to fund acquisition and installation of infrastructure supporting high-speed service.
- **Heating Assistance:** Provided $20 million in state funding to supplement the Low-Income Home Energy Assistance (LIHEAP) program.
- **Transfers:** Recognized a $10.5 million transfer to the general fund from excess surplus in the assigned risk plan, and additional contingent transfers to the 21st century minerals fund and workers’ compensation program.

**State Government & Pensions.** Current biennium general fund spending change is $19 million; FY 2016-17 is $44 million.
- **Budget Reserve:** Increased state budget reserve by $150 million to $811 million and dedicate a portion of future forecast budget balances to the reserve.
- **Pensions:** A new direct aid of $14 million annually beginning in FY 2015 to fund the merger of the Duluth Teacher’s Retirement plan with the statewide Teacher’s Retirement Association. Also extended the annual $7 million state aid to the St. Paul Teacher’s Retirement Fund to be paid until the fund is fully funded on an actuary basis; this aid was scheduled to expire after FY 2015.

**Capital Budget:** Current biennium general fund spending change is $199 million; FY 2016-17 is $13 million.
- **Capital Projects:** Approximately 87 percent of these funds were appropriated for projects in three main policy areas: Economic Development, Environment and Natural Resources, and Transportation.
- **For more detail:** Additional information on the capital budget can be found in the 2014 Capital Budget Summary.