

Governor's 2014 Supplemental Budget Recommendations

All Funds by Omnibus Bill and Agency

(Dollars in Thousands)

		2014	2015	2016	2017
<u>Tax Policy</u>					
Tax Policy					
Middle Class Tax Cuts (Federal Conformity)					
The Governor recommends middle class income tax cuts for over 1 million Minnesotans, including seniors, farmers, teachers, veterans, working families, and small businesses. This proposal includes conformity to federal tax laws including: marriage penalty relief; working family credit; child and dependent care credit; employer paid transit, education, and adoption assistance; phase-out of itemized deductions, and other provisions with a small state budget impact.					
General	Revenue	(\$56,725)	(\$244,470)	(\$214,705)	(\$224,885)
Reducing Taxes For Minnesota Businesses (B2B)					
The Governor recommends eliminating the sales tax on commercial repair and maintenance services, the sales tax on warehousing and storage services and the sales tax on telecommunications equipment. The effective date for the repeal of these taxes is April 1, 2014.					
General	Revenue	(\$31,400)	(\$200,300)	(\$216,300)	(\$233,000)
Arts & Cultural Heritage Fund	Revenue	(\$386)	(\$2,291)	(\$2,469)	(\$2,666)
Clean Water Fund	Revenue	(\$561)	(\$3,828)	(\$4,125)	(\$4,455)
Outdoor Heritage Fund	Revenue	(\$561)	(\$3,828)	(\$4,125)	(\$4,455)
Parks And Trails Fund	Revenue	(\$242)	(\$1,653)	(\$1,781)	(\$1,924)
Eliminating Gift Tax					
The Governor recommends retroactive elimination of the gift tax, starting with gifts made after June 30, 2013.					
General	Revenue	(\$5,600)	(\$12,100)	(\$14,500)	(\$18,200)

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Tax Policy					
Simplifying Estate Tax					
The Governor recommends simplification of the estate tax by gradually and uniformly raising the exemption amount from \$1 million to \$2 million over a five year period. This proposal also creates graduated rates that are not tied to pre-2001 federal law, which removes the "bubble" rate of 41 percent on taxable estate values between \$1 million and \$1.093 million.					
General	Revenue	\$0	(\$25,000)	(\$47,800)	(\$63,800)
Reducing Taxes for Local Governments					
The Governor recommends providing a sales tax exemption for joint powers, special districts, and instrumentalities. The current sales tax exemption for cities and counties added in the 2013 legislative session included cities, counties or townships and did not include these local government entities.					
General	Revenue	\$0	(\$24,700)	(\$27,400)	(\$27,800)
Arts & Cultural Heritage Fund	Revenue	\$0	(\$277)	(\$316)	(\$632)
Clean Water Fund	Revenue	\$0	(\$462)	(\$528)	(\$1,056)
Outdoor Heritage Fund	Revenue	\$0	(\$462)	(\$528)	(\$1,056)
Parks And Trails Fund	Revenue	\$0	(\$200)	(\$228)	(\$456)
Increase Threshold for Non-Profit Fundraising					
The Governor recommends an increase to the dollar threshold for certain non-profits on fundraising sales from \$10,000 to \$20,000. Under this proposal, sales tax applies only to the amount over the threshold.					
General	Revenue	\$0	(\$170)	(\$170)	(\$170)
Arts & Cultural Heritage Fund	Revenue	\$0	(\$2)	(\$2)	(\$2)
Clean Water Fund	Revenue	\$0	(\$3)	(\$3)	(\$3)
Outdoor Heritage Fund	Revenue	\$0	(\$3)	(\$3)	(\$3)
Parks And Trails Fund	Revenue	\$0	(\$1)	(\$1)	(\$1)

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Tax Policy					
Exempt Production Components from Property Tax and Provide Transition Aid					
<p>The Governor recommends exempting from property tax components primarily used in the production process at facilities for biofuels, alcoholic beverages, and dairy products. This proposal also provides transition aid to the estimated 3 local units of government who would experience a 5% reduction of tax base (or greater) due to this law change. This proposal is a response to the Report and Study on Business Production Report.</p>					
General	Expenditure	\$0	\$0	\$0	\$160
General	Revenue	\$0	\$0	\$0	\$0

Totals For: Tax Policy

General	Revenue	(\$93,725)	(\$506,740)	(\$520,875)	(\$567,855)
General	Expenditure	\$0	\$0	\$0	\$160
Arts & Cultural Heritage Fund	Revenue	(\$386)	(\$2,570)	(\$2,787)	(\$3,300)
Clean Water Fund	Revenue	(\$561)	(\$4,293)	(\$4,656)	(\$5,514)
Outdoor Heritage Fund	Revenue	(\$561)	(\$4,293)	(\$4,656)	(\$5,514)
Parks And Trails Fund	Revenue	(\$242)	(\$1,854)	(\$2,010)	(\$2,381)

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<u>Education Bill Area</u>					
Education					
Fully Fund Reduced Price Lunch					
<p>The Governor recommends fully funding the cost of the reduced price school lunch program with state aid. Nearly 9 million reduced price lunches are served each year in Minnesota schools. This recommendation would allow all students currently participating in the reduced price lunch program to receive lunch for free. On a per meal basis, this increases the reimbursement to school districts for reduced price school lunches by \$0.40, which is the cost of a student's reduced price fee.</p>					
General	Expenditure	\$0	\$3,519	\$3,590	\$3,662
PSEO Formula Correction					
<p>The Governor recommends a correction to the Post Secondary Enrollment Options (PSEO) funding formula, which was inadvertently not updated to reflect the change in pupil unit weights during the 2013 legislative session. The 2013 omnibus Education bill established a new pupil weighting system. The secondary pupil unit weight was reduced from 1.3 to 1.2, however, the PSEO formula calculation in law relies on the previous higher weight. Correcting this error will result in savings to the general fund.</p>					
General	Expenditure	\$0	(\$2,694)	(\$2,705)	(\$2,739)
Clarify Funding Legislation Enacted in 2013					
<p>The Governor recommends clarifying language to resolve problems with the implementation of the 2013 omnibus Tax and Education bills. A number of provisions in the bills are unclear, appear to conflict with legislative intent, or would result in non-sensical formula calculations. Although some issues were temporarily resolved by letters to and from committee chairs and the department, changes in law are needed to conform with current interpretation. Without corrections and clarifications, calculations relating to a number of education funding formulas such as declining enrollment, location equity, referendum aid, transition aid, alternative compensation, achievement and integration, and special education aid will cost the general fund \$32 million in FY2014-15 and \$36.5 million in FY16-17.</p>					
General	Expenditure	\$0	\$0	\$0	\$0

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Education					
Interstate Compact on Educational Opportunity for Military Children					
<p>The Governor recommends that Minnesota enter the Interstate Compact on Educational Opportunities for Military Families. The purpose of the compact is to remove barriers to educational success imposed on children of military families because of frequent moves and deployment of their parents. Minnesota is one of only four states in the US that are not members of the compact. The Governor recommends the annual dues of \$2 thousand be paid from the existing Minnesota Department of Education operating budget.</p>					
General	Expenditure	\$0	\$0	\$0	\$0

Adult Basic Education Changes

The Governor recommends changes to the formula for Adult Basic Education (ABE). First, the recommendation would raise the cap on the percentage of total supplemental services aid in the ABE program. Supplemental services aid is used to fund professional development and volunteer services grants, and this recommendation would allow funding to continue at current levels. The recommendation would involve changing the cap reference in the ABE statute from 20% of total supplemental services aid to 40%. This change would permit supplemental service grants to a single organization of up to 40% of total supplemental services aid, rather than 20%. Second, this recommendation would align the Adult Basic Education (ABE) formula with current US Census data. The current ABE formula relies on data that is no longer collected by the US Census Bureau. Finally, this recommendation would change the set-aside for supplemental service grants for Adult Basic Education (ABE) from 2% to 3% of the appropriation.

General	Expenditure	\$0	\$0	\$0	\$0
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State Academies					
Operating Increase					
<p>The Governor recommends a \$300,000 increase to the base appropriation for the Minnesota State Academies in FY2015. In recent years funding for the Academies has not kept pace with increases in the general education funding formula even though cost pressures at the Academies are similar to districts.</p>					
General	Expenditure	\$0	\$300	\$300	\$300

Special Education Aid for One on One Licensed, Certified, Professionals

The Governor recommends a change in statute to allow the Minnesota State Academies to bill resident districts for partial reimbursement for one on one licensed and or certified professionals (for example: tactile interpreters for blind and deaf students, nurses for students with intensive medical needs). One on one professional support is required to meet some students' Individualized Education Plans (IEPs). Currently the cost for these professionals is absorbed by the Academies general fund appropriation. These costs are difficult to plan for and can be significant. By adjusting the Academies statute these costs will be covered through Special Education billing.

Restricted Misc Special Rev	Expenditure	\$0	\$202	\$397	\$397
Restricted Misc Special Rev	Revenue	\$0	\$202	\$397	\$397

Totals For: Education Bill Area

General	Expenditure	\$0	\$1,125	\$1,185	\$1,223
Restricted Misc Special Rev	Revenue	\$0	\$202	\$397	\$397
Restricted Misc Special Rev	Expenditure	\$0	\$202	\$397	\$397

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<u>Higher Education</u>					
Higher Education, Office of					
Increase Tuition Maximums and Living/Miscellaneous Expense Allowance in the MN State Grant Program					
<p>The Governor recommends permanently increasing the living and miscellaneous expense (LME) allowance and tuition fee maximums in the Minnesota State Grant Program. This would increase the LME allowance for all students from \$7,900 to \$8,300 and the tuition fee maximum from \$13,000 to \$13,620, matching tuition at the states most expensive public four-year institution. These changes can be accommodated using the projected balance in the State Grant Fund in FY 2015 with no additional appropriation.</p>					
General	Revenue	\$0	\$0	\$0	\$0
Repeal of Rules for Postsecondary Child Care Grant Maximum Award Chart					
<p>The Governor recommends repealing the maximum award language for the Postsecondary Child Care Grant program to allow the Office of Higher Education greater flexibility in adjusting grant requirements to fully utilize the appropriation within a biennium. With this flexibility, the Office of Higher Education plans to increase the income cap from 130% of current federal poverty guidelines to 185%, which aligns with reduced price lunch eligibility in K-12 schools. This will increase the pool of eligible students and increase the number of childcare grants provided.</p>					
General	Expenditure	\$0	\$0	\$0	\$0
University Of Minnesota					
Operating Increase					
<p>The Governor recommends increasing the University of Minnesota Operations and Maintenance appropriation by \$5 million dollars in fiscal year 2015 only to allow the University to address immediate and critical financial challenges. The Governor recommends that these funds be directed to the Duluth campus to preserve strong academic programs and student service levels.</p>					
General	Expenditure	\$0	\$5,000	\$0	\$0

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State Colleges and Universities					
Operating Increase					
<p>The Governor recommends a \$17 million increase in base funding for the Minnesota State Colleges and Universities beginning in FY 2015. Tuition rates are currently frozen for MnSCU students through the 2014-15 academic year. This has limited the ability of MnSCU to fund compensation for faculty at a level commensurate with other state contracts. These funds will help MnSCU meet compensation needs in order to retain high quality faculty and staff. The Governor also recommends providing MnSCU with increased flexibility for the use of these funds by eliminating restrictive language in law.</p>					
General	Expenditure	\$0	\$17,000	\$17,000	\$17,000
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Totals For: Higher Education					
General	Revenue	\$0	\$0	\$0	\$0
General	Expenditure	\$0	\$22,000	\$17,000	\$17,000

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<u>Health and Human Services</u>					
Human Services					
Coordination of Benefits Registry					
<p>The Governor recommends gaining access to a national registry of health insurance coverage. This access will enable the state's public health care programs to recover payments for services covered by third party insurance policies, and to avoid making such payments in the future. The state already has a similar process for services covered by Minnesota based insurance policies. Under this proposal, the agency will gain access to coverage information for insurers based in other states.</p>					
General	Expenditure	\$0	\$81	\$148	\$148
General	Revenue	\$0	\$175	\$350	\$357
Health Care Payment Modernization					
<p>The Governor recommends upgrading the agency's payment system for medical services to ensure providers can continue to be paid when a federally-required change in diagnosis and procedure coding takes effect in October 2014. This upgrade will also update the rates paid for fee-for-service inpatient hospital services to better reflect the current patient population and to account for developments that have occurred since the last update in 2007, including changes in treatment patterns and technology.</p>					
General	Expenditure	\$0	\$0	\$0	\$0
HCBS 4% Rate Increase for Providers, with Quality Component					
<p>The Governor recommends a four percent increase for home and community-based service (HCBS) providers effective July 1, 2014 aimed at increasing worker compensation and quality of care. To maintain 1 percent of the increase, providers must submit a quality improvement plan. This proposal also instructs providers to use 75 percent of the increase for worker compensation and benefits.</p>					
General	Expenditure	\$0	\$64,322	\$74,698	\$79,529

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Human Services					
HCBS PIPP & Quality Add-On Correction					
<p>The Governor recommends making additional home care providers, including personal care attendants, eligible for quality improvement programs enacted in the 2013 legislative session. The proposal clarifies that the department will determine the quality add-on rate increases by July 1, 2015 and limits the total increase to the equivalent of a one percent increase for all eligible providers. This proposal also removes funding for Essential Community Supports (ECS) grants that was appropriated twice in error. This does not affect the base funding for the ECS program.</p>					
General	Expenditure	(\$15)	(\$74)	\$281	\$812
Jensen Settlement Compliance					
<p>The Governor recommends the statewide adoption of positive supports as directed by the Jensen settlement. The courts ruled in December 2011 that the use of manual restraints and seclusion violated an individual's constitutional rights. This proposal funds new staff that will focus on training and assistance to providers and offering therapeutic follow-up for certain discharged clients from Minnesota Specialty Health System-Cambridge. Additionally, it provides funding to contract for training, producing web-based materials, and translating materials into multiple languages.</p>					
General	Expenditure	\$0	\$1,400	\$1,834	\$1,826
Community First Services and Supports Policy & Program Integrity Changes					
<p>The Governor recommends continuing implementation of the Community First Services and Supports (CFSS) program in accordance with recent federal guidance. Changes include aligning CFSS with current policies regarding parents of minors and spouses as "direct support workers," which makes them eligible for payment from Medical Assistance (MA) and establishing policies regarding service design and delivery, billing, and program integrity. Additionally, this proposal adds consultation and financial management services for program recipients. This proposal is budget neutral, because the new services will be included in current projected expenditures for the MA program.</p>					
General	Expenditure	\$0	\$0	\$0	\$0

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Human Services					
Andrew Residence Rate Adjustment					
<p>The Governor recommends aligning statute with the current rate that Andrew Residence receives through the Group Residential Housing program (GRH). Andrew Residence is a facility that serves over 200 people with serious and persistent mental illness, who also need nursing home level of care. A recent review of rates showed that this facility was paid in excess of the current rate outlined in statute.</p>					
General	Expenditure	\$0	\$681	\$697	\$715
Northstar Technical and Fiscal					
<p>The Governor recommends bringing the Northstar Care program into alignment with recent federal guidance before this program commences in January 2015. Enacted last session, Northstar Care incentivized adoption by creating consistency of rates across foster care, relative custody care, and adoption. This proposal includes requiring that prospective relative custodians be licensed six months before their assistance payment can receive federal matching dollars.</p>					
General	Expenditure	\$0	(\$3)	(\$3)	\$6
Background Study Enhancements					
<p>The Governor recommends improving the process of completing background studies for workers in health and human services fields. This recommendation builds on work funded by a federal grant, and calls for the use of fingerprints, FBI record checks, and other systems to identify new criminal information at a national level. These changes will expedite background studies, and reduce the need for employers and applicants to complete repeat studies.</p>					
Federal	Expenditure	\$0	\$0	\$0	\$0

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Human Services					
Correctional Employee Retirement Plan Changes					
<p>The Governor recommends three policy changes related to the Correctional Employee Retirement Plan (CERP). The first will allow a small number of employees currently in CERP to remain in the plan when patients they care for are transitioned to new community settings. The second change clarifies the definition of the Minnesota Security Hospital in order to clarify which employees are eligible for CERP. Finally, this recommendation makes a new job title available to DHS's Direct Care and Treatment programs, which will allow them to recruit and hire employees at the right level of qualifications to most appropriately staff its treatment programs.</p>					
General	Expenditure	\$0	\$0	\$0	\$0

Community Addiction Recovery Enterprise Deficiency Funding Request

The Governor recommends providing bridge funding for a state operated program serving individuals with chemical dependencies, given an ongoing structural deficit in its enterprise fund. The Community Addiction Recovery Enterprise (C.A.R.E.) program provides inpatient and outpatient chemical dependency and substance abuse services for complex patients who cannot be served by other providers. Facilities are located in Anoka, Brainerd, Carlton, Fergus Falls, St. Peter, and Willmar. An annual operating deficit of \$5 million is caused by the current fee structure not covering the high cost of providing services to the C.A.R.E. population. \$2 million in General Fund resources are recommended to be used to cover this shortfall. DHS will augment these resources by repurposing \$8 million in current resources from chemical dependency administrative funds.

General	Transfer Out	\$1,000	\$1,000	\$0	\$0
Dhs Chemical Dependency Ser	Expenditure	\$5,000	\$5,000	\$0	\$0
Dhs Chemical Dependency Ser	Transfer In	\$5,000	\$5,000	\$0	\$0
Restricted Misc Special Rev	Transfer Out	\$4,000	\$4,000	\$0	\$0

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Human Services					
State Operated Services Salary Supplement					
<p>The Governor recommends an increase in compensation funding for the Department of Human Service's Direct Care and Treatment State Operated Services programs. State Operated Services provides residential and treatment programs and services for people with mental illness, developmental disabilities, chemical dependency, and traumatic brain injury who cannot be served by the private sector. The agency is experiencing compensation pressures due to negotiated salary increases, as well as increased costs of employer-paid benefits for current employees. This increase will allow the Direct Care and Treatment programs to meet these increasing personnel costs and continue to deliver care to their clients.</p>					
General	Expenditure	\$0	\$12,050	\$12,050	\$12,050
General	Revenue	\$0	\$2,050	\$2,050	\$2,050
Minnesota Sex Offender Program Salary Supplement					
<p>The Governor recommends an increase in compensation funding for the Minnesota Sex Offender Program (MSOP). MSOP provides services to individuals who have been court-ordered to receive sex offender treatment. MSOP is experiencing compensation pressures due to negotiated salary increases, as well as increased costs of employer-paid benefits for current employees. This increase will allow the program to meet these increasing personnel costs and continue to deliver care to their clients.</p>					
General	Expenditure	\$0	\$1,177	\$1,177	\$1,177
General	Revenue	\$0	\$177	\$177	\$177
Minnesota Sex Offender Program Expert Review Costs					
<p>The Governor recommends funding for a court ordered review of the Minnesota Sex Offender Program (MSOP). This review was ordered by Judge Donovan Frank in an opinion published February 20th, 2014. The review will be conducted by court appointed experts, and will include individual evaluations of the program's clients, as well as an overall evaluation of the operations, policies, and procedures of MSOP. DHS is responsible for covering the cost of the evaluation.</p>					
General	Expenditure	\$3,000	\$0	\$0	\$0

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Health					
Integrated Licensing Structure for MDH Home Care and DHS HCBS Providers					
<p>The Governor recommends establishing a single integrated regulatory system for long term care providers who operate both as home care providers and home and community based service (HCBS) providers. Instead of requiring a separate license for each service, providers will only need to get a home care license with an HCBS designation issued through the Department of Health. The home care license with the HCBS designation will be less expensive and less burdensome for providers than having to get two separate licenses.</p>					
State Government Special Rev	Expenditure	\$0	\$12	\$31	\$31
State Government Special Rev	Revenue	\$0	\$0	\$31	\$36
Food, Pools, and Lodging Regulations					
<p>The Governor recommends appropriating funds from the State Government Special Revenue (SGSR) fund to cover the cost of regulating food, beverage, pool, and lodging establishments in the City of Saint Paul. There is no fee increase associated with this proposal. Fee revenue currently being collected from establishments in Saint Paul will offset the cost of this appropriation increase.</p>					
State Government Special Rev	Expenditure	\$670	\$648	\$648	\$648
Spoken Language Health Interpreters					
<p>The Governor recommends increasing funding for the agency's spoken language health interpreter registration program. Spoken language health interpreters provide language access services such as interpretation and translation, which are necessary for patients with limited English proficiency to communicate with health care providers. This increase will allow for improvements to the program, including additional staff time to assist interpreters in becoming listed on the roster. There is no increase in fees associated with this proposal. Fee revenue currently being collected from interpreters will offset the cost of this appropriation increase.</p>					
State Government Special Rev	Expenditure	\$0	\$48	\$48	\$48

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Health					
Litigation Expenses and HCAF Technical Correction					
<p>The Governor recommends a one-time appropriation to pay the recently finalized settlement costs for a lawsuit (Bearder v. MDH) relating to the agency's Newborn Screening Program. The settlement calls for the state to pay \$975,000 in FY2014 to cover a portion of the plaintiffs' legal fees. The settlement agreement does not award any damages to the plaintiffs. The settlement cost is paid for with savings in the Health Care Access Fund from a technical correction to eliminate a duplicate appropriation in the 2013 health and human services finance bill.</p>					
Health Care Access	Expenditure	(\$25)	(\$1,000)	(\$1,000)	(\$1,000)

MDH Technical Corrections

The Governor recommends correcting drafting errors contained in the 2013 health and human services finance bill. These changes will reclassify spending in the proper fiscal year, increase the agency's appropriations in the State Government Special Revenue fund to allow the agency access to revenues being collected under current law, and remove an erroneous direct appropriated amount in a fund that is not directly appropriated.

General	Expenditure	\$0	\$0	\$0	\$0
State Government Special Rev	Expenditure	\$147	\$0	\$0	\$0

Totals For: Health and Human Services

General	Revenue	\$0	\$2,402	\$2,577	\$2,584
General	Expenditure	\$2,985	\$79,634	\$90,882	\$96,263
General	Transfer Out	\$1,000	\$1,000	\$0	\$0
Federal	Expenditure	\$0	\$0	\$0	\$0
Dhs Chemical Dependency Serv	Transfer In	\$5,000	\$5,000	\$0	\$0
Dhs Chemical Dependency Serv	Expenditure	\$5,000	\$5,000	\$0	\$0
Health Care Access	Expenditure	(\$25)	(\$1,000)	(\$1,000)	(\$1,000)
Restricted Misc Special Rev	Transfer Out	\$4,000	\$4,000	\$0	\$0
State Government Special Rev	Revenue	\$0	\$0	\$31	\$36
State Government Special Rev	Expenditure	\$817	\$708	\$727	\$727

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Environment and Agriculture

Natural Resources

Game and Fish Omnibus Bill

The Governor recommends a variety of technical game and fish provisions. The proposal includes corrections to some lifetime licenses and corrections to resident and nonresident youth bear licenses, which will result in decreased fee revenue.

Game And Fish (Operations)	Revenue	\$0	(\$25)	(\$23)	(\$23)
Lifetime Fish & Wildlife Trust	Revenue	\$0	(\$71)	(\$47)	(\$47)

Fort Snelling Lease - Statutory change

The Governor recommends a statutory change to dedicate revenue received from leases on Fort Snelling and to appropriate those receipts to the commissioner of natural resources for expenses associated with leasing, development, and operation of the Upper Post. In current statute, revenues are deposited in the state parks account within the natural resources fund, which is appropriated by the legislature for expenses related to leasing and operation of the property.

State Park	Expenditure	\$0	\$0	\$0	\$0
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Totals For: Environment and Agriculture

Game And Fish (Operations)	Revenue	\$0	(\$25)	(\$23)	(\$23)
Lifetime Fish & Wildlife Trust	Revenue	\$0	(\$71)	(\$47)	(\$47)
State Park	Expenditure	\$0	\$0	\$0	\$0

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Economic Development

Commerce

Additional Low-Income Home Energy Assistance Program Funding

The Governor recommends \$20 million in state funding for the Low-Income Home Energy Assistance (LIHEAP) program. LIHEAP is typically funded through a federal program. However, additional state resources are needed this year to fund abnormally high costs related to propane prices as well as an increase in the number of households that qualify for assistance. Eligibility for the LIHEAP program was increased from 50 percent to 60 percent of median income. The Governor signed legislation authorizing this change in February 2014.

General	Expenditure	\$20,000	\$0	\$0	\$0
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Employment and Economic Development					
Investing in Innovation and Jobs - Angel Tax Credit					
The Governor recommends extending the Angel Tax Credit program through 2017 and increasing the amount of funding available to \$15 million in tax credits per year. This 25 percent tax credit is available to investors or investment funds that provide funding to startup companies focused on technology.					
General	Revenue	\$0	(\$15,000)	(\$15,000)	(\$15,000)
Minnesota Investment Fund Administrative Costs					
The Governor recommends allowing the Department of Employment and Economic Development to retain up to 3 percent of Minnesota Investment Funds (MIF) for purposes of administering the program, including staff time and technology. The MIF funds \$15 million per year in grants to help add new workers and retain high-quality jobs on a statewide basis.					
General	Expenditure	\$0	\$0	\$0	\$0
Unemployment Insurance Advisory Council Recommendations					
The Governor recommends lowering the interest rate on repayments to the Unemployment Insurance program for employer tax debt and applicant fraud overpayment. The interest rate would be lowered from 18 percent to 12 percent, which would help employers and program participants to repay their debts at a more reasonable interest rate.					
Restricted Misc Special Rev	Revenue	\$0	\$0	(\$1,200)	(\$1,200)
Olmstead Implementation					
The Governor recommends funding to implement the state's Olmstead plan, a comprehensive plan supporting people with disabilities with freedom of choice and opportunity in housing, employment, and healthcare in the most integrated setting. Funds will be used to establish a new Olmstead Implementation Office.					
General	Expenditure	\$0	\$500	\$2,000	\$2,000

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Housing Finance					
Debt Service on Housing Infrastructure Bonds					
<p>The Governor recommends \$3.2 million per year starting in FY16 for the debt service associated with \$40 million in Housing Infrastructure Bonds as included in the Governor’s capital budget proposal. Housing Infrastructure Bonds are awarded statewide on a competitive basis, and can be used for preserving federally subsidized rental housing, acquiring and rehabilitating or replacing foreclosed properties, or constructing, acquiring, or rehabilitating permanent supportive housing. The bonds are sold by the Minnesota Housing Finance Agency (MHFA) and the associated debt service is supported by a standing appropriation from the state’s general fund.</p>					
General	Expenditure	\$0	\$0	\$3,200	\$3,200

Totals For: Economic Development

General	Revenue	\$0	(\$15,000)	(\$15,000)	(\$15,000)
General	Expenditure	\$20,000	\$500	\$5,200	\$5,200
Restricted Misc Special Rev	Revenue	\$0	\$0	(\$1,200)	(\$1,200)

Governor's 2014 Supplemental Budget Recommendations

All Funds by Omnibus Bill and Agency

(Dollars in Thousands)

		2014	2015	2016	2017
<u>State Government and Veterans</u>					
Minnesota Revenue					
Tax Conformity Administration					
The Governor recommends a \$1.1 million one time appropriation in FY 2014 to fund the operational and systems development costs associated with retroactive conformity to federal tax law. This recommendation is one time and is not intended to become part of the agency's base budget for future biennial budgets.					
General	Expenditure	\$1,101	\$0	\$0	\$0
MMB Non-operating					
Debt Service Costs for Bonding Bill of \$946 Million					
The Governor recommends \$3.009 million in FY 2015 from the general fund for the additional debt service costs associated with the Governor's bonding recommendations. This recommendation also includes \$8.649 million for FY 2016 and \$14.869 million in FY 2017.					
General	Expenditure	\$0	\$3,009	\$8,649	\$14,869
Increase the Budget Reserve					
The Governor recommends any remaining general fund balance, after reflecting any revenue or expenditure changes enacted in the 2014 legislative session, be transferred to the budget reserve. Under the Governor's proposal, the budget reserve would increase by \$456 million, bringing the total to \$1.117 billion. With this increase, the budget reserve and cash flow account totals would be equal to 3.7 percent of revised FY 2014-15 general fund revenues.					
General	Expenditure	\$0	\$0	\$0	\$0

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	2014	2015	2016	2017
Racing Commission				

One-time Funding Increase

The Governor recommends one-time funding for the Commission for costs relating to mediation and litigation, a potential case against a regulated association, increased needs for regulatory counsel, and other costs related to regulatory challenges in the racing industry. The increased funding would be available either year of the biennium.

Restricted Misc Special Rev	Expenditure	\$100	\$85	\$0	\$0
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Totals For: State Government and Veterans

General	Expenditure	\$1,101	\$3,009	\$8,649	\$14,869
Restricted Misc Special Rev	Expenditure	\$100	\$85	\$0	\$0

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All Funds by Omnibus Bill and Agency

(Dollars in Thousands)

		2014	2015	2016	2017
<u>Transportation Bill Area</u>					
Transportation					
Operations and Maintenance Investments					
<p>The Governor recommends a \$5 million trunk highway base increase in 2014 to accelerate the replacement of snow plow equipment from a 20 year average to a more appropriate 14 year average. A \$16 million one-time trunk highway appropriation in 2015 is also recommended for snow and ice support equipment, LED lighting on trunk highways, enhanced patching methods, changeable message signs, detection devices, and enhanced project management practices.</p>					
Trunk Highway	Expenditure	\$5,000	\$21,000	\$5,000	\$5,000
Stillwater Lift Bridge Endowment					
<p>The Governor recommends transferring \$6 million from the current trunk highway appropriation for State Roads to a special revenue account for the operation and maintenance of the Stillwater lift bridge. This funding will establish an endowment, and only interest earnings will be spent. This maintenance fund was part of the agreement to build the new Stillwater bridge. The maintenance costs will be shared with WI.</p>					
Restricted Misc Special Rev	Transfer In	\$0	\$6,000	\$0	\$0
Trunk Highway	Transfer Out	\$0	\$6,000	\$0	\$0
Aeronautics Appropriation					
<p>The Governor recommends \$4 million from the state airports fund to provide the local match to federal grants, and to fund pavement maintenance and other improvement to the states 135 airports.</p>					
State Airports	Expenditure	\$1,000	\$3,000	\$0	\$0

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		2014	2015	2016	2017
Transportation					
Rochester Maintenance Facility					
<p>The Governor recommends moving \$1.493 million of unspent trunk highway bond funds from FY 2010 to FY 2012 to complete work on the Rochester Maintenance Facility. Both appropriations are for the Rochester Maintenance Facility, but the 2012 appropriation language is broader in scope and would provide DOT with greater flexibility to complete the project.</p>					
Trunk Highway	Expenditure	\$0	\$0	\$0	\$0
Products and Services Billing					
<p>The Governor recommends facilitating the legislative requirement for DOT to adopt a products and services orientation to its biennial budget by allowing the agency to allocate central services to the districts and programs that consume them.</p>					
Trunk Highway	Expenditure	\$0	\$0	\$0	\$0
Transportation Economic Development (TED) Funds Available Until Expended					
<p>The Governor recommends making future appropriations for the Transportation Economic Development program available until expended to accommodate the nature of these multi-year projects, which may extend from one biennium to another.</p>					
Trunk Highway	Expenditure	\$0	\$0	\$0	\$0
Reduce FY 2012 Bond Cancellation to Actual					
<p>The Governor recommends correcting a 2007 trunk highway appropriation cancellation to reflect the actual balance that was available to be canceled. This is a technical correction that has no impact on expenditures or the fund balance.</p>					
General	Expenditure	\$0	\$0	\$0	\$0

Governor's 2014 Supplemental Budget Recommendations

All Funds by Omnibus Bill and Agency

(Dollars in Thousands)

		2014	2015	2016	2017
Transportation					
Highway 14 Turnback Settlement					
The Governor recommends a trunk highway appropriation of \$14 million to upgrade a section of highway 14 before turning it over to Steele and Waseca counties. An additional \$21 million from the current county state aid appropriation will also be used to fund this project.					
Trunk Highway	Expenditure	\$14,000	\$0	\$0	\$0

Metropolitan Council - Transportation

Met Council Bonding Authorization

The Governor recommends increasing the Council's bonding authority by \$37 million for transit buses and facilities in 2014, and \$38.3 million in 2015. He also recommends a legislative change that would give the Council a biennial "not to exceed" total going forward. This would allow the Council to better time their capital purchases. The state cost associated with this item is due to an interacting impact on property tax refunds and income tax.

General	Expenditure	\$0	\$0	\$0	\$70
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Light Rail Safety Oversight Funding

The Governor recommends moving a \$60 thousand appropriation to perform safety inspections on LRT lines from the Met Council to the Department of Public Safety (DPS). Currently, the money is transferred from the Met Council to DPS. This change will simplify the finances of this program, make its administration more efficient, and make it eligible for federal cost share funding. There is a corresponding change in the Department of Public Safety budget.

General	Expenditure	\$0	(\$60)	(\$60)	(\$60)
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Governor's 2014 Supplemental Budget Recommendations

All Funds by Omnibus Bill and Agency

(Dollars in Thousands)

		2014	2015	2016	2017
Public Safety - Transportation					
Capitol Security					
The Governor recommends a \$2 million general fund base appropriation to increase security in the Capitol and surrounding state buildings. This initiative will provide 24/7 coverage in the Capitol and increased security in the state buildings and parking areas in the capitol area complex.					
General	Expenditure	\$0	\$2,000	\$2,000	\$2,000

Commercial Learners Permit

The Governor recommends issuing learners permits on tamperproof plastic cards with photo ID for commercial learners permits rather than the paper permits now issued, in order to comply with federal regulations. An additional charge of \$2.50 will recover the added costs of issuing the cards.

Restricted Misc Special Rev	Expenditure	\$0	\$25	\$25	\$25
Restricted Misc Special Rev	Revenue	\$0	\$25	\$25	\$25

Motorized Bicycle Operator Permit

The Governor recommends eliminating the current permit fee, the duplicate fee, and the annual renewal fee for motorized bicycle operators, and replacing them with a single permit fee of \$9.75, which would be valid until the operator is 21. This would eliminate the need for renewals, and simplify the process for citizens and license agents.

Restricted Misc Special Rev	Revenue	\$0	\$1	\$1	\$1
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Totals For: Transportation Bill Area

General	Expenditure	\$0	\$1,940	\$1,940	\$2,010
Restricted Misc Special Rev	Revenue	\$0	\$26	\$26	\$26
Restricted Misc Special Rev	Transfer In	\$0	\$6,000	\$0	\$0
Restricted Misc Special Rev	Expenditure	\$0	\$25	\$25	\$25
State Airports	Expenditure	\$1,000	\$3,000	\$0	\$0
Trunk Highway	Expenditure	\$19,000	\$21,000	\$5,000	\$5,000
Trunk Highway	Transfer Out	\$0	\$6,000	\$0	\$0

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		2014	2015	2016	2017
<u>Public Safety and Judiciary</u>					
Corrections					
Operating Increase to Retain Critical Staff					
<p>The Governor recommends funding to pay for increased compensation and benefit costs recently approved through negotiated labor contracts for this biennium. Current law appropriations did not include additional funding for these costs. The funding amount would cover approximately 262 full-time equivalent positions and is essential to avoid significant layoffs and to properly manage the core responsibilities of the agency.</p>					
General	Expenditure	\$0	\$19,000	\$19,000	\$19,000

Operating Increase to Accomodate Prison Population Growth

The Governor recommends additional funding for a larger than anticipated increase in prison population this biennium. When funding was originally set, the average adult prison population was forecasted to require 9,620 prison beds in FY 2015. The current November 2013 forecast projected an average of 10,133 beds, a difference of 513 beds over the original forecast. The change is primarily due to an 8% increase in new prison commitments over FY 2012-13 levels, the largest increase in the last five years. The funding is required to cover operating, health care, and other support costs related to the additional prisoners.

General	Expenditure	\$0	\$11,089	\$0	\$0
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Governor's 2014 Supplemental Budget Recommendations

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(Dollars in Thousands)

		2014	2015	2016	2017
Public Safety - Public Safety					
Emergency Communications Network Funding					
<p>The Governor recommends extending the balance of a 2009 appropriation to complete the Next Generation 911 project because of delays in the federal acceptance of industry standards. He also recommends \$5.059 million in 2014, and \$6.865 million in 2015 from the 911 fund to maintain both the old and the new 911 networks until the new network is stable. Funds will also be used to perform an audit of all 911 network elements.</p>					
911 Emergency	Expenditure	\$11,061	\$6,865	\$0	\$0
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Light Rail Safety Oversight Funding					
<p>The Governor recommends moving a \$60 thousand appropriation to perform safety inspections on LRT lines from the Met Council to the Department of Public Safety (DPS). Currently, the money is transferred from the Met Council to DPS. This change will simplify the finances of this program, make its administration more efficient, and make it eligible for federal cost share funding. There is a corresponding change in the Met Council budget.</p>					
General	Expenditure	\$0	\$60	\$60	\$60
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Totals For: Public Safety and Judiciary					
General	Expenditure	\$0	\$30,149	\$19,060	\$19,060
911 Emergency	Expenditure	\$11,061	\$6,865	\$0	\$0