



# Governor Mark Dayton FY 2014-15 Proposed Budget



## BUDGET FOR A BETTER MINNESOTA



## KEY GOALS OF GOVERNOR DAYTON'S BUDGET

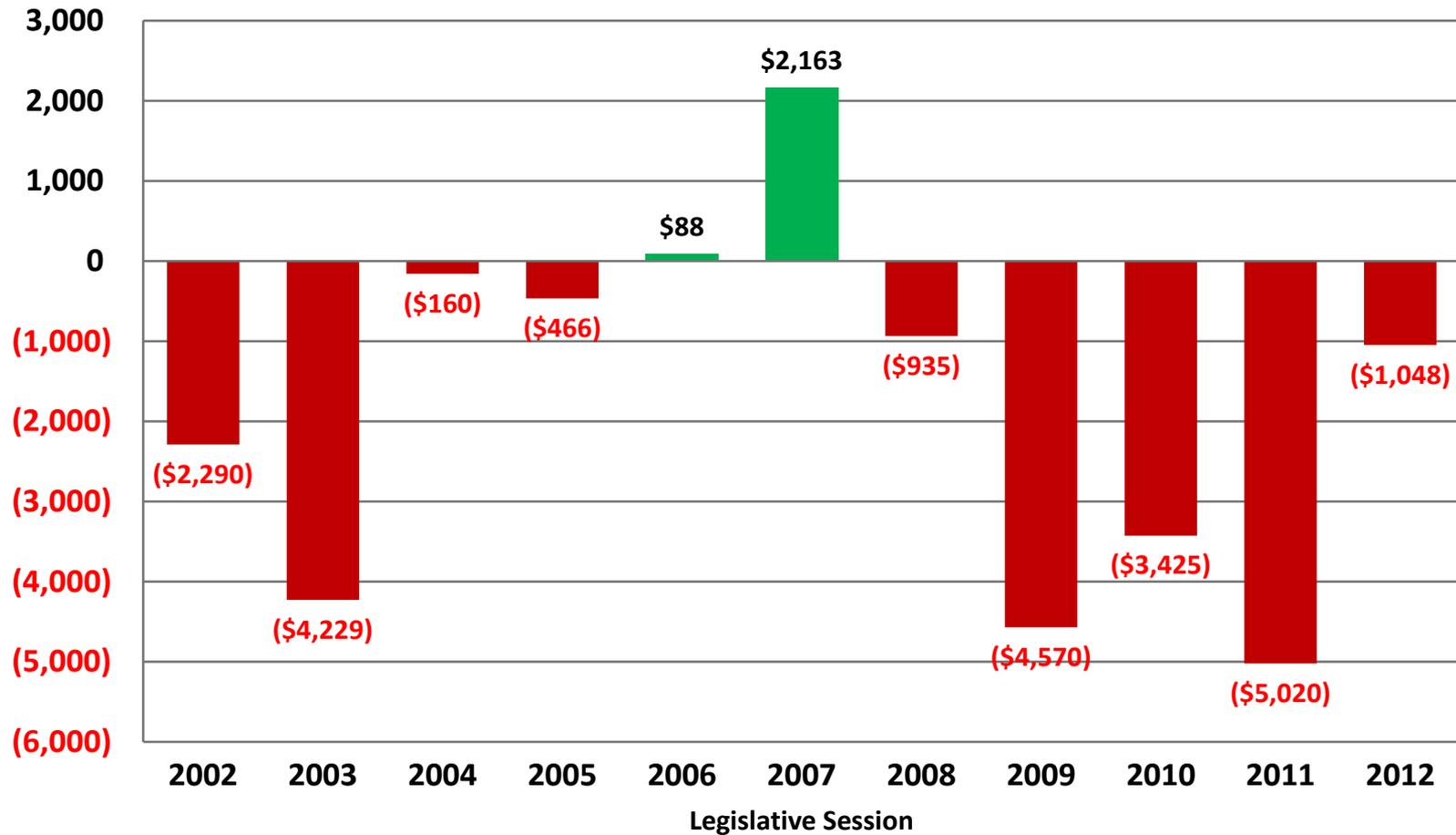
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### **A Budget that.....**

- supports a growing economy that creates jobs and expands the middle class,
- is funded by a tax system where everyone pays their fair share, and
- provides public services that give Minnesotans the best value for their dollar



## A SOLUTION TO RECURRING BUDGET DEFICITS IS REQUIRED

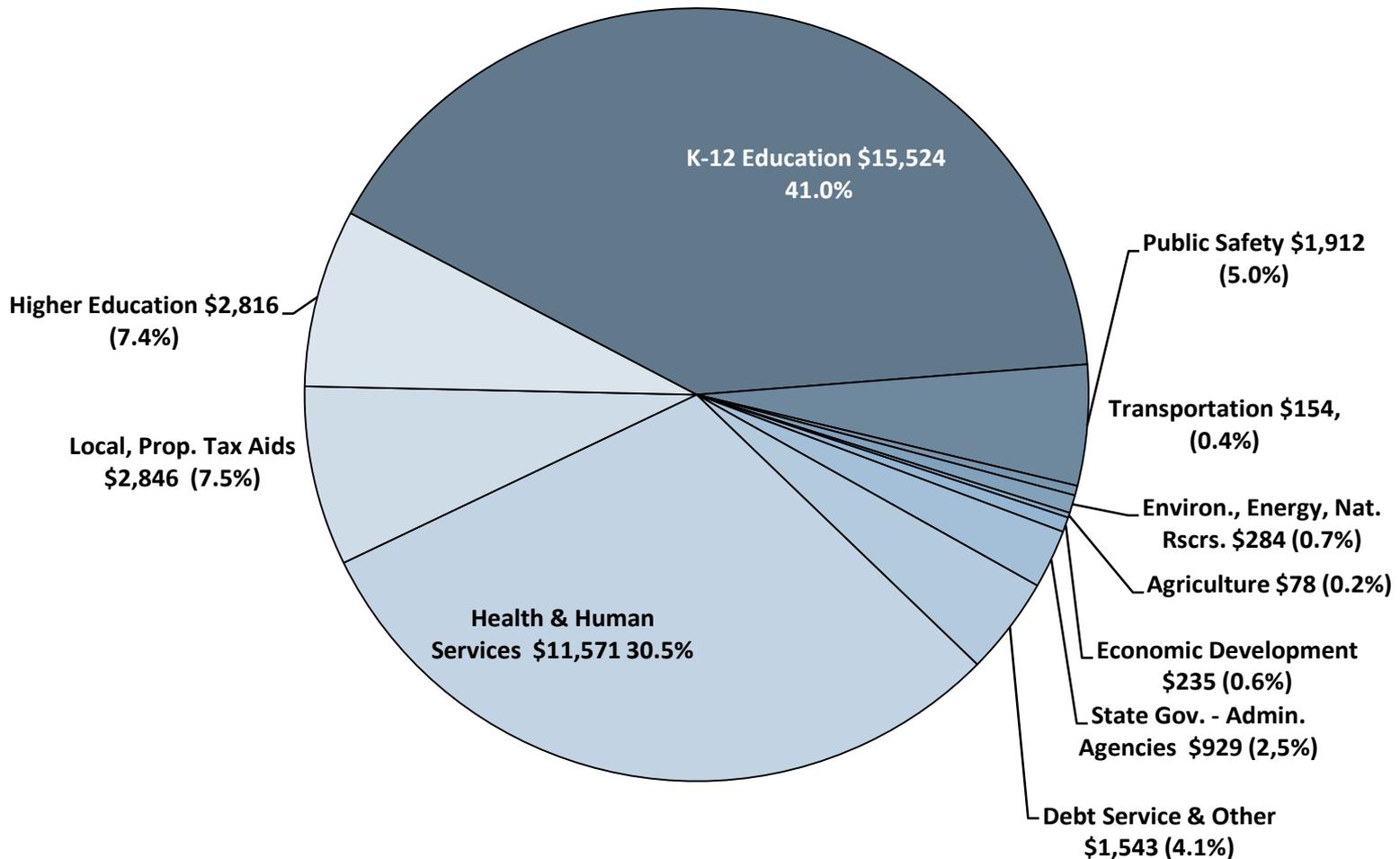




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## GENERAL FUND SPENDING REFLECTS PRIORITIES

**Proposed FY 2014-15 General Fund Expenditures: \$37.892 Billion**  
(\$ in millions)

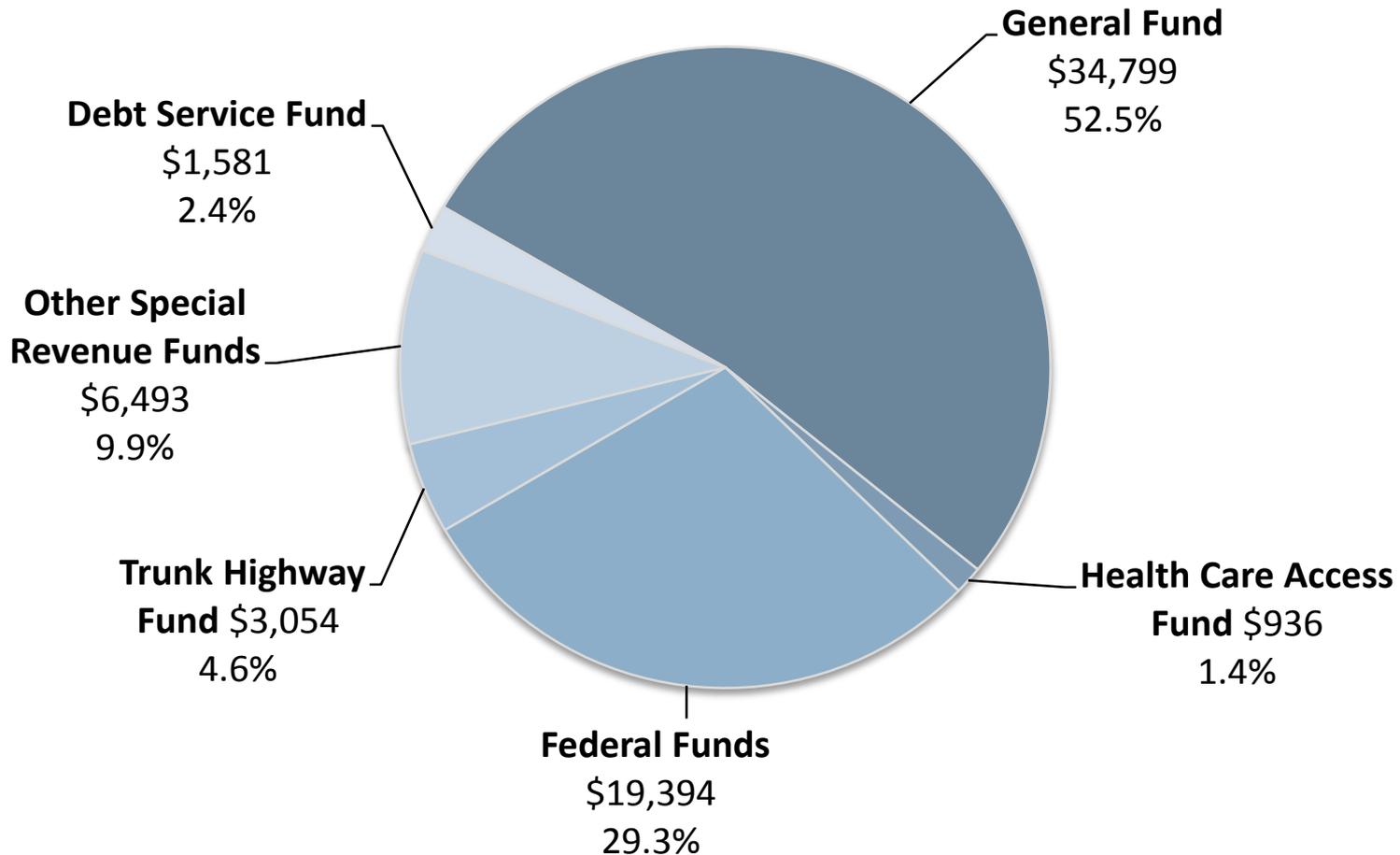




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## TOTAL STATE BUDGET— ALL FUNDS

**Total State and Federal Funds \$66.257 billion**





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## BUDGET ADDRESSES \$1.1 BILLION FORECAST SHORTFALL – MATCHING REVENUE CHANGES AND NEEDED INVESTMENTS

General Fund (\$ in millions)	November Forecast FY 2014-15	Governor's Proposed Actions	Governor's Budget FY 2014-15
Beginning Balance	\$1,011	-0-	\$1,011
Revenues	35,793	2,127	37,920
Expenditures	36,861	1,031	37,892
Reserves	<u>1,033</u>	<u>-0-</u>	<u>1,033</u>
Budget Balance	<b>\$(1,090)</b>	<b>\$1,096</b>	<b>\$6</b>



## RESTORING FISCAL STABILITY TO MINNESOTA'S BUDGET

Proposed budget restores structural balance, allowing repayment of \$1.1 billion owed in school shifts

General Fund (\$ in millions)	FY 2014	FY 2015	FY 2016	FY 2017
<b>Long-Term Structural Gap:</b>				
<b>November Forecast</b>	<b>\$(815)</b>	<b>\$(258)</b>	<b>\$29</b>	<b>\$234</b>
<b>Governor's Budget:</b>				
Revenues	18,218	19,702	20,644	21,431
Spending	18,504	19,388	20,169	20,491
<i>School Shift Repayment</i>			481	771
<b>Governor's Budget Plan</b>	<b>\$(286)</b>	<b>\$314</b>	<b>\$(6)</b>	<b>\$169</b>



# Governor Mark Dayton FY 2014-15 Proposed Budget

## KEY COMPONENTS OF BUDGET PLAN: REVENUES

General Fund \$in millions	Forecast FY 2014-15	Governor Changes	Proposed FY 2014-15	% Change
Individual Income Tax	\$17,436	\$(308)	\$17,128	(1.8%)
Corporate Income Tax	1,954	5	1,959	0.3%
Sales and Use Tax	10,123	2,099	12,222	20.7%
Cigarette & Tobacco Taxes	389	370	759	95.1%
Statewide Property Tax	1,676	(25)	1,651	(1.5%)
All Other Taxes	2,200	(2)	2,198	(0.1%)
<b>Total Taxes</b>	<b>\$33,778</b>	<b>\$2,139</b>	<b>\$35,917</b>	<b>6.3%</b>
Non-tax revenues, other	2,015	(12)	2,003	(0.6%)
<b>Total Revenues</b>	<b>35,793</b>	<b>\$2,127</b>	<b>\$37,920</b>	<b>5.9%</b>



# Governor Mark Dayton FY 2014-15 Proposed Budget

## REVENUE GROWTH OVER CURRENT BIENNIUM

General Fund \$ in millions	Forecast FY 2012-13	Governor FY 2014-15	\$ Change	% Change
Individual Income Tax	\$16,493	\$17,128	635	3.8%
Corporate Income Tax	2,124	1,959	(165)	(7.8%)
Sales and Use Tax	9,514	12,222	2,708	28.5%
Cigarette & Tobacco Taxes	381	759	378	99.2%
Statewide Property Tax	1,616	1,651	35	2.2%
All Other Taxes	1,979	2,198	319	11.1%
<b>Total Taxes</b>	<b>32,107</b>	<b>\$35,917</b>	<b>\$3,810</b>	<b>11.9%</b>
Non-tax revenues, other	2,837	2,003	(834)	(29.4%)
<b>Total Revenues</b>	<b>\$34,944</b>	<b>\$37,920</b>	<b>\$2,976</b>	<b>8.5%</b>



## KEY COMPONENTS OF MAJOR TAX CHANGES

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- Individual Income tax net change: (\$308) million
  - New Bracket On Top 2%: \$1.1 billion
  - Property Tax Rebate: (\$1.4) billion
  - Snowbird: \$30 million
- Sales and Use tax net change: \$2.1 billion
  - Sales and Use Tax Reform (base expansion): \$4.2 billion
  - Sales and Use Tax Rate Reduction: (\$2.1) billion
  - Motor Vehicle Rental Tax: \$15 million
- Corporate Income tax net change: \$5 million
  - Corporate Tax Base Expansion: \$323 million
  - Corporate Tax Rate Reduction: (\$319) million
  - Other Changes: \$ 930 thousand



# Governor Mark Dayton FY 2014-15 Proposed Budget

## PROPOSED GENERAL FUND EXPENDITURES – PROTECT PRIORITIES

General Fund \$ in millions	Forecast FY 2014-15	Governors Changes*	Proposed FY 2014-15
K-12 Education	\$15,179	\$344	\$15,523
Higher Education	2,565	250	2,815
Local Aids & Credits	2,729	117	2,846
Health & Human Svcs.	11,443	128	11,571
Public safety	1,825	86	1,911
Economic Development	165	70	235
Debt Service	1,291	29	1,320
All Other Areas	1,664	7	1,671
<b>Total Expenditures</b>	<b>\$36,861</b>	<b>\$1,031</b>	<b>\$37,892</b>

\* New expenditures include targeted investments in K-12 education, higher education, jobs, and early learning



### KEY COMPONENTS OF SPENDING CHANGES

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- K-12 Education - \$298.8 million
  - 1% Basic Formula increase - \$118 million
  - Optional All Day Kindergarten - \$40 million
  - Special Education funding increase - \$124 million
- Higher Education - \$250 million
- Health & Human Services - \$128 million
  - Expands Health Care Eligibility and Accessibility - \$93M
  - IT Systems Modernization - \$29M
  - Invests in Medical Education (MERC) - \$13M
- Jobs and Economy - \$100 million
  - Minnesota Investment Fund - \$30 million
  - Transportation Economic Development Program - \$20 million
- Children Initiatives - \$93 million
  - Early Learning Scholarships - \$44 million
  - Increase Access to Quality Child Care - \$20 million
- Public Safety and Courts - \$73 million



# Governor Mark Dayton FY 2014-15 Proposed Budget

## EXPENDITURE GROWTH OVER CURRENT BIENNIUM

General Fund \$ in millions	Forecast FY 2012-13	Proposed FY 2014-15	\$ Change	% Change
K-12 Education	\$14,446	\$15,610	\$1,164	8.1%
K-12 Shift	781	(87)	(868)	nm
Higher Education	2,569	2,816	247	9.6%
Local Aids & Credits	2,806	2,846	40	1.4%
Health & Human Svcs.	10,700	11,571	871	8.1%
Public Safety	1,855	1,912	57	3.1%
Economic Development	204	235	31	15.2%
Debt Service*	415	1,320	905	218.1%
All Other Areas*	1,446	1,669	223	15.4%
<b>Total Expenditures</b>	<b>\$35,222</b>	<b>\$37,892</b>	<b>\$2,670</b>	<b>7.6%</b>

\*Debt service and all other areas (capital projects) growth distorted by use of tobacco/appropriation bonds in FY 2012-13 budget solution



### ENSURING ACCESS AND EQUITY THROUGH STRATEGIC INVESTMENTS

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#### ○ Offer a High-Quality Education to All Students

- Increase the Basic Education Formula by 1% to provide an additional \$52 per pupil
- Additional funding (\$40 million) for schools that provide all-day every day Kindergarten programs
- Increase funding for Special Education by 13% (\$125 million)
- Expand the Early Learning Scholarship program by \$44 million

#### ○ Support School Communities

- Repay the state's obligation to schools by restoring funding to the 90:10 ratio established in law by 2017
- Promote best-practices in education through Regional Centers of Excellence
- Develop model Teacher Growth & Evaluation systems
- Establish a School Climate Center to prevent bullying, harassment and intimidation



### ENSURING A HIGH-QUALITY EDUCATION FOR ALL STUDENTS

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#### ○ Reform & Results

- Modify components in the General Education formula to increase transparency, equity, and flexibility of funding to school districts.
- Create new funding formulas for Integration Aid and Literacy Incentive Aid that promote accountability and reward student achievement.
- Encourage cost-containment with a new Special Education funding formula.
- Control costs for districts and promote transparency for parents of students with special needs by offering model Individuals with Disabilities Education Act (IDEA) paperwork online and free to local districts.



## INCREASING AFFORDABILITY OF POST SECONDARY EDUCATION

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### ○ Make Key Investments to Reduce Student Debt

- \$80 million for the State Grant program will allow 5,000 new students to enter the program and nearly 95,000 current recipients to receive larger awards.
- State Grant formula will recognize full price of attendance (tuition & fees and living expenses) at all public Minnesota postsecondary institutions.
- Fully funded American Indian Scholarship program will allow all students currently on the waiting list to receive an award.

### ○ Invest in our Public Institutions to Prepare Students for the 21<sup>st</sup> Century Job Market

- Invest \$160 million and leverage over \$30 million private investment to:
  - Create 10,000 paid internships and apprenticeships in high-skill, high-demand fields across the state.
  - Purchase state-of-the-art equipment and train students for the jobs they will have after graduation.



## STRATEGIC INVESTMENTS IN HEALTH CARE

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- Make Key Investments in Prevention Activities and Health Care to Better Control Cost in the Long-term
  - Leverage the Affordable Care Act to cover an additional 145,000 Minnesotans within existing resources
  - Modernize human services technology systems and develop the technological infrastructure for the Health Insurance Exchange - \$29 million
  - Focus on healthy outcomes and prevention through enhancement of the Statewide Health Improvement Program (SHIP) - \$40 million
  - Improve outcomes for children by promoting early education, child permanency, & mental health - \$48 million
  - 94 cent per pack increase in the cigarette tax will reduce our smoking rates and the associated long-term health care costs



## STRATEGIC INVESTMENTS IN HEALTH CARE

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### ○ Reforms Within our Public Health Care Programs

- Reform 2020 will restructure our long-term services & supports system to reinvest over \$74 million to improve outcomes for Minnesota's aging & disabled populations
- Negotiate lower payment rates with managed care providers, saving \$59 million
- Reform the state's pharmacy bulk purchasing processes and drug reimbursement rate structure, saving \$6 million
- Strengthen and refine oversight of public program expenditures to ensure the integrity of our financial payments and program operations



## STRATEGIC INVESTMENTS IN PUBLIC SAFETY

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- Ensuring Public Safety Through Increases For Core Services
  - \$38 million to maintain the state's core correctional activities and ensure safety for staff, offenders and the public
  - \$36 million for the Court systems to maintains current service levels and allow continuance of court initiatives to improve efficiencies
  - \$9 million for the Board of Public Defense to maintain current service and begin to reduce large caseloads to bring them more in line with national standards
  - \$10.9 million for the Department of Public Safety to replace the outdated State's Criminal History System and Crime Reporting System
  - \$1 million to reinstate the Minnesota School Safety Program
  - \$1 million placeholder to implement the recommendations of the Capitol Security Taskforce



## BETTER ROADS AND IMPROVED TRANSIT CAPACITY

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- Key Investments in the Sustainability of Our Transportation System
  - A quarter cent local sales tax increase in the seven county metro area will provide a long-term sustainable funding stream for the preservation and expansion of transit services in the Twin Cities region, including Northstar Corridor, Central Corridor and Southwest Corridor
  - Permanent funding for the Transportation Economic Development Program (\$20 million) for transportation infrastructure investments across the state that will leverage local and private funds and will spur local and regional economic development
  - \$338 million of new federal funding for road construction projects across the state to improve roadway pavement conditions and related infrastructure needs



## GROWING OUR ECONOMY AND CREATING JOBS

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- Enhanced Incentives for Private Investments in Job Creation
  - Minnesota Investment Fund incentives to attract and retain growing companies will create up to 10,000 high quality jobs and leverage private investment - \$30 million
  - Minnesota Job Creation fund, a new statewide pay-for-performance incentive grant for businesses that are relocating or expanding in Minnesota, will create up to 5,000 jobs and leverage private investment in our economy - \$25 million
- Investments for a Growing Economy
  - Global Competitiveness Initiative expands marketing efforts in three new foreign markets - \$1.5 million
  - Housing and Job Growth Initiative facilitates public/private housing investments in regions where job growth increases demand- -\$10 million
  - Unemployment insurance tax rate reduced while the trust fund remains solvent, lowering taxes for employers by over \$300 million



## ENSURING A CLEAN AND HEALTHY ENVIRONMENT

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### ○ Investments in the Environment and Industry

- Continue work funded by clean water legacy dollars which protects state waters through collaboration and partnership of multiple agencies
- Mitigate effects of aquatic invasive species through management, prevention, and enforcement - \$7.9 million
- Support state's forest products industry by investing in continued management of forests, including timber harvest, forest inventory, reforestation, and forest road maintenance - \$4 million
- Improve air and water quality through continued targeted strategies and permitting - \$7.8 million
- Establish product stewardship plans by manufacturers to properly handle disposal of products



## ENSURING A CLEAN AND HEALTHY ENVIRONMENT

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### ○ Investments in Outdoor Recreation

- Enhance regional and state parks and trails with legacy dollars to create opportunities and connect people to the outdoors
- Improve operations, maintenance, and customer service of state parks and trails - \$4.5 million

### ○ Investments in Governance

- Expand capacity of Environmental Quality Board to support state's coordinated environmental work
- Coordinate the certification of wastewater labs within the Pollution Control Agency
- Improve compliance with recommended internal controls at the Board of Water and Soil Resources



## IMPROVING STATE GOVERNMENT

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### ○ Small Investments for Big Results

- Expand the Lean Office (continual improvement) to support process improvement and innovation across state government
- Expand the Small Agency Resource Team (SmART) to lower operating costs for smaller state agencies
- Invest in statewide IT systems that support human resources and budget process across all of state government
- Instill a results-management focus to all of state government work
- Authorize a public-private partnership to develop a revamped state web portal and new online services for citizens and business



### STABILIZING LOCAL GOVERNMENT FINANCES

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- \$120 million increase in annual aid to cities and counties to help reduce property taxes and restore funding stability for cities and counties
- \$500 property tax rebate for all property owners
- Over \$15 million in state public safety investments that will benefit the law enforcement community at all levels of government
  - State criminal history and crime reporting systems
  - Bureau of Criminal Apprehension lab equipment and staffing
  - Allied Radio Matrix for Emergency Responders (ARMER) system improvements
  - Continued maintenance of LiveScan fingerprinting software



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ACCESS DETAILED BUDGET AT [WWW.MMB.STATE.MN.US](http://WWW.MMB.STATE.MN.US)

## Employment and Economic Development

<http://www.positivelyminnesota.com>

### Mission:

The mission of the DEED is to ensure the success of individuals

### Statewide Outcome:

Employment and Economic Development

A thriving economy

Minnesotans have the education

Strong and stable families and communities

### Context:

Minnesota's economic development is capable of employing and supporting a vibrant community vision of **Minnesotans**:

- Businesses and workers
- Minnesotans and their families
- Communities

DEED is primarily funded through general, workforce development

### Strategies:

DEED operates many programs. It provides services in a number of areas including online communities, internships, regulatory assistance for companies that are globally competitive

### Measuring Success:

DEED tracks numerous metrics including:

- The number of jobs created
- The timeliness of job placement
- The amount of training received
- The amount of industry investment
- The number of

## Employment and Economic Development

### Workforce Development Division

[www.positivelyminnesota.com](http://www.positivelyminnesota.com)

### Statewide Outcome(s):

The Workforce Development Division supports

A thriving economy that encourages

Minnesotans have the education

Strong and stable families and communities

### Context:

The purpose of the Workforce Development Division is to provide employment related skills and to match workers with jobs. The division is responsible for providing appropriate training and support for workers to participate in the labor force. Employees who are underemployed or unemployed need to be globally competitive. Veterans receive priority of service in determining for the Social Security Card funding comes from the federal government which is derived from a fee on employers

### Strategies:

- Delivers its services through 47 workforce centers
- Enhances low skilled workers core skills
- Provides unemployment insurance and job placement services
- Provides timely and accurate benefits;
- Utilize web-based tools to expand job opportunities
- Maintain a premier job matching system
- Invite business engagement to occupations in demand; and
- Partners with the Departments of Education, Labor and Industry, and Colleges and Universities, and government, philanthropic community

### Results:

Increased job vacancies posted is an indication due to hiring restrictions imposed

## Agency Profile

### Employment and Economic Development

### Governor's Changes

(Dollars in Thousands)

### Minnesota Investment Fund

The MIF loan program provides Minnesota citizens. MIF funds are attractive to businesses because they provide financing for purchases. All projects must be repaid. Some loans are forgiven if the borrower actively competes for jobs created in Minnesota.

### Performance Measures:

This measure will assist in the creation of approximately 5,000 jobs.

### General Fund

Expenditure	15,000	15,000	30,000	15,000	15,000	30,000
Net Change	15,000	15,000	30,000	15,000	15,000	30,000

### Minnesota Job Creation Fund

The Governor recommends funding for the Minnesota Job Creation Fund, a statewide job creation incentive program. This economic development tool will help Minnesota compete for job creation from businesses expanding or locating in the state. This program, in conjunction with the Minnesota Investment Fund, provides Minnesota with flexible and effective tools to craft incentive packages that would be most appealing based on differing business financial needs. This new performance-based statewide grant program follows incentive program best practices and would provide financial awards to businesses that meet industry requirements as well as minimum capital investment and job creation thresholds.

### Performance Measures:

This reform proposal will leverage \$450 million in private investment and assist in the creation of approximately 5,000 jobs.

### General Fund

Expenditure	12,500	12,500	25,000	12,500	12,500	25,000
Revenue	0	0	0	0	0	0
Net Change	12,500	12,500	25,000	12,500	12,500	25,000

## Employment and Economic Development

### Sources and Uses

(Dollars in Thousands)

	Biennium FY14-FY15			
	General Funds	Other State Funds	Federal Funds	Total Funds
BALANCE FORWARD IN	\$3,000	\$20,051	\$2,889	\$25,940
REVENUE		\$52,577	\$575,478	\$628,055
TRANSFERS IN	\$150	\$2,710		\$2,860
APPROPRIATION	\$134,636	\$101,804	\$0	\$236,440
<b>SOURCES OF FUNDS</b>	<b>\$137,786</b>	<b>\$177,142</b>	<b>\$578,367</b>	<b>\$893,295</b>
BALANCE FORWARD OUT		\$21,046	\$2,426	\$23,472
TRANSFERS OUT	\$250	\$450		\$700
EXPENDITURES	\$137,535	\$155,646	\$575,940	\$869,122
PAYROLL EXPENSE	\$18,624	\$20,986	\$191,475	\$231,085
OPERATING EXPENSES	\$6,419	\$28,491	\$142,282	\$177,193
OTHER FINANCIAL TRANSACTIONS	\$0	\$2,853	\$9,100	\$11,953
GRANTS, AIDS AND SUBSIDIES	\$112,492	\$103,317	\$233,083	\$448,891
<b>USES OF FUNDS</b>	<b>\$137,785</b>	<b>\$177,142</b>	<b>\$578,367</b>	<b>\$893,294</b>