



April 9, 2018

Rep. Kurt Daudt  
Speaker of the House

Senator Paul Gazelka  
Senate Majority Leader

Representative Melissa Hortman  
House Minority Leader

Senator Tom Bakk  
Senate Minority Leader

RE: Revision to Governor's FY 2018-19 Supplemental Budget

Dear Senators and Representatives:

The purpose of this memo is to officially transmit an update to the Governor's 2018 supplemental budget recommendations, originally released on March 16, 2018. The changes are described briefly below and in greater detail in the attachment.

### General Fund Changes

The 2018 February *Budget and Economic Forecast* projects a \$329 million general fund balance for the remainder of the FY 2018-19 biennium. The Governor's March 16 supplemental budget recommendations included \$20 million in revenue increases and \$227 million in increased spending; today's changes reduce the Governor's recommended spending by \$3 million. After today's changes, a budgetary balance of \$126 million remains.

#### FY 2018 Governor's Revised General Fund Supplemental Budget Recommendations (\$ in millions)

|                                    | March 16<br>Budget | April 9<br>Budget | \$ Change  |
|------------------------------------|--------------------|-------------------|------------|
| February Forecast Balance          | \$329              | \$329             | \$0        |
| Tax and Revenue Change             | 20                 | 20                | 0          |
| Spending Change                    | 227                | 223               | (3)        |
| <i>Total – Recommended Changes</i> | <i>206</i>         | <i>203</i>        | <i>(3)</i> |
| Remaining Budgetary Balance        | \$123              | \$126             | \$3        |

The changes to the Governor's recommendation include:

- The Minnesota Suicide Prevention Lifeline - Competitive grant funding will be made available to bolster the state's telephone first response capacity. This is a new proposal.

- Safe Schools Revenue Expansion - The Governor's original proposal will now include intermediate and cooperative districts.
- Premium Subsidy Funding – The proposal will cancel the remaining \$17 million in FY 2018 from the premium subsidy program in the general fund.
- Secretary of State Election Cybersecurity – The Governor's original proposal will be reduced to align with federal Help America Vote Act funding that will cover needed cybersecurity enhancements.
- Sustainable Forest Incentive Act Private Lands Timber Harvest Credit – This new proposal will incentivize private landowners to harvest and sell timber to mills.

The Governor's revisions also impact the next biennium by increasing spending by \$2.1 million, leaving a balance of \$399 million in FY 2020-21.

### **Worker's Compensation Fund Changes**

- The Governor also recommends a change to the Workers' Compensation Court of Appeals Judges Salary Increase proposal, which benchmarks Workers' Compensation Court of Appeals judges' salaries to workers' compensation judges at the Office of Administrative Hearings, rather than Court of Appeals judges. This would result in reduced costs relative to the original recommendation of \$16 thousand in per year beginning in FY 2019 in the worker's compensation fund.

Attached to this memo are descriptions of the changes showing impacts by fiscal year along with general fund financial summaries for each biennia. Individual agency commissioners and staff, as well as 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 Jim Knoblach, House Ways and Means Chair  
Senator Richard Cohen  
Representative Lyndon Carlson  
Eric Nauman, Senate Chief Fiscal Analyst  
Bill Marx, House Chief Fiscal Analyst

## Revisions to Governor's 2018 Supplemental Budget

(Dollars in Thousands)

|                             |  | 2018 | 2019 | 2020 | 2021 |
|-----------------------------|--|------|------|------|------|
| <b>Department of Health</b> |  |      |      |      |      |

### Statewide Suicide Prevention Lifeline

The Governor recommends competitive grant funding to non-profits to provide crisis telephone counseling services 24 hours a day, 7 days a week, 365 days a year across the state. It also provides grants administration support at the Department of Health.

|         |             |   |     |     |     |
|---------|-------------|---|-----|-----|-----|
| General | Expenditure | 0 | 969 | 969 | 969 |
|---------|-------------|---|-----|-----|-----|

### Department of Education

#### Include Intermediate and Cooperative School Districts in Safe School Revenue Expansion

The Governor recommends increasing Safe Schools Revenue for intermediate school districts and making school district cooperatives that provide instruction to students eligible for this revenue. This proposal provides one-time state aid to co-ops and intermediate districts of \$7.50 per member district pupil (50% of the current allowance for intermediates) in FY 2019, doubles the levy amount in FY 2020 and beyond and equalizes that levy to expand access to low tax capacity districts. The levy and aid must be spent on items identified in the safe schools levy statute including: facility enhancements, costs for school counselors, peace officers, and crime and drug abuse prevention.

|         |             |   |       |     |     |
|---------|-------------|---|-------|-----|-----|
| General | Expenditure | 0 | 3,942 | 674 | 256 |
|---------|-------------|---|-------|-----|-----|

### Minnesota Management and Budget

#### Cancel Unexpended Premium Subsidy Funding

Based upon final estimates of total expenditures, The Governor recommends cancelling \$17M in funding from the Premium Subsidy Program. This program was enacted in 2017 on a one-time basis to provide a 25% discount to individuals buying health insurance coverage on the individual market. This amount is in addition to \$58.391M cancelled from the program in the original Governor's supplemental budget recommendation to fund the MinnesotaCare Buy In reserve.

|         |             |          |   |   |   |
|---------|-------------|----------|---|---|---|
| General | Expenditure | (17,000) | 0 | 0 | 0 |
|---------|-------------|----------|---|---|---|

## Secretary of State

### Election Cybersecurity

The Governor's March 16, 2018 recommendation included funding for election cybersecurity upgrades and to modernize Minnesota's Statewide Voter Registration System. The Secretary of State recently learned Minnesota will receive \$6.595 million in federal Help America Vote Act (HAVA) funding. This funding requires a five percent state match and can be used to enhance election technology and make election security improvements. Therefore, the Governor recommends reducing the funding for election cybersecurity to \$330,000 in FY 2019 to provide the required state match to the federal HAVA funds.

|         |             |   |      |       |       |
|---------|-------------|---|------|-------|-------|
| General | Expenditure | 0 | (51) | (361) | (380) |
|---------|-------------|---|------|-------|-------|

### Tax Aids, Credits and Refunds

#### Sustainable Forest Incentive Act Private Lands Timber Harvest Credit

The Governor recommends a credit to incentivize private landowners to harvest and sell timber to mills in Minnesota. This proposal would increase timber availability to the forest product industry, preserve state resources, and support landowners during current low timber prices. The Department of Natural Resources (DNR) estimates this credit of \$5 per cord of wood would increase timber harvested on private land by 350,000 cords by fiscal year 2021. \$720,000 of this proposal is for DNR to administer the credit program.

|         |             |   |       |   |   |
|---------|-------------|---|-------|---|---|
| General | Expenditure | 0 | 8,720 | 0 | 0 |
|---------|-------------|---|-------|---|---|

### Workers' Compensation Court of Appeals

#### Workers' Compensation Court of Appeals Judges Salary Increase

The Governor recommends altering the formula for calculating Workers' Compensation Court of Appeals judges salaries to align with the Workers' Compensation Advisory Council recommendations. This proposal would benchmark Workers' Compensation Court of Appeals judges salaries to workers' compensation judges at the Office of Administrative Hearings' salaries, rather than to Court of Appeals judges salaries.

|                       |             |   |      |      |      |
|-----------------------|-------------|---|------|------|------|
| Worker's Compensation | Expenditure | 0 | (16) | (16) | (16) |
|-----------------------|-------------|---|------|------|------|

|   |  |          |        |       |      |
|---|--|----------|--------|-------|------|
| <b>Net General Fund Impact</b>          |  | (17,000) | 13,580 | 1,282 | 845  |
| <b>Net Worker's Compensation Impact</b> |  | 0        | (16)   | (16)  | (16) |

## FY 2018-19 General Fund Budget

April 9, 2018 Gov Rec vs February 2018 Forecast

|  | 2-18 Forecast<br>FY 2018-19 | 4-18 Gov Rec<br>FY 2018-19 | \$<br>Change     |
|--|-----------------------------|----------------------------|------------------|
| <b><u>Actual &amp; Estimated Resources</u></b> |                             |                            |                  |
| Balance Forward From Prior Year                | 3,333,262                   | 3,333,262                  | -                |
| Current Resources:                             |                             |                            |                  |
| Tax Revenues                                   | 42,963,853                  | 42,963,853                 | -                |
| Non-Tax Revenues                               | 1,475,068                   | 1,475,068                  | -                |
| Subtotal - Non-Dedicated Revenue               | 44,438,921                  | 44,438,921                 | -                |
| Dedicated Revenue                              | 1,205                       | 1,205                      | -                |
| Transfers In                                   | 307,396                     | 307,396                    | -                |
| Prior Year Adjustments                         | 53,335                      | 53,335                     | -                |
| Subtotal - Other Revenue                       | 361,936                     | 361,936                    | -                |
| Budget Changes - Taxes                         | -                           | 24,775                     | 24,775           |
| Budget Changes - Non-Taxes                     | -                           | (4,357)                    | (4,357)          |
| Subtotal-Current Resources                     | 44,800,857                  | 44,821,275                 | 20,418           |
| <b>Total Resources Available</b>               | <b>48,134,119</b>           | <b>48,154,537</b>          | <b>20,418</b>    |
| <b><u>Actual &amp; Estimated Spending</u></b>  |                             |                            |                  |
| E-12 Education                                 | 18,835,239                  | 18,885,962                 | 50,723           |
| Higher Education                               | 3,282,318                   | 3,312,282                  | 29,964           |
| Property Tax Aids & Credits                    | 3,655,702                   | 3,655,702                  | -                |
| Health & Human Services                        | 13,617,643                  | 13,653,080                 | 35,437           |
| Public Safety & Judiciary                      | 2,335,516                   | 2,358,954                  | 23,438           |
| Transportation                                 | 340,791                     | 369,901                    | 29,110           |
| Environment                                    | 355,291                     | 366,998                    | 11,707           |
| Agriculture                                    | 125,575                     | 125,775                    | 200              |
| Jobs, Economic Development, Housing & Commerce | 552,504                     | 586,504                    | 34,000           |
| State Government & Veterans                    | 1,310,369                   | 1,282,070                  | (28,299)         |
| Debt Service                                   | 1,138,131                   | 1,148,411                  | 10,280           |
| Capital Projects & Grants                      | 259,758                     | 286,613                    | 26,855           |
| Estimated Cancellations                        | (20,000)                    | (20,000)                   | -                |
| <b>Total Expenditures &amp; Transfers</b>      | <b>45,788,837</b>           | <b>46,012,252</b>          | <b>223,415</b>   |
| <b>Balance Before Reserves</b>                 | <b>2,345,282</b>            | <b>2,142,285</b>           | <b>(202,997)</b> |
| Cash Flow Account                              | 350,000                     | 350,000                    | -                |
| Budget Reserve                                 | 1,608,364                   | 1,608,364                  | -                |
| Stadium Reserve                                | 57,638                      | 57,638                     | -                |
| <b>Budgetary Balance</b>                       | <b>329,280</b>              | <b>126,283</b>             | <b>(202,997)</b> |

## Planning Estimates: FY 2020-21 General Fund Budget

April 9, 2018 Governor's Rec vs February 2018 Forecast

|  | 2-18 Forecast<br>FY 2020-21 | 4-18 Gov Rec<br>FY 2020-21 | \$<br>Change     |
|--|-----------------------------|----------------------------|------------------|
| <b><u>Actual &amp; Estimated Resources</u></b> |                             |                            |                  |
| Balance Forward From Prior Year                | 2,345,282                   | 2,142,285                  | (202,997)        |
| Current Resources:                             |                             |                            |                  |
| Tax Revenues                                   | 46,360,377                  | 46,360,377                 | -                |
| Non-Tax Revenues                               | 1,403,231                   | 1,403,231                  | -                |
| Subtotal - Non-Dedicated Revenue               | 47,763,608                  | 47,763,608                 | -                |
| Dedicated Revenue                              | 1,222                       | 1,222                      | -                |
| Transfers In                                   | 307,674                     | 307,674                    | -                |
| Prior Year Adjustments                         | 63,107                      | 63,107                     | -                |
| Subtotal - Other Revenue                       | 372,003                     | 372,003                    | -                |
| Budget Changes - Taxes                         | -                           | 416,975                    | 416,975          |
| Budget Changes - Non-Taxes                     | -                           | 163,128                    | 163,128          |
| Subtotal-Current Resources                     | 48,135,611                  | 48,715,714                 | 580,103          |
| <b>Total Resources Available</b>               | <b>50,480,893</b>           | <b>50,857,999</b>          | <b>377,106</b>   |
| <b><u>Actual &amp; Estimated Spending</u></b>  |                             |                            |                  |
| E-12 Education                                 | 19,555,176                  | 19,736,653                 | 181,477          |
| Higher Education                               | 3,255,802                   | 3,276,171                  | 20,369           |
| Property Tax Aids & Credits                    | 3,652,469                   | 3,654,669                  | 2,200            |
| Health & Human Services                        | 15,413,621                  | 15,577,360                 | 163,739          |
| Public Safety & Judiciary                      | 2,361,015                   | 2,377,231                  | 16,216           |
| Transportation                                 | 247,118                     | 247,563                    | 445              |
| Environment                                    | 322,341                     | 324,443                    | 2,102            |
| Agriculture                                    | 122,022                     | 122,422                    | 400              |
| Jobs, Economic Development, Housing & Commerce | 402,929                     | 410,929                    | 8,000            |
| State Government & Veterans                    | 1,060,604                   | 1,140,381                  | 79,777           |
| Debt Service                                   | 1,177,965                   | 1,255,203                  | 77,238           |
| Capital Projects & Grants                      | 271,446                     | 276,944                    | 5,498            |
| Estimated Cancellations                        | (20,000)                    | (20,000)                   | -                |
| <b>Total Expenditures &amp; Transfers</b>      | <b>47,822,508</b>           | <b>48,379,969</b>          | <b>557,461</b>   |
| <b>Balance Before Reserves</b>                 | <b>2,658,385</b>            | <b>2,478,030</b>           | <b>(180,355)</b> |
| Cash Flow Account                              | 350,000                     | 350,000                    | -                |
| Budget Reserve                                 | 1,608,364                   | 1,608,364                  | -                |
| Stadium Reserve                                | 120,177                     | 120,177                    | -                |
| <b>Budgetary Balance</b>                       | <b>579,844</b>              | <b>399,489</b>             | <b>(180,355)</b> |