

# HOUSE RESEARCH

## Bill Summary

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### Table of Contents

#### Bill Page

Article 1: Education Finance	3	2
Article 2: Higher Education	4	8
Article 3: Health and Human Services	5	10
Article 4: Environment and Natural Resources	11	53
Article 5: Economic Development	12	58
Article 6: Transportation	14	61
Article 7: Criminal Justice Appropriation	16	64
Article 8: State Government Reductions	18	68
Article 9: Taxes	19	70
Article 10: Capital Projects Cancellations	19	71
Article 11: State Government Language	20	73



## Article 1: Education Finance

### Overview

Analyst: Tim Strom, 651-296-1886

This article makes \$7,500,000 in reductions to K-12 and early education appropriations for the remaining portion of FY 2003.

- 1 Education appropriations and reductions. Describes the format for the appropriations reductions contained in this bill.
- 2 Appropriations reductions; department of children families and learning (DCFL).
  - Subd. 1. DCFL; general budget. Reduces the general appropriation for the department of children, families and learning by \$1,044,000 for the remainder of FY 03.
  - Subd. 2. DCFL; teaching and learning. Reduces the appropriation to the teaching and curriculum and teacher exchange portions of the DCFL budget by \$223,000 for the remainder of FY 03.
  - Subd. 3. School readiness. Reduces the appropriation for school readiness by \$791,000 for the remainder of FY 03.
  - Subd. 4. ECFE aid. Reduces the appropriation for early childhood family education (ECFE) programs by \$769,000 for the remainder of FY 03.
  - Subd. 5. Community education aid. Reduces the appropriation for community education aid by \$1,807,000 for the remainder of FY 03.
  - Subd. 6. Adult basic education aid. Reduces the appropriation for adult basic education aid by \$1,622,000 for the remainder of FY 03.
  - Subd. 7. American Indian tribal contract aid. Reduces the appropriation for tribal contract aid by \$500,000 for the remainder of FY 03. Requires the aid to be proportionately reduced if the remaining appropriation is insufficient to fully fund the tribal contract aid formula amount.
  - Subd. 8. Best practice grants. Reduces the appropriation for best practice grants by \$363,000 for the remainder of FY 03.
  - Subd. 9. Integration magnet school start-up grants. Reduces the appropriation for magnet school start-up grants by \$50,000 for the remainder of FY 03. Requires the aid to be proportionately reduced if the remaining appropriation is insufficient to fully fund the magnet school start-up aid formula amount.
- 3 Appropriations; Perpich center for arts education. Reduces the appropriation to the Perpich center for arts education by \$331,000 for the remainder of FY 03.
- 4 Reserve account limit; early childhood family education. Clarifies the variables used to determine fund balances in excess of 25 percent of districts' ECFE revenue. Eliminates the reallocation of revenue from high fund balance districts to other districts resulting in aid savings canceling to the state general fund and levy savings that will be made as an adjustment to a subsequent year's school property taxes.
- 5 Reserve account limit; school readiness aid. Clarifies the variables used to determine fund balances in excess of 25 percent of districts' school readiness aid. Eliminates the reallocation of revenue from high fund balance districts to other districts resulting in aid savings

- canceling to the state general fund.
- 6 Reserve account limit; community education revenue. Imposes a fund balance limit on school district community education revenue. Proportionately reduces community education aid and levy for any district with a fund balance in excess of 25 percent of the district's community education revenue.
- 7 Waiver; community education revenue. Allows a school district with a community education fund balance in excess of 25 percent of its previous year revenue to apply to the commissioner of children, families and learning for a waiver. The waiver must be filed within 30 days of the date of final enactment of this section and must list the extenuating circumstances facing the district.
- 8 Adult basic education fees. Authorizes a school district or adult basic education consortium to change a sliding scale fee to program participants who are over the age of 21.
- 9 State total adult basic education aid. Reduces the 8 percent inflation factor in adult basic education to 2 percent for fiscal year 2003 and subsequent years.
- 10 Aid guarantee. Sets the adult basic education aid amounts for fiscal years 2004 and 2005 for each qualifying program at least the amount of aid that the program receives for fiscal year 2003.
- 11 Community education revenue reduction; districts in statutory operating debt. Allows a district that is in statutory operating debt (has a negative fund balance of more than 21/2 percent of its revenue) that is subject to the community education fund balance limit to keep its levy share of the reduction for FY 03 and FY 04 only.
- 12 Effective date. Makes sections 1 to 11 effective the date following enactment, unless otherwise specified.

## Article 2: Higher Education

### Overview

Analyst: Kathy Novak, 651-296-9253

Article 2 reduces general fund appropriations for the University of Minnesota, the Minnesota State Colleges and Universities (MnSCU) and the Higher Education Services Office (HESO) by \$51.5 million in fiscal year 2003. This is in addition to the general fund reductions of \$47.2 million for fiscal year 2003 to these accounts made by the 2002 legislature. This article also transfers \$30 million to the general fund from a revenue bond account for student loans. The loan program and account are administered by HESO.

1. 1 Higher education appropriations. Summarizes the fiscal year 2003 general fund reductions for the University of Minnesota (\$25 million), MnSCU (\$25 million), and HESO (\$1.5 million).
- 2 Higher education services office. Reduces appropriations for fiscal year 2003 by \$1.5 million and makes it a base cut for the next biennium. HESO must not reduce state grant awards to meet the fiscal year 2003 reduction. HESO may eliminate state grants for summer session and may set a funding deadline for grants in fiscal year 2003.
- 3 Board of trustees of the Minnesota State Colleges and Universities. Reduces appropriations for fiscal year 2003 by \$25 million and makes it a base cut for the next biennium.
- 4 Board of regents of the University of Minnesota. Reduces appropriations for fiscal year 2003 by \$25 million and makes it a base cut for the next biennium. Prohibits the University from reducing any of the fiscal year 2003 appropriations to the agricultural and extension service.

- 5 SELF loan reserve fund transfer. Requires HESO to transfer \$30 million of the unrestricted  
6 balance from the fund for student loans to the general fund by the end of fiscal year 2003.  
Effective date. This article is effective the day following final enactment.

## Article 3: Health and Human Services

### Overview

Analyst: Peg Hicks, 651-296-8079  
Randall Chun, 651-296-8639  
Danyell Punelli, 651-296-5058  
Jeanne LeFevre, 651-296-5043

This amendment replaces Article 3 of H.F. 74. The amendment contains health and human services budget reduction proposals for fiscal year 2003. This summary briefly summarizes the riders that are included in this article. Note: this summary does not include the detailed line-item appropriations and base amounts that are contained in the fiscal tracking sheet. The tracking sheet is created and maintained by the Fiscal Analysis Department analyst assigned to the health and human services committee, and is a separate document.

1. 1 Health and human services reductions. Transfers other funds to the general fund and reduces  
2 general fund appropriations in fiscal year 2003.  
Commissioner of human services.

Subd. 1. Total appropriation reductions. Reduces department of human services general fund appropriations.

Subd. 2. Agency management. Reduces the department's general fund FY 2003 appropriation. Directs the commissioner to make a one-time transfer of uncommitted special revenue fund balances to the general fund. Transfers funds from state-operated services depreciation accounts to the general fund.

Subd. 3. Administrative reimbursement/pass-through. Increases the federal TANF appropriation for TANF indirect costs.

Subd. 4. Children's services grants. Reduces children's services grants. Included in this reduction is a one-time reduction to the criminal justice training grant, a one-time reduction in the fetal alcohol syndrome grant, a one-time reduction in the foster and adopt recruitment grant, and a one-time reduction in adoption assistance and relative custody assistance grants.

Subd. 5. MA basic health care grants-families and children. Reduces the FY 2003 general fund appropriation.

Subd. 6. MA basic health care grants-elderly and disabled. Reduces the FY 2003 general fund appropriation.

Subd. 7. General assistance medical care grants. Reduces the FY 2003 general fund appropriation.

Subd. 8. Health care policy administration. Reduces the FY 2003 general fund appropriation.

Subd. 9. Prescription drug program. Reduces the FY 2003 general fund appropriation.

Subd. 10. Aging and adult service grants. Reduces the FY 2003 general fund appropriation. Included in this reduction are one-time reductions to the home share grant, the community service grant, SAIL grants, community service development grants, and health care consumer assistance grants.

Subd. 11. Medical assistance long-term care waivers and home care grants. Reduces the FY 2003 general fund appropriation. Delays implementation of the targeted case management benefit for home care recipients until July 1, 2005. Delays implementation of the common service menu option within the home- and community-based waivers until July 1, 2005.

Subd. 12. Medical assistance long-term care facilities grants. Reduces the FY 2003 general fund appropriation. Suspends new authorizations of rate adjustments to ICF/MR facilities with seven or more beds for the purposes of addressing occupancy. This provision is effective April 1, 2003, and expires on July 1, 2003. For facilities with six or fewer beds, limits rate adjustments to 30 days (rather than 75 days as under current law) for the period April 1 to June 30, 2003.

Subd. 13. Community support grants. Makes a one-time reduction in the FY 2003 general fund appropriation for public guardianship grants.

Subd. 14. Alternative care grants. Reduces the FY 2003 general fund appropriation. Delays implementation of common service menu provisions and requires DHS to work with counties to create efficiencies.

Subd. 15. Chemical dependency nonentitlement grants. Reduces the FY 2003 general fund appropriation. Requires this reduction to affect only the chemical use assessment of minors and the statewide detoxification transportation program.

Subd. 16. MFIP. Reduces the FY 2003 appropriation. Included are reductions to MFIP employment and training, MFIP food and cash assistance serving noncitizens, emergency assistance, and federal TANF emergency assistance.

Subd. 17. Work grants. Reduces FY 2003 federal TANF supportive work grant.

Subd. 18. Economic support grants-other assistance. Reduces FY 2003 general fund appropriation for fraud prevention investigation grants.

3 Commissioner of health.

Subd. 1. Total general fund appropriation reductions. Reduces FY 2003 department of health general fund appropriations. Included in this reduction are reductions in long-term care quality demonstration grants, long-term care transition planning grants, WIC grants, health disparities and immunization grants, health disparities grants, lead grants, and family planning grants. Permits reallocation of TANF funds for family home visiting to WIC client services. Transfers \$4.0 million to the general fund from the tobacco endowment fund.

4 Emergency medical services board. Reduces the FY 2003 general fund appropriation to the emergency medical services board.

5 Council on disability. Reduces the FY 2003 general fund appropriation to the council on disability.

6 Ombudsman for mental health and mental retardation. Reduces the FY 2003 general fund appropriation to the ombudsman. Included in this amount is a reduction of the amount for crime victims oversight

7 Ombudsman for families. Reduces the FY 2003 general fund appropriation to the  
ombudsman.

8 Veterans home board. Reduces the FY 2003 general fund appropriation to the veterans home  
board.

9 Children, families, and learning. Reduces the FY 2003 general fund appropriation to the  
department of children, families, and learning. Included are reductions in child care  
development grants, basic sliding fee child care, and MFIP child care.

10 Federal poverty guidelines. Amends § 119B.011, by adding subd. 23. Defines "federal  
poverty guidelines" as the annual poverty guidelines for a family of four, adjusted for family  
size, published annually by the United States Department of Health and Human Services in  
the Federal Register.

11 General eligibility requirements for all applicants for child care assistance. Amends §  
119B.09, subd. 1. Changes income eligibility from having a household income within a  
range established by the commissioner to no greater than 250 percent of the federal poverty  
guidelines. Makes this section effective April 1, 2003.

12 Sliding fee. Amends § 119B.09, subd. 2. Strikes language requiring the upper limit of  
income eligibility for child care assistance to be between 70-90 percent of the state median  
income. Makes this section effective April 1, 2003.

13 Parent fee. Amends § 119B.12, subd. 2. Strikes references to the state median income and  
replaces them with references to the federal poverty guidelines. Increases the minimum  
parent fee from \$5 to \$10. Makes this section effective April 1, 2003.

14 Contribution amount. Amends § 252.27, subd. 2a. Increases parental contributions for  
children receiving certain health care services by 5 percent. Provides an April 1, 2003  
effective date.

15 Nursing home license surcharge. Amends § 256.9657, subd. 1. Increases the annual  
surcharge on non-state-operated nursing homes from \$990 to \$2,741 per licensed bed,  
effective April 15, 2003. Extends from August 15, 2003 to August 15, 2004 the date by  
which homes may elect to participate in MA. Specifies a February 28, 2003 effective date.

16 Payments. Amends § 256.969, subd. 3a. Reduces MA and GAMC fee-for-service payment  
rates for inpatient hospital admissions by five percent, for admissions occurring on or after  
March 1, 2003. Exempts mental health services from this reduction.

17 Income and assets generally. Amends § 256B.056, subd. 1a. Eliminates a reference to the  
MA earned income disregard for families and children that took effect July 1, 2002. (This  
new disregard is repealed elsewhere in the bill.) Provides an April 1, 2003 effective date.

18 Income. Amends § 256B.056, subd. 4. Strikes language that sets the basic MA income limit  
for families and children at 100 percent of the federal poverty guidelines (FPG). Reinstates  
the limit that had applied prior to July 1, 2002 of 133 and 1/3 percent of the 1996 AFDC  
standard, increased by three percent. (The basic limit applies mainly to parents of children on  
MA and children 19 to 21; higher income limits apply to younger children.) Provides an  
April 1, 2003 effective date.

19 Children. Amends § 256B.057, subd. 2. Strikes language that sets the MA income limit for  
children through age 18 at 170 percent of FPG, unless a higher income standard applies. This  
has the effect of reinstating the following income standards for children that applied prior to  
July 1, 2002: 133 percent of FPG for children two through five and 100 percent of FPG for  
children six through 18. (Children under age two remain covered at the 280 percent of FPG  
level.) Provides an April 1, 2003 effective date.

20 Citizenship requirements. Amends § 256B.06, subd. 4. Eliminates MA without federal  
financial participation for: (1) qualified noncitizens who do not otherwise qualify for MA  
with federal financial participation as refugees, asylees, persons granted withholding from  
deportation, veterans and their spouses and minor dependents, and persons on active duty

and their spouses and minor dependents; and (2) noncitizens who are not qualified noncitizens and who are lawfully residing in the US. Also eliminates state-only funded MA coverage for care and services through the period of pregnancy and 60-days postpartum for pregnant noncitizens who are undocumented or nonimmigrants. (Individuals who lose coverage under this section retain eligibility for MA coverage of services necessary to treat an emergency medical condition, including labor and delivery.) Provides an April 1, 2003 effective date. Makes various changes to conform to federal law.

21 Deeming of sponsor income and resources. Amends § 256B.06, subd. 5. Makes a conforming change related the elimination of MA without federal financial participation. Provides an April 1, 2003 effective date.

22 Drugs. Amends § 256B.0625, subd. 13. For the period March 1 through June 30, 2003, requires the commissioner to estimate the acquisition cost used in setting pharmacy reimbursement rates at AWP - 12.6% (the current law formula is AWP - 9%). Strikes language that prohibits the commissioner from setting maximum allowable costs for multisource drugs that are on the federal upper limit list. Strikes related language defining a multisource drug. Specifies a March 1, 2003 effective date.

23 **Copayment for prescription drugs.** Amends § 256B.0625, by adding subd. 13c.

(a) Effective March 1, 2003, requires copayments of \$1.00 for generic drugs and \$3.00 for brand-name drugs, subject to a \$20 monthly limit per enrollee. Requires the commissioner to reduce pharmacy reimbursement rates by these amounts and prohibits pharmacies from waiving copayments and other entities from paying the copayment for a recipient. Makes parents or guardians responsible for copayments imposed on dependent children.

(b) Prohibits a pharmacy from refusing to provide a prescription drug to a recipient who is unable to provide the copayment.

(c) Allows pharmacies to refuse services to enrollees with uncollected copayments, if it is the routine business practice of the pharmacy to refuse services to individuals with uncollected debt and advanced notice is given.

(d) Exempts children under age 18, pregnant women, certain individuals in institutions, and categorically needy individuals receiving services through a prepaid plan from copayments. Also prohibits copayments from being collected for prescription drugs provided as part of an emergency health care service or a family planning service.

24 Increased employment. Amends § 256B.0635, subd. 1. Reduces the income limit for receiving extended MA for persons who become ineligible for the program due to an increase in employment hours or income or loss of an earned income disregard, from 100 percent of FPG to the 1996 AFDC income standard, increased by three percent (about 47 percent of FPG). (Extended MA provides six months of additional MA coverage, if the individual had income under the limit at the time of application and for at least three of the six months the individual became ineligible. Extended MA for this group may be renewed for an additional six months if certain criteria are met.) Provides an April 1, 2003 effective date.

25 Increased child or spousal support. Amends § 256B.0635, subd. 2. Reduces the income limit for receiving extended MA (four months of additional coverage) for persons who become ineligible for the program due to the collection of child or spousal support, from 100 percent of FPG to the 1996 AFDC standard, increased by three percent. Provides an April 1, 2003 effective date.

26 Portion of nonfederal share to be paid by certain counties. Amends § 256B.19, subd. 1d. Requires counties that own and operate nursing homes to transfer an additional \$2,230 per



licensed bed to the state Medicaid agency, before noon on May 31. (This transfer is in addition to other required transfers.) Specifies a February 28, 2003 effective date.

27 Adjustments permitted. Amends § 256B.195, subd. 4. Requires the increase in intergovernmental transfers resulting from the reduction in inpatient hospital payment rates to be deposited into the general fund.

28 Facility fee payment. Amends § 256B.32, subd. 1. Reduces MA and GAMC fee-for-service facility fee payment rates for outpatient hospital facility services by 5 percent, for services provided on or after March 1, 2003. Exempts services provided by Indian health service facilities from this reduction.

29 County nursing home payment adjustments. Amends § 256B.431, subd. 23. Requires the commissioner to increase MA reimbursement rates for county-owned and operated nursing facilities by \$6.11 per bed per day. Specifies a February 28, 2003 effective date.

30 Nursing home rate increases effective in fiscal year 2003. Amends § 256B.431, by adding subd. 38. Requires the commissioner to increase case mix payment rates for nursing homes by an amount equal to the increase in the per bed surcharge, divided by 365 and further divided by .80. States that the increase is not subject to annual increases and that the requirement that residents receive 30-day's notice of rate increases does not apply.

31 Hospital outpatient reimbursement. Amends § 256B.75. Reduces MA and GAMC fee-for-service payment rates for outpatient hospital facility services by 5 percent, for services provided on or after March 1, 2003. Exempts services provided by Indian health service facilities from this reduction.

32 Transitional standard. Amends § 256J.08, subd. 85. Adds language requiring that the standard only represent the cash portion of MFIP when a member of the assistance unit is ineligible for federal food benefits due to citizenship status. Makes this section effective April 1, 2003.

33 General citizenship requirements. Amends § 256J.11, subd. 1. Limits eligibility for MFIP cash and food to citizens of the United States or qualified noncitizens. Makes this section effective April 1, 2003.

34 Emergency financial assistance. Amends 256J.48, subd. 1. Reduces eligibility for emergency financial assistance from one 30-day period every 12 months to one 30-day period every 18 months.

35 Initial assessment. Amends § 256J.52, subd. 2. Limits authorization for post-secondary education and training in the MFIP program to 12 months. Makes this section effective April 1, 2003.

36 Length of program. Amends § 256J.53, subd. 1. Limits authorization for post-secondary education or training to 12 months in the MFIP program. Allows MFIP participants who have an approved education plan in place as of April 1, 2003, that allows up to 24 months of post-secondary education to complete that plan. Makes this section effective April 1, 2003.

37 General requirements. Amends § 256L.07, subd. 1. Reduces from 18 to six months the notice period that must be provided to MinnesotaCare enrollees who lose eligibility due to incomes that exceed the program limits. Eliminates the exemption from disenrollment provided to individuals for whom 10 percent of annual income would be less than the annual premium for an MCHA policy with a \$500 deductible. Provides an April 1, 2003 effective date.

38 Limit on total assets. Amends § 256L.17, subd. 2. Strikes a statutory cross-reference to the methodology to be used in calculating assets under MinnesotaCare, and instead moves the language describing the methodology into the subdivision. (This is a technical change related to repeal elsewhere in the bill of the provision being cross-referenced.)

39 Ineligibility for state funded programs. Amends Laws 1997, chapter 203, article 9, section 21, as amended by Laws 1998, chapter 407, article 6, section 111, Laws 2000, chapter 488, article 10, section 28, and Laws 2001, 1st Special Session, chapter 9, article 10, section 62.

Makes a technical change to the sunseting of eligibility for MFIP assistance of legal noncitizens. Makes this section effective April 1, 2003.

40 Child care service grants. Amends Laws 2001, 1<sup>st</sup> Sp. Session, chapter 3, article 1, section 17, as amended by Laws 2002, chapter 220, article 2, section 6. Reduces the annual appropriation for child care service grants from \$1.365 million to \$1.340 million.

41 Child care assistance parent fee schedule. Amends Laws 2001, 1<sup>st</sup> Sp. Session, chapter 9, article 2, section 31, the effective date. Delays MA coverage for home-based intensive early intervention behavior therapy for children with autism by six months, until July 1, 2003.

42 Child care assistance parent fee schedule. Directs the commissioner to amend the parent fee schedule to change income eligibility from 75 percent of state median income to 250 percent of the federal poverty guidelines and to increase parent fees by about 10 percent. Makes this section effective April 1, 2003.

43 Direction to the commissioner. Requires the commissioner of human services to propose revisions to the transitional standard with an additional scale of standards for MFIP assistance units that contain persons ineligible for federal food benefits due to citizenship status.

44 Repealer.

Subd. 1. Home-sharing grant program; Fairview University Medical Center.] Repeals sections 256.973 (home-sharing grant program) and 256B.195, subd. 5 (inclusion of Fairview Medical Center in an intergovernmental transfer).

Subd. 2. Minnesota food assistance program (256D.053). Repeals the Minnesota food assistance program effective April 1, 2003.

Subd. 3. MFIP Noncitizens; food portion; state funding (256J.11, subd. 2 and 3). Repeals state MFIP food aid to noncitizens effective April 1, 2003.

Subd. 4. Parent fee schedule (Laws 1999, ch. 205, art. 1, § 63). Repeals the current child care assistance parent fee schedule effective April 1, 2003.

Subd. 5. MA income disregard for families. Effective April 1, 2002, repeals the MA earned income disregard for families and children that took effect July 1, 2002. (This new disregard was 17 or 21 percent of income, depending on the group, for four months.) The repeal reinstates the disregard that had formerly applied-\$90 ongoing, \$30 for the first 12 months, and a disregard of 1/3 of remaining income for the first four months.

Subd. 6. MA asset limit for families. Effective April 1, 2003, repeals a new MA asset limit for parents in families with dependent children that took effect July 1, 2002. (This asset limit was \$15,000 in total assets for a household of one and \$30,000 for households of two or more, after specified exclusions.)

45 Effective date. States that sections 1 to 40 are effective the day following final enactment, unless otherwise specified.

## Article 4: Environment and Natural Resources

### Overview

Analyst: Mike Bull, 651-296-8961  
John Helland, 651-296-5039

This bill provides the budget reductions for fiscal year 2003 for those agencies and departments that have environmental, natural resources, and agricultural responsibilities.

The bill provides for \$22.4 million in relief to the general fund in fiscal year 2003 through transfers, reductions, and cancellations.

1. 1 Environmental and natural resources; appropriations and reductions. Specifies a total reduction of \$7.151 million dollars in general fund appropriations in fiscal year (FY) 2003 for environmental and natural resources purposes.
- 2 Pollution control agency.
  - Subd. 1. Requires a total reduction for the agency of \$1,107,000 in FY 2003 general fund appropriations.
  - Subd. 2. Specifies general fund reductions of:
    - ▶ \$200,000 from the amount appropriated for individual sewage treatment system (ISTS) grants
    - ▶ \$17,000 from the amount appropriated for ISTS administration
    - ▶ \$468,000 from the amount appropriated for county administration of the feedlot permit program
  - Subd. 3. Requires a transfer of \$750,000 from the solid waste fund to the debt service account in the general fund, for payment of debt service on closed landfill cleanup bonds. Specifies that this is a change to the agency's base.
  - Subd. 4. Requires an agency-wide reduction of \$422,000. Specifies that this is a change to the agency's base.
- 3 Office of Environmental assistance. Requires a reduction in the FY 2003 general appropriations to the agency of \$409,000. Of this amount, \$210,000 is from the agency's competitive grant program, and \$199,000 is from the agency's administrative costs. Specifies that the reduction of \$199,000 is a change to the agency's base.
- 4 Zoological board. Makes a \$270,000 reduction to the agency's base appropriation beginning in fiscal year 2003.
- 5 Department of natural resources.
  - Subd. 1. Requires a total reduction in fiscal year 2003 general fund appropriations of \$3,997,000. Of this amount, \$3,819,000 is a change to the agency's base.
    - ▶ land and mineral resources management \$257,000.
    - ▶ water resources management \$431,000.
    - ▶ forest management \$1,337,000.
    - ▶ parks and recreation management \$859,000. Requires the parks working capital

account to be used to maintain camping facilities at the level currently planned for FY 2003.

- ▶ trails and waterways management \$70,000.
- ▶ fish management \$1,000.
- ▶ for wildlife management \$44,000.
- ▶ ecological services \$137,000.
- ▶ enforcement \$110,000.
- ▶ operations support \$751,000.

6 Board of water and solid resources. Reduces the FY 2003 general fund appropriation for BOWSR by \$1,368,000. Specifies the following one-time reductions:

- ▶ \$250,000 is from the appropriation for the cost-share grants program
- ▶ \$300,000 is from the appropriation for the Red River set-aside program
- ▶ \$688,000 is from the appropriation for the natural resources block grants to local governments

7 Transfers and appropriations. Requires a transfer of \$11 million from the unreserved balance of the solid waste fund to the general fund. Also reduces appropriations from the future resources fund in FY 2003 by \$2.4 million. Authorizes the legislative commission on Minnesota resources to replace the future resource fund appropriations with money from the environment and natural resources trust fund.

8 Motor vehicle transfer fee revenue. Specifies that revenue collected from the motor vehicle transfer fee between March 1, 2003, and June 30, 2007, shall be deposited in the general fund, and deposited in the environmental fund after June 30, 2007.

9 Technical.

10 Sales tax and use tax on cigarettes. Specifies that revenue collected from the sales tax and use tax on cigarettes between March 1, 2003, and June 30, 2007, (2¢ per pack that was recommended by the LCMR) shall be deposited in the general fund, and deposited back to the future resources fund after June 30, 2007.

11 Effective date. Specifies that sections 1 to 6 are effective the day following final enactment, and that sections 7 to 10 are effective as of March 1, 2003.

## Article 5: Economic Development

### Overview

Analyst: Linda Holmes, 651-296-5059  
Wendy Simons, 651-296-5052

This bill provides for reductions in appropriations in the jobs and economic development area. It also provides for two transfers, one of which is \$15,000,000 from the special compensation fund and the other of which is \$49,000,000 from the Minnesota minerals 21<sup>st</sup> century fund.

1. 1 Economic development reductions. Summarizes the reductions in the bill. Transfers from other funds total \$64,000,000; appropriation reductions total \$9,750,000.
- 2 Trade and economic development. Reduction of \$4,217,000. Of this amount, \$1,323,964 is

from the funds available for contaminated site grants. \$35,000 is from a one-time appropriation to Blue Earth county for a business incubator project. \$700,000 is from the appropriation for Minnesota investment fund grants. \$1,000,000 is from the appropriation for the job skills partnership program. \$480,000 is from the appropriation for the Minnesota film board.

- 3 Minnesota Technology, Inc. Reduction of \$730,000.
- 4 Economic Security. Total reduction of \$65,000. This includes a general operating reduction of \$189,000 that must be taken from operations other than State Services for the Blind, and cannot be taken in a manner that jeopardizes federal matching funds. It also includes an increase of \$124,000 to State Services for the Blind, to be used for purposes other than reopening the store that was previously operated by the department.
- 5 Housing finance agency. Reduction of \$2,205,000.
- 6 Commerce. Reduction of \$684,000. This includes a reduction of \$250,000 from an appropriation previously made for a school employee insurance plan study. The funding for the study in 2004 is also reduced by \$400,000.
- 7 Labor and industry. Reduction of \$118,000.
- 8 Bureau of mediation services. Reduction of \$122,000, of which \$47,000 is from labor-management cooperation grants.
- 9 Minnesota historical society. Reduction of \$1,066,000.
- 10 Council on Black Minnesotans. Reduction of \$13,000.
- 11 Council on Chicano-Latino Affairs. Reduction of \$13,000.
- 12 Council on Asian-Pacific Minnesotans. Reduction of \$11,000.
- 13 Indian Affairs Council. Reduction of \$23,000.
- 14 Board of the arts. Reduction of \$384,000, of which \$344,000 is from the appropriation for the board's grants programs.
- 15 Humanities commission. Reduction of \$40,000.
- 16 Special compensation fund. Amends a 2002 transfer from the special compensation fund to the general fund to provide \$265,000,000 rather than \$250,000,000. This represents an overall increase to the general fund of \$15,000,000.
- 17 Minnesota minerals 21<sup>st</sup> century fund. Transfers \$49,000,000 from this fund to the general fund by June 30, 2003.
- 18 Effective date. Provides that sections 1 to 17 are effective the day following final enactment.

## Article 6: Transportation

### Overview

Analyst: John Williams, 651-296-5045

This article adds \$130 million to the general fund for deficit reduction by canceling the unspent amount remaining from the 2000 appropriation of \$282.5 million from the general fund for trunk highway improvements. It makes up the money to the trunk highway fund by authorizing sale of \$130 million in trunk highway bonds and appropriating the proceeds to the department of transportation for the same purposes as the 2000 appropriation (metro-area bottleneck alleviation, greater Minnesota at-risk interregional corridors, and advantages to transit.)

The article also reduces the 2004-2005 trunk highway fund budget base for the departments of transportation and public safety by \$11.1 million each year to pay part of the debt service on the trunk highway bond issue.

The article directs the sale of a state airplane (estimated revenue of \$750,000 to the general fund) and reduces the FY 2003 appropriation for metropolitan council transit by \$2.615 million.

- 1 Appropriations. Provides that appropriations and changes are for FY 2003 and are from the general fund except where otherwise specified. Appropriation changes where indicated are from appropriations in the 2002-03 transportation appropriations bill enacted in 2001, except where otherwise specified.

General fund - appropriations reduction (2,615)

General fund - cancellation (130,000)

Trunk highway fund bond proceeds account 130,130

Transfers from other funds 15,000

- 2 Department of transportation.

Subd. 1. Total changes

General fund - cancellation (130,000)

Trunk highway fund 131,500

Transfers from other funds 15,000

Subd. 2. Aeronautics

Directs the finance department to transfer \$15,000,000 from the state airports fund to the general fund.

Subd. 3. Transit administration.

Reduces the 2004-2005 trunk highway fund budget base for this activity by \$50,000 each year.

Subd. 4. Motor carrier regulation.

From Reduces the 2004-2005 trunk highway fund budget base for this program by \$250,000 each year.

Subd. 5. State roads.

(a) State road construction 130,000

From the trunk highway fund bond proceeds account, to be used for metro-area bottleneck alleviation, greater Minnesota at-risk interregional corridors, and advantages to transit. Available until spent.

(b) Central engineering services

Reduces the 2004-2005 trunk highway fund budget base for this program by \$1,200,000 each year.

(c) Design and construction engineering

Reduces the 2004-2005 trunk highway fund budget base for this program by \$600,000 each year.

(d) State road operations

Reduces the 2004-2005 trunk highway fund budget base for this program by \$3,500,000 each year.

Specifies that \$1,000,000 each year must come from the highway helper program and \$500,000 each year must come from the transportation worker training program.

Subd. 6. General support

Reduces the 2004-2005 trunk highway fund budget base for this program by \$4,000,000 each year.

Specifies that \$2,000,000 each year must come from information technology spending.

3 Metropolitan council transit. (2,615)

4 Department of public safety.

Subd. 1. Budget reductions

Specifies that reductions are from the trunk highway fund.

Subd. 2. Administration.

Reduces the 2004-2005 trunk highway fund budget base for this program by \$500,000 each year.

Subd. 3. Driver and vehicle services.

Reduces the 2004-2005 trunk highway fund budget base for this program by \$1,000,000 each year.

5 Bond sale expenses. 130

From the bond proceeds account in the trunk highway fund. To the department of finance for expenses of the bond sale under section 6. Available until spent.

6 Bond sale. Authorizes sale of \$130,130,000 in trunk highway bonds, with proceeds deposited in the bond proceeds account in the trunk highway fund.

- 7 Sale of state airplane. Directs the commissioner of transportation to sell the state airplane purchased with an appropriation in 1997. Directs that the proceeds from the sale go to the general fund.
- 8 Effective date. Makes sections 1 to 7 effective immediately.

## Article 7: Criminal Justice Appropriation

### Overview

Analyst: Joe Cox, 651-296-5044  
Jeff Diebel, 651-296-5041

This article reduces general fund (and other) appropriations for the agencies and units of government with responsibilities relating to the judiciary, criminal justice, public safety, and corrections.

Reductions to the department of public safety are agency-wide reductions and not limited to only those functions traditionally addressed by judiciary/criminal justice finance bills.

The reductions in this article total \$13.2 million - which is a 1.8 percent cut to the total budget for agencies and units of government under the jurisdiction of the judiciary finance committee. The percentage cut for individual agencies varies.

The Board on Judicial Standards (whose total budget in FY 2003 is \$256,000) is the only judiciary/criminal justice agency not being cut.

The cuts in this article also reduce the corresponding base budgets for the next biennium.

This article also appropriates \$301,000 for reimbursements to public employers relating to certain mandatory public safety officer benefits. It also makes related changes to benefit and reimbursement policies.

1. 1 Appropriations. Provides that reductions are for FY 2003 and are from the general fund except where otherwise specified. Provides that the reductions also reduce the corresponding base budgets in subsequent years.
- 2 Supreme court. Total reduction: \$1,732,000. Of this amount, \$442,000 is a reduction in funding for civil legal services. The remainder of the reduction is not targeted to specific functions. However, there is a requirement that the reduction NOT be aimed at the court information system.
- 3 Court of appeals. Reduction: \$321,000. Not targeted.
- 4 District courts. Reduction: \$3,844,000. Not targeted.
- 5 Uniform laws commission. Reduction: \$1,000. Not targeted.
- 6 Human rights department. Reduction: \$146,000. Not targeted.
- 7 Board of public defense. Reduction: \$1,537,000. Not targeted.
- 8 Corrections. Reduction: \$2,000,000. This reduction is not specifically targeted. However, to the extent possible, the commissioner is supposed to aim the cuts at juvenile services, community services, and operations support (as opposed to correctional institutions). Also, no portion may be aimed at CrimNet activities.
- 9 Public safety. Reduction: \$3,425,000. Of this amount \$2,500,000 is a reduction to CrimNet local planning and implementation grants. The remainder is not targeted. However, to the



extent possible, the commissioner is supposed to make cuts without an adverse impact to terrorism preparedness. Also, the remainder of the cut may be directed to any DPS function, not just those functions traditionally under the jurisdiction of the judiciary finance committee.

10 Ombudsman for corrections. Reduction: \$33,000. This reduction is an estimate of the funding that would be leftover if the ombudsman's office is eliminated upon enactment of the bill. The ombudsman office is abolished in a later section of this article.

11 Sentencing guidelines commission. Reduction: \$17,000. Not targeted.

12 Board of private detective and protective agent services. Reduction: \$5,000. Not targeted.

13 Public safety officer's benefit account. Under current law, reimbursements to public employers for certain police and firefighter health benefits are paid as the claims are received. Under the new structure in this article, they will be paid at the end of the fiscal year - when all claims are known. This section clarifies that money in the public safety officer's benefit account does not revert to the general fund until claims from the preceding fiscal year are processed.

14 Public safety officer death benefit. Provides that the statutory death benefit for public safety officers is paid to the officer's estate. Current law provides no benefit if the officer has no spouse, dependent children, or dependent parents.

15 Officer or firefighter disabled in line of duty. Under certain circumstances, the health benefits of injured police officers and firefighters must be continued by a public employer (that can then apply for reimbursement from the state). According to the department of public safety, this section has always been interpreted to require a physical injury. The change in this section clarifies the law to conform to current practice.

16 Public employer reimbursement. Under current law, reimbursements to public employers for certain police and firefighter health benefits are paid as the claims are received. They are paid from an account with a finite amount of money. When the money runs out in a fiscal year, any later-coming claimants are not reimbursed. This section changes the law to provide that reimbursement will be paid at the end of the fiscal year - when all claims are known. If there is insufficient money, payment is prorated. It requires public employers to submit a claim within a month of the fiscal year end.

Note: sections 0 to 0 have a retroactive effective date: July 1, 2002.

17 Public employer reimbursement for officer and firefighter health insurance coverage. Appropriates \$301,000 in FY '03 for police and firefighter health benefit reimbursements for which there were insufficient funds in FY '02.

18 Peace officer standards and training board. Reduction: \$139,000. This reduction is directed to the educational opportunities program. Note: The POST board gets its funding from a special revenue fund. Excess money in that fund (after setting the POST board budget) is transferred to the general fund. Therefore, this cut represents a general fund credit instead of a general fund savings. The net effect is the same.

19 Office abolished. Abolishes the office of the corrections ombudsman.

20 File and data transfer. Provides for the transfer of files and data from the corrections ombudsman to the Minnesota historical society.

21 Repealer. Repeals statutes relating to the office of the corrections ombudsman.

22 Effective date. This article is effective the day following final enactment.

## Article 8: State Government Reductions

Analyst: Mark Shepard, 651-296-5051

1. 1 Reductions. States that dollar amounts listed in the bill are reductions from previous general fund appropriations.
- 2 Legislature.
- Subd. 1. Total. (3,095,000)
- Subd. 2. House. (640,000)
- Subd. 3. Senate. (1,700,000)
- Subd. 4. Legislative Coordinating Commission. (755,000)
- 3 Secretary of State. (164,000)
- 4 Governor. (162,000)
- 5 State Auditor. (390,000)
- 6 Attorney General. (1,168,000)
- 7 Office of Strategic and Long-Range Planning. (338,000)
- 8 Administration. (1,411,000) \$950,289 is from the voting equipment grant account, and \$300 from the state employees' band. In addition, \$2.2 million of the balance in the facility repair and replacement account in the state government special revenue fund is canceled to the general fund.
- 9 Finance. (694,000)
- 10 Employee Relations. (305,000)
- 11 Revenue. (1,810,000)
- 12 Amateur Sports Commission. (25,000)
- 13 Military Affairs. (413,000)
- 14 Veterans Affairs. (186,000)
- 15 Campaign Finance and Public Disclosure Board. (27,000)
- 16 Investment Board. (90,000)
- 17 Lawful Gambling Control Board. (89,000)
- 18 Racing Commission. (16,000)
- 19 Cancellation. Provides that the unspent balance of a 1995 appropriation for predesign and design of the Korean War veterans' memorial cancels to the general fund.
- 20 Reductions to base. Provides that reductions in sections 2 to 18 are permanent reductions in the base unless otherwise specified.
- 21 Effective date. Sections 1 to 20 are effective the day following final enactment unless otherwise specified.

## Article 9: Taxes

### Overview

Analyst: Joel Michael, 651-296-5057

Pat Dalton, 651-296-7434

The bill would delay when interest starts accruing on certain sales tax refund claims to 90 days after the claim is filed. This would apply to all sales tax exemptions that require the purchaser to pay sales tax at the time of purchase and then apply for a refund of the tax. The vast majority of these claims (in terms of number of claims and amount of refunds) are for sales tax on capital equipment purchases.

Currently interest accrues on some of these sales tax refund claims, including capital equipment claims, beginning the date that the claim is filed. Interest does not begin to accrue for certain other types of claims until 60 days after the claim is filed. This would provide one starting date for interest accrual for all refund claims when the exemption is not an upfront exemption.

Current law does not address when the Department of Revenue must make a refund payment, it only states when interest will begin to accrue on the refund amount.

1. 1 Capital equipment and certain building materials refunds; refunds to purchasers. Changes the date from which interest accrues on capital equipment purchases to 90 days after the date the claim is filed. Currently the date interest begins to accrue is the date the claim is filed for some of these exemptions and 60 days after the claim is filed for other exemptions. Effective for claims filed on or after January 15, 2003.
- 2 Interest. Makes the same change in the sales tax statute as was made in the tax administration statute in section 1. Effective for claims filed on or after January 15, 2003.

## Article 10: Capital Projects Cancellations

### Overview

Analyst: Deborah A. Dyson, 651-296-8291

This article accelerates to February 1, 2003, the cancellation of unencumbered general fund appropriations for capital projects authorized in 1998 and before that are completed or abandoned. It also cancels specific capital projects from 2000, 2001 and 2002, and the general fund appropriations for them. The amounts canceled for these projects is the unencumbered balance in the statewide accounting system as of January 23, 2003, estimated to be about \$5,300,000.

1. 1 Capital projects cancellations report. Accelerates to February 1, 2003, the effective date for cancellation of general fund appropriations for capital projects listed in the report by the commissioner of finance. Under general law, state or local government capital appropriations for projects authorized more than four years before the February 1 report that have some funds remaining, whether because the projects were canceled or completed, are canceled effective July 1, 2003, unless reauthorized by the legislature. This section cancels the general

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fund amounts listed in the report, effective the date the report is due, February 1, 2003. The estimated amount canceled to the general fund is about \$9,000,000.

2 Transportation; port development assistance. Cancels about \$20,832 of the 2001 appropriation.

3 Children, families, and learning; youth enrichment grants. Cancels about \$994,504 of the 2000 appropriation.

4 Administration.

Subd. 1. BCA headquarters. Cancels about \$99,788 of the 2000 appropriation.

Subd. 2. Predesign for health and human services facilities. Cancels about \$381 of the 2000 appropriation.

Subd. 3. Agency relocation. Cancels about \$53,900 of the 2000 appropriation, and about \$1,499,608 of the 2002 appropriation.

Subd. 4. Capitol area architectural and planning board. Cancels about \$591,614 of the 2002 appropriation.

Subd. 5. Minneapolis; Guthrie Theater. Cancels the remaining \$2,000,000 of the 2000 appropriation.

5 Public facilities authority; WIF. Cancels about \$125,443 of the 2000 appropriation.

6 Trade and economic development; redevelopment assistance. Cancels about \$17,824 of the 2000 appropriation for redevelopment assistance grants.

7 Effective date. Day following final enactment.

## Article 11: State Government Language

Analyst: Mark Shepard, 651-296-5051

1. 1 Direct deposit. Provides that the commissioner of finance may require direct deposit for all state employees who are paid through the state payroll system.
2. 2 Micrographics. Provides that the commissioner of administration may (instead of shall) provide micrographics services for state agencies.
3. 3 General services revolving fund. Strikes references to operation of a central duplicating and printing service in the law appropriating money from the general services revolving fund to the commissioner of administration.
4. 4 Central mailing system. Provides that the commissioner of administration may (instead of shall) operating a central mail handling unit for state agencies, to handle outgoing and interoffice mail.
5. 5 Professional or technical services contracts. Strikes the requirement that before a state agency may seek approval of a professional or technical service contract valued in excess of \$5,000 the agency must certify that no current state employee is able and available to perform the services called for by the contract.
6. 6 Professional or technical services contracts. Strikes the requirement that before a state agency may seek approval of a professional or technical service contract the commissioner of administration must determine that no state agency has previously performed or contracted for the performance of tasks which would be substantially duplicated under the proposed contract.

7. 7 Service contracts. Strikes the requirement that before entering into or approving a contract for non-professional or technical services the commissioner of administration must determine that no current state employee is able and available to perform the services called for by the contract. Also strikes language explaining that for purposes of this requirement: employees are available if qualified and if they are already doing the work or are on layoff status in classes that can do the work; and employees are not available if they are doing other work, are retired, or have decided not to do the work.
8. 8 Reference change. Strikes a reference to section 16C.07, because this section is repealed later in this article.
9. 9 Reference change. Strikes a reference to section 43A.047, because this section is repealed later in this article.
10. 10 Reference change. Strikes a reference to section 16.50, because this section is repealed later in this article.
11. 11 Salary savings. Provides that state government appointing authorities (including specified pension systems, the metropolitan council and the state historical society) shall determine if use of mandatory unpaid leave is necessary to meet budget reduction goals. Provides that each appointing authority may require up to 80 hours of unpaid leave for each full-time employee (and a proportional amount for part-time employees) before June 30, 2003. Permits approval of additional hours of unpaid leave, upon employee request.

Specifies certain terms and conditions for employees on unpaid leave under this section:

- ▶ Employees continue to accrue vacation and sick leave, seniority, service credit in retirement plans permitting service credit for authorized leaves, and continue to be eligible for paid holidays and insurance benefits as if the employee had worked the hours of unpaid leave.
  - ▶ For purposes of overtime, hours of unpaid leave must be treated as paid vacation leave.
  - ▶ Any requirement to reduce vacation leave balances by the end of the fiscal year is suspended for the year ending June 30, 2003.
  - ▶ Appointing authorities retain discretion to approve or disapprove when leave is used and to schedule leave for employees who have not arranged by April 1, 2003 to take the required number of hours.
  - ▶ Unpaid leave under this section is not subject to provisions of collective bargaining agreements and plans for unrepresented employees and is not subject to collective bargaining under chapter 179A.
12. 12 Grants. Provides that no executive branch official may take an action that would reduce an appropriation for grants and contracts for transmission of legislative activities. Requires that the executive branch must continue to make available the full amount of the appropriation for these purposes in Laws 2001, First Special Session chapter 10, article 1, section 12, subdivision 8.
  13. 13 Repealers. Repeals the following sections of law:
    - ▶ 16B.50: Requirement for commissioner of administration to operate a communications.media division that is responsible for state duplicating and printing.
    - ▶ 16C.07: Requirements that: commissioner of employee relations develop a

directory of professional or technical services that state agencies commonly provide; and before an agency seeks approval of a professional or technical services contract valued at more than \$25,000, it certify to the commissioner that it has posted notice at state worksites and made reasonable efforts to determine that no state employee or agency is able and available to perform the required services.

- ▶ 43A.047 : Requirements that: executive state agencies, including MnSCU, demonstrate they cannot use available staff before hiring outside consultants, and that if consultants are used, agencies are encouraged to negotiate contracts that will involve permanent staff, so as to upgrade and maximize training of state employees; and that if agencies reduce operating budgets, they must give priority to reducing spending on professional or technical service contracts before laying off permanent employees.

14. 14 Effective date. Sections 1 to 13 are effective the day following final enactment.

## Article 12: Agriculture and Rural Development

Analyst: Sam Rankin, 651-296-5057

1. 1 Agriculture and rural development appropriations and reductions. This section indicates that the changes relate to the balance of the fiscal year ending June 30, 2003. The total general fund appropriation change is a reduction of \$2,492,000.

2 Changes for the department of agriculture.

Subd. 1. Total reduction. Agriculture department total change is a reduction of \$1,502,000.

Subd. 2. Protection Services. Total reduction is \$527,000, of which \$7,000 is from the dairy diagnostics program.

Subd. 3. Agricultural marketing and development. Total reduction is \$806,000, of which \$25,000 is from the MinCert program, \$12,000 is from beaver damage control grants, \$161,000 is from sustainable agriculture grants, and \$207,000 is from grants for value-added agricultural product processing and marketing.

Subd. 4. Administration and financial assistance. The total general fund reduction is \$169,000. \$89,000 involves a transfer to the general fund from the methane digester loan program. Another \$319,000 is transferred from the sustainable agriculture loan fund in the special revenue fund to the general fund. \$1,000 is a general fund reduction in interest payment adjustments for old family farm security act loans. \$ 65,000 is from grants to cooperatives for short rotation woody crops.

Subd. 5. Ethanol producer payments. The biennial cap on payments for ethanol production is reduced to \$63,775,000. This represents a reduction of \$5,362,000 from the amount that would be required to pay the full \$0.20 for all eligible gallons produced. The subdivision also includes a statement of legislative intent to restore the cuts at some future time.

3 Board of animal health. The general fund appropriation to the board of animal health is cut by \$103,000.

- 4 Agricultural utilization research institute. The general fund appropriation for AURI is cut by \$877,000.
- 5 Effective date. Sections 1 to 4 are effective the day following final enactment.