

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 130

**DATE:** January 18, 2011

**Version:** As introduced

**Authors:** Holberg and others

**Subject:** State budget reductions

**Analyst:** Kathy Novak (Articles 1 & 3)  
Pat Dalton (Article 4)  
Nina Manzi (Article 4)  
Joel Michael (Article 4)  
Danyell Punelli (Article 2)

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: [www.house.mn/hrd](http://www.house.mn/hrd).

---

### Overview

H.F. 130 makes reductions to general fund appropriations in fiscal year 2011, reduces base appropriations for fiscal years 2012 and 2013, makes permanent temporary spending reductions in health and human services and revenue saving initiatives originally enacted for a single year.

Section

### Article 1: Higher Education

#### Overview

This article reduces general fund base appropriations, set in law, for the University of Minnesota (U of M) and the Minnesota State Colleges and Universities (MnSCU) for fiscal years 2012 and 2013. General fund appropriations for the U of M and MnSCU for fiscal year 2011 are at the 2006 level, consistent with the requirements of receipt of the American Recovery and Reinvestment Act.

- 1 Board of Trustees of the Minnesota State Colleges and Universities.** Reduces the base appropriation for fiscal years 2012 and 2013 from \$580.8 million to \$532.9 million with an immediate effective date.
- 2 Board of Regents of the University of Minnesota.** Reduces the base appropriation for fiscal years 2012 and 2013 from \$578.4 million to \$533.8 million with an immediate effective date.

## Article 2: Human Services

### Overview

This article reduces general fund appropriations for certain Department of Human Services programs for fiscal years 2012 and 2013.

- 1 **Reimbursement for basic care services.** Amends § 256B.766. Makes permanent a 4.5 percent reimbursement reduction for MA basic care services.
- 2 **Department of Human Services.** Makes reductions in fiscal years 2012 and 2013 to certain grants and other programs including child support enforcement grants, children and community services grants, emergency general assistance, emergency Minnesota Supplemental Aid, and state operated services.

## Article 3: 2011 Reductions

### Overview

This article reduces appropriations in fiscal year 2011 for the executive branch, the legislature, and the constitutional offices. \$200 million in cuts to the executive branch must be allocated by the commissioner of management and budget (MMB). Other cuts are unspecified amounts. Provides an immediate effective date.

- 1 **Fiscal year 2011 reductions.** Directs the MMB commissioner to reduce executive branch spending in fiscal year 2011 by \$200 million and to allocate that reduction to the agencies of the executive branch. No reductions may be allocated to general or special education funding and the University of Minnesota and the Minnesota State Colleges and Universities funding may not be further reduced in fiscal year 2011. Requires the commissioner to report to the legislature on the agency reductions that apply only to fiscal year 2011.
- 2 **Reductions, legislature, constitutional officers.** Makes unspecified reductions in general fund appropriations in fiscal year 2011 for the senate, house of representatives, the governor and lieutenant governor, the state auditor, the attorney general and the secretary of state.

## Article 4: Tax Aids and Credits

### Overview

This article:

- makes permanent all Pay 2010 aid and credit reductions to local governments;
- reduces the percent of rent constituting property taxes for renter property tax refund claims from 19 percent to 15 percent, effective for claims based on rent paid in 2010 and following years;
- repeals the political contribution refund; and
- limits payments to individual claimants' under the sustainable forest incentive program.

These are all temporary revenue savings initiatives enacted for one year in the 2010 session; this bill makes all of these provisions permanent and ongoing.

- 1 Political contribution refund.** Strikes a reference to the political contribution refund, which is repealed in section 12.
- 2 Credit reduction.** Provides for a permanent annual reduction in each county's and city's market value credit reimbursements beginning in Pay 2011 equal to its total loss in market value credit reimbursements under the Pay 2010 supplementary reduction contained in Laws 2010, ch. 215. These reimbursement reductions total about \$96 million annually. The market value credit reimbursement reductions under the governor's January 2010 unallotment, later ratified in Laws 2010, First Spec. Sess. ch.1, are already a permanent annual reduction.
- 3 Political contribution refund; conforming changes.** Eliminates a reference to the political contribution refund, which is repealed in section 12.
- 4 Political contribution refund; conforming changes.** Strikes a definition of the term "taxpayer" that is used in determination of the political contribution refund, which is repealed in section 12.
- 5 Renter property tax refund; rent constituting property taxes.** Reduces the percent of rent constituting property taxes used in calculating the property tax refund for renters from 19 percent to 15 percent. Effective for refund claims based on rent paid in 2010 and following years.  
  
The percent of rent constituting property taxes was reduced from 19 percent to 15 percent for 2009 refunds only under the June 2009 unallotment. This reduction was subsequently enacted into law in Laws 2010, first spec. sess. ch. 1.
- 6 Renter property tax refund; manufactured homes.** Reduces the percent of rent constituting property taxes for rent paid on the site on which a manufactured home or park trailer taxed as a manufactured home is located from 19 percent to 15 percent. Effective for refund claims based on rent paid in 2010 and following years.
- 7 Calculation of incentive payment (sustainable forest initiative program).** Permanently limits the maximum sustainable forest incentive refund beginning in calendar year 2011. Program payments for any Social Security number or tax identification number may not exceed \$100,000.

- 8 City aid distribution.** Changes the amount used to calculate maximum increases and decreases to individual city LGA payments for Pay 2012 only. The base used in the calculation will be the Pay 2011 paid LGA amount rather than the Pay 2011 certified LGA amount.
- 9 2011 reductions, counties, and cities.** Calculates Pay 2011 LGA and county program aid (CPA) reductions for each city and county based on a percentage of their total LGA or CPA reductions in Pay 2010. The percentages were based on how much of the CPA and LGA reductions from Pay 2010 had already been made permanent through enactment of lower Pay 2011 appropriations during the previous session. The amount of Pay 2010 aid reductions made permanent was calculated by comparing the pay 2011 appropriation to the total amounts originally certified for Pay 2010 in each program. For a city the cut is equal to 91.5 percent of its Pay 2010 total LGA reduction. For a county the cut is equal to 48.5 percent of its total Pay 2010 CPA reduction. These reductions total about \$132 million.
- 10 Appropriation.** Permanently reduces the LGA and CPA appropriations beginning with aids payable in 2012. The annual city LGA appropriation is reduced by \$100.5 million – from \$527 million to \$426.54 million. The annual CPA appropriation is reduced by \$32 million – from \$197.7 million to \$165.7 million.
- 11 Administration of 2011 property tax refund claims; renters.** Directs the commissioner of revenue to recalculate claims for 2011 renter property tax refunds to reflect the reduction in the percent of rent constituting property taxes from 19 percent to 15 percent provided in sections 5 and 6. Requires the commissioner to notify claimants whose refunds are recalculated that the recalculation was mandated by action of the 2011 legislature.
- Background.** By January 31, 2011, landlords are required to issue form CRP to renters for use in claiming the renter property tax refund. Form CRP reports on line 1 the dollar amount of rent paid, and on line 3 the rent multiplied by the 19 percent, which equals the percent constituting property taxes. Renters are instructed to use the amount on line 3 in filling out form M-1PR, the claim form for property tax refunds. The Department of Revenue would then recalculate the M-1PR claim as if the line 3 amount had been rent multiplied by 15 percent, rather than 19 percent.
- 12 Repealer.** Repeals the political contribution refund program, the section of the data practices law relating to political contribution refunds, and the section providing for refund receipts. Effective for contributions made after June 30, 2011.