

2002-03 Budget-Balancing Proposals: Comparison and Analysis

Minnesota's policymakers started the 2003 Legislative Session facing a General Fund deficit of \$355.5 million for the 2002-03 biennium. Minnesota's constitution requires a balanced budget, so decision-makers needed to act quickly to bring the budget back into balance before the biennium ends on June 30, 2003.

Four different approaches for resolving the deficit arose: Governor Pawlenty's FY 2003 Supplemental Budget proposal, the plans passed by the House and Senate, and the Governor's unallotment order. This document describes the components of these four budget-balancing plans and measures them against a set of principles for fiscal decision-making. Table 1 provides an overview of the fiscal impact of each plan.

Table 1: General Fund Changes (\$ in millions – parentheses indicate negative numbers)

	FY 2003				FY 2004-05			
	Unallot	Gov.	Senate	House	Unallot	Gov.	Senate	House
Use of Reserves and Fund Transfers	(83.9)	(240.0)	(212.2)	(250.0)	0.0	0.0	0.0	0.0
Budget Reserve	(23.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Workers Compensation Fund	0.0	(15.0)	(15.0)	(15.0)	0.0	0.0	0.0	0.0
21 st Century Mineral Fund	(49.0)	(39.0)	0.0	(49.0)	0.0	0.0	0.0	0.0
Transportation refinance	0.0	(130.0)	(130.0)	(130.0)	0.0	0.0	0.0	0.0
Solid Waste Fund	0.0	(11.0)	(11.0)	(11.0)	0.0	0.0	0.0	0.0
HESO SELF Loan	0.0	(30.0)	(30.0)	(30.0)	0.0	0.0	0.0	0.0
State Airports Fund	0.0	(15.0)	(15.0)	(15.0)	0.0	0.0	0.0	0.0
Employee Insurance Trust Fund	(11.0)	0.0	(11.2)	0.0	0.0	0.0	0.0	0.0
Spending Changes	(220.0)	(178.2)	(121.9)	(176.8)	0.0	(306.0)	(8.9)	(511.6)
Education	(22.5)	(4.8)	(4.8)	(7.5)	0.0	0.0	0.0	(14.0)
Higher Education	(50.3)	(50.1)	(30.1)	(51.5)	0.0	(100.2)	0.0	(103.0)
Health & Human Services	(25.4)	(38.9)	(53.0)	(45.7)	0.0	(168.5)	0.0	(297.2)
Environment	(16.0)	(11.4)	(4.9)	(11.4)	0.0	0.0	0.0	(32.4)
Agriculture	(22.8)	(29.2)	(3.2)	(8.3)	0.0	0.0	0.0	0.0
Transportation	(23.6)	(3.4)	(0.8)	(3.4)	0.0	0.0	0.0	(5.2)
Judiciary	(18.3)	(13.1)	(6.2)	(12.9)	0.0	0.0	0.0	(21.7)
Economic Development	(18.9)	(9.6)	(2.4)	(9.7)	0.0	(19.0)	0.0	(19.2)
State Government	(10.2)	(10.1)	(14.5)	(12.6)	0.0	(18.2)	(8.9)	(18.9)
Capital Projects	(12.1)	(7.6)	(2.0)	(13.9)	0.0	0.0	0.0	0.0
Revenue Changes	(51.6)	(50.0)	(50.0)	(50.0)	0.0	0.0	0.0	0.0
Delay sales tax refunds	(50.0)	(50.0)	(50.0)	(50.0)	0.0	0.0	0.0	0.0
TIF Grants	(1.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	(355.5)	(468.2)	(384.1)	(476.8)	0.0	(306.0)	(8.9)	(511.6)
Balance (incl. Reserve)	0.0	+136.6	+52.5	+145.1				

Source: Author's analysis of House Fiscal Analysis data

Overview of Budget-Balancing Plans

The four budget-balancing proposals differ in several ways: their total size, the degree to which they include permanent changes, and the size and nature of spending changes. The Governor's FY 2003 Supplemental Budget Recommendations were released on January 14th, and set the tone for the debate. This proposal made \$468.2 million in changes for FY 2003 and \$306.0 million for 2004-05. Use of reserves and transfers make up the largest portion of the total proposal, with spending changes making up a significant, albeit smaller, portion. Revenue changes are the smallest part of the plan, and in fact, the \$50.0 million savings from delaying sales tax refunds might be better termed a timing shift, rather than an increase in revenues. The total impact of the Supplemental Budget proposal is larger than the \$355.5 million deficit. This recognizes that, given the risk that actual conditions may be worse than projected in the November 2002 Forecast,¹ it is prudent to leave a positive balance as a cushion for any additional shortfalls that may arise before the end of the 2003 fiscal year. The Governor's Supplemental Budget proposal leaves a \$136.6 million balance, including the \$23.9 million Budget Reserve.

The Senate was next to pass a 2002-03 budget solution. The Senate plan is smaller than the Governor's, making \$384.1 million in FY 2003 changes. The Senate focuses on FY 2003; permanent changes are limited to \$8.9 million in cuts to the Legislature and constitutional officers.² As in the Governor's plan, reserves and transfers make up the largest part of the overall package, with spending changes being the second largest component. The Senate plan is more likely than the others to make changes through timing shifts and uses of special revenues. It also includes the delay in sales tax refunds proposed by the Governor. The Senate plan, being smaller than the Governor's, leaves a smaller positive balance of \$52.5 million, including the Budget Reserve.

The House proposal is similar to the Governor's proposal for FY 2003, but goes beyond it for 2004-05. For FY 2003, the House plan is slightly larger than the Governor's, making \$476.8 million in changes. Of all plans, the House's puts the most emphasis on making a dent in the 2004-05 deficit. The House makes \$511.6 million in permanent changes, significantly more than the Governor or Senate. In several areas, the House proposal makes the same FY 2003 spending cuts as the Governor, but the House makes the cuts permanent while the Governor cuts on a one-time basis. In terms of use of the three budget-balancing tools, the House plan follows the pattern shown by the Governor and Senate in which reserves and fund transfers are the largest piece, spending changes second, and revenue changes making up the smallest part. The FY 2003 ending balance of \$145.1 million is slightly larger than the Governor's.

Since the two bodies of the Legislature were unable to come to a compromise before the February 7th deadline he had set, Governor Pawlenty chose to use his unallotment authority to balance the budget. The unallotment order is modeled on the Governor's Supplemental Budget, but is different in three main ways, as the rules of unallotment provides a more limited set of choices.

- The unallotment order is dominated by spending changes, instead of reserves and transfers. The Governor can only unallot from funds with a deficit — in this case, the General Fund. This prevented him from implementing many of the fund transfers and the refinancing of transportation projects that were part of his original proposal.

¹ Minnesota Department of Finance, November 2002 *Economic Forecast*, www.finance.state.mn.us/ffeu/. See also Minnesota Budget Project, *November 2002 Forecast Summary*, www.mncn.org/bp/novo2fs.htm.

² Constitutional officers are the Governor, Lieutenant Governor, Attorney General, State Auditor, and Secretary of State.

- The unallotment order could only balance the 2002-03 budget. The Governor could not leave a positive balance to guard against additional shortfalls.
- The unallotment order only has an impact in FY 2003. There are no permanent changes.

In terms of individual spending reductions, the unallotment order largely follows the Governor's original budget-balancing proposal, although he has added a number of additional cuts, particularly in Education and Economic Development. It is of concern that new cuts are largely to services for low-income and other vulnerable populations. A revised unallotment order was released on February 24 in which some adjustments were made, largely to reflect contractual obligations.

The plans also vary in the degree to which they meet our budget-balancing principles, which call for deficit solutions that are balanced, that do not put undue burden on low-income families and other vulnerable populations, and that follow a thoughtful process that takes the state's needs into account. The Governor's original proposal and the Senate plan are closer to these principles than the House proposal and the Governor's unallotment order. The House and unallotment order target programs for struggling Minnesotans for cuts, and include policy changes and service cuts without adequate public debate.

The sections that follow provide more detail about how each of the plans uses the three available budget-balancing tools: use of reserves and fund transfers, spending changes, and revenue changes.

Reserves and Transfers from Other Funds

In the 2002 Legislative Session, the deficit was largely addressed through the use of reserves, fund transfers, and other one-time strategies. Again this tool makes up the largest portion of the three original plans for balancing the 2002-03 budget. The plans agree on many options for tapping into special funds and revenue sources, including:

- \$130.0 million in construction projects to be funded through bonding, rather than cash.
- \$15.0 million from the Workers Compensation Special Fund. This fund was created in 1999 to settle long-term claims. \$250.0 million was transferred out of the fund in the 2002 Legislative Session to help balance the General Fund budget.
- \$11.0 million from the Solid Waste Fund, which is used for programs such as landfill cleanup and is funded by solid waste fees and bond sales.
- \$30.0 million from the Higher Education Services Office SELF Loan Fund. The Student Educational Loan Fund (SELF) is a revolving loan fund for undergraduate and graduate student loans.
- \$15.0 million from the State Airports Fund, which is funded by the tax on aviation fuels.

In addition, the Governor and House tap into the 21st Century Minerals Fund for \$39.0 million and \$49.0 million respectively. This fund was created in 1999 to finance economic development on the Iron Range. The Senate plan does not use resources from this fund, but does transfer \$11.2 million from the Employee Insurance Trust Fund (the Governor would allow these funds to be expended on certain General Fund purposes). This fund pays medical insurance claims for state employees, and is funded by premiums paid by employees and employers. The transfer would reverse General Fund appropriations to the Employee Insurance Trust Fund made in 1998 and 1999.

Because unallotment offers a more limited set of choices, the unallotment order included only three transfers: \$23.9 million from the Budget Reserve (or "rainy day fund"), \$49.0 million from the 21st Century Mineral Fund and \$11.0 million from the Employee Insurance Trust Fund.

Spending Changes

Specific spending reductions fall into three major categories. Many of them are cuts in agency operating budgets. Others are cancellations of amounts that have not yet been distributed, whether because they are likely to be unneeded in FY 2003 or because they were scheduled to be allocated during the second half of the fiscal year. A smaller but significant number of spending cuts can be categorized as policy changes, such as the Governor's proposal to cut ethanol subsidies, the Senate's initiative to house short-term offenders in local jails rather than state prisons, and the House's eligibility and service changes to child care, health care, and other assistance programs.

Table 2 measures the spending changes in each area as a percentage of that area's General Fund budget under current law. To put the spending cuts in perspective, the 2002-03 deficit of \$355.5 million is 2.5% of FY 2003 General Fund spending, although the cuts will be implemented during the last 5 months of the fiscal year. The 2004-05 deficit represents about 14% of General Fund spending for the biennium.

Table 2: FY 2003 Spending Changes as a Percentage of General Fund Budget
(parentheses indicate negative numbers)

	FY 2003				FY 2004-05			
	Unallot	Gov.	Senate	House	Unallot	Gov.	Senate	House
Education	(0.4%)	(0.1%)	(0.1%)	(0.1%)	(0%)	(0%)	(0%)	(0.1%)
Higher Education	(3.6%)	(3.5%)	(2.1%)	(3.6%)	(0%)	(3.4%)	(0%)	(3.5%)
Health & Human Services	(0.7%)	(1.1%)	(1.5%)	(1.3%)	(0%)	(2.1%)	(0%)	(3.7%)
Environment	(8.9%)	(6.3%)	(2.7%)	(6.3%)	(0%)	(0%)	(0%)	(8.3%)
Agriculture	(33.9%)	(43.4%)	(4.7%)	(12.3%)	(0%)	(0%)	(0%)	(0%)
Transportation	(9.8%)	(1.4%)	(0.3%)	(1.4%)	(0%)	(0%)	(0%)	(2.8%)
Judiciary	(2.5%)	(1.8%)	(0.9%)	(1.8%)	(0%)	(0%)	(0%)	(1.4%)
Economic Development	(8.8%)	(4.5%)	(1.1%)	(4.5%)	(0%)	(4.8%)	(0%)	(4.9%)
State Government	(2.7%)	(2.7%)	(3.8%)	(3.3%)	(0%)	(2.7%)	(1.3%)	(2.8%)
Capital Projects	(4.1%)	(2.6%)	(0.7%)	(4.7%)	(0%)	(0%)	(0%)	(0%)

Source: Author's analysis of House Fiscal Analysis data

In each issue area, the spending changes total includes a small amount of transfers of special funds or new revenues. For example, the House plan proposes a \$3.4 million reduction in the General Fund budget for transportation. Of this, \$2.6 million comes from a cut in the Met Council budget, and \$750,000 comes from selling the state airplane and transferring the proceeds to the General Fund. In some cases, transferring special revenues simply draws down an account balance that would not otherwise be used. In others, it means that fewer funds are available for the specified purpose of the account.³

A short comparison of the plans in each funding area is below. Appendix 1 provides a more comprehensive list of the impact of cuts to programs serving low- and moderate-income persons and other vulnerable populations.⁴ Spending items are arranged by the House Committee that has jurisdiction over that program. All the spending items for a particular state agency may not appear in the same committee. For example, although most of the cuts in the Department of

³ In this analysis, transfers that are larger than \$10 million are listed in the reserves and transfers category, and smaller transfers and increases in special revenues are included in the spending changes total.

⁴ For a full list of all line items, see the House Fiscal Analysis spreadsheet, *HF 74 – SF 79 Budget Adjustments Comparison*, www.house.leg.state.mn.us/fiscal/files/o3part1/allo3.pdf.

Children, Families, and Learning fall into the Education category, some are categorized under Health & Human Services and some in Economic Development.

General Fund Changes (\$ in millions – parentheses indicate negative numbers)	FY 2003				FY 2004-05			
	Unallot	Gov.	Senate	House	Unallot	Gov.	Senate	House
Education	(22.5)	(4.8)	(4.8)	(7.5)	0.0	0.0	0.0	(14.0)

Education is the largest part of the state’s General Fund budget, but takes the smallest reductions in percentage terms — even under unallotment, only 0.4% of the Education General Fund budget is cut. The Senate and Governor’s plans are nearly identical with \$4.8 million in reductions for FY 2003, with the House slightly larger at \$7.5 million. Only the House makes permanent cuts. All plans recapture reserves that are defined as “excess” from the Early Childhood Family Education (ECFE), Community Education, and School Readiness programs.⁵

The House proposal cuts Adult Basic Education (ABE) services by replacing the 8% growth factor allowed under current law to 2% in FY 2003 and future years. This growth factor was intended to accommodate increased demand for the program, which offers participants academic instruction to earn a high school diploma or equivalent, English as a Second Language (ESL), citizenship, and workplace skills enhancement.

The Governor’s unallotment order makes much larger reductions in Education than any of the other three plans. The unallotment order includes all the cuts the Governor previously proposed. It also includes the House proposal to cut ABE.

The unallotment order includes a surprising 20 additional line items that were not part of any previous budget-balancing proposal. It is alarming that the additional cuts are concentrated on the very small part of the budget of the Department of Children, Families, and Learning that is targeted to low-income and other disadvantaged populations. For example, 69% of the FY 2003 allocation for After School Enrichment Grants is cut. This will affect funding for programs that build on community resources to provide out-of-school programs for youth who are struggling with academic success and/or have been involved with the criminal justice system.

General Fund Changes (\$ in millions – parentheses indicate negative numbers)	FY 2003				FY 2004-05			
	Unallot	Gov.	Senate	House	Unallot	Gov.	Senate	House
Higher Education	(50.3)	(50.1)	(30.1)	(51.5)	0.0	(100.2)	0.0	(103.0)

Higher Education receives one of the biggest cuts measured in dollar amounts. The largest cuts are divided equally between the University of Minnesota and Minnesota State Colleges and Universities (MNSCU) system (\$25.0 million each under the Governor’s and House plans, \$20.0 million each under the Senate). Each plan also makes reductions in the Higher Education Services Office (HESO), which administers financial aid.

The Senate makes cuts only in FY 2003, while the House and Governor make permanent reductions. The Senate also makes a one-time appropriation of \$10.0 million to the State Grant Program to cover needs for spring and summer grants. On January 10, 2003, the HESO grant fund was frozen due to insufficient funds. In addition, HESO child care and work study funding are no longer available due to the state grant program deficit.

⁵ In the case of ECFE and School Readiness, these funds would otherwise have been redistributed within the program.

These changes are in addition to the \$30.0 million transfer that all three original plans make from the HESO SELF Loan fund.

The unallotment order differs from the Governor's original budget proposal in two ways: it makes an additional cut to the Minnesota Library Information Network, and it does not include the SELF Loan transfer.

General Fund Changes (\$ in millions – parentheses indicate negative numbers)	FY 2003				FY 2004-05			
	Unallot	Gov.	Senate	House	Unallot	Gov.	Senate	House
Health & Human Services	(25.4)	(38.9)	(53.0)	(45.7)	0.0	(168.5)	0.0	(297.2)

Health & Human Services takes one of the biggest cuts in terms of dollars, although not in terms of percentage of budget. This is also one of the areas of largest disagreement. The Governor proposed \$38.9 million in reductions in FY 2003 and \$168.5 million in FY 2004-05, covering 33 individual budget items. The House proposal contains most of the items proposed by the Governor, plus several additional cuts for a total of \$45.7 million for FY 2003 and \$297.2 million in 2004-05.

The Senate makes the largest amount of spending changes in FY 2003 at \$53.0 million, but many of these changes are from timing shifts, rather than spending cuts. The Senate delays from June to July subsidy payments to community health boards and fee-for-service reimbursements for inpatient and outpatient hospital services. This has the effect of moving these payments into the next fiscal year, leading to savings in FY 2003.

The House proposal includes a number of policy changes to programs serving low- and moderate-income Minnesotans, such as:

- Reducing eligibility and increasing copayments for low- and moderate-income families receiving Basic Sliding Fee child care assistance. The eligibility ceiling would be lowered from 75% of the state median income (approximately 290% of the federal poverty guideline) to 250% of the federal poverty guideline. Copayments would be increased by about 10% for most families, although families paying the minimum amount would see their copayments double from \$5 to \$10 per month.
- Repealing the Cover All Kids legislation passed in 2001 that would provide Medical Assistance (MA) coverage to more low-income children and families. The savings would be partially offset by the cost of covering some of these children under MinnesotaCare, which is funded by the Health Care Access Fund.
- Making access to Emergency Assistance more infrequent. Currently families may access Emergency Assistance once in a 12-month period; this proposal would limit access to once in an 18-month period.
- Eliminating access to a second year of post-secondary education or training for Minnesota Family Investment Program (MFIP) participants.
- Ending MA and MFIP eligibility for legal immigrants who are not refugees or asylees. Undocumented pregnant women would lose prenatal and postpartum care.⁶

⁶ Undocumented persons are already ineligible for MA and MFIP. They would remain eligible for emergency medical care including labor and delivery.

Another difference among the plans is to what degree they focus on the General Fund, or whether they make changes to dedicated funding sources that fund ongoing program commitments. For example, only the House plan makes a net \$12.8 million reduction in 2004-05 in the Health Care Access Fund, which funds the MinnesotaCare program. These changes have no impact on the General Fund deficit. The House and Governor also make reductions in programs for low-income families funded by federal TANF dollars, and direct the savings to the General Fund.

The total impact on Health & Human Services was less under the unallotment order than the original proposals. Under unallotment, the Governor could not include his proposed savings from drawing down special accounts in State Operated Services and cutting the unallocated portion of Supportive Work Grants funded by federal TANF dollars. He also did not implement his proposal to increase surcharge revenues from nursing facilities and intergovernmental transfers from counties with county-owned nursing facilities and thereby increase federal Medicaid funding.

While it does not include the serious cuts in assistance for struggling families that were proposed by the House, the unallotment order does cut services for vulnerable families. The unallotment order includes reductions in nutrition counseling under the Women, Infants, and Children (WIC) program and a delay in implementing Medical Assistance coverage for certain services for children with autism.

As with Education, Health & Human Services receives cuts under the unallotment order not previously discussed as part of any budget-balancing plan, including:

- A 36% cut to Minnesota Economic Opportunity Grants, which provide core funding for Minnesota's 40 community action agencies. This will result in cuts in the most basic services to needy families, such as transportation, housing and shelter, senior programs, Head Start, food shelves, and emergency services.
- Cuts to Child Care Service Development Grants and Child Care Facility Grants, which are used to improve the quality of child care, recruit and train child care staff, and develop child care services for special needs children.

General Fund Changes (\$ in millions – parentheses indicate negative numbers)	FY 2003				FY 2004-05			
	Unallot	Gov.	Senate	House	Unallot	Gov.	Senate	House
Environment	(16.0)	(11.4)	(4.9)	(11.4)	0.0	0.0	0.0	(32.4)

In Environmental spending, the House and Governor's plans have a similar impact in FY 2003, although only the House makes permanent changes. The Senate makes a smaller amount of FY 2003 reductions. The reductions come from programs in the Pollution Control Agency, Office of Environmental Assistance, Minnesota Zoo, Department of Natural Resources, and Board of Water and Soil Resources.

The House and Governor also transfer \$1.1 million in FY 2003 to the General Fund from Motor Vehicle Transfer Fee revenues that would otherwise go to the Environmental Fund and \$2.4 million from the sales and use tax on cigarettes that would otherwise go to the Future Resource Fund. The Governor makes these transfers on a one-time basis; the House plan continues the transfers until July 1, 2007. These changes are in addition to the \$11.0 million transfer that all three original plans make from the Solid Waste Fund.

Under unallotment, the Governor made most of the cuts he previously proposed as well as some additional reductions. The transfers from the Solid Waste Fund, Future Resource Fund, and Environmental Fund are not enacted.

General Fund Changes (\$ in millions – parentheses indicate negative numbers)	FY 2003				FY 2004-05			
	Unallot	Gov.	Senate	House	Unallot	Gov.	Senate	House
Agriculture	(22.8)	(29.2)	(3.2)	(8.3)	0.0	0.0	0.0	0.0

The three original plans vary in their impact in Agriculture, with the Senate making \$3.2 million in reductions in FY 2003, the House \$8.3 million, and the Governor \$29.2 million. No plan makes reductions in 2004-05.

The primary area of disagreement is in payments to ethanol producers. The Governor proposed to cut \$26.8 million from this program. The House would make a \$5.4 million reduction shared across all producers, while the Senate would only eliminate \$2.3 million in payments to a facility in St. Paul.

The unallotment order cuts \$20.1 million from ethanol subsidies, less than the Governor originally proposed. It also includes some new items not previously slated for cuts, including Value Added Livestock Grants and Beaver Damage Control.

General Fund Changes (\$ in millions – parentheses indicate negative numbers)	FY 2003				FY 2004-05			
	Unallot	Gov.	Senate	House	Unallot	Gov.	Senate	House
Transportation	(23.6)	(3.4)	(0.8)	(3.4)	0.0	0.0	0.0	(5.2)

Much of the state's funding for transportation comes from outside the General Fund. Therefore, cuts in this area are relatively small in terms of dollars. Only the House makes permanent cuts. All three original plans raise \$750,000 by selling the state airplane. The House and Governor also cut the Met Council Transit budget.

These reductions are in addition to refinancing \$130.0 million of transportation projects and a \$15.0 million transfer from the State Airports Fund found in all three original plans.

Under unallotment, the Governor eliminates \$20.0 million in General Fund dollars for transportation projects (which is not expected to delay any projects in the near-term). He also includes proceeds from the sale of the state airplane and cuts to both Met Council and Non-Metro transit.

General Fund Changes (\$ in millions – parentheses indicate negative numbers)	FY 2003				FY 2004-05			
	Unallot	Gov.	Senate	House	Unallot	Gov.	Senate	House
Judiciary	(18.3)	(13.1)	(6.2)	(12.9)	0.0	0.0	0.0	(21.7)

Judiciary spending follows the pattern of the House and Governor making similar-sized cuts with the Governor cutting only in FY 2003 and the House having an impact in 2004-05 as well, with a smaller one-time reduction from the Senate. The House and Governor would make a range of cuts to the Supreme Court, Civil Legal Services (Legal Aid), Court of Appeals, District Courts, Uniform Laws Commission, Board on Public Defense, Department of Public Safety, Private Detective and Protective Agent Services Board, Department of Human Rights,

Department of Corrections, Ombudsman for Corrections, and Sentencing Guidelines Commission.

The Senate plan does not cut the courts, but instead focuses on the Department of Corrections. The Senate makes policy changes in this area, proposing that offenders with sentences of less than one year be housed in local facilities, rather than state prisons. The proposal includes local grants to help offset the costs of this policy.

Under unallotment, the Governor implemented most of the cuts he originally proposed.⁷ Additional cuts are made in the Department of Public Safety related to anti-terrorism equipment and training. One service cut of particular concern in this area is Legal Aid, which provides low-income people, the elderly, the disabled, and children with critical civil legal services they could not otherwise obtain.

General Fund Changes (\$ in millions – parentheses indicate negative numbers)	FY 2003				FY 2004-05			
	Unallot	Gov.	Senate	House	Unallot	Gov.	Senate	House
Economic Development	(18.9)	(9.6)	(2.4)	(9.7)	0.0	(19.0)	0.0	(19.2)

The House and Governor make similar proposals in Economic Development, while the Senate would cut a much smaller amount in FY 2003 only. A number of agencies are affected under all three original plans, including the Department of Trade and Economic Development, Minnesota Housing Finance Agency, Department of Economic Security, Minnesota Historical Society, Department of Labor and Industry, Department of Commerce, Bureau of Mediation Services, Minnesota Arts Board, Humanities Commission, Accountancy Board, and Architecture Board. The House and Governor would also make reductions to Minnesota Technology, Indian Affairs Council, Chicano Latino Affairs Council, Council on Black Minnesotans, and Council on Asian-Pacific Minnesotans. The Senate and House proposals include \$124,000 in new funding to the Department of Economic Security to restore some of the cuts made last year to State Services to the Blind.

These are in addition to a \$15.0 million transfer from the Workers Compensation Fund found in all three original plans, and \$39.0 million and \$49.0 million in transfers from the 21st Century Minerals Fund by the Governor and House respectively.

The unallotment order largely follows the Governor’s original budget proposal, except it does not include the Workers Compensation Fund transfer. Under unallotment, the Governor also implements a number of additional cuts of concern to low-income workers and at-risk youth, such as:

- A \$2.3 million cut in the Minnesota Job Skills Partnership and Minnesota Pathways Program, which provide grants to educational institutions working in partnership with businesses to develop training programs targeted to business needs. The Pathways Program focuses on workers who are at or below 200% of federal poverty guidelines or are making the transition from welfare to work. These programs are part of the Department of Trade and Economic Development. (The House proposed a \$1.0 million cut in these programs.)
- \$127,000 in cuts in the Emergency Services Program, which funds 26 emergency homeless shelters and agencies serving the homeless. This cut eliminates about a quarter of the FY 2003 funding, and is expected to lead to an increase in the number of families turned away

⁷ It appears that the Governor’s unallotment authority does not allow him to make cuts to the state court system. However, the Courts have agreed to voluntarily make nearly all of the cuts called for in the unallotment order.

from shelters due to insufficient space. This program is part of the Department of Children, Families, and Learning.

- Funding for the Youthbuild program in the Department of Economic Security is cut by \$306,000. Youthbuild assists at-risk youth in making a successful transition to the workforce, and includes construction skills training, work experience, job readiness, leadership development, and basic academic skills. It serves youth ages 16 to 24 who are high school dropouts or potential dropouts, at risk of involvement with the juvenile justice system, chemically dependent, disabled, homeless, teen parents, or recipients of public assistance.

General Fund Changes (\$ in millions – parentheses indicate negative numbers)	FY 2003				FY 2004-05			
	Unallot	Gov.	Senate	House	Unallot	Gov.	Senate	House
State Government	(10.2)	(10.1)	(14.5)	(12.6)	0.0	(18.2)	(8.9)	(18.9)

State Government is the only spending area that sees permanent reductions under all three original plans, with the Senate making the largest one-time cuts of \$14.5 million in FY 2003, followed by \$12.6 million by the House and \$10.1 million by the Governor. The Senate plan limits its permanent cuts to the Legislature and constitutional officers, compared to larger permanent cuts by the Governor and the House.

This area includes cuts in the Legislative bodies and commissions, constitutional officers, and state agencies including Minnesota Planning (Office of Strategic and Long-Range Planning), the Department of Administration, Department of Finance, Minnesota Revenue, Department of Military Affairs, Department of Veterans Affairs, Gambling Control Board, and Minnesota Racing Commission.

The unallotment order is similar to the original proposal from the Governor.⁸ It is interesting to note that at a time when the state is facing crucial decisions that will have an impact on every part of the state and for years to come, the Governor cuts funding for Legislative Television, which allows the public to better follow the decision-making process. Neither the House nor Senate agreed with this cut.

General Fund Changes (\$ in millions – parentheses indicate negative numbers)	FY 2003				FY 2004-05			
	Unallot	Gov.	Senate	House	Unallot	Gov.	Senate	House
Capital Projects	(12.1)	(7.6)	(2.0)	(13.9)	0.0	0.0	0.0	0.0

The state often funds capital improvements, such as buildings and roads, through borrowing — the state issues bonds and uses the proceeds to fund a capital project, then pays off the bonds with interest over time. The plans differ in which capital projects they would cancel and the total impact.

Under unallotment, the Governor makes \$12.1 in capital project cancellations. Project cancellations fall into two categories:

- Projects originally approved in 1999 or earlier. Minnesota law requires the Commissioner of Finance to report each year on capital projects that have been authorized for more than four years. Balances on such projects are normally frozen on February 1 and cancelled on July 1, unless the Legislature acts to reauthorize the project. Under both the House proposal and

⁸ It appears that the Governor's unallotment authority does not allow him to cut the Legislature's budget, but the Legislature has agreed to make the cuts voluntarily.

unallotment, the point at which these projects are cancelled is speeded up.⁹ In essence, this shifts forward the savings from these programs into FY 2003. \$8.5 million of cancellations are made in this category under unallotment.

- Projects originally approved in 2000, 2001, and 2002. These projects are not subject to cancellation in 2003 as described above. In his unallotment order, the Governor cancels \$3.0 million of projects approved in 2000, \$20,800 in projects from 2001, and \$591,600 in projects from 2002.

Revenue Changes

All three plans would make \$50.0 million in savings by delaying payments on certain sales tax refunds until 90 days after an application is filed. These are mainly claims for refunds on sales tax on capital equipment purchases, but includes all other types of sales tax exemptions that require the sales tax to be paid at the time of purchase but then are refunded after an application is filed. This provision does not raise new revenue so much as shift payments into the future and by reduce the amount of interest paid.

The \$50.0 million savings from sales tax refund delays is included in the unallotment order, as is a \$1.6 million cut in TIF grants (this is the remaining balance from a expiring program set up to address rate compression in 1997).

How Do These Plans Measure Up?

The Minnesota Budget Project uses a set of principles to evaluate budget-balancing decisions.¹⁰ These principles call for deficit solutions that are balanced, that do not put undue burden on low-income families and other vulnerable populations, and that follow a thoughtful process that takes the state's needs into account.

The Governor's original proposal and the Senate plan are closer to these principles than the House proposal and the Governor's unallotment order. The House and unallotment order target programs for struggling Minnesotans for cuts, and include policy changes and service cuts without adequate public debate.

The state's budget-balancing decisions should not make the impact of the recession worse for those Minnesotans least able to weather the downturn, including low-income families, laid-off workers, and other vulnerable populations.

The Senate largely avoids targeting services for struggling Minnesotans for cuts, as does the Governor in his original proposal. These populations did less well under the unallotment order, which cut services more severely. Particularly in Education, the bulk of the unallotment cuts are in programs targeted to low-income families and at-risk youth. Another area of concern is Higher Education, where reductions are made on top of significant cuts in 2002. It remains to be seen whether higher tuition and less funding for financial aid will diminish access to education and training by low-income students and workers.

The House plan for FY 2003 is nearly the same size as the Governor's original proposal, but makes significantly smaller cuts in ethanol subsidies while making larger cuts in programs serving low-income families, and legal immigrants in particular. For 2004-05, over half of the total cuts in the House plan are in Health & Human Services. These cuts would have put an unacceptable burden on vulnerable populations.

⁹ This list of projects is available at www.finance.state.mn.us/bonds/2003_can_report.pdf.

¹⁰ *Principles for State Fiscal Decisions*, www.mnec.org/bp/fiscalp.pdf.

The state should use a combination of the three primary budget-balancing tools available: raising revenue, using reserves, and cutting spending.

The three original plans used all three budget tools, although the revenue proposal might be more properly classified as a timing shift. However, given the short time span in which any tax increase would need to be implemented, it is reasonable that revenue increases are not a large component of the short-term budget fix. It also should be noted that policymakers did propose smaller revenue-raising items, such as sale of the state airplane and adjustments to special fees. More broad-based revenue solutions should, however, be on the table when policymakers begin to debate the 2004-05 budget.

Unfortunately, the fact that the budget was balanced through unallotment meant that the Governor had fewer options in terms of fund transfers, and could not raise revenues even if he had the desire to do so. Unallotment forces an unbalanced plan that is mainly made up of spending changes.

Budget balancing should be informed by current need and past budget decisions, including how surpluses were divided between tax cuts and new spending, who benefited from tax cuts, and how certain programs were underfunded even in times of surplus.

The size of the state's budget deficit means that changes in state programs are inevitable, and may involve considerable change and reform. These changes should be made by a process that allows for debate and public involvement. Unfortunately, the short timeline faced in bringing the 2002-03 budget into balance made it impossible to have the kind of thoughtful dialogue involving policymakers, frontline workers, and the persons involved that is needed to bring about real reform. This problem was made worse by the lack of public meetings by the Conference Committee.

Given the timing constraints, permanent policy changes should not be part of the 2002-03 deficit solution. The place for debate on permanent changes, such as those proposed by the House in child care, health care, and other assistance programs, is as part of the discussion involved in passing the 2004-05 budget.

Again, unallotment is a blunt tool, and is a less desirable process for balancing the budget. Several service cuts were made that were not part of any previous budget-balancing plan, and therefore were made without opportunity for input from service providers, program participants, or the public.

Another aspect of meeting the state's needs is providing a sufficient budget reserve to guard against future shortfalls. While no one can accurately predict how much reserve is needed, the \$52.5 million provided by the Senate plan seems a little small given the level of risk in the November Forecast. Since the short-term deficit was addressed through unallotment, the state is in an even worse condition. The state's budget will have a balance of \$0 for 2002-03 after implementing the unallotment order. The Budget Reserve will also be depleted. Decision-makers will need to revisit the 2002-03 budget if the February Forecast or quarterly Economic Updates show an additional shortfall.

Next Steps

Policymakers must quickly turn to the larger task of passing the 2004-05 budget. The Governor released his proposed 2004-05 budget on February 18, which addresses the \$4.2 billion 2004-05 deficit. Policymakers will also be provided with updated deficit figures when the February Forecast is released. The Legislature will then work throughout the spring to pass the appropriations bills that will enact the 2004-05 budget.

Decision-makers should return to the principles outlined above. The state faces a severe challenge that can only be met through full participation of policymakers, persons and organizations involved in the delivery of services, program participants, and the public. Trying to solve this deficit through spending cuts alone would mean reducing the budget by 14%. This would create an unacceptable situation that would have lasting, damaging impacts on the state's infrastructure, economy, and communities. So far, only two of the three budget-balancing tools have been used. It's time to return to the toolbox and acknowledge that revenues must be part of the deficit solution.

This document compares the Governor's FY 2003 Supplemental Budget Recommendations as introduced, House File 74, Senate File 79, and the Governor's unallotment order as revised on February 24. Except where otherwise noted, the source documents for this analysis include spreadsheets, bill summaries, and other materials from the Department of Finance and legislative fiscal and research staff.

Appendix 1: Impact of All Proposals to Resolve the FY 2003 Deficit

This table lists cuts proposed by the Governor, House, and Senate to resolve the deficit for the 2002-03 biennium, as well as actions taken by the Governor when he unallotted funds on February 7 and February 24, 2003. The table includes descriptions of the programs and services that will be impacted. This list is not exhaustive, but focuses on cuts that impact nonprofit organizations, low- and moderate-income persons, and other vulnerable populations. Dollar amounts shown are General Fund changes except where otherwise noted.

	\$ in thousands						
	Dept.	Budget Proposal	FY03	Biennium Total	FY04	FY05	Biennium Total
E-12 Education							
Adult Basic Education (ABE)	CFL	Governor	\$0	\$0	\$0	\$0	\$0
ABE programs are day or evening programs offered for people over age 16 who do not attend elementary or secondary school. The program offers academic instruction necessary to earn a high school diploma or equivalency certificate, as well as family learning, workplace skills enhancement, English as a Second Language (ESL) instruction, citizenship, and basic skills education. The Governor's unallotment order reduces the planned annual growth rate from 8% to 2%. The growth rate was intended to accommodate increased demand for the program; the cut will result in reduced services. Through the unallotment process, the Governor was unable to authorize school districts or ABE consortiums to charge a sliding scale fee to program participants to compensate for lost funds, as the House plan allowed.		House	-\$1,622	-\$1,622	-\$3,186	-\$5,398	-\$8,584
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	-\$1,622	-\$1,622			
	Community Education Aid	CFL	Governor	-\$1,807	-\$1,807	\$0	\$0
Community education programs provide learning and involvement opportunities for people of all ages including providing school district residents with the opportunity to utilize educational facilities and programs during non-school hours. Aid can also be used for other educational programs such as ECFE and ABE. The Governor's unallotment order establishes a limit on school district reserves for Community Education equal to 25% of the annual program revenue for the prior year (similar to the reserve limits already established for ECFE and School Readiness) and transfers excess reserves to the General Fund.	House		-\$1,807	-\$1,807	-\$483	-\$33	-\$516
	Senate		-\$1,807	-\$1,807	\$0	\$0	\$0
	Unallotment		-\$1,807	-\$1,807			

	\$ in thousands						
	Dept.	Budget Proposal	FY03	Biennium Total	FY04	FY05	Biennium Total
School Readiness School Readiness enables children to enter school with the skills and behaviors necessary for success. It includes developmental and learning components, health referral services, nutrition, parental involvement, and outreach. The program is open to all Minnesota children aged 3½ to 4 years and their families, but priority is given to children who are developmentally disadvantaged or who have risk factors that could impede their learning. Services are offered at no charge or for a small fee. In 2001, the Legislature acted on a recommendation from the Legislative Auditor to limit school district School Readiness reserves to 25% of the annual program revenue for the prior year. The excess reserves were to be reallocated to other districts. The Governor's unallotment order eliminates the reallocation and transfers the excess reserves to the General Fund.	CFL	Governor	-\$791	-\$791	\$0	\$0	\$0
		House	-\$791	-\$791	-\$562	-\$83	-\$645
		Senate	-\$791	-\$791	\$0	\$0	\$0
		Unallotment	-\$791	-\$791			
Early Childhood & Family Education Aid (ECFE) Early Childhood & Family Education (ECFE) is a program for all Minnesota families with children between the ages of birth to kindergarten enrollment that works to strengthen families and enhance the ability of parents to provide the best possible environment for the healthy growth and development of their children. In 2001, the Legislature acted on a recommendation from the Legislative Auditor to limit school district ECFE reserves to 25% of the annual program revenue for the prior year. The excess reserves were to be reallocated to other districts for ECFE programs. The Governor's unallotment order eliminates the reallocation and transfers the excess reserves to the General Fund.	CFL	Governor	-\$769	-\$769	\$0	\$0	\$0
		House	-\$769	-\$769	-\$324	-\$35	-\$359
		Senate	-\$769	-\$769	\$0	\$0	\$0
		Unallotment	-\$769	-\$769			
Child Trust Fund Prevention This program provides grants to nonprofit and public agencies for programs such as child abuse prevention, parenting education, respite care, fathering education, and adolescent pregnancy prevention. The Trust Fund serves almost 15,000 families and 16,000 children in 45 programs. The Governor's unallotment order cuts 97% of the funding for FY 2003.	CFL	Governor	\$0	\$0	\$0	\$0	\$0
		House	\$0	\$0	\$0	\$0	\$0
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	-\$796	-\$796			
GED Tests This program provides supplementary funds to 60 GED testing centers throughout the state to help offset the cost of testing for eligible students. The Governor's initial unallotment order cut 73% of the FY 2003 funding for this program, but his second unallotment order cut 52% of FY 2003 funding.	CFL	Governor	\$0	\$0	\$0	\$0	\$0
		House	\$0	\$0	\$0	\$0	\$0
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	-\$72	-\$72			

	\$ in thousands						
	Dept.	Budget Proposal	FY03	Biennium Total	FY04	FY05	Biennium Total
<p>After School Enrichment Grants This program provides funding for out-of-school programs for school-aged youth who are not currently involved in after-school programs, struggling with academic success, and/or have been involved with the criminal justice system. This funding is used to increase the involvement of at-risk youth in after-school/out-of-school programs through partnerships that effectively build on existing community resources. In 2002, 44 programs were funded. The Governor's initial unallotment order cut 96% of the FY 2003 funding for these programs. His second unallotment order cut 69% of FY 2003 funding.</p>	CFL	Governor	\$0	\$0	\$0	\$0	\$0
		House	\$0	\$0	\$0	\$0	\$0
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	-\$3,828	-\$3,828			
<p>Way to Grow This program supports school readiness activities in five communities. Depending on community needs, programs may provide services to pregnant women, support and prevention programs, and promote culturally specific services to families. The funding requires a local match, and is used to leverage other public and private funds. The Governor's unallotment order cuts half of the FY 2003 funding for this program.</p>	CFL	Governor	\$0	\$0	\$0	\$0	\$0
		House	\$0	\$0	\$0	\$0	\$0
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	-\$237	-\$237			
<p>Youthworks Grants This program is a partnership with the federal Americorps program that provides educational scholarships in exchange for one or two years of community service. Services include mentoring and tutoring, service learning, and community service projects. The Governor's original unallotment order cut about half of the FY 2003 funding for this program. His second unallotment order cut 26% of FY 2003 funding.</p>	CFL	Governor	\$0	\$0	\$0	\$0	\$0
		House	\$0	\$0	\$0	\$0	\$0
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	-\$615	\$615			
<p>Head Start – Innovation Grants These competitive grants are used for innovative programs designed either to target Head Start resources to particular at-risk groups of children or to provide services in priority areas: employability (including literacy), child care, preschool initiatives, transition to public schools, disabilities services, and improved access to health services. This program was not cut in the Governor's initial unallotment order, but was included in the second unallotment order.</p>	CFL	Governor	\$0	\$0	\$0	\$0	\$0
		House	\$0	\$0	\$0	\$0	\$0
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	-\$500	-\$500			

	\$ in thousands						
	Dept.	Budget Proposal	FY03	Biennium Total	FY04	FY05	Biennium Total
Higher Education							
State Grant Program On January 10, 2003, the HESO grant fund was frozen due to insufficient funds. In addition, HESO child care and work study funding is no longer available due to the state grant program deficit. The Senate proposal would have appropriated \$10 million for the state grant program to cover grants for the spring and summer terms. The Governor's unallotment order does not affect funding for the grant program. Therefore, there will not be any grants available for the summer term and grant applications for the spring term were cut off on January 10, 2003.	HESO	Governor	\$0	\$0	\$0	\$0	\$0
		House	\$0	\$0	\$0	\$0	\$0
		Senate	\$10,000	\$10,000	\$0	\$0	\$0
		Unallotment	\$0	\$0			
Health & Human Services							
Community Service Grants - Aging These grants, which are open to nonprofits and governmental units, are to increase affordable housing and services for elderly Minnesotans in a variety of settings, from home to assisted living. The goal is to keep persons ages 65 and older in their own homes and communities. These grants require a 25% local funding match. The Governor's unallotment order recaptures money that has not yet been awarded.	DHS	Governor	-\$515	-\$515	\$0	\$0	\$0
		House	-\$515	-\$515	\$0	\$0	\$0
		Senate	-\$440	-\$440	\$0	\$0	\$0
		Unallotment	-\$515	-\$515			
Adoption Assistance/Relative Custody Assistance The Department of Human Services has identified \$584,000 in one-time funds that they do not anticipate spending before the end of the state fiscal year in the adoption assistance program because of the ability to claim federal reimbursement for child care services to adopted children. This one-time cut will have no impact on current adoption assistance benefits. The Governor's unallotment order reduces the FY 2003 appropriation by this unspent amount.	DHS	Governor	-\$584	-\$584	\$0	\$0	\$0
		House	-\$584	-\$584	\$0	\$0	\$0
		Senate	-\$584	-\$584	\$0	\$0	\$0
		Unallotment	-\$584	-\$584			
Targeted Alternative Care Allocations This program, administered by the counties, supports certain home- and community-based services for older Minnesotans who are at risk of nursing home placement and have low levels of income and assets. The Governor's unallotment order suspends the distribution of funds and reduces the FY 2003 appropriation by the amount not yet spent.	DHS	Governor	-\$700	-\$700	\$0	\$0	\$0
		House	-\$700	-\$700	\$0	\$0	\$0
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	-\$700	-\$700			
Criminal Justice Training Grants These grants provide funds to nonprofit agencies to train medical and law enforcement professionals in forensic interviewing techniques to be used with young children who have been abused and neglected. The Governor's unallotment order reduces the FY 2003 appropriation by the amount of a projected surplus.	DHS	Governor	-\$5	-\$5	\$0	\$0	\$0
		House	-\$5	-\$5	\$0	\$0	\$0
		Senate	-\$5	-\$5	\$0	\$0	\$0
		Unallotment	-\$5	-\$5			

	\$ in thousands						
	Dept.	Budget Proposal	FY03	Biennium Total	FY04	FY05	Biennium Total
Fetal Alcohol Syndrome Grant These grants support counties and nonprofit organizations in providing education and guidance on child safety, parenting, housing, and family planning to women and children affected by parental alcohol or drug abuse. The Governor's unallotment order reduces the FY 2003 appropriation by the amount of a projected surplus.	DHS	Governor	-\$106	-\$106	\$0	\$0	\$0
		House	-\$106	-\$106	\$0	\$0	\$0
		Senate	-\$106	-\$106	\$0	\$0	\$0
		Unallotment	-\$106	-\$106			
Foster & Adoption Recruitment Grant This grant supports statewide efforts to recruit foster and adoptive families. The Governor's unallotment order reduces the FY 2003 appropriation by the amount of a projected surplus.	DHS	Governor	-\$55	-\$55	\$0	\$0	\$0
		House	-\$55	-\$55	\$0	\$0	\$0
		Senate	-\$55	-\$55	\$0	\$0	\$0
		Unallotment	-\$55	-\$55			
Supportive Work Grant (TANF funds) These grants fund the creation of transitional work environments with extra supports for people entering the workforce for the first time. The money has not all been distributed due to difficulties in implementation. The Governor's unallotment order does not affect funding for this program because it is funded by federal TANF funds.	DHS	Governor	-\$894	-\$894	\$0	\$0	\$0
		House	-\$894	-\$894	\$0	\$0	\$0
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	\$0	\$0			
Sail Grants Enacted in 1992, Seniors' Agenda for Independent Living (SAIL) funds are awarded on a competitive basis to partnerships of counties, health, social service, and housing providers and Area Agencies on Aging. The overall goal of this initiative is to shift the balance of service utilization from an institutional system to a home- and community-based system. This program was not included in the Governor's initial unallotment order, but was cut in the second unallotment order.	DHS	Governor	\$0	\$0	\$0	\$0	\$0
		House	-\$28	-\$28	\$0	\$0	\$0
		Senate	-\$28	-\$28	\$0	\$0	\$0
		Unallotment	-\$28	-\$28			
Community Service Development Grants These grants (similar to the Community Service Grants - Aging) are open to all providers to increase affordable housing and services for elderly Minnesotans in a variety of settings, from home to assisted living. The goal is to keep persons ages 65 and older in their own homes and communities. These grants require a 50% local funding match. This program was not included in the Governor's initial unallotment order, but was cut in the second unallotment order.	DHS	Governor	\$0	\$0	\$0	\$0	\$0
		House	-\$39	-\$39	\$0	\$0	\$0
		Senate	-\$39	-\$39	\$0	\$0	\$0
		Unallotment	-\$39	-\$39			

	\$ in thousands						
	Dept.	Budget Proposal	FY03	Biennium Total	FY04	FY05	Biennium Total
Delay Home- and Community-Based Services (HCBS) Payments In his unallotment order, the Governor delayed the implementation of a home- and community-based services “common menu” scheduled to begin Jan. 1, 2003 until July 1, 2003. The common menu provides for a consistent set of services and reimbursement rates among all of the home- and community-based services waivers and the Alternative Care Program. The implementation of a new case management service will also be delayed. This service is for Medical Assistance enrollees who use home care services, but who are not enrolled in a home- and community-based services waiver (where they would receive case management).	DHS	Governor	-\$934	-\$934	-\$3,325	-\$3,621	-\$6,946
		House	-\$934	-\$934	-\$3,325	-\$3,621	-\$6,946
		Senate	-\$934	-\$934	\$0	\$0	\$0
		Unallotment	-\$934	-\$934			
Delay New Autism Program In the 2001 Legislative Session, Medical Assistance benefits were expanded to pay for certain intensive home-based early intervention behavior therapy services for some children with autism effective January 1, 2003. The Governor’s unallotment order delays implementation of this program until July 1, 2003.	DHS	Governor	-\$557	-\$557	\$0	\$0	\$0
		House	-\$557	-\$557	\$0	\$0	\$0
		Senate	-\$547	-\$547	\$0	\$0	\$0
		Unallotment	-\$547	-\$547			
ICF/MR Rate Adjustments An Intermediate Care Facility for Persons with Mental Retardation or Related Conditions (ICF/MR) is a residential facility licensed to provide services to persons who have mental retardation or a related condition as a supervised living facility. By the Governor’s unallotment order, effective April 1, 2003, the commissioner will discontinue adjusting the rates of an ICF/MR to cover the cost of a vacant bed until it is filled.	DHS	Governor	-\$199	-\$199	-\$1,192	-\$1,992	-\$3,184
		House	-\$179	-\$179	\$0	\$0	\$0
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	-\$199	-\$199			
Copayments for Prescription Drugs Effective March 1, 2003, the House proposal would require copayments of \$1 for generic drugs and \$3 for brand-name drugs for Medical Assistance enrollees, subject to a \$20 monthly limit. Pharmacy reimbursement rates would be reduced by this amount. The Governor did not implement this proposal in his unallotment order.	DHS	Governor	\$0	\$0	\$0	\$0	\$0
		House	-\$322	-\$322	-\$4,585	-\$5,023	-\$9,608
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	\$0	\$0			
Chemical Dependency Non-Entitlement Grants These grants pay for non-treatment services, including statewide prevention efforts, culturally appropriate services, and treatment support services. The Governor’s unallotment order eliminates funding for court-ordered chemical juvenile assessments and chemical dependency detoxification transportation. These grants were intended to reimburse counties, tribes, and other agencies for some portion of the costs of these activities.	DHS	Governor	-\$268	-\$268	-\$268	-\$268	-\$536
		House	-\$268	-\$268	-\$268	-\$268	-\$536
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	-\$268	-\$268			
HomeShare Grants These grants are awarded to five nonprofits to pair eligible homeowners wishing to stay in their own homes with home seekers willing to provide services in exchange for sharing the home. The Governor’s unallotment order reduces the portion of the FY 2003 appropriation that has not yet been awarded.	DHS	Governor	-\$156	-\$156	-\$400	-\$400	-\$800
		House	-\$156	-\$156	-\$400	-\$400	-\$800
		Senate	-\$156	-\$156	\$0	\$0	\$0
		Unallotment	-\$156	-\$156			

	\$ in thousands						
	Dept.	Budget Proposal	FY03	Biennium Total	FY04	FY05	Biennium Total
Cover All Kids Repeal The 2001 Legislature extended coverage for children under Medical Assistance (MA) and MinnesotaCare (MNCare). The 2001 legislation expanded coverage by increasing income limits for children ages 2 to 18, disregarding some parental income, and providing the option of enrolling in MNCare after losing MA eligibility. Outreach to enroll children is also a critical component. The House proposal repeals this expansion. Under the House proposal there would be some additional costs to the Health Care Access Fund (HCAF) as some of these children would move from MA to MNCare, although the Dept. of Human Services has determined that only 10% of the enrollees dropped from Cover All Kids will transition into MNCare. The remaining 90% would likely lose coverage. The Governor did not implement this proposal in his unallotment order.	DHS	Governor	\$0	\$0	\$0	\$0	\$0
	House – GF	-\$195	-\$195	-\$28,651	-\$43,814	-\$72,465	
	HCAF	\$20	\$20	\$2,865	\$4,381	\$7,246	
	Senate	\$0	\$0	\$0	\$0	\$0	
	Unallotment	\$0	\$0				
Optional MA Service - Chiropractic & Podiatric The Senate proposal would eliminate coverage for chiropractic and podiatric services from the Medical Assistance plan for FY 2003. The Governor did not implement this proposal in his unallotment order.	DHS	Governor	\$0	\$0	\$0	\$0	\$0
	House	\$0	\$0	\$0	\$0	\$0	
	Senate	-\$308	-\$308	\$0	\$0	\$0	
	Unallotment	\$0	\$0				
Emergency Assistance (TANF funds) Emergency Assistance provides special financial support for families facing unexpected emergency expenses (such as eviction or losses from a fire). The House proposal reduces eligibility from one 30-day period every 12 months to one 30-day period every 18 months. The Governor did not implement this proposal in his unallotment order because it is funded by federal TANF funds.	DHS	Governor	\$0	\$0	\$0	\$0	\$0
	House	-\$129	-\$129	-\$3,167	-\$5,490	-\$8,657	
	Senate	\$0	\$0	\$0	\$0	\$0	
	Unallotment	\$0	\$0				
MFIP - Limit Education Provision The House proposal reduces access to post-secondary education or training for MFIP participants from 24 months to 12 months, except for those who have an approved 24-month plan in place by April 1, 2003. The Governor did not implement this proposal in his unallotment order.	DHS	Governor	\$0	\$0	\$0	\$0	\$0
	House	-\$103	-\$103	-\$2,309	-\$2,962	-\$5,271	
	Senate	\$0	\$0	\$0	\$0	\$0	
	Unallotment	\$0	\$0				
Reduce MinnesotaCare Extension to 6 months (HCAF) Currently, MinnesotaCare enrollees who lose eligibility because their income exceeds the program limits receive 18 months notice before they lose their coverage. The House proposal would reduce notice to 6 months before they lose their coverage. The Governor did not implement this proposal in his unallotment order because it is funded through the Health Care Access Fund.	DHS	Governor	\$0	\$0	\$0	\$0	\$0
	House	\$0	\$0	-\$7,526	-\$12,479	-\$20,005	
	Senate	\$0	\$0	\$0	\$0	\$0	
	Unallotment	\$0	\$0				
Increase TEFRA Parental Fees TEFRA provides MA eligibility to some disabled children who live with their families. The House proposal would increase parental fees by 5%. The Governor did not implement this proposal in his unallotment order.	DHS	Governor	\$0	\$0	\$0	\$0	\$0
	House	-\$32	-\$32	-\$129	-\$129	-\$258	
	Senate	\$0	\$0	\$0	\$0	\$0	
	Unallotment	\$0	\$0				

	\$ in thousands						
	Dept.	Budget Proposal	FY03	Biennium Total	FY04	FY05	Biennium Total
<p>Eliminate State-Funded Non-Citizen Aid Medical Assistance Coverage: The House proposal would eliminate Medical Assistance coverage for non-citizens funded only with state money. The proposal would also eliminate state-funded MA coverage for care and services through the period of pregnancy and 60-days postpartum for pregnant noncitizens. It is estimated this would eliminate coverage for 5,000 noncitizens (approximately 2,567 of whom are pregnant women). MFIP/MFAP/Cash Assistance: The Minnesota Family Investment Program (MFIP) is Minnesota's welfare program. The Minnesota Food Assistance Program (MFAP) was created in response to federal law changes that made certain legal non-citizens ineligible for federally-funded Food Stamps. MFAP uses state funds to replace the benefits lost when federal Food Stamp eligibility ended. The House proposal would eliminate state-funded MFIP and MFAP benefits for non-citizens, except for certain non-citizens whose benefits are funded through federal dollars. Non-citizens who would continue to be eligible for MA, MFIP, MFAP, and Cash Assistance benefits include: 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. The Governor did not implement any of these proposals in his unallotment order.</p>	DHS	Governor	\$0	\$0	\$0	\$0	\$0
		House	-\$5,293	-\$5,293	-\$18,503	-\$22,759	-\$41,262
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	\$0	\$0			
<p>Tobacco Prevention Grants All three original proposals use earnings from the Tobacco Settlement that were held back and not expended on grants in order to keep funding at a consistent and sustainable level. No programs would be cut. The Governor's unallotment order does not use these funds.</p>	Health	Governor	-\$4,000	-\$4,000	\$0	\$0	\$0
		House	-\$4,000	-\$4,000	\$0	\$0	\$0
		Senate	-\$4,000	-\$4,000	\$0	\$0	\$0
		Unallotment	\$0	\$0			
<p>Health Disparities - Immunizations These grants fund community-based organizations to work on projects designed to close the gap in immunization rates for populations of color and American Indians. The House and Senate proposals make a one-time cut in FY 2003, recapturing unspent funds. The Senate proposed a smaller reduction because some grant decisions have been made, but the funds have not yet been expended. The Governor's unallotment order recaptures all of the unspent funds.</p>	Health	Governor	\$0	\$0	\$0	\$0	\$0
		House	-\$314	-\$314	\$0	\$0	\$0
		Senate	-\$128	-\$128	\$0	\$0	\$0
		Unallotment	-\$314	-\$314			
<p>Health Disparities - Grants This initiative, approved by the Legislature in 2001, funds community-based organizations to work on projects to close the gap in eight pressing health concerns (such as infant mortality and diabetes) for populations of color and American Indians. The Governor's unallotment order recaptures unspent funds.</p>	Health	Governor	\$0	\$0	\$0	\$0	\$0
		House	-\$108	-\$108	\$0	\$0	\$0
		Senate	-\$140	-\$140	\$0	\$0	\$0
		Unallotment	-\$108	-\$108			

	\$ in thousands						
	Dept.	Budget Proposal	FY03	Biennium Total	FY04	FY05	Biennium Total
<p>Lead Base Grants</p> <p>These grants are used to provide public information, education, and compliance assistance to ensure public health and prevent lead exposure in young children and pregnant women. The Governor's unallotment order recaptures unspent funds.</p>	Health	Governor	\$0	\$0	\$0	\$0	\$0
		House	-\$25	-\$25	\$0	\$0	\$0
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	-\$25	-\$25			
<p>Family Planning Special Projects Grants</p> <p>These funds go to local public health departments, tribal governments, and nonprofits to provide family planning services to low-income, high risk individuals in Minnesota. The funds may be used for public information, outreach, and family planning services including medical and non-medical methods of family planning, counseling, and referral. Services are targeted to women and men who have difficulty accessing family planning services because of barriers including poverty, lack of insurance, race, ethnicity, age, or culture. The Governor's unallotment order recaptures unspent funds.</p>	Health	Governor	\$0	\$0	\$0	\$0	\$0
		House	-\$56	-\$56	\$0	\$0	\$0
		Senate	-\$55	-\$55	\$0	\$0	\$0
		Unallotment	-\$56	-\$56			
<p>Health Protection</p> <p>This program funds statewide HIV/STD prevention efforts, including funding for an AIDSline, HIV testing, and counseling and street-outreach programs. The Governor's original unallotment order eliminated funding for all unobligated contracts. The Dept. of Health, however, has been able to restore most of the funding using federal grant money, unspent subsidies to local public health agencies, and some grant cuts to those agencies. There will be a reduction in educational and technical assistance to state pharmacies.</p>	Health	Governor	\$0	\$0	\$0	\$0	\$0
		House	\$0	\$0	\$0	\$0	\$0
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	-\$813	-\$813			
<p>Long Term Care Quality Demonstration Grants</p> <p>These grants fund demonstrations that create new means and models for serving the elderly or demonstrate creativity in service provision. The Governor's unallotment order reduces funding for this program.</p>	Health	Governor	-\$500	-\$500	-\$500	-\$500	-\$1,000
		House	-\$500	-\$500	-\$500	-\$500	-\$1,000
		Senate	-\$500	-\$500	\$0	\$0	\$0
		Unallotment	-\$500	-\$500			
<p>Long Term Care Nursing Home Transition Planning Grants</p> <p>This grant program assists nursing homes in developing strategic plans that identify the appropriate institutional and non-institutional settings necessary to meet the older adult service needs of the community. All three proposals would cut funding for this program in FY 2003. The Senate recommends a smaller cut because the Department of Health has identified grantees, but not yet notified them. The Governor's unallotment order recaptures all unspent funds.</p>	Health	Governor	-\$500	-\$500	-\$500	-\$500	-\$1,000
		House	-\$500	-\$500	-\$500	-\$500	-\$1,000
		Senate	-\$135	-\$135	\$0	\$0	\$0
		Unallotment	-\$500	-\$500			
<p>WIC Grants</p> <p>The WIC program improves the health and nutrition status of pregnant and postpartum women, infants, young children, and the elderly by providing healthy foods and nutritional education. The House proposal would have permitted the reallocation of TANF funds for family home visiting to WIC client services to help cover the cuts. The unallotment order's cuts to this program will impact nutritional education and counseling.</p>	Health	Governor	-\$3,558	-\$3,558	-\$3,558	-\$3,558	-\$7,116
		House	-\$3,558	-\$3,558	-\$3,558	-\$3,558	-\$7,116
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	-\$3,558	-\$3,558			

	\$ in thousands						
	Dept.	Budget Proposal	FY03	Biennium Total	FY04	FY05	Biennium Total
<p>Minnesota Economic Opportunity Grants These grants provide core funding for the 40 community action agencies, which cover all Minnesota counties and serve 750,000 low-income people each year. Funds are used to enable low-income families and individuals to attain the skills, knowledge, and motivation that will result in their becoming self-sufficient. These funds leverage an additional \$240 million in other federal, state, local, and private funds. The Governor's initial unallotment cut 61% of current funding in FY 2003. His second unallotment order cut 36% of FY 2003 funding. The types of services that will be impacted include transportation, housing and shelter, senior programs, Head Start, food shelves, and emergency services.</p>	CFL	Governor	\$0	\$0	\$0	\$0	\$0
		House	\$0	\$0	\$0	\$0	\$0
		Senate	\$0	\$0	\$0	\$0	\$0
	Unallotment	-\$3,169	-\$3,169				
<p>Child Care Parent Fees The House proposal would increase the parent copayments for families between 75 and 100% of the Federal Poverty Guidelines (FPG) from \$5 to \$10 per month and increases parent copayments for families between 100 and 250% of FPG by 10%. The Governor did not implement this proposal in his unallotment order.</p>	CFL	Governor	\$0	\$0	\$0	\$0	\$0
		House	-\$192	-\$192	-\$2,211	-\$2,307	-\$4,518
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	\$0	\$0			
<p>Basic Sliding Fee Child Care Assistance Eligibility This program helps pay a portion of the child care costs of low- and moderate-income families who are not receiving MFIP child care assistance, using a sliding fee scale based on family income, for authorized work, education, and job search activities. Families with incomes under 75% of state median income and children under age 13 (age 15 for children with disabilities) are eligible. The House proposal reduces eligibility from approximately 290% of federal poverty guidelines to 250% of the federal poverty guidelines, which would cut about 1,200 families off of child care assistance on April 1, 2003. The Governor did not implement this proposal in his unallotment order.</p>	CFL	Governor	\$0	\$0	\$0	\$0	\$0
		House	-\$462	-\$462	-\$5,313	-\$5,544	-\$10,857
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	\$0	\$0			
<p>Child Care Service Development Grants/Child Care Facility Grants These programs help develop the quality and availability of child care to Minnesota families. Child Care Development programs promote school readiness, healthy child development, and family self-sufficiency by improving the quality and availability of child care. The program provides grants to public and private agencies to help families access child care, build the supply, coordinate information, and develop specific child care services. The Governor's initial unallotment order cut funding available for these programs. His second unallotment order cut a smaller amount.</p>	CFL	Governor	\$0	\$0	\$0	\$0	\$0
		House	-\$25	-\$25	-\$25	-\$25	-\$50
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	-\$45	-\$45			

	\$ in thousands						
	Dept.	Budget Proposal	FY03	Biennium Total	FY04	FY05	Biennium Total
Economic Development							
Minnesota Job Skills Partnership & Minnesota Pathways Program These programs provide grants to public or private educational institutions working in partnership with businesses to develop training programs specific to business needs. The Pathways Program focuses on training individuals who are at or below 200% of federal poverty guidelines or who are making the transition from public assistance to the workforce. The Governor's initial unallotment order cut \$2 million from this program in FY 2003, then the cut was increased by \$260,000 in his second unallotment order.	DTED	Governor	\$0	\$0	\$0	\$0	\$0
		House	-\$1,000	\$1,000	-\$1,000	-\$1,000	-\$2,000
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	-\$2,260	-\$2,260			
Minnesota Housing Finance Agency (MHFA) All of MHFA's appropriations from the general fund go directly to fund programs, so any cut will amount to a cut in affordable housing programs. The Governor's unallotment order cuts the agency's base budget by 5% for FY 2003.	Housing Finance	Governor	-\$2,205	-\$2,205	-\$2,205	-\$2,205	-\$4,410
		House	-\$2,205	-\$2,205	-\$2,205	-\$2,205	-\$4,410
		Senate	-\$350	-\$350	\$0	\$0	\$0
		Unallotment	-\$2,205	-\$2,205			
Emergency Services Program This program provides funding to 26 emergency homeless shelters and nonprofit agencies to support services to homeless families and individuals. The Governor's initial unallotment order eliminated half of the funding for FY 2003. His second unallotment order cut a smaller amount. Currently, over 300 people, half of them children, are turned away from shelters in Minnesota on a given night. This cut is expected to increase the number that must be turned away due to insufficient space.	CFL	Governor	\$0	\$0	\$0	\$0	\$0
		House	\$0	\$0	\$0	\$0	\$0
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	-\$127	-\$127			
Youthbuild This program serves youth between the ages of 16 and 24 who are high school dropouts or potential dropouts, youth at risk of involvement with the juvenile justice system, chemically dependent and disabled youth, homeless youth, teen parents, and public assistance recipients. The goal is to assist at-risk youth in making a successful transition to the workforce through services including construction skills training, work experience, job readiness training, leadership development, and basic academic skills. The program also serves low-income and homeless families and individuals in need of affordable housing. The Governor's initial unallotment order cut about half of the FY 2003 funding. The second unallotment order cut approximately 35% of FY 2003 funding.	DES	Governor	\$0	\$0	\$0	\$0	\$0
		House	\$0	\$0	\$0	\$0	\$0
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	-\$306	-\$306			

	\$ in thousands						
	Dept.	Budget Proposal	FY03	Biennium Total	FY04	FY05	Biennium Total
<p>Minnesota Youth Program The Minnesota Youth Program provides economically disadvantaged and at-risk youth between the ages of 14 to 21 with employment and training services. The Minnesota Youth Program operates through local Workforce Councils and is available in all 87 counties. Work experience, basic skills training, work-based learning, career counseling, personal counseling, life skills training, mentoring, and peer support groups are available as well as support services such as transportation and child care. The Governor's initial unallotment order cut approximately 17% of the funding for this program for FY 2003. The second unallotment order increased the cut by \$131,000.</p>	DES	Governor	\$0	\$0	\$0	\$0	\$0
		House	\$0	\$0	\$0	\$0	\$0
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	-\$1,131	-\$1,131			
<p>Workforce Development Last session, the Legislature transferred \$15 million from the General Fund into the Workforce Development Fund for the Dislocated Worker program. In his second unallotment order, the Governor transfers a portion of this back to the General Fund. This means fewer resources are available for the Dislocated Worker Program.</p>	DES	Governor	\$0	\$0	\$0	\$0	\$0
		House	\$0	\$0	\$0	\$0	\$0
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	-\$1,158	-\$1,158			
Judiciary							
<p>Civil Legal Services (Legal Aid) Legal Aid provides low-income people, the elderly, the disabled, and children with critical civil legal services they could otherwise not obtain. The Governor's initial unallotment order cut FY 2003 funding for this program. The Governor does not have the authority to unallot funding for the other branches of government, but the courts agreed to make cuts voluntarily. It appears that the Supreme Court may cut this program as the Governor requested.</p>	Supreme Court	Governor	-\$442	-\$442	\$0	\$0	\$0
		House	-\$442	-\$442	-\$442	-\$442	-\$884
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	-\$442	-\$442			
<p>Grants to Battered Women Programs The Governor's unallotment order recaptures unspent funds.</p>	Public Safety	Governor	-\$56	-\$56	\$0	\$0	\$0
		House	\$0	\$0	\$0	\$0	\$0
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	-\$56	-\$56			
State Government							
<p>Taxpayer Assistance Grants This program provides free tax assistance to low-income, disabled, non-English speaking, and elderly people. These funds have already been awarded to nonprofit grantees, although the money has not yet been distributed. Although the Governor included this program in his initial list of unallotment actions, it was not included in his second unallotment order.</p>	Revenue	Governor	-\$34	-\$34	\$0	\$0	\$0
		House	\$0	\$0	\$0	\$0	\$0
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	\$0	\$0			

	\$ in thousands						
	Dept.	Budget Proposal	FY03	Biennium Total	FY04	FY05	Biennium Total
Vinland Center Grant This is an employment program for disabled veterans that returns them to self-sufficiency. The Governor's initial unallotment order cut a portion of the FY 2003 funding for this program, and his second unallotment order increased the cut by \$6,000.	Veterans Affairs	Governor	-\$114	-\$114	-\$114	-\$114	-\$228
		House	\$0	\$0	\$0	\$0	\$0
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	-\$120	-\$120			
National Guard Youth Camp The National Guard Youth Camp, located at Camp Ripley, is a nonprofit camp for dependents of members of the National Guard. The Governor's unallotment order cuts FY 2003 funding for this program.	Military Affairs	Governor	-\$40	-\$40	\$0	\$0	\$0
		House	\$0	\$0	\$0	\$0	\$0
		Senate	\$40	-\$40	\$0	\$0	\$0
		Unallotment	-\$40	-\$40			
Capital Projects							
CFL Youth Enrichment Grants These are grants to local government units in collaboration with nonprofits to design, equip, renovate, replace, or construct facilities to provide youth with regular enrichment activities during nonschool hours. Enrichment programs include academic enrichment, homework assistance, computer and technology use, arts and cultural activities, clubs, school-to-work and workforce development, athletic, and recreational activities. Priority was given to low-income school districts. The Governor's unallotment order cancels this project and recaptures the remaining funds.	CFL	Governor	\$0	\$0	\$0	\$0	\$0
		House	\$0	\$0	\$0	\$0	\$0
		Senate	\$0	\$0	\$0	\$0	\$0
		Unallotment	-\$979	-\$979			
Department Abbreviations: CFL = Dept. of Children, Families & Learning, DHS = Dept. of Human Services, DTED = Dept. of Trade & Economic Development, DES = Dept. of Economic Security							