

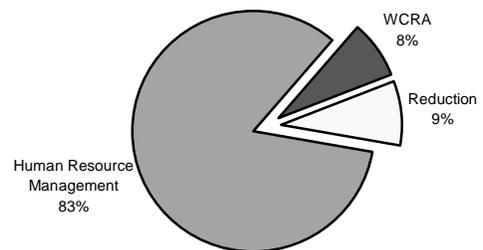
January 25, 2005

To the 2005 Minnesota Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Department of Employee Relations' recommendation for the FY 2006-07 budget. This consists of an operating budget of \$11,223,000 from the state's General Fund, an open appropriation of \$1,027,000 from the General Fund for the state's required Workers' Compensation Reinsurance Association (WCRA) premium, and \$1,384,843,000 from other funds.

As the graphic indicates, the General Fund appropriation primarily supports DOER's Human Resource Management Program which consists of labor relations, compensation, state agency and job applicant services, human resource technology and internal administrative support activities. The non-General Fund portion of DOER's budget is principally money collected from employees, state agencies, public employers and others for benefits such as health care and workers' compensation claims, insurance coverage and employees' pre-tax spending accounts.

**Department of Employee Relations
FY 2006-07 General Fund**



DOER serves as the human resource agency for the administration. It supports 120 executive branch state agencies, impacting over 50,000 state employees, by providing centralized human resource services, including labor negotiations for the executive branch. In addition, DOER provides insurance benefits to state employees, retirees, and their dependents - covering over 120,000 lives statewide. The agency's core mission is to:

- Establish an enterprise orientation to employment policy and maintain a single employer stance which places the state - not each agency - at manageable risk for employment and workplace issues.
- Maximize return on the state's human capital investment by negotiating labor agreements and designing and purchasing benefits that are cost effective yet comparable to the labor market in which agencies must compete to attract and retain quality employees.
- Oversee and enhance human resource infrastructure including compensation, classification and hiring structures and the HR data and technology backbone.

Two years ago, DOER identified four key directions in human resources that shaped our budget deliberations: focus on technology, partnering and collaboration, focusing on core business, and creating efficiencies. Those same criteria served as the basis for developing the DOER FY 2006-2007 budget proposal. DOER continues to use its resources to purchase and support enterprise-wide technology solutions. While technology spending is a significant investment, we believe these investments in electronic service delivery enable state service overall to achieve higher quality and lower the cost of HR administration.

In making budget decisions, DOER attempted to minimize the impact on its customers. Rather than eliminating entire programs or services, the agency sought to maintain core responsibilities and modify how business is done. In doing this, we are strategically choosing to continue to streamline and restructure internal services that support

the delivery of our core mission, rather than cutting into external services and impacting our customers. We are recommending elimination of positions and funding reductions where we have been able to combine functions based on redefining the delivery of certain programs and/or resources but will not negatively impact or jeopardize the overall programs.

Despite these budget reductions, we will continue to be in the forefront in the area of human resources management for all of state government. From the employee insurance benefits program to labor relations to human resources procedures, DOER will continue to adapt to meet changing expectations and the needs of our customers by providing efficient and effective policies that will allow agencies to move forward in accomplishing their individual missions.

The single most significant demand on our programs and services is health care. The effects are felt throughout the agency - from collective bargaining by Labor Relations to technology systems and support, from Workers' Compensation to meeting employee and agency needs for answers and assistance. The impact reaches far beyond the cost of the benefit itself and the demands placed on the agency's resources are unlikely to diminish in the coming biennium.

These budget reductions present a challenge that I believe DOER will meet. I look forward to working with you on the proposed changes.

Sincerely,

A handwritten signature in black ink that reads "Cal R. Ludeman". The signature is written in a cursive, flowing style.

Cal R. Ludeman
Commissioner

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	6,188	6,188	6,188	6,188	12,376
Recommended	6,188	6,188	5,667	5,556	11,223
Change		0	(521)	(632)	(1,153)
% Biennial Change from 2004-05					-9.3%
 <u>Expenditures by Fund</u>					
Direct Appropriations					
General	6,093	6,002	5,667	5,556	11,223
Open Appropriations					
General	362	491	506	521	1,027
Statutory Appropriations					
Special Revenue	24,900	25,345	25,127	26,475	51,602
State Employees Insurance	487,352	534,623	606,817	689,566	1,296,383
Miscellaneous Agency	15,937	17,185	18,044	18,947	36,991
Total	534,644	583,646	656,161	741,065	1,397,226
 <u>Expenditures by Category</u>					
Total Compensation	10,789	10,995	10,725	11,042	21,767
Other Operating Expenses	523,855	572,651	645,436	730,023	1,375,459
Total	534,644	583,646	656,161	741,065	1,397,226
 <u>Expenditures by Program</u>					
Human Resource Mgmt	7,362	7,071	6,754	6,648	13,402
Employee Insurance Division	527,282	576,575	649,407	734,417	1,383,824
Total	534,644	583,646	656,161	741,065	1,397,226
 Full-Time Equivalents (FTE)	 151.3	 150.1	 142.6	 141.6	

EMPLOYEE RELATIONS DEPT

Change Summary

<i>Dollars in Thousands</i>				
	FY2005	Governor's Recomm.		Biennium
		FY2006	FY2007	2006-07
Fund: GENERAL				
FY 2005 Appropriations	6,188	6,188	6,188	12,376
Subtotal - Forecast Base	6,188	6,188	6,188	12,376
Change Items				
Staff Restructuring	0	(333)	(441)	(774)
Online Affirmative Action and Pay Equity	0	(84)	(87)	(171)
Health and Safety Information Access-RTK	0	(63)	(63)	(126)
Shared Funding for Technology	0	(41)	(41)	(82)
Total Governor's Recommendations	6,188	5,667	5,556	11,223
Fund: GENERAL				
Planned Open Spending	491	506	521	1,027
Total Governor's Recommendations	491	506	521	1,027
Fund: SPECIAL REVENUE				
Planned Statutory Spending	25,345	25,127	26,475	51,602
Total Governor's Recommendations	25,345	25,127	26,475	51,602
Fund: STATE EMPLOYEES INSURANCE				
Planned Statutory Spending	534,623	606,751	689,499	1,296,250
Change Items				
Staff Restructuring	0	25	26	51
Shared Funding for Technology	0	41	41	82
Total Governor's Recommendations	534,623	606,817	689,566	1,296,383
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	17,185	18,044	18,947	36,991
Total Governor's Recommendations	17,185	18,044	18,947	36,991

EMPLOYEE RELATIONS DEPT

Change Item: Staff Restructuring

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	(\$333)	(\$441)	(\$441)	(\$441)
Revenues	0	0	0	0
Other Fund				
Expenditures	25	26	26	26
Revenues	0	0	0	0
Net Fiscal Impact	(\$308)	(\$415)	(\$415)	(\$415)

Recommendation

The Governor recommends a General Fund reduction of \$333,000 in FY 2006 and \$441,000 in FY 2007 to the department's General Fund forecast base of \$6.188 million per year. This reduction will be achieved through consolidation and restructuring of executive management, general clerical and administrative support activities including support for the Public Employers Insurance Program (PEIP), the elimination of a data collection position and the elimination of a position assisting the staffing, classification and job evaluation programs. Staff restructuring will result in the elimination of three currently vacant positions, two to three layoffs and at least one retirement that will lead to elimination of an additional position.

Background

If this recommendation is approved, the resulting changes will be:

- ⇒ During the first year of the biennium, the Department of Employee Relations (DOER) has one retirement among its senior executives and will use the opportunity to restructure agency management. This will eliminate at least one position vacated by retirement.
- ⇒ All remaining general clerical support positions in individual operating divisions will be merged with the existing administrative support unit to provide services on an agency-wide basis. Consolidating internal clerical staff will eliminate one vacant and one filled position and reduce the hours of a third. Impact of the cuts is primarily on internal staff, rather than agency customers.
- ⇒ The PEIP will reorganize program responsibilities, rather than permanently refilling a position vacated by retirement. This will include moving some activities to General Fund fiscal staff and, in exchange, PEIP will contribute toward staff costs, as reflected in the fiscal impact section. PEIP is funded by administrative fees paid by jurisdictions, which choose to participate in the program.
- ⇒ A position performing human resources data collection, surveys and reporting will be eliminated. This will result in one layoff. Analysis and reporting of key performance measurement information about state HR and DOER operations (e.g., Governor's Department Results) would continue.
- ⇒ A position assisting the staffing, classification and job evaluation programs will be abolished. The affected programs will have access to administrative assistance from the larger consolidated support unit being created. This will eliminate one vacant position.

Relationship to Base Budget

This recommendation represents a 6.3% reduction in the department's General Fund operating budget of \$6.188 million per year.

Alternatives Considered

Eliminate activities not directly linked to DOER's core mission of providing human resources for the state's Executive Branch (e.g., responsibilities related to local government, administering various payroll deduction programs) or implement/increase fees for those activities.

Statutory Change: The extent of executive management restructuring will be dictated, in part, by the retirements that actually occur in FY 2006. Because some of the agency's structure is specified in law, legislative approval may be required for the reorganization to be made permanent. If needed, statutory changes would be proposed in the 2006 session when the exact nature of the restructuring is known.

EMPLOYEE RELATIONS DEPT

Change Item: Online Affirmative Action and Pay Equity

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	(\$84)	(\$87)	(\$87)	(\$87)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$84)	(\$87)	(\$87)	(\$87)

Recommendation

The Governor recommends a General Fund reduction of \$84,000 in FY 2006 and \$87,000 in FY 2007 to the department's General Fund forecast base of \$6.188 million per year, as the result of leveraging automated; web-based systems for local government pay equity compliance and state agency affirmative action plan approval. This change will result in one layoff.

Background

All local government pay equity reports and state agency affirmative action plans will be processed online. Automated, web-based completion, initial compliance verification and submission will provide simplified reporting and faster response on whether requirements have been met and will allow increased focus on improving initial compliance and working with non-compliant clients of both programs using fewer resources. The system for online local government pay equity reporting is already near completion; some initial work has been done that will support online completion and submission of affirmative action plans.

Relationship to Base Budget

This recommendation represents a 1.4% reduction in the department's General Fund operating budget.

Alternatives Considered

Make agency heads responsible for ensuring that their affirmative action plans comply with requirements without subsequent review and approval by the Department of Employee Relations (DOER).

Eliminate DOER compliance verification for the Local Government Pay Equity Act or combine it with oversight activities of the State Auditor.

EMPLOYEE RELATIONS DEPTProgram: **EMPLOYEE INSURANCE DIVISION**Change Item: **Health and Safety Information Access-RTK**

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	(\$63)	(\$63)	(\$63)	(\$63)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$63)	(\$63)	(\$63)	(\$63)

Recommendation

The Governor recommends a reduction of \$63,000 annually for a contract to assist agencies in meeting the requirements of the state Employee Right to Know law. The reduction would eliminate the annual contract without impacting any positions.

Background

The Employee Insurance Division uses this General Fund appropriation for a single statewide contract to assist agencies in meeting requirements of the state Employee Right to Know law by providing a 24-hour health and safety hotline and a limited number of training hours. The Department of Employee Relations (DOER) is currently leveraging the Minnesota Poison Center to provide information regarding exposure episodes in the workplace and DOER's Safety and Industrial Hygiene Unit will continue to assist agencies. State agencies wanting training and services beyond what DOER staff can supply may obtain them from external providers.

Relationship to Base Budget

This recommendation represents a 1.0% reduction in the department's General Fund operating budget of \$6.188 million per year.

Alternatives Considered

Assess a fee to state agencies to cover contract costs.

EMPLOYEE RELATIONS DEPT

Change Item: Shared Funding for Technology

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	(\$41)	(\$41)	(\$41)	(\$41)
Revenues	0	0	0	0
State Employee Group Insurance Fund				
Expenditures	41	41	41	41
Revenues	0	0	0	0
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends a reduction of \$41,000 annually from the General Fund through increased funding for statewide self-service technology from the Employee Insurance Division.

Background

The Department of Employee Relations (DOER) continues to enhance direct human resource services to employees, supervisors, job applicants and others by investing in enterprise technology solutions. The Employee Insurance Division (EID) continues to expand self-service access for employee benefits and will increase its funding for several statewide systems supporting effective deployment and use of HR direct services.

Relationship to Base Budget

This recommendation represents a 0.7% reduction in the department's General Fund operating budget of \$6.188 million per year.

Alternatives Considered

Reduce or eliminate DOER funding of enterprise technology and self-service solutions beyond those available through SEMA4.

Agency Purpose

The Department of Employee Relations (DOER) is the human resource management agency of Minnesota state government. As the personnel and labor relations office, it assists all other agencies in issues relating to state employment.

The mission of DOER is accomplished, in part, through a partnership with state agency human resource professionals who are committed to the continuous improvement of human resource products, and services that support state government in providing service to all citizens.

Core Functions

DOER is governed by M.S. 43A, which gives the department responsibility for three main functions:

- ◆ administer the state's merit system, and provide a wide variety of human resources products, and services to 120 state agencies, boards, and commissions so they are able to achieve their missions;
- ◆ negotiate and administer labor agreements, and develop and administer compensation plans covering 36,250 state executive branch employees; and
- ◆ develop, implement, and manage employee and dependent insurance benefits for over 120,000 covered lives, and workers' compensation benefits for employees of the executive, legislative, and judicial branches and of quasi-state agencies, such as the Minnesota Historical Society and the Minnesota State Fair.

Operations

Labor Relations and Compensation represents the state executive branch in negotiating and administering collective bargaining agreements and compensation plans for 36,250 employees. In addition, it represents the state in employee grievance arbitrations.

Human Resource Management (HRM) ensures that a diverse pool of qualified job applicants is available to meet state agency needs; provides consultation and resources in job analysis, recruitment, selection, and workforce analysis; and manages, maintains, and integrates human resource information systems that support and enhance selection/recruiting and access to employment data. HRM assists state agencies in establishing and maintaining a workplace that attracts and supports diversity.

Information Systems provides comprehensive information technology management program, which support the state's payroll, human resources, and employee insurance systems to ensure that they are cost effective and value added.

At A Glance

Annual business processes:

- ◆ Negotiated and administered eight bargaining agreements, and two compensation plans affecting 36,250 state executive branch employees.
- ◆ Processed an average of 5,000 applicant resumes per month, with approximately 90% submitted through web-based self-service. The median time to fill state jobs is 40 days.
- ◆ Upgraded SEMA4, the statewide employee information system, to web-based technology that improves user access and offers employee self-service and insurance benefits processing. Conducted 2003 insurance enrollment through on-line self-service using the new system.
- ◆ Developed and managed health, dental, and life insurance and other benefits for state employees, retirees, and their families, totaling over 120,000 covered lives. At 8% of total premiums, (of which DOER receives 1.3%) the cost of administering health benefits remains below the industry standard of 10-15%. The Advantage Health Plan is projected to save nearly \$24 million in 2004 and 2005 in premiums for the state compared to the previous program.
- ◆ In July of 2004, the Advantage Health Plan was awarded the 2004 Innovations Award from the Council of State Governments (CSG), Midwest Region. This annual award showcases states' best programs and practices.
- ◆ Implemented a successful Canadian drug service, projected to save the state \$1.4 million by the end of 2005, and disease management programs to address the health conditions which claims data show are most prevalent among employees.
- ◆ As of July 2004, 123 public sector employer groups in Minnesota participated in the Public Employees Insurance Program.
- ◆ In FY 2003, approximately 2,636 workers' compensation claims were filed with a 15.5% decline in the rate of new claims.

State Employee Group Insurance Program (SEGIP) develops and manages insurance benefits for eligible state employees, retirees, and their dependents to help attract and retain a strong and productive workforce.

Public Employee Insurance Program (PEIP) offers local units of government group health, dental, and life insurance for their eligible employees, retirees, and their dependents.

Workers' Compensation provides workers' compensation benefits to state employees, represents state agencies in workers' compensation court cases, and works with agencies to address workplace safety and health issues.

Budget

Approximately one percent of the department's FY 2004-05 budget is from the General Fund. The other 99% is composed of revenues and expenditures for the various insurance and state employee benefit programs that the department operates.

The General Fund portion of the budget covers operating expenses for approximately 40% of the agency programs and staff including Human Resource Management, and parts of Labor Relations and Compensation, Information Systems, and other internal administrative services.

Sources other than the General Fund support the remaining agency operations including the SEGIP, the PEIP, the Workers' Compensation Program, and various Pre-Tax Programs.

The non-General Fund dollars used to operate these programs come from a variety of sources. SEGIP is funded by premiums collected from state agencies, employees, and self-paid participants and by a fee charged to participating employers. PEIP is funded by premiums paid by participating local units of government and their employees. State agency fees and reimbursements for claims costs generate the revenue for the Workers' Compensation Program. Pre-Tax Program revenue consists of employee contributions and fees for medical, dental, transit, and dependent care expense reimbursement accounts.

The number of FTE as of the third quarter of FY 2004 is 147.5, with 60 supported by the General Fund and the remainder from the other sources described above.

Contact

Department of Employee Relations
200 Centennial Building
658 Cedar Street
Saint Paul, Minnesota 55155
Commissioner's Office: (651) 296-3095
Home Page: <http://www.doer.state.mn.us/>

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	6,188	6,188	6,188	6,188	12,376
Recommended	6,188	6,188	5,667	5,556	11,223
Change		0	(521)	(632)	(1,153)
% Biennial Change from 2004-05					-9.3%
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	6,093	6,002	5,667	5,556	11,223
Open Appropriations					
General	362	491	506	521	1,027
Statutory Appropriations					
Special Revenue	24,900	25,345	25,127	26,475	51,602
State Employees Insurance	487,352	534,623	606,817	689,566	1,296,383
Miscellaneous Agency	15,937	17,185	18,044	18,947	36,991
Total	534,644	583,646	656,161	741,065	1,397,226
<u>Expenditures by Category</u>					
Total Compensation	10,789	10,995	10,725	11,042	21,767
Other Operating Expenses	523,855	572,651	645,436	730,023	1,375,459
Total	534,644	583,646	656,161	741,065	1,397,226
<u>Expenditures by Program</u>					
Human Resource Mgmt	7,362	7,071	6,754	6,648	13,402
Employee Insurance Division	527,282	576,575	649,407	734,417	1,383,824
Total	534,644	583,646	656,161	741,065	1,397,226
Full-Time Equivalents (FTE)	151.3	150.1	142.6	141.6	

Program Description:

The purpose of the Department of Employee Relations (DOER) Human Resource Management Program is to provide a number of centralized personnel services for the executive branch, as well as administrative services internal to DOER.

Budget Activities Included:

- ⇒ Administration
- ⇒ Agency and Applicant Services
- ⇒ Human Resource Technology and Analytics
- ⇒ Labor Relations and Compensation

EMPLOYEE RELATIONS DEPT

Program: HUMAN RESOURCE MGMT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	6,125	6,125	6,125	6,125	12,250
Subtotal - Forecast Base	6,125	6,125	6,125	6,125	12,250
Governor's Recommendations					
Staff Restructuring		0	(333)	(441)	(774)
Online Affirmative Action and Pay Equity		0	(84)	(87)	(171)
Shared Funding for Technology		0	(41)	(41)	(82)
Total	6,125	6,125	5,667	5,556	11,223
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	6,030	5,941	5,667	5,556	11,223
Statutory Appropriations					
Special Revenue	1,332	1,130	1,087	1,092	2,179
Total	7,362	7,071	6,754	6,648	13,402
<u>Expenditures by Category</u>					
Total Compensation	5,256	5,194	5,034	5,128	10,162
Other Operating Expenses	2,106	1,877	1,720	1,520	3,240
Total	7,362	7,071	6,754	6,648	13,402
<u>Expenditures by Activity</u>					
Administration	4,293	4,031	3,865	3,659	7,524
Labor Relations & Compensation	1,054	1,031	1,064	1,104	2,168
Agency And Applicant Services	1,359	1,397	1,288	1,331	2,619
Hr Technology & Analytics	656	612	537	554	1,091
Total	7,362	7,071	6,754	6,648	13,402
Full-Time Equivalent (FTE)	70.9	68.0	61.5	60.5	

EMPLOYEE RELATIONS DEPT

Program: HUMAN RESOURCE MGMT

Activity: ADMINISTRATION

Narrative

Activity Description

The Department of Employee Relations (DOER) Administration activity provides the agency's operational infrastructure and organizational/internal services. DOER Administration is provided through the department's Information Systems Division, and Administrative Services and Fiscal Services in the Human Resource Management Division.

Population Served

DOER Administration supports and serves the agency's staff members, who provide widely varied services to:

- ◆ state employees in the executive, legislative, and judicial branches of state government and quasi-state agencies, such as the Minnesota Historical Society and the Minnesota State Fair;
- ◆ all 120 executive branch state agencies served by the statewide SEMA4 personnel data system; and
- ◆ members of the general public.

Activity at a Glance

- ◆ Supports and serves Department of Employee Relations staff members who in turn provide widely varied services to state employees in the executive, legislative, and judicial branches of state government.
- ◆ Provides technical support for statewide HR systems including SEMA4 (human resources, payroll, and benefits), Resumix (applicant data and hiring support), and GenComp (Workers' Compensation claims) that serve up to 57,000 employees of the executive, legislative, and judicial branches and quasi-state agencies such as the Minnesota Historical Society and the Minnesota State Fair.

Services Provided

Information Systems Division:

- ◆ develops and implements information technology and web-based projects to assist operations within DOER and throughout the entire state agency human resource system;
- ◆ manages, supports, operates, and provides technical support for the department's applications including SEMA4 (human resources, payroll, and benefits), Resumix (applicant data and hiring support), Authoria (self-service and customer service support), and GenComp (Workers' Compensation);
- ◆ manages the SEMA4 technical staff of the Department of Finance (DOF) in the dual agency support of SEMA4;
- ◆ analyzes, purchases, maintains, and upgrades desktop personal computer technology for all DOER employees; and
- ◆ analyzes, purchases, maintains, and upgrades DOER's network, computer servers, and department technology infrastructure to support a wide variety of business functions.

Human Resource Management Division (Administrative Services and Fiscal Services):

- ◆ provides department-wide operational support including human resources, mail room, information processing, and reception services;
- ◆ supplies department-wide fiscal services management, accounts payable/receivable, organizational purchasing, and payroll; and
- ◆ administers the statewide Combined Charities and Vacation Donation Programs.

Key Measures

- ⇒ Successfully move to more electronic and less paper-intensive processes by implementing new and expanded self-service systems including; on-boarding for new hires, personalized employee benefit and HR policy information delivery (Authoria), and increased employee access to maintain their personnel data (SEMA4). A major upgrade in 2003 converted SEMA4 to a web-based system, and added employee self-service and insurance benefits processing functionality.
- ⇒ Successfully complete and support the enrollment technology requirements for DOER's state employee insurance enrollment.
- ⇒ Successfully continue to keep DOER statewide systems software up to date.

EMPLOYEE RELATIONS DEPT

Program: HUMAN RESOURCE MGMT

Activity: ADMINISTRATION

Narrative

Activity Funding

This activity is financed by an appropriation from the General Fund. The Combined Charities Program is also supported by registration fees from combined charitable organizations paid pursuant to M.S. 309.501, subd. 3. The Insurance Administration Fund within the Employee Insurance Division finances SEMA4 system upgrades and on-going costs related to insurance benefits processing.

Contact

DOER Deputy Commissioner for Personnel Services, (651) 296-3448

DOER Chief Information Officer, (651) 297-5767

DOER Human Resource Management Division Manager, (651) 297-8120

EMPLOYEE RELATIONS DEPT
 Program: HUMAN RESOURCE MGMT
 Activity: ADMINISTRATION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	3,277	3,107	2,934	2,728	5,662
Statutory Appropriations					
Special Revenue	1,016	924	931	931	1,862
Total	4,293	4,031	3,865	3,659	7,524
<u>Expenditures by Category</u>					
Total Compensation	2,593	2,576	2,427	2,426	4,853
Other Operating Expenses	1,700	1,455	1,438	1,233	2,671
Total	4,293	4,031	3,865	3,659	7,524
Full-Time Equivalents (FTE)	33.4	29.2	25.7	24.7	

Activity Description

Labor Relations and Compensation performs the duties assigned to the Department of Employee Relations (DOER) commissioner under the Public Employment Labor Relations Act (PELRA), including contract negotiations with the state employee unions. In addition, it administers the state's compensation system, and monitors local government subdivisions to ensure their compliance with the Local Government Pay Equity Act.

Population Served

Labor Relations and Compensation works with and represents the management of 120 state agencies and boards, impacting about 36,250 executive branch state employees, and works closely with legislative committees. In addition, the Bureau's Local Government Pay Equity Program works with more than 1,500 local governments to achieve compliance with state statute.

Services Provided

Labor Relations:

- ◆ negotiates and oversees collective bargaining with the exclusive representatives of executive branch state employees (except Minnesota State Colleges and Universities faculty);
- ◆ presents management's positions in interest arbitration (arbitrations involving bargaining units that do not have the right to strike);
- ◆ advises state agency management in their relationships with the exclusive representatives for state employees; and sets statewide policy for management's relationship with labor;
- ◆ implements major portions of collective bargaining agreements, interprets collective bargaining agreements, and advises agency management on contract administration;
- ◆ trains supervisors and managers in contract administration; and
- ◆ administers grievances appealed to arbitration by exclusive representatives.

Compensation:

- ◆ establishes an overall framework for compensation and benefits other than insurance (vacation, sick leave, holidays, expense reimbursement, etc.);
- ◆ provides policy development and research services to executive branch management in the areas of compensation and related programs;
- ◆ estimates the fiscal impact of collective bargaining proposals, and provides policy and technical direction in the negotiation of collective bargaining agreements;
- ◆ develops or approves compensation plans for unrepresented employees in all non-higher education agencies;
- ◆ administers the compliance process for the Local Government Pay Equity Act, ensuring that all political subdivisions (including cities, counties, school districts and others) report to DOER to confirm elimination of sex-based wage inequities; and
- ◆ reviews reports received from local governments to determine compliance, assess penalties, and inform the legislature of the compliance status of local government units.

Key Measures

⇒ Success in settling labor contracts within the budget parameters set forth by the administration and the legislature.

Activity at a Glance

- ◆ Serves 36,250 of the executive branch's 50,000 state employees.
- ◆ Negotiates eight collective bargaining agreements biennially, impacting about 34,150 executive branch state employees.
- ◆ Oversees and administers two unrepresented employee plans, impacting about 2,100 executive branch state workers.

EMPLOYEE RELATIONS DEPT

Program: HUMAN RESOURCE MGMT

Activity: LABOR RELATIONS & COMPENSATION

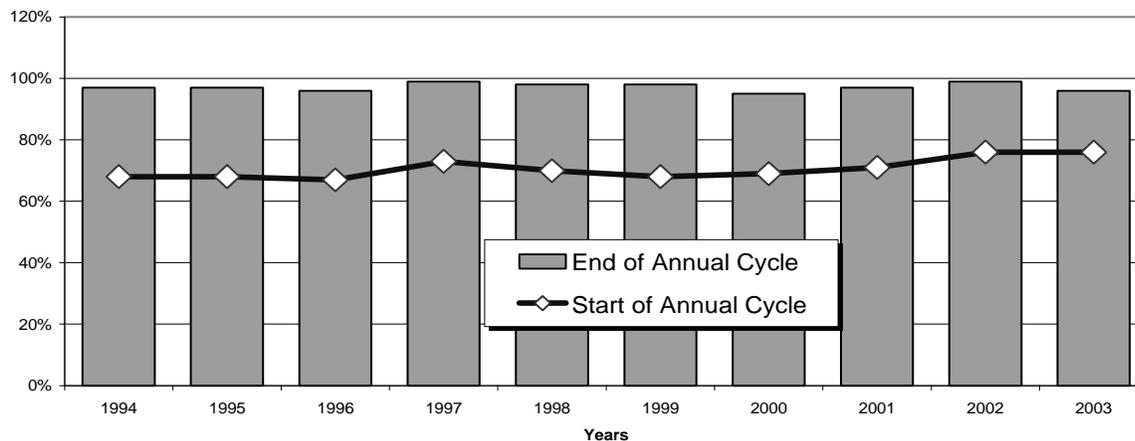
Narrative

⇒ Continued biennial reduction of the number of state employee labor grievances.

Grievance Type:	FY 2003	FY 2004
Appealed to arbitration	349	327
Arbitrated	16	5
Settled	114	91
Withdrawn	369	244
Active Grievances	569	455

⇒ Reduction in the annual number of pay equity non-compliance determinations within Minnesota's local government units.

% of Local Governments In Compliance



Activity Funding

The activity is financed by an appropriation from the General Fund.

Contact

DOER Deputy Commissioner for Labor Relations, (651) 296-8274

DOER Compensation Manager, (651) 297-5738

Labor Relations and Compensation page on the DOER web site:

www.doer.state.mn.us/lab-rel/LR_Totalcomp.HTM

EMPLOYEE RELATIONS DEPT
 Program: HUMAN RESOURCE MGMT
 Activity: LABOR RELATIONS & COMPENSATION

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	898	825	908	943	1,851
Statutory Appropriations					
Special Revenue	156	206	156	161	317
Total	1,054	1,031	1,064	1,104	2,168
<u>Expenditures by Category</u>					
Total Compensation	866	803	886	921	1,807
Other Operating Expenses	188	228	178	183	361
Total	1,054	1,031	1,064	1,104	2,168
Full-Time Equivalents (FTE)	11.2	11.0	11.0	11.0	

EMPLOYEE RELATIONS DEPT

Program: HUMAN RESOURCE MGMT

Activity: AGENCY AND APPLICANT SERVICES

Narrative

Activity Description

Agency and Applicant Services provides all state agencies with direction, development, and maintenance of the applicant process, hiring, and agency training to maximize state agency efforts to attract, hire, and retain a diverse and skilled workforce.

Population Served

Agency and Applicant Services serves human resource (HR) personnel, managers, supervisors, and lead workers in all 120 executive branch agencies. In addition, Agency and Applicant Services works with members of the general public interested in employment with the state of Minnesota.

Activity at a Glance

- ◆ Serves human resource personnel, managers, supervisors, and lead workers in all 120 executive branch agencies.
- ◆ Serves members of the general public who are interested in employment with the state of Minnesota.

Services Provided

Agency and Applicant Services supports agencies in making their hiring decisions by providing oversight and consultation as needed to the many state agency HR offices. Agency and Applicant Services retains responsibility for classification and hiring services to agencies that do not have the resources needed to handle HR functions and where statewide coordination of services is necessary. Agency and Applicant Services is responsible for the following:

Consult and coordinate with state agency HR personnel, managers and supervisors to:

- ◆ improve and coordinate HR functions on a statewide basis in collaboration with the Human Resource Directors Partnership (HRDP), and the Alliance for Cooperation, and Collaboration in Employment and State Service (ACCESS);
- ◆ develop selection criteria, design, and develop the selection process, and advertise vacant positions;
- ◆ recruit applicants, and market the state as an employer;
- ◆ assist agency management and employees with strategic staffing, workforce planning, and redeployment; and
- ◆ classify and evaluate state positions.

Provide services to applicants:

- ◆ process resumes quickly and accurately, and maintaining the integrity of the *Resumix* applicant database;
- ◆ answer questions regarding application materials, and the selection process; and
- ◆ staff and record data for the Job Information Line (phone access to information on state jobs).

Support state diversity, equal employment opportunity, and affirmative action:

- ◆ provide executive branch state agencies with services to assure their compliance with state and federal laws governing affirmative action, and equal employment opportunity;
- ◆ work with state agencies to increase representation of protected group employees in all job classifications, and help them develop plans to effectively attract and retain a diverse workforce;
- ◆ train state agencies to ensure consistency and best practices in affirmative action, recruitment, and diversity; and
- ◆ offer electronic delivery of services and web-based self-service workforce diversity resources, including on-line training, forms, reference materials, and reporting.

Key Measures

⇒ Every executive branch state agency has an approved affirmative action plan in place that meets legal requirements, and coordinates with the agency's workforce plan.

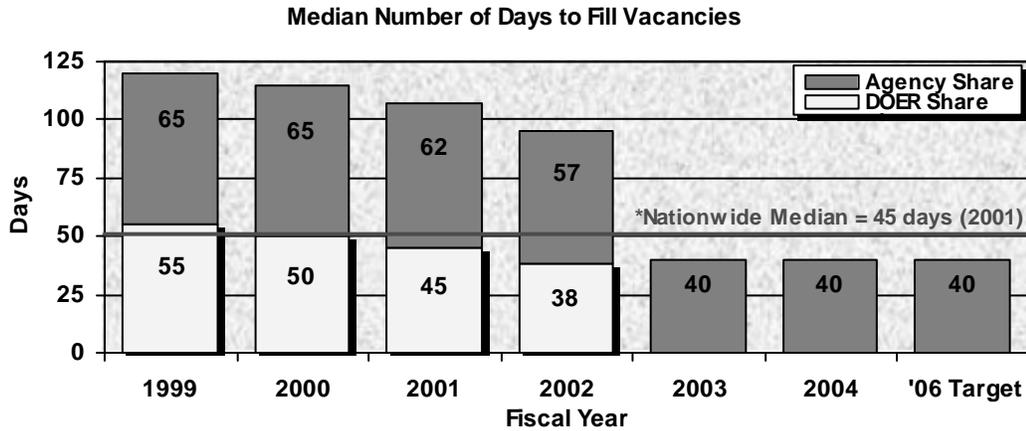
EMPLOYEE RELATIONS DEPT

Program: HUMAN RESOURCE MGMT

Activity: AGENCY AND APPLICANT SERVICES

Narrative

⇒ The median time to fill state agency vacancies is maintained at 40 days.



Activity Funding

This activity is financed by an appropriation from the General Fund.

Contact

DOER Deputy Commissioner for Personnel Services, (651) 296-3448

DOER Human Resource Management Division Manager, (651) 297-8120

Employment Main Page on DOER Internet web site: www.doer.state.mn.us/stf-bltn/jobs2/index.htm

Job Information Line: (651) 296-2616 or 1-800-657-3974

EMPLOYEE RELATIONS DEPT
 Program: HUMAN RESOURCE MGMT
 Activity: AGENCY AND APPLICANT SERVICES

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,355	1,397	1,288	1,331	2,619
Statutory Appropriations					
Special Revenue	4	0	0	0	0
Total	1,359	1,397	1,288	1,331	2,619
<u>Expenditures by Category</u>					
Total Compensation	1,327	1,348	1,236	1,279	2,515
Other Operating Expenses	32	49	52	52	104
Total	1,359	1,397	1,288	1,331	2,619
Full-Time Equivalents (FTE)	20.2	21.8	18.8	18.8	

EMPLOYEE RELATIONS DEPT

Program: HUMAN RESOURCE MGMT

Activity: HR TECHNOLOGY & ANALYTICS

Narrative

Activity Description

The Human Resource (HR) Technology and Analytics activity is responsible for utilization of technology for state hiring and employment through research, development, and enhancement of statewide systems including SEMA4 HR functionality, Resumix and related software for job applicants, hiring managers and supervisors, and WebEx (web-based training and communication tool). In addition, this activity analyzes applicant, employee, and other personnel data to identify workforce issues and trends on a statewide and individual agency level.

Population Served

HR Technology and Analytics serves:

- ◆ state employees in the executive, legislative, and judicial branches of state government;
- ◆ all 120 executive branch state agencies served by the statewide SEMA4 personnel data system; and
- ◆ state executive branch job seekers (approximately 100,000 since 2002).

Services Provided

- ◆ Identify, develop, and implement changes and enhancements to the HR component of SEMA4, and coordinate major SEMA4 changes with other analysts in DOER, and the Departments of Finance, and Administration;
- ◆ ensure data integrity through auditing of employee and applicant data;
- ◆ evaluate and revise the staffing process and research new assessment, recruitment, and selection tools to meet agency needs in today's labor market;
- ◆ develop and analyze staffing metrics to identify trends on an agency and statewide basis; and
- ◆ train agency users to ensure consistency, best practices, and appropriate use of available technology.

Key Measures

- ⇒ Successful creation and on-line delivery of training and communication modules for state employees, and agency HR offices through WebEx.
- ⇒ Implementation of a web-based process to assist executive branch agencies in orientation, data collection, and forms completion for newly hired employees.
- ⇒ Increased use of self-service technology as measured by the percentage of resumes received on-line, the usage of training and communication capabilities of WebEx, and the number of employee data changes submitted using the self-service option.

Activity at a Glance

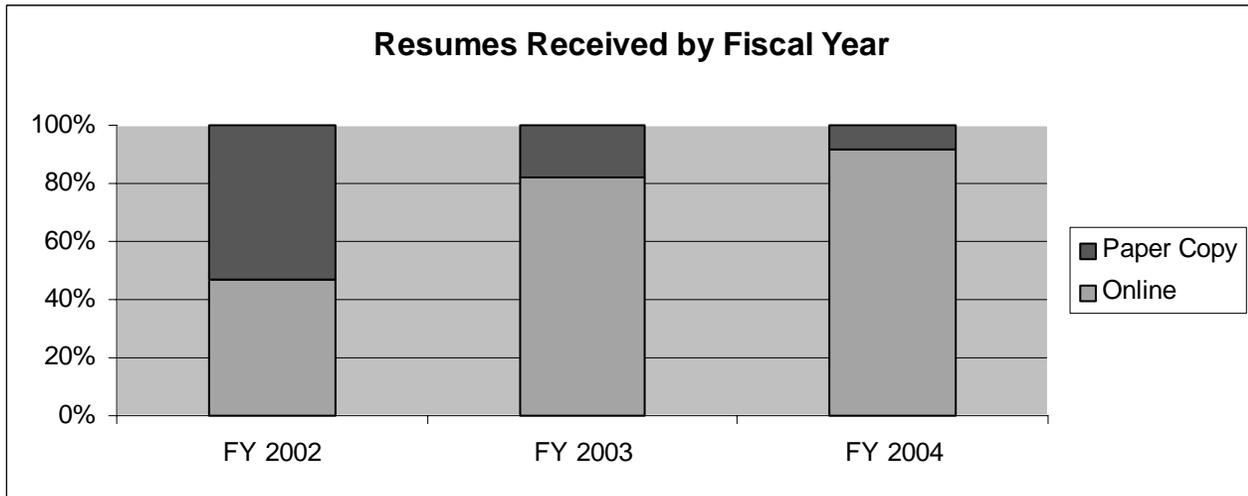
- ◆ Provides training, documentation and support for over 2,000 designated SEMA4 users who serve state agencies and up to 54,000 employees of the executive, legislative, and judicial branches.
- ◆ Supports 170 Resumix license holders, several thousand hiring managers and supervisors, and approximately 100,000 applicants for job openings in the state executive branch since 2002.

EMPLOYEE RELATIONS DEPT

Program: HUMAN RESOURCE MGMT

Activity: HR TECHNOLOGY & ANALYTICS

Narrative



Activity Funding

This activity is financed by a General Fund appropriation.

Contact

DOER Deputy Commissioner for Personnel Services, (651) 296-3448
DOER Human Resource Management Division Manager, (651) 297-8120

EMPLOYEE RELATIONS DEPT
 Program: HUMAN RESOURCE MGMT
 Activity: HR TECHNOLOGY & ANALYTICS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	500	612	537	554	1,091
Statutory Appropriations					
Special Revenue	156	0	0	0	0
Total	656	612	537	554	1,091
<u>Expenditures by Category</u>					
Total Compensation	470	467	485	502	987
Other Operating Expenses	186	145	52	52	104
Total	656	612	537	554	1,091
Full-Time Equivalents (FTE)	6.1	6.0	6.0	6.0	

Program Description

The purpose of the Employee Insurance Division (EID) is to administer employee insurance fringe benefits for the state of Minnesota's eligible state employees, retirees, and dependents.

Budget Activities Included:

- ◆ State Employees Group Insurance Program (SEGIP)
- ◆ Workers' Compensation Program
- ◆ Public Employees Insurance Program (PEIP)
- ◆ Insurance Division Non-Operating

EMPLOYEE RELATIONS DEPT

Program: EMPLOYEE INSURANCE DIVISION

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	63	63	63	63	126
Subtotal - Forecast Base	63	63	63	63	126
Governor's Recommendations					
Health and Safety Information Access-RTK		0	(63)	(63)	(126)
Total	63	63	0	0	0
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	63	61	0	0	0
Open Appropriations					
General	362	491	506	521	1,027
Statutory Appropriations					
Special Revenue	23,568	24,215	24,040	25,383	49,423
State Employees Insurance	487,352	534,623	606,817	689,566	1,296,383
Miscellaneous Agency	15,937	17,185	18,044	18,947	36,991
Total	527,282	576,575	649,407	734,417	1,383,824
<u>Expenditures by Category</u>					
Total Compensation	5,533	5,801	5,691	5,914	11,605
Other Operating Expenses	521,749	570,774	643,716	728,503	1,372,219
Total	527,282	576,575	649,407	734,417	1,383,824
<u>Expenditures by Activity</u>					
Employee Insurance Administrat	7,173	8,822	9,099	10,019	19,118
Public Employees Insurance Pgm	21,699	23,493	23,525	23,535	47,060
Workers Compensation	2,751	3,159	3,348	3,451	6,799
Insurance Div Non-Operatng	495,659	541,101	613,435	697,412	1,310,847
Total	527,282	576,575	649,407	734,417	1,383,824
Full-Time Equivalent (FTE)	80.4	82.1	81.1	81.1	

Activity Description

The State Employee Group Insurance Program (SEGIP) administers the state of Minnesota's comprehensive employee insurance fringe benefits package.

Population Served

SEGIP provides benefits to eligible employees, retirees, and dependents in all three branches of state government, Minnesota State Colleges and Universities, and certain quasi-state agencies. This activity covers 120,000 individuals statewide.

Services Provided

Current employee insurance benefits administered through SEGIP include health, dental, life, long and short-term disability, and long-term care coverage, as well as pre-tax accounts. To administer these benefits, SEGIP provides the following services:

- ◆ planning, design, and implementation of benefits;
- ◆ actuarial and audit services;
- ◆ support of the collective bargaining process;
- ◆ policy analysis;
- ◆ billing and enrollment;
- ◆ vendor selection and contract management;
- ◆ customer service; and
- ◆ health risk services.

Activity at a Glance

- ◆ SEGIP is the largest single employer group health purchaser in the state, serving all three branches of state government, Minnesota State Colleges and Universities, and quasi-state agencies such as the Minnesota Historical Society.
- ◆ SEGIP provides employee insurance to state employees, retirees, and dependents – over 120,000 covered lives statewide.
- ◆ The overall cost of administering SEGIP health benefits is approximately eight percent of total premium costs versus the industry standard of 10-15%. SEGIP receives 1.3% for internal administrative costs and the remainder is health plan fees.
- ◆ In July of 2004, the Advantage Health Plan was awarded the 2004 Innovations Award from the Council of State Governments (CSG), Midwest Region. This annual award showcases states' best programs and practices.

The Minnesota Advantage Health Plan is a cost-tiered employee health benefits plan serving 120,000 members of SEGIP. The program is saving the state and employees millions of dollars, while creating new levels of competition and incentives for efficiency in the health care market. In July of 2004 the Minnesota Advantage Health Plan was awarded the 2004 Innovations Award from the Council of State Governments (CSG), Midwest Region. CSG's annual Innovations Awards showcase and share states' best programs and practices.

Historical Perspective

The state of Minnesota is the largest single employer group health purchaser in the state, and it has long played a leading role in benefits design, purchasing, and administration. In 1989, SEGIP helped pioneer the health care delivery and financing concept of "managed competition" among competing health plans. Beginning in FY 2001, SEGIP's health benefits program became fully self-insured. In 2002, it successfully implemented a new employee health benefits concept known as Advantage. Advantage's innovative use of a tiered cost structure provides important signals and incentives to the health care system to contain costs and improve value, while maintaining choices, options, and a large network of available health care providers statewide.

In addition to more than a decade of health insurance purchasing landmarks, SEGIP added optional employee long-term care insurance in 2000, and implemented a disease management function in 2003 to improve employee health and productivity while reducing claims costs. SEGIP has also increased the use of technology to more effectively and efficiently process transactions and serve customers. SEGIP partnered with DOER's human resources and Finance's payroll staff to add benefits administration capabilities and completed a major upgrade to the state's computer system in 2003.

EMPLOYEE RELATIONS DEPT

Program: EMPLOYEE INSURANCE DIVISION

Activity: EMPLOYEE INSURANCE ADMINISTRATION

Narrative

Key Measures

- ⇒ The 2004 and 2005 Advantage Health Plan is projected to save nearly \$24 million in premiums for the state compared to the previous employee health coverage program.
- ⇒ The overall cost of administering health benefits remains well below the industry standard of 10-15% of total premium costs, at approximately 8% with 1.3% to SEGIP for internal administrative costs and the remainder to health plans.
- ⇒ The percentage of employees using online insurance enrollment has increased from 38% in 1997 to over 92% in 2003.
- ⇒ The implementation of a successful Canadian drug service that is projected to save the state \$1.4 million by the end of 2005.
- ⇒ The implementation of disease management programs for several prevalent health conditions including heart disease, diabetes, asthma, and 16 chronic complex conditions. An expanded disease management program negotiated for 2005 health plan contracts addresses the next tier of high cost/prevalent conditions. These 11 conditions include low back pain, acid related disorders, and osteoarthritis.
- ⇒ The development and implementation of an integrated medical and behavioral case management approach for SEGIP participants to coordinate services for both.

Activity Funding

SEGIP insurance and claims costs are funded primarily through premiums collected from state agencies and other participating groups, and from employees and retirees. These funds are principally pass-through funds to insurance carriers, third party administrators, and other vendors.

SEGIP's administrative revenues are collected primarily through direct, per employee charges to state agencies and other groups.

Contact

SEGIP Manager, (651) 296-4349

DOER Employee Insurance Division Director, (651) 296-6287

Or visit the SEGIP Main Page, at: www.doer.state.mn.us/ei-segip/SEGIP.HTM

EMPLOYEE RELATIONS DEPT
 Program: EMPLOYEE INSURANCE DIVISION
 Activity: EMPLOYEE INSURANCE ADMINISTRAT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Special Revenue	1,254	1,472	1,348	1,626	2,974
State Employees Insurance	5,919	7,350	7,751	8,393	16,144
Total	7,173	8,822	9,099	10,019	19,118
<u>Expenditures by Category</u>					
Total Compensation	3,168	3,259	3,071	3,185	6,256
Other Operating Expenses	4,005	5,563	6,028	6,834	12,862
Total	7,173	8,822	9,099	10,019	19,118
Full-Time Equivalent (FTE)	45.3	45.8	45.8	45.8	

EMPLOYEE RELATIONS DEPT

Program: EMPLOYEE INSURANCE DIVISION

Activity: PUBLIC EMPLOYEES INSURANCE PGM

Narrative

Activity Description

The Public Employees Insurance Program (PEIP) is a statewide health-dental-life insurance pool managed by Department of Employee Relations (DOER) and offered to local units of government. The program provides Minnesota's public employers (including counties, cities, townships, school districts, and other jurisdictions) with the option to purchase an affordable, uniform package of health care, and other benefits for their employees and their dependents and retirees.

Population Served

The availability of PEIP helps public sector employers obtain competitive health insurance rates. In some cases, PEIP provides the lowest bid. In other cases, PEIP offers a bid that competing insurers will then attempt to match or improve upon in order to be selected. In these instances, even when PEIP is ultimately not the successful bidder, it helps local units of government negotiate with other carriers to obtain the best rates possible.

In addition, PEIP offers public sector employers and their employees a choice of health plans wherever possible, while the majority of employers in the state now contract with a single carrier or health plan for health insurance.

Services Provided

PEIP was launched in 1989. In 1998, PEIP experienced a noticeable downturn in enrollment when the program was perceived as no longer being competitive in the market. This was addressed by altering the program design from an insured model to a self-insured model. This change provided greater flexibility and stability in rating and premium setting. As a result, the number of public sector employer groups and employees served by PEIP increased in 1999.

Historical Perspective

⇒ PEIP's viability and overall impact in the market are determined to a large extent by the number of participating employee groups and the number of individuals covered by the program. Because the program is not mandatory, membership fluctuates. This table shows the number of participants for the past eight years:

PEIP	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
# of groups	90	70	73	95	129	137	137	123
% change vs. previous year	(1%)	(22%)	4%	30%	36%	6%	0%	(10%)
# of employees	2,945	1,941	2,265	2,680	4,158	3,926	3,632	2,950
% change vs. previous year	(1%)	(34%)	17%	18%	55%	(6%)	(7%)	(19%)

At present, approximately 7,825 employees, retirees and dependents are covered under PEIP.

Activity Funding

PEIP is funded by employer group premiums. Premiums collected in excess of expenses are used to minimize the rates charged to employer groups. Premium investment income is used to offset administrative expenses.

Contact

DOER Employee Insurance Division Manager, (651) 296-6287

PEIP Manager, (651) 296-4934

Activity at a Glance

- ◆ As of July 2004, 123 public sector employer groups in Minnesota participated in PEIP. These include 21 school districts, 60 cities, 13 townships, 3 counties, and 26 other units of government (watershed districts, HRA's, etc.).
- ◆ The average number of employees per group is 24, with groups as large as 325 members and as small as one member.

EMPLOYEE RELATIONS DEPT
 Program: EMPLOYEE INSURANCE DIVISION
 Activity: PUBLIC EMPLOYEES INSURANCE PGM

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Expenditures by Fund</u>					
Statutory Appropriations					
State Employees Insurance	21,699	23,493	23,525	23,535	47,060
Total	21,699	23,493	23,525	23,535	47,060
<u>Expenditures by Category</u>					
Total Compensation	221	228	260	270	530
Other Operating Expenses	21,478	23,265	23,265	23,265	46,530
Total	21,699	23,493	23,525	23,535	47,060
Full-Time Equivalents (FTE)	3.3	3.3	2.3	2.3	

EMPLOYEE RELATIONS DEPT

Program: **EMPLOYEE INSURANCE DIVISION**

Activity: **WORKERS COMPENSATION**

Narrative

Activity Description

The purpose of Minnesota's self-insured workers' compensation activity is to provide workers' compensation benefits to state employees.

Population Served

The workers' compensation activity covers approximately 56,000 employees in the executive, legislative, and judicial branches of state government and in quasi-state agencies, such as the Minnesota Historical Society and the Minnesota State Fair.

Services Provided

The workers' compensation activity provides services through four distinct units: claims management, legal services, disability management, and safety/industrial hygiene.

- ⇒ The claims management unit works with injured employees, agencies, the Department of Labor and Industry, rehabilitation and vocational specialists, medical providers and others to determine compensability, administer, and resolve state employee workers' compensation claims.
- ⇒ The legal services unit represents state agencies in workers' compensation court cases.
- ⇒ The disability management unit works with injured employees, agencies, rehabilitation and vocational specialists, medical providers and others to help state workers who have been hurt or disabled on the job to return to active employment as quickly and safely as possible.
- ⇒ The safety/industrial hygiene unit works with the statewide safety committee, and individual safety committees in each agency to address widely varied workplace safety and health issues. These include materials handling, air quality, hazardous materials, blood-borne pathogens, biological hazards, office ergonomics, etc.

Historical Perspective

With cooperation from the statewide safety committee and individual agency safety committees, the Safety and Industrial Hygiene Unit has played a critical role in reducing the occurrence of workplace injuries over the past five years.

The active involvement of properly trained state agency personnel, in cooperation with the workers' compensation activity, has reduced the number of claims involving the loss of time from work during the past five years. The use of a certified managed care plan under contract with the workers' compensation activity has helped to control workers' compensation costs for state agencies.

Starting in FY 2003, the alternative cost allocation account was implemented to fund workers' compensation costs in small to medium-sized agencies. This account will help stabilize costs and provide a long-term strategic funding source for participating agencies.

Key Measures

- ⇒ In FY 2003, approximately 2,636 claims were filed. The rate of new claims declined 15.5% in FY 2003. Table 1 contains a breakdown of these claims.

Table 1

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 1999-03	FY 2002-03
	Claims Reported					% Change	
Lost Time	590	627	675	672	607	2.9%	(9.7%)
Medical Only	2,590	2,470	2,640	2,446	2,029	(21.7%)	(17.0%)
Totals	3,180	3,097	3,315	3,118	2,636	(17.1%)	(15.5%)

Activity at a Glance

- ◆ Serves approximately 56,000 employees in the executive, legislative, and judicial branches of state government and in quasi-state agencies such as the Minnesota State Fair.
- ◆ In FY 2003, approximately 2,636 claims were filed.
- ◆ The rate of new claims declined 15.5% in FY 2003.

EMPLOYEE RELATIONS DEPT**Program: EMPLOYEE INSURANCE DIVISION****Activity: WORKERS COMPENSATION**

Narrative

⇒ Benefit costs increased 4.2% in FY 2003. Table 2 contains a breakdown of benefit costs for FY 1999-03.

Table 2

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 1999-03	FY 2002-03
	Benefit Costs					% Change	
Indemnity	\$7,342	\$7,221	\$7,497	\$7,149	\$6,967	(5.1%)	(2.6%)
Medical	5,445	5,309	5,785	6,557	7,262	33.4%	10.7%
Expenses	620	698	620	607	638	22.0%	6.1%
Rehab- ilitation	766	790	1,194	881	935	3.0%	5.2%
EE Atty Fees	547	446	428	480	527	(3.7%)	9.8%
Totals	\$14,720	\$14,464	\$15,524	\$15,674	\$16,329	10.9%	4.2%

Activity Funding

- ⇒ Workers' Compensation is funded through an administrative fee assessed to all state agencies based on the number of employees, open claims, and the number of transactions for each agency. During FY 1999-2001, the annual fee remained \$2.7 million. In FY 2002, the annual fee was increased to \$2.9 million. In FY 2004, the annual fee was reduced to \$2.5 million.
- ⇒ The managed care fee (Table 3, Line 2) is passed through to state agencies (on a per-employee basis) for workers' compensation certified, managed care services.

Table 3

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Administrative Costs	\$2.7M	\$2.7M	\$2.7M	\$2.7M	\$2.9M	\$2.9M	\$2.5M	\$2.5M
Managed Care	\$955K	\$1.0M	\$1.0M	\$1.0M	\$1.1	\$1.1	\$1.3	\$1.5

The agency receives General Fund appropriations to pay the state's annual Workers' Compensation Reinsurance Association (WCRA) premium, and to coordinate state employee health and safety information resources.

Contact

DOER Workers' Compensation Program Manager, (651) 296-8190

DOER Employee Insurance Division Manager, (651) 296-6287

Workers' Compensation Activity's annual reports online: www.doer.state.mn.us/deptwide/wkr-comp.htm

EMPLOYEE RELATIONS DEPT
 Program: EMPLOYEE INSURANCE DIVISION
 Activity: WORKERS COMPENSATION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	63	61	0	0	0
Statutory Appropriations					
Special Revenue	2,688	3,098	3,348	3,451	6,799
Total	2,751	3,159	3,348	3,451	6,799
<u>Expenditures by Category</u>					
Total Compensation	2,144	2,314	2,360	2,459	4,819
Other Operating Expenses	607	845	988	992	1,980
Total	2,751	3,159	3,348	3,451	6,799
Full-Time Equivalents (FTE)	31.8	33.0	33.0	33.0	

EMPLOYEE RELATIONS DEPT

Program: EMPLOYEE INSURANCE DIVISION

Activity: INSURANCE DIV NON-OPERATNG

Narrative

Activity Description

The Department of Employee Relations (DOER) is authorized by Minnesota Statute to administer the state's employee insurance benefit program and the workers' compensation program. Actual revenues and expenditures for insurance benefits and claims costs associated with these programs are accounted for in the Insurance Division's Non-Operating accounts. These accounts are primarily pass-through funds paid by agencies and employees.

Services Provided

From the Non-Operating accounts, payments are made to third party administrators, insurance carriers, and other vendors who are under contract to pay claims and provide networks and related services. Benefit costs funded through this activity include:

- ⇒ Employee insurance program - premiums contributed by agencies and employees for health, dental, life, and long and short-term disability benefits.
- ⇒ Workers' compensation - funds paid by agencies to cover workers' compensation claim payments.
- ⇒ Pre-tax programs - pass-through employee contributions allowing pre-tax expenditures for medical, dental, transit, and daycare expenses.
- ⇒ Workers' Compensation Reinsurance Association (WCRA) - statutorily required premium payment on behalf of all state agencies.

The Insurance Division Non-Operating accounts are funded primarily by payments collected from state agencies, other participating groups, employees, and retirees. These accounts consist mainly of pass-through funds to insurance carriers, third party administrators, and other vendors. In addition, the funds are used to pay workers' compensation claims and employee pre-tax benefits programs.

The Insurance Division Non-Operating revenues and expenditures are provided in the table below. Excess revenues and investment earnings for the insurance program are applied to the respective programs and help to minimize future increases. The differences between workers' compensation revenues and expenditures are due to administrative fees, and the timing of claims payments and various third party reimbursements. The WCRA expenditures consist of General Fund appropriations while the revenues are refunds generated by high rates of investment return. Due to budget reductions, the WCRA 2002 premium was paid through DOER's operating budget.

	FY 2001		FY 2002		FY 2003		FY 2004	
	Revenue	Expended	Revenue	Expended	Revenue	Expended	Revenue	Expended
(Dollars in thousands)								
Insurance (Fund 550)	\$449,784	\$450,996	\$453,175	\$446,175	\$438,754	\$436,135	\$482,454	\$459,812
Workers' Comp (Fund 200)	21,383	16,886	21,095	16,573	23,219	18,431	20,754	16,219
Pre-Tax (Fund 200)	11,953	11,824	13,116	12,570	14,203	14,375	17,038	15,936
WCRA (Fund 100)	4,606	242	-0-	-0-	-0-	318	-0-	362
Total Budget Activity	\$487,726	\$479,948	\$487,386	\$475,318	\$476,176	\$469,259	\$520,246	\$492,329

Contact

SEGIP Manager, (651) 296-4349

DOER Workers' Compensation Program Manager, (651) 296-8190

DOER Employee Insurance Division Director, (651) 296-6287

Or visit the SEGIP Main Page, at www.doer.state.mn.us/ei-segip/SEGIP.HTM

EMPLOYEE RELATIONS DEPT
 Program: EMPLOYEE INSURANCE DIVISION
 Activity: INSURANCE DIV NON-OPERATNG

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Expenditures by Fund</u>					
Open Appropriations					
General	362	491	506	521	1,027
Statutory Appropriations					
Special Revenue	19,626	19,645	19,344	20,306	39,650
State Employees Insurance	459,734	503,780	575,541	657,638	1,233,179
Miscellaneous Agency	15,937	17,185	18,044	18,947	36,991
Total	495,659	541,101	613,435	697,412	1,310,847
<u>Expenditures by Category</u>					
Other Operating Expenses	495,659	541,101	613,435	697,412	1,310,847
Total	495,659	541,101	613,435	697,412	1,310,847

EMPLOYEE RELATIONS DEPT

Agency Revenue Summary

Dollars in Thousands

	Actual FY2004	Budgeted FY2005	Governor's Recomm. FY2006 FY2007		Biennium 2006-07
<i>Non Dedicated Revenue:</i>					
Total Non-Dedicated Receipts	0	0	0	0	0
<i>Dedicated Receipts:</i>					
Departmental Earnings (Inter-Agency):					
Special Revenue	1,003	1,038	1,038	1,038	2,076
State Employees Insurance	4,790	4,512	4,512	4,512	9,024
Departmental Earnings:					
State Employees Insurance	376	405	405	405	810
Other Revenues:					
Special Revenue	20,649	21,622	21,058	22,109	43,167
State Employees Insurance	2,885	2,460	2,460	2,460	4,920
Other Sources:					
Special Revenue	2,514	2,414	2,505	2,508	5,013
State Employees Insurance	503,703	528,262	599,907	682,006	1,281,913
Miscellaneous Agency	17,038	17,185	18,044	18,947	36,991
Total Dedicated Receipts	552,958	577,898	649,929	733,985	1,383,914
Agency Total Revenue	552,958	577,898	649,929	733,985	1,383,914